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Internship Report on General Banking of BASIC Bank Limited

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Letter of Transmittal

Date: 12th December, 2016

To: Dr. Md. Mamun Habib,
Associate Prof.
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Subject: Submission of Internship Report

Dear Sir,

It was a privilege and great pleasure for me to submit my internship report titled “**GENERAL BANKING ACTIVITIES OF BASIC Bank**” that has been prepared as an essential part of my degree requirement. As you know, I had completed my internship in Uttora branch of BASIC Bank Limited on the above topic. While preparing this report I went through broad literature assessment and discussed with some bank officials. Surely ahead of any doubt it improves my understanding and also builds up my learning skill. Hoping to meet your expectation from this report. I would be obliged to receive your propositions and remarks regarding this.

Sincerely Yours

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Acknowledgement

First, I remember Almighty Allah for helping me to successfully prepare this report, thankful to the BASIC Bank Limited authority that has assisted me by giving efficient preferred information from their portal and put my heart rendering respect and appreciation for the consideration and co-operation which is given to complete my project work assigned report on the topic **“GENERAL BANKING ACTIVITIES OF BASIC Bank”**. I express my profound thanks to Dr. Md. Mamun Habib, Associate Prof. BRAC University, for being a co-operative and very accommodating advisor and providing me appropriate direction in carrying out my Internship Report, as a part of the obligatory prerequisite for the MBA Program and heartily thank all the officials of BASIC Bank and my friends who directly or indirectly provided me their support in this regard. Finally, I would like to thanks to all of my family members who gave me physical, psychological and economical supports to complete my MBA Program.

Table of Content

Sr.	Description	Page No.
1. Introduction		
1.1	Origin of the report	2
1.2	Objective of the report	3
1.3	Scope of the study	3
1.4	Methodology of the study	4
1.5	Limitations of the study	4
2. Overview of the report		
2.1	History of Basic Bank	7
2.2	Products	7
2.3	Main Functions of Basic Bank	7
2.4	Corporate Strategy of Basic Bank	8
2.5	Organizational goals of Basic Bank	8
2.6	Hierarchy of Basic Bank	9
2.7	Resources and Capabilities of Basic Bank	10
3. General Banking		
3.1	Account Opening	15
3.2	FDR	21
3.3	Local Remittance	23
3.4	Collection and Clearing	29
3.5	Cash	34
3.6	Account Section	37
4. Conclusion and Recommendations		
4.1	Conclusion	39
4.2	Recommendations	40
	References	41

Executive Summery

Modern Banking presents an extensive variety of economic services and carries out the widest array of economic tasks of any business firm in the financial system which is a result improvement. Earning a good image of honesty to pact with money of the shareholders is the vital characteristic of banking process. Internship program assists to attain realistic understanding along with scholastic understanding. Study is not complete without realistic details, and it helps to recognize genuine situation of study. I have obtained knowledge on General Banking procedures by getting chance as an intern in BASIC Bank, worked there for three months as a prerequisite of internship part of MBA program under the Department of Business Administration of BRAC University. The chosen topic is “General Banking Activities of BASIC Bank.”

In this report, I am focusing mainly on general banking of BASIC Bank. During the 3 months, the observation and learning part was too good. The observation regarding the banker – customer relationship is a major consideration for the bankers. Computerization of all branches of BASIC BANK Ltd is a very bold, positive and progressive step towards modern technology and in the race of survival. General banking operation includes general account’s opening, requirements of opening accounts, schemes, rate of interest on deposit, cheque clearing and bills department sections, collection section, local remittance department and customer services.

Working with general banking division the most noticeable part was thee bank follows traditional system in case of handling day to day activities. The identification of the Strength, Weakness, Opportunities and Threats regarding general banking section which turned into problem identification regarding that particular section putted some recommendation relating to that problem in my recommendation section. Being the fast and computerized system general banking activities would be one of the major sources of fund mobilization. But it definitely depends on the employees relating with their efficiency those are engaged with providing regular services to the client on a regular basis.

1. Introduction

Bank is a financial institution which deals with money. Not all banks are the same. There are different types of banks: co-operative banks, savings banks, investment banks and central banks. Because of its transitional role, banking system occupies a vital place in a country's economy. It confirms distribution and re-allocation of assets and keeps up the motion of economic activities. As monetary intermediaries, banks stand between investors who invest capital and debtors who demand capital. It assembles asset for both the public and private sectors, and provides inventive answers to meet the requirements of entrepreneurs and government agencies. Thus the banking segment plays a key role in the evolution of Bangladesh's economy. After the independence of Bangladesh in 1971, six state owned commercialized banks were composed, two state owned banks that specialized in lending to the agriculture and industry, three foreign banks including standard chartered bank. The banking industry has faced momentous expansions from 1980's. Private Banks has entered in banking industry, Micro finance banks grew rapidly, which has provided assistance to meet the needs of poor citizens.

Foreign trading is a large business which is run by commercial banks. Foreign trade means the exchange of capitals and services across the border. Expertise is provided by commercial banks. Foreign trade requires a flow of goods from seller to buyer and payment from buyer to seller. Here, bank plays as a conciliator between the buyer and seller.

BASIC Bank was established in Bangladesh as a banking company. I worked in the General Banking (account opening, clearing, transfer, deposit), of this bank. This gave me the opportunity to know different aspects of the company. So, I have prepared my internship report on "General Banking" of BASIC Bank Limited".

1.1 Origin of the report

The internship program is an essential part of MBA and this report is prepared as a part of my internship. Every student must take a three month attachment with an organization to take part in different types of works. The organizational supervisor assigns the report and the faculty advisor endorses the report. This assignment is given to collect practical knowledge and experience of corporate life. I got the opportunity to complete my assignment in BASIC Bank Limited, Uttora

branch, Dhaka. It was a three month long program. My supervisor asked me to conduct my study on “General Banking” and also authorized to prepare a report on it.

1.2 Objective of the Report

General objective:

- General objective is to prepare and submit a report on the topic “General Banking”.
- To get idea about the relationship between real life learning and theoretical learning of BASIC Bank Ltd.

Specific objective:

- To apply knowledge in real-world field.
- To observe the purposes of general banking.
- Getting idea about how commercial bank works.
- To understand entire branch banking procedures.
- To gain practical experience that will help us in our practical life.
- To understand how other departments of the branch function.
- To know the strength and weakness of the bank.
- To understand in which sector the bank is working with proper efficiency
- To find out the problems of the bank and suggesting the way to solve the problems.
- To analyze the current performance and making future predictions.

1.3 Scope of the Study

This report is based on my practical work experience with United Commercial Bank Limited. It will also help the students to reduce the distinction between realistic and hypothetical knowledge. This report significantly helped me a lot to understand the atmosphere and environment of an organization.

As I am an internee of UCBL, I have access to many different sectors like account opening, clearing, cheque division, pay order writing, accounts etc. It was almost impossible for me to learn everything about all banking sectors as it was a large financial sector with limited time.

1.4 Methodology of the Study

I have designed the methodology of the study in the following way:

Data sources:

a) **Primary data sources:** Inspection in different desks, talking with professionals in Casual manner and planned analysis are the Main resources.

b) **Secondary data sources:** Leaflets and manuals of UCBL, different publications of Bangladesh Bank and yearly reports are the secondary data sources.

Extensive study of the existing files, convenient case clarifications, observation and Reimbursement practice interview with the employee were done to identify the execution and control and monitoring of the banking system.

1.5 Limitations of the Study

- **Lack of Time:** As there was only three months to complete the report, it was almost impossible to cover the performance of the bank fully, where a regular employee gets awarded after 1 or 2 year of his probationary period.
- **Limited data resources:** All types of information were not available for access, so it was not possible to access and summarize them properly. Though I had assistance from other employees but it was not enough for me due to their high work pressure in the bank. Some assumptions were made due to limited information, so there may be some personal mistakes.
- **Lack of experience:** It was my first time, doing a report on a banking system in a practical corporate life. So my limited experience was the main obstacle of this study.

- **Privacy of Information:** Every establishment has its secrecy that is not shared with everyone. So this confidentiality of information was also an obstacle faced in this study.

2. Overview of the Bank

2.1 History of BASIC Bank Ltd

Bangladesh Small Industries and Commerce (BASIC) Bank limited¹ is a banking company registered under the Companies Act 1913. It was incorporated under the Act on the 2nd of August 1988. The bank started its operations from the 21st of January 1989. It is governed by the Banking Companies Act 1991. The bank was established as the policy makers of the country felt the urgency for a bank in the private sector for financing Small-Scale Industries (SSIs). At the outset, the bank started as a joint venture enterprise of the BCC Foundation with 70 percent shares and the Government of Bangladesh (GOB) with the remaining 30 percent shares. The BCC Foundation being nonfunctional following the closure of the BCCI, the Government of Bangladesh took over 100 percent ownership of BASIC bank on 4th June 1992. Thus, the bank is state-owned. However, the bank is not nationalized; it operates a private bank as before.

BASIC bank is unique in its objectives. It is a blend of development and commercial banks. The Memorandum and Articles of Association of the bank stipulate that 50 percent of loan able funds shall be invested in small and cottage industries sector.

2.2 Products

Banking services

Consumer Banking

Corporate Banking

Investment Banking

2.3 Main Function of BASIC Bank Ltd

The Bank offers:

- Term loans to industries especially to small-scale enterprises.
 - Full-fledged commercial banking service including collection of deposit, short term trade finance, working capital finance in processing and manufacturing units and financing facilitating international trade.
-

- Technical support to Small Scale Industries (SSIs) in order to enable them to run their enterprises successfully.
- Micro credit to the urban poor through linkage with Non –Government Organizations (NGOs) with a view to facilitating their access to the formal financial market for the mobilization of funds.

In order to perform the above tasks, BASIC works closely with its clients, the regulatory authorities, the shareholders (GOB), banks and other financial institutions.

2.4 Corporate Strategy of BASIC Bank Ltd

- Financing establishment of small units of industries and businesses and facilitate their growth
- Small Balance Sheet size composed of quality assets
- Steady and sustainable growth
- Investment in a cautious way
- Adoption of new banking technology

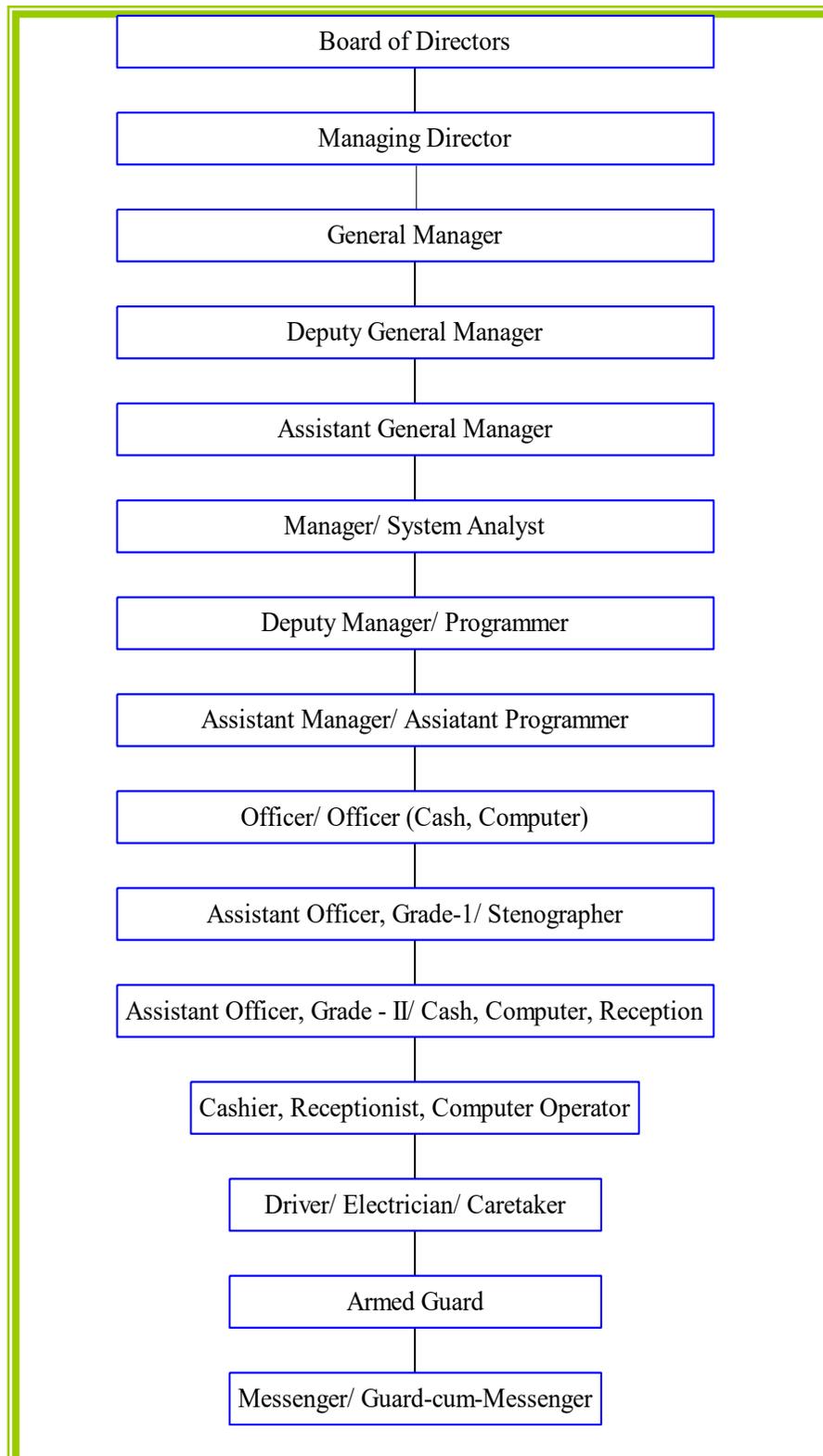
2.5 Organizational Goals of BASIC Bank Ltd

- To employ funds for profitable purposes in various fields with special emphasis on small-scale industries
- To undertake project promotion to identify profitable areas of investment
- To search for newer avenues for investment and develop new products to suit such needs
- To establish linkage with other institutions which are engaged in financing micro enterprises
- To cooperate and collaborate with institutions entrusted with the responsibility of promoting and aiding SSI sector.

2.6 Hierarchy of BASIC Bank Ltd

To achieve its organizational goals, the bank conduct its operation in accordance with the major policy guidelines laid down by the Board of Directors, the highest policy making body. The management looks after the day to day operation of the Bank.

Management Hierarchy of BASIC Bank Limited



Source: Personnel Department, Head Office, BASIC Bank Limited

a) Board of Directors:

The Government holds 100 percent ownership of the bank. The Government of Bangladesh appoints all the Directors of the Board. The Secretary of the Ministry of Industries is the Chairman of the Bank. Other Directors of the Bank are high government and central bank executives.

The managing director is an ex-officio member of the board of directors. There are at present 7 (seven) Directors including the Managing Director.

b) Management:

The Managing Director heads the management. Two General Managers and departmental heads in the Head Office assist him. BASIC is different in respect of hierarchical structure from other banks in that it is much more vertically integrated as far as reporting to the Chief Executive is concerned. The Branch Managers of the Bank report directly to the Managing Director and, for functional purposes, to the Heads of Departments. Consequently, quick decision making in disposal of cases is ensured.

2.7 Resources and Capabilities of BASIC Bank Ltd

BASIC bank is well prepared to and capable of meeting the demand for a broad range of banking services. It has got adequate resources, both human and physical, to provide the customers with the best possible services.

a) Physical and Technological Resources

A great deal of investment for developing the physical resource base of the Bank has been made. BASIC has its presence in all the major industrial and commercial hubs of Bangladesh in order to cater to the needs of industry and trade. At present, there are fifty three conveniently located branches throughout Bangladesh. There are four branches in underway.

Major features of these branches are:

- Fully computerized accounts maintenance
- Well decorated and air conditioned facilities

- A fully operational computer network which is currently being implemented. The work of Local Area Network (LAN) and Wide Area Network (WAN) installation having reliable and secured communication between the branches and the Head Office is in progress to facilitate any Branch Banking and ATM services.
- Money counting machine for making cash transactions easy and prompt.
- Forty out of 55 branches are authorized dealers of foreign exchange. This facilitates speedy disposal of transaction of exports and import trade.
- A group of professional bankers to render personalized services.

b) Monetary / Financial Resources

Like any other financial intermediaries, BASIC is no exception in performing its core functions viz. mobilization of fund and utilizing such fund for profitable purposes.

I. Mobilization of fund

The main sources of fund for BASIC are:

- **Deposit**

Deposit is the mainstay of BASIC Bank's sources of funds. The following includes the usual types of deposits of the bank:

- ;Current Deposit
- Savings Deposit
- Term Deposit

- **Borrowing**

Apart from deposit, BASIC received funds from:

- Bangladesh Bank
- Asian Development Bank (ADB)
- KFW (Kreditanstalt für Wieder-aufbau, Credit Institution for Reconstruction), a German Development Bank

All of these funding sources are for relatively longer period. Receiving the credit lines from ADB and KfW has been recognition of BASIC's highly satisfactory performance.

II. Utilization of Fund

BASIC utilizes its funds in accordance with its organizational goals and corporate strategy. Main use is for lending to industrial and trade sectors. Maintenance of cash and statutory liquidity reserve with the Bangladesh Bank covers 20 percent of demand and time liabilities. Placement of funds in NOSTRO ACCOUNTS to handle foreign trade and investment in money market is also done as usual.

c) Human Resources

BASIC bank has a well-diversified pool of human resources, which is composed of people with high academic background. As of 31st December 2000, the total employee strength is 453. The strength is 345 excluding the menial staff. Most employees are comparatively young in age yet mature in experience. And also their level of education comprises 55.07 % post-graduate, 42.90 % graduate and rest under graduate. BASIC has been investing its resources with a view to developing an efficient and professional work force. Two approaches are mainly in this regard: Training and Fresh Recruitment.

- **Training:** Intensive training program, on a regular basis, is being imparted to employees of both management and non-management levels to meet the challenges in the banking industry and to help employees to adapt the changes and new working conditions. Human resource is the main driving force and quality human resources are the key sources for the success of today's banking business. Keeping this view in mind and recognizing the importance of training for professional excellence BASIC Bank Ltd. has established its own training institute in 2005 with modern facilities. In 2008 the institute arranged 27 training courses and provided training to as many as 517 employees of the bank. To cater to the needs of the employees and to keep pace with demand of the time it will continue to arrange regular training courses in the days ahead. During the year 2008, a total of 602 employees of the Bank were provided with training in various fields. Out of them 11 employees participated in training courses held abroad. In 2007 total 122 employees of various stages were given promotion which is almost 17.00 percent of total.

- **Fresh Recruitment:** The bank follows a strict recruitment policy in order to ensure that only the best people are recruited. The bank, so far, has recruited four batches of entry-level management staff, all of whom have excellent academic background.

3. General Banking

General Banking Department performs the core functions of the bank. It deals day to day transactions. It takes the deposit from the customer and meets the customer demands for cash by honoring their checks. Broadly, it has the following core heads-

3.1 ACCOUNTS OPENING

Banker-customer relationship begins with the opening of an account by the customer. Opening of an account binds the same into a contractual relationship. But the selection of customer is very crucial. In fact, fraud and forgery of all kinds start by opening of an account by the customer (s). So, the bank takes extra care in its selection. One of the basic functions of commercial banks is to accept deposits. For accepting deposits both demand and time, BASIC Bank Uttora branch offers the following types of accounts-

- A. Demand deposits (Withdrawable on demand)
 - ✓ Saving Bank Account
 - ✓ Current Account

- B. Time deposits (Payable at a fixed date or after a period of notice)
 - ✓ Fixed Deposit Receipt (FDR)
 - ✓ Short Term Deposit (STD)

Types of Accounts

This part covers only following types of accounts-

- ***Savings Bank Account***

This deposit is primarily for small-scale savers. Hence, there is a restriction on withdrawals in a week. Heavy withdrawals are permitted only against prior notice. Some Important Points are as follows-

- ❖ Minimum opening deposit of Tk.1000/= is required;
- ❖ Check book issuing balance is also the same (Tk. 1000/=);

- ❖ Withdrawal amount should not be more than $1/4^{\text{th}}$ of the total balance at a time and limit twice in a week;
- ❖ Interest rate is 7.5% including 10% excise duty on interest rate. Interest paid twice in a year depending on monthly minimum balance. When money is deposited within 5 of the following month, then it is counted as monthly minimum balance. If the interest amount is more than Tk. 200 or more, the bank is paid the amount to the customer. Otherwise it is treated as Bank's Shadow Profit;
- ❖ Can open the A/c individually or jointly. In case of joint a/c, Joint signature is required if not authorized otherwise;
- ❖ Minor (For withdrawal purpose), lunatic, insolvent, pardanshin women (Not mandatory) cannot open such type of account.

- ***Current Account***

Current account is purely a demand deposit account. There is no restriction on withdrawing money from the account. It is basically justified when funds are to be collected and money is to be paid at frequent interval. It is most suitable for private individuals, traders, merchants, importers and exporters, mill and factory owners, limited company's etc. Some Important Points are as follows-

- ❖ Minimum opening deposit of TK.5000/- is required;
- ❖ There is no withdrawal limit. But in case of large amount say 2 lac or more, bank requires one day before notice;
- ❖ No interest is given upon the deposited money;
- ❖ The Banker is under an obligation to repay these deposits on demand. So, they are called demand liabilities of a Banker.
- ❖ The primary objective of such account is to save big customers like businessmen, joint stock companies, public authorities, etc. from the risk of handling a lot of cash.
- ❖ The cost of providing current account facilities is considerable to the Bank as they make payments and collect the bills, drafts, and checks for any number of times daily. The Bank is therefore; do not pay interest on current deposits. At the same time, BASIC bank charges Tk. 200 as Incidental fee;
- ❖ Minimum Tk. 1000 balance must always maintain all the time;

- ❖ Minor cannot open such type of account;
- ❖ Account holder can enjoy SOD or even TOD facility.

- ***STD (Short Term Deposit) Account***

Normally various big companies, organizations, Government Departments keep money in STD account. Frequent withdrawal is discouraged and requires prior notice. In BASIC, customers usually give an instruction that their current account will be debited whenever its deposited amount crosses a certain limit and this amount will be transferred to the STD account. The deposit should be kept for at least seven days to get interest. The interest offered for STD is less than that of savings deposit. Interest is calculated based on daily minimum product and paid two times in a year. Interest rate is 6.00% including 10% excise duty on interest rate.

Documents required for each account separately

- ***Proprietorship Firm-***

- ❖ Declaration of proprietorship.
- ❖ Trade licence.
- ❖ Tax Identification No (TIN) directed by Bangladesh Bank.

- ***Partnership Firm-***

- ❖ Account must be opened in the name of the firm.
- ❖ The firm should describe the names and addresses of all partners.
- ❖ Board Resolution signed by all partners to open the A/C.
- ❖ Photocopy of partnership deed duly attested by notary public.
- ❖ Letter of partnership duly signed by all partners.
- ❖ Trade licence from municipality.
- ❖ Tax Identification No (TIN) directed by Bangladesh Bank.

- **Private Limited Joint Stock Company-**

- ❖ Memorandum of Association and Articles of Association duly certified by Chairman 'or Secretary.
- ❖ Board Resolution duly certified by Chairman/ Secretary authorizing to open the A/C with the bank and mentioning the name of the person (s) who will operate the A/C as per provisions of Articles of Association.
- ❖ Certificate of incorporation duly certified by Chairman or Secretary.
- ❖ List of all Directors with Designation, Address & Specimen Signature duly certified by Chairman or Secretary (Form XII).
- ❖ Latest copy of Balance Sheet
- ❖ Power of attorney.
- ❖ Tax Identification No (TIN) directed by Bangladesh Bank.

- **Public Limited Joint Stock Company-**

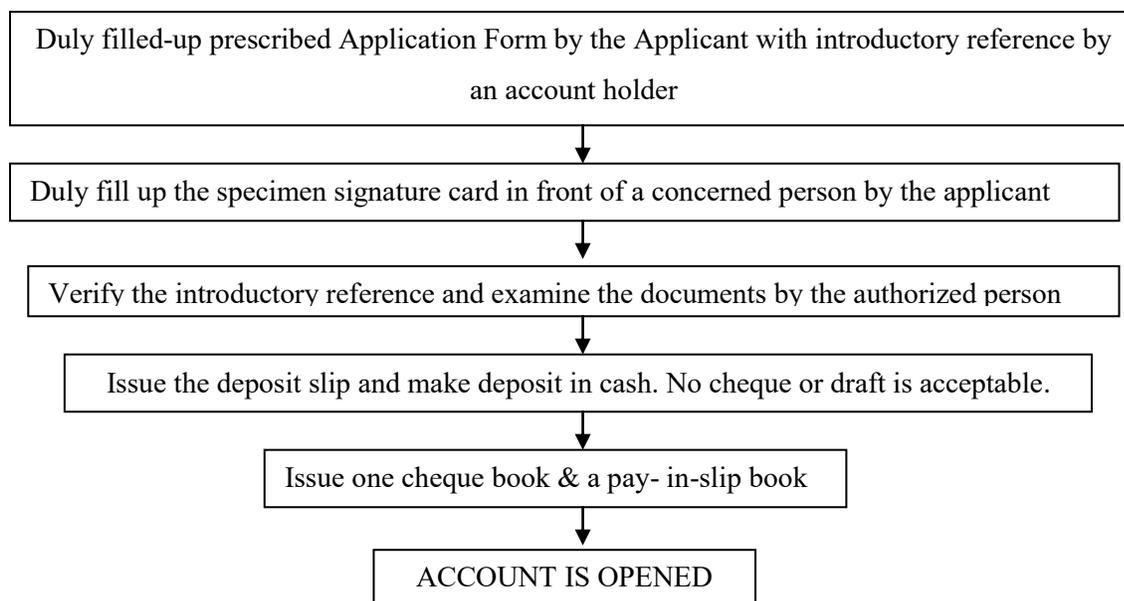
- ❖ Photocopy of Registration certificate certified by Chairman or Secretary.
- ❖ Memorandum of Association and Articles of Association duly certified by Chairman or Secretary.
- ❖ Board Resolution duly certified by Chairman/ Secretary authorizing to open the A/C with the bank and mentioning the name of the person (s) who will operate the A/C as per provisions of Articles of Association.
- ❖ Certificate of commencement duly certified by Chairman or Secretary.
- ❖ List of members of Managing/ Executive duly certified by Chairman or Secretary.
- ❖ Tax Identification No (TIN) directed by Bangladesh Bank.

- **Societies/Clubs-**

- ❖ Certified copy of Registration certificate under the societies Registration Act, 1962.
- ❖ Certified copy of Resolution for opening and operation of account.
- ❖ Certified copy of Bye-laws & Regulations/ Constitution.
- ❖ Power of Attorney.

- **Cooperative Society-**
 - ❖ Copy of Bye-law duly certified by the Co-operative officer.
 - ❖ Up to date list of office bearers.
 - ❖ Resolution of executive Committee as regards of the account.
 - ❖ Certified copy of Certificate of Registration issued by Registrar, Co-operative Societies.
- **Non-Government College/ School/ Madrasha:**
 - ❖ Up to date list of the Governing Body/ Managing Committee.
 - ❖ Copy of Resolution of the Governing Body/Managing Committee authorizing opening and operation of the account duly certified by Gazetted Officer.
- **Minor's account-**
 - ❖ Putting the word “ MINOR” after the title of the account.
 - ❖ Recording special instruction of operation of the account.
 - ❖ The account opening form is to be filled in and signed by either of the parents or the legal guardian appointed by the Court of Law & not by the Minor.

Account opening flowchart



Account closing Procedure

An account may close-

- When the customer desirous to close the account.
- When the account is inoperative for a long time.
- In case of customer's death, insanity or insolvency.
- When the court on that particular A/C issues Garnishee Order.

To close an account, the checkbook is to be returned to the bank. BASIC bank charges Tk. 200/= for the same by debiting the amount from his account and rest amount is then paid to the customer. Necessary entries are given to the account closing register and computer. Finally make sure that A/C holder is completely free from all dues.

Issuance of new Cheque Book

- **For New and Old Account**

Fresh checkbook is issued to the account holder only against requisition on the prescribed application form. In case of old account, requisition made on the prescribed requisition slip attached with the checkbook issued earlier. Generate a security no randomly for every check leaf by Manager or authorized person. Prepare the instrument with respective security no on the back of each leaf and signed by the authorized person. Make necessary entries in **Check Issue Register**. Finally issue the checkbook for client (s).

3.2 FIXED DEPOSIT RECEIPT (FDR)

FDR Account

Fixed deposits are time deposits or time liabilities. These are the deposits in which an amount of cash is deposited in Bank for a fixed period specified in advance. Before opening a Fixed Deposit Account a customer has to fill up an application form which contains the followings-

- Amount in figures
- Beneficiary's name and address
- Time period
- Rate of Interest
- Date of Issue
- Date of maturity
- How the account will be operated (singly or jointly)
- Signature (s)
- F.D.R. no.
- Special instructions (if any)

After fulfilling the above information and depositing the amount, FDR account is opened and a FDR receipt is issued and it is recorded in the FDR Register which contains the following information-

- FDR account no.
- FDR (Fixed Deposit Receipt) no.
- Name of the FDR holder with address
- Maturity period
- Maturity date
- Interest Rate

In case of FDR Account, the bank does not have to maintain a cash reserve. So, BASIC bank offers a high interest rate in these accounts. The revised interest rates for FDR effected from January 31, 2012 followed by BASIC are-

- a) For 1 month @ 12.5 %
- b) For 3 months @ 12.5 %
- c) For 6 months @ 12.5 %
- d) For 24 months @ 12.5 %

Renewal of FDR

Customer supposes to inform the bank in writing 15 days before the maturity date for encashment. If not, bank normally renews the amount just after the maturity date. Renewal will be for previously agreed maturity period.

Loss of FDR

If the instrument is lost from the possession of the holder, the holder is asked to fulfill the following requirements-

- a) Holder should inform the bank immediately
- b) Record a GD (General Diary) in the nearest Police Station.
- c) Furnish an Indemnity Bond

On fulfilling the above requirements, BASIC bank is then issued a duplicate FDR.

3.3 LOCAL REMITTANCE

Cash remitting from one place to another is risky. So, Banks remit funds on behalf of the customer (s) to save them from any awkward happening through network of their branches. There are three modes of remitting funds. These are -

Pay Order (PO)

Pay orders are the safest way of making payments, as they are drawn on the bank issuing them. So, there is no scope of fraudulent or cheque bouncing. A pay order is issued only within the members of the Bangladesh Bank clearing house (Dhaka Metro). It can be issued in favor of a customer holding an account, by debiting his account and crediting bills payable account. In case of a non-customer, cash equivalent of the payment plus order charges is received in cash and held in the daily suspense account until the payment is made through clearing.

It is another facility for client to transfer his money to another place. In this he must has an account in this bank. If he has no account in this bank, he can deposit money in this bank and does Pay Order. But in this case he must need a person how knows him. He can deposit check, which is confirmed, by Bangladesh bank's clearinghouse. If it is correct than bank does this Pay Order.

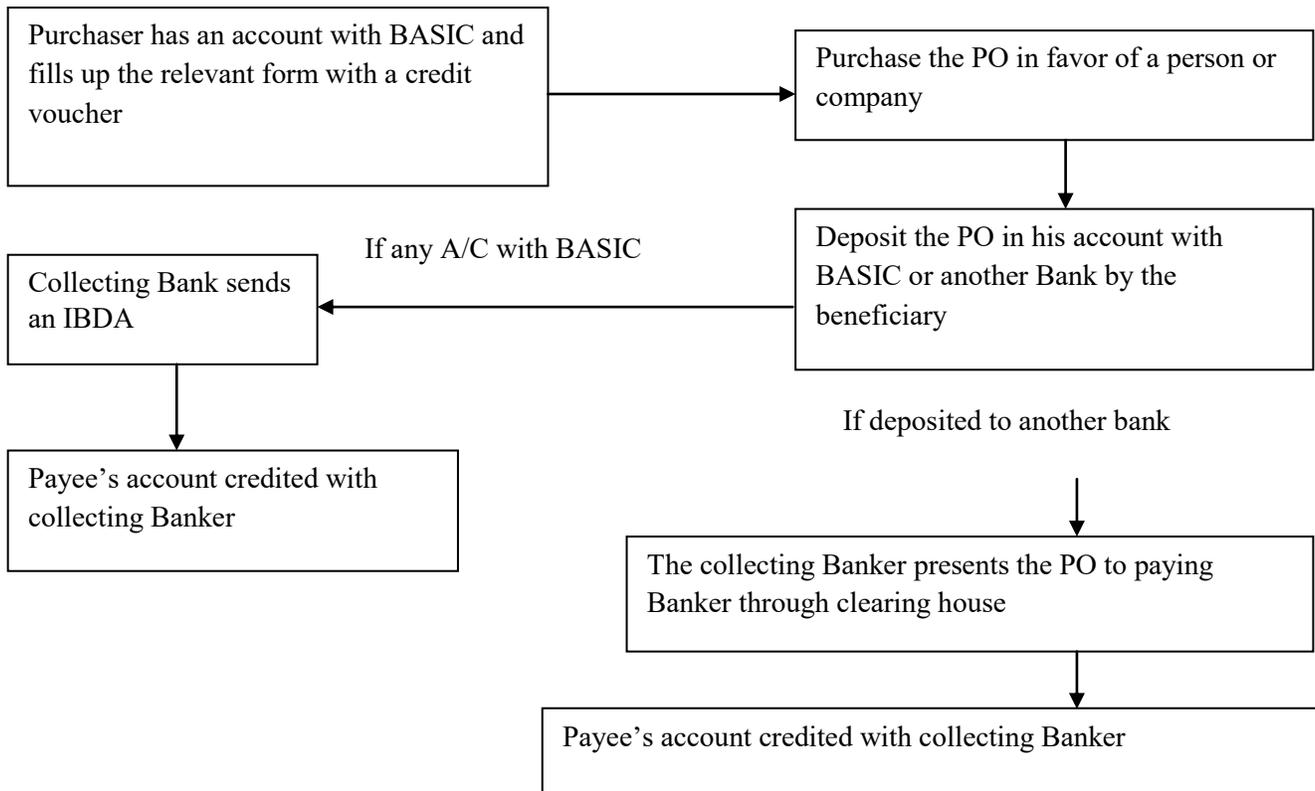
Application must fill up the Pay Order form, where Pay Order number, Payee name, Amount in figure and in wards.

- **Pay Order Issuing Process**

For issuing a PO, following formalities are to be maintained. These are-

- Duly filled up the application form by the customer.
- Deposit money either in cash or by cheque with necessary charges.
- Prepare the instrument and make necessary entries in the Bills Payable Register where payee's name, date, PO no. etc are noted.
- Deliver the instrument to the customer after scrutinized and approved by authority by taking signature of the customer on the counterpart.

- **PO Working Procedure, Shows in a Flow Chart**



Demand draft (DD)

DD is called ‘Banker’s Draft’. It is an instrument, issued by a particular branch, drawn on another branch of the same bank, instructing to pay a certain sum of money. It is very popular instrument for remitting fund from one corner of a country to another. DD is issued in favor of a customer who maintains an a/c with BASIC Bank branch. It can be issued against Cash or Cheque. If DD amount is more than Tk.50000/=, a test code is given on IBCA. The a/c treatments will be-

- **When DD is issued**

Cash/Customer A/C.....Debit
 H/O A/C ‘X’ branch.....Credit

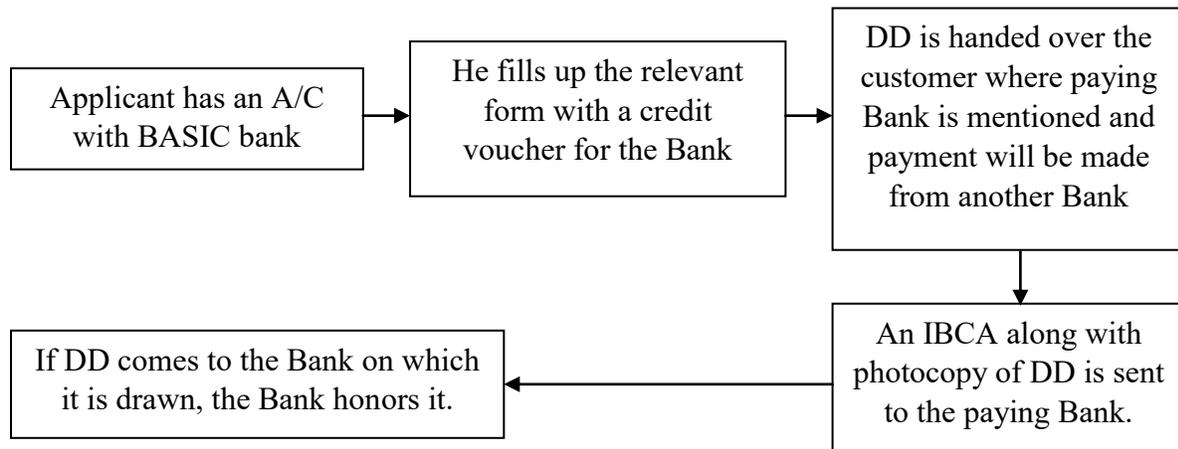
Income A/c commission.....Credit.

After giving these entries an Inter Bank Credit Advice (IBCA) is prepared which contains the controlling number, depicted that the branch is credited to whom it is issued. An IBCA implies the following entries-

H/O A/C issuing branch.....Debit

Drawn on branch.....Credit.

• **DD Working Procedure: Shows in a Flow Chart**



• **Payment Process of DD**

After receiving the instrument, the IBCA lodgment is done by the branch. Necessary entries are given in DD Inward Register. Controlling number of the IBCA should match with the serial number of this register. The following accounting entries are made in following cases-

When IBCA comes

H/O A/C Issuing branch.....Dr

DD Payable A/CCr

When instrument comes

DD payable A/C.....Dr

Customer's A/C.....Cr

If advice does not come but instrument comes

Suspense A/C.....Dr

Party A/C.....Cr

When advice comes

HO A/C Issuing BranchDr

Suspense A/C.....Cr

• **Cancellation of DD:**

To cancel an issued DD, the client has to submit an application. Issuing branch then sends an Inter Branch Debit Advice (I.B.D.A.) to the drawn branch against previously issued Inter Branch Credit Advice (IBCA).

After that the following entries are given-

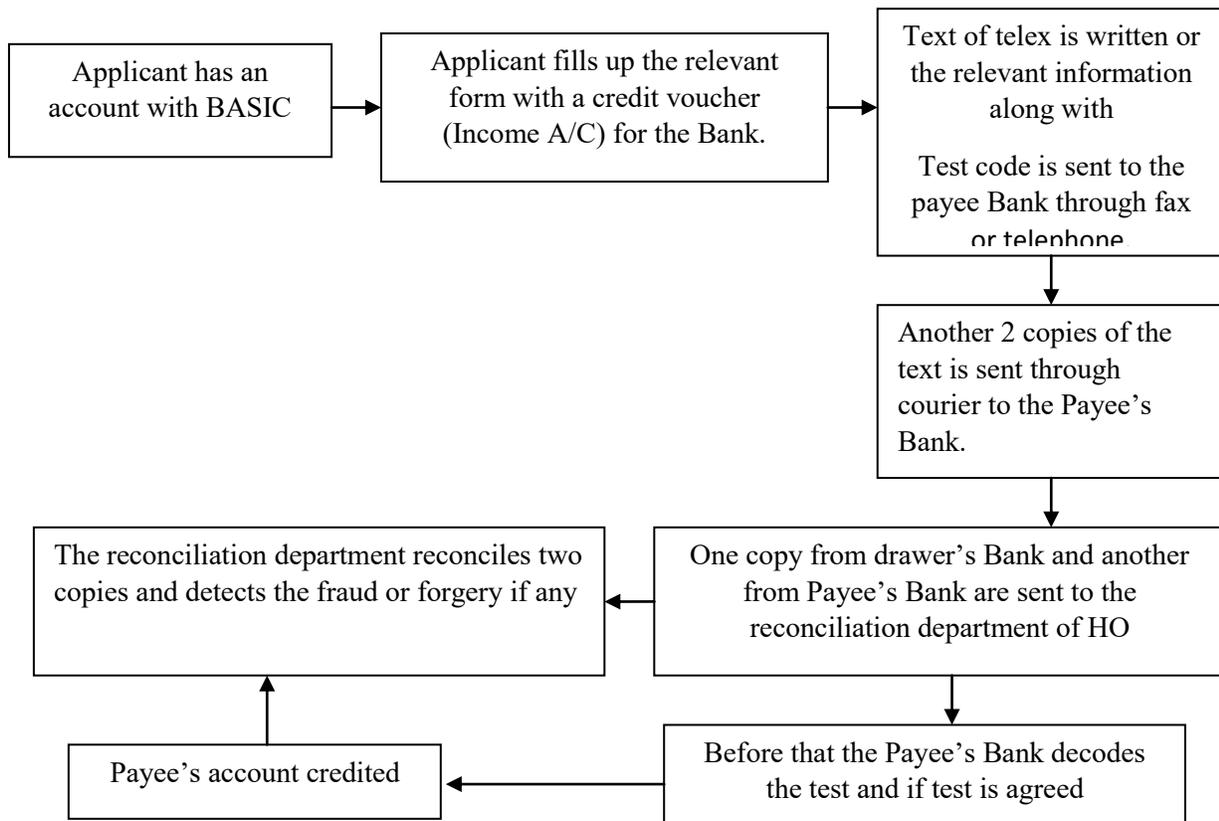
H/O A/C drawn on branch-----Dr.

Client's A/C -----Cr.

Telegraphic Transfer (TT)

Sometimes the remitter of the funds requires fund immediately. In that case, the banker is requested to remit the funds telegraphically. Different modes are Telegram, Telephone, Telex, Fax. Telegraphic Transfer is the most rapid and convenient but expensive method. The drawer and the payee should have accounts with BASIC bank. TT is issued against cash, cheque, and letter of instruction.

• **Flow Chart Shows How TT Works (Outward)**



• **Procedure for Issuing TT**

Following procedure is followed for issuing a TT.

- a) Deposit money by the customer along with application form.
- b) 'In receipt of money a cost memo is given to the customer containing TT serial number which informs the awaiting party of the paying branch by the customer.
- c) Tested telex message is prepared where TT serial number, notifying party's name is mentioned.
- d) The telex department confirms transmission of the message.
- e) Necessary entry is given to the 'TT Outgoing Register'. Entries are as follows-

Cash/Respective A/C (Issuer).....Dr

HO A/C Paying branch.....Cr (Principal amount)

Income A/C (Commission).....Cr

Call Deposit Receipt (CDR)

CDR is also an instrument, issued by a particular branch, drawn on another branch of the same bank, instructing to pay a certain sum of money not over the counter to a certain person or his order. It is as like as Pay Order (PO), but main difference is that PO is treated as bills payable and CDR is treated as sundry deposit. From banker's point of view, it is always desirable but its practice is limited. Only Tk. 40/= (Fixed) is charged for this facility. If CDR amount is more than Tk.50000/=, a test code is given on IBCA.

When issuing the instrument, accounting treatment will be-

Party A/C-----Debit

HO A/C drawn on branch-----Credit.

After receiving the instrument, accounting treatment will be-

HO A/C Issuing branch-----Debit.

Party A/C-----Credit.

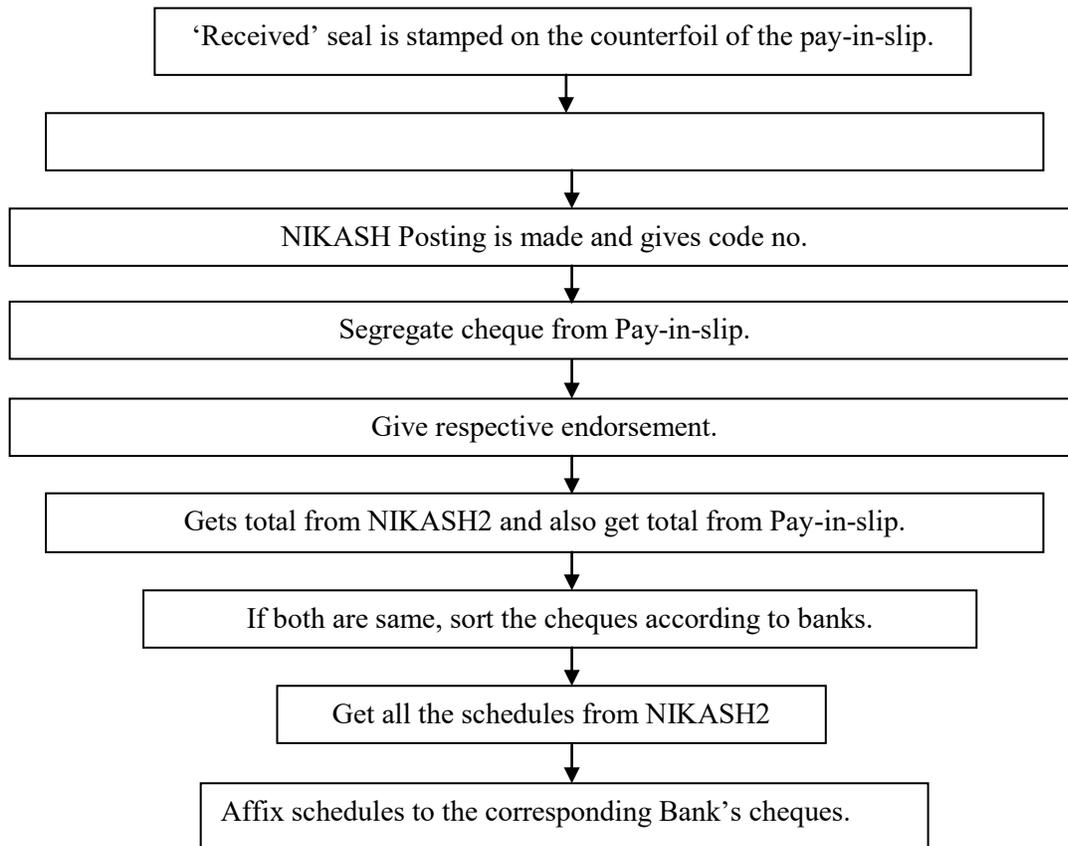
Besides, Staff and very Valued Customer's of the bank enjoy Direct Fund Transfer facility. In this case, no commission is charged.

3.4 COLLECTION AND CLEARING

COLLECTION

In modern banking the mechanism has become complex as far as smooth transaction and safety is concerned. Customer does pay and receive bill from their counterpart as a result of transaction. Commercial bank's duty is to collect bills on behalf of their customer.

- **Flow Chart Shows Collection Procedure**



After that, the following entries are given and a debit voucher is prepared-

Balance with Bangladesh Bank-----Debit

Customers' A/C -----Credit.

- **Receiving Cheques For Collection**

In BASIC Bank Limited, cheques of its customers are received for collection from other banks. In case of receiving cheques, following points should be checked very carefully-

- ✓ The check should not carry a date older than the receiving date for more than 6 months. In that case it will be a 'Stale Check'. Again the check should not be a 'Post dated' one.
- ✓ The amount both in words and figures of the pay-in-slip should be the same and also it should be in conformity with the check's amount both in figures and words.
- ✓ The name mentioned both in the check and the pay-in-slip should be the same.
- ✓ The check must be crossed.
- ✓ Collecting banker must check whether endorsement is done properly or not.

Types of Bills for Collection

- **Outward Bills for Collection (OBC)**

If the bill is beyond the clearing range then it is collected by OBC mechanism. Customer deposits cheques, drafts etc. for collection, attaching with their deposit slip. Instruments outside the clearing range are collected through OBC mechanism. A customer of BASIC bank Uttora branch is depositing a check say of Janata Bank, Kotchandpur branch, Jhenidah. Now as a collecting bank, Uttora branch will perform the following tasks-

- ❖ **Procedure of OBC**

- a) Depositing the cheque along with deposit-slip
- b) Crossing of cheques are done indicating Uttora Br. as a collecting bank
- c) Endorsement "Payee's A/C will be Credited on realization" is given
- d) Entries are given in the Outward Clearing Register.

Collecting bank can collect it either by its branch or by the drawer's bank. They will forward the bill to that particular branch. OBC number will give on the forwarding letter. Now following procedures will take place in case of the following two cases.

- ❖ **Bills Collected through Branch**

Collecting branch will receive an I.B.C.A. from that particular branch. Accounting treatment from collecting branch's point of view will be-

HO A/C concerned branch	Debit
Customer A/C	Credit
Income A/C on commission/ Postage.....	Credit.

❖ **The process of collection is described below:**

- a) If the bill is drawn on BASIC Bank Main Branch–
 - i. Bills are sent to that branch through mail or courier;
 - ii. Branch collects the bills and sends an IBCA to that Branch;
 - iii. Depositor's account is credited.
- b) If the bill is drawn on another Bank and there is a branch of BASIC –
 - i. Branch sends the bill direct to the branch of BASIC by OBC schedule.
 - ii. Request them to send the proceeds by IBCA and collect the bill.
 - iii. That branch of BASIC can collect the through clearing house arrangement exists there.
- c) If the bill is drawn on another bank but there is no branch of BASIC-
 - i. Bill is directly sent to that Bank
 - ii. Request them to send a draft in favor of this bank by an OBC schedule.
 - iii. That bank sends a DD mentioning the Paying Bank
 - iv. Then the bill is collected through clearing house process.

• **Inward Bills for Collection (IBC)**

When the banks collect bills as an agent of the collecting branch, the system is known as IBC. In this case the bank will work as an agent of the collection bank. The branch receives a forwarding letter and the bill. Next steps are as follows-

- i. Entry in the IBC register
- ii. An IBC number is given on the bill.
- iii. Endorsement given- "Our branch endorsement confirmed"
- iv. The instrument is sent for clearing.

- **Accounting Entries-**

Clearing.....Debit

Miscellaneous Creditor A/C OBCCredit.

If honored, the accounting treatment will be-

Miscellaneous Creditor A/C OBC.....Debit

H.O. Collecting branch A/C.....Credit.

An IBCA is dispatched in this regard

HO A/C agent branch.....Debit

HO A/C collection branch.....Credit.

If dishonored, The instrument is returned to the collecting branch along with a return memo.

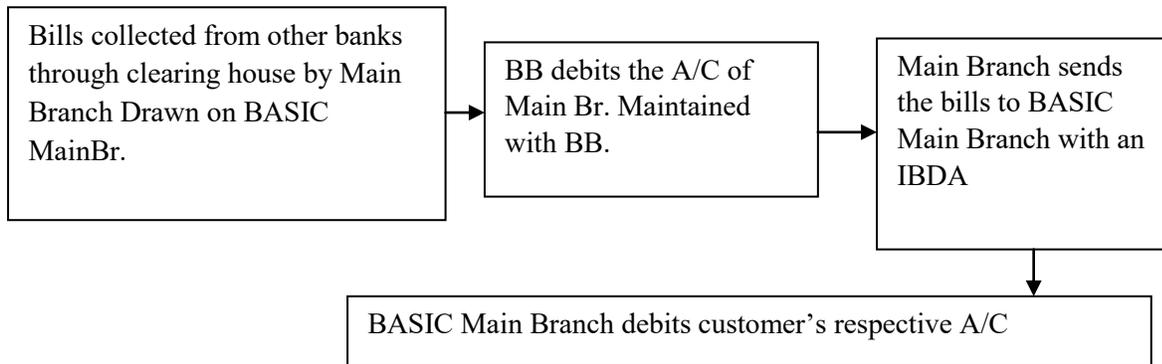
CLEARING

According to the Article 37 (2) of Bangladesh Bank Order, 1972, the banks which are a member of the clearing house are called as Scheduled Banks. The scheduled banks clear the cheques drawn upon one another through the clearing house. This is an arrangement by the central bank where every day the representative of the member banks sits to clear the cheques. For clearing there is a department in every Bank. This department receives cheques, drafts and like instruments from its customers for the purpose of collection with a deposit slip over the counter crediting their accounts. Clearing of cheque is done through the clearing house in Bangladesh Bank. Everyday the first hour starts at 10.00 a.m. and returns house at 5.00 p.m.

Types of cheques for clearing

- **Inward Clearing Bills**

It refers the instrument drawn on BASIC bank Mirpur Branch Limited, received from other banks in the clearing house by their representative (s). Settlement process-



- ❖ **Accounting entry passed by this branch:**

Respective A/CDebit

Head Office A/C (Main Br.)Credit.

If cheques are returned, BASIC Bank Main Branch passes an IBDA to Main Branch. Then the necessary accounting entries will be-

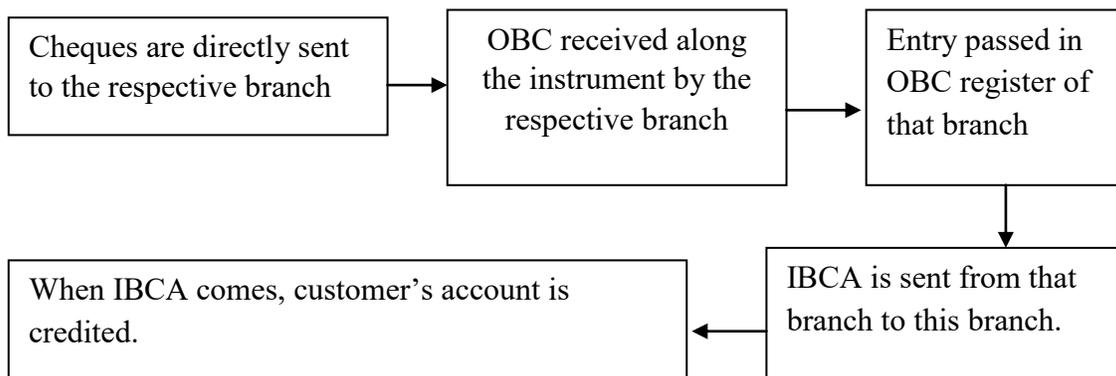
HO A/C (Main Br.)Debit

Respective A/CCredit.

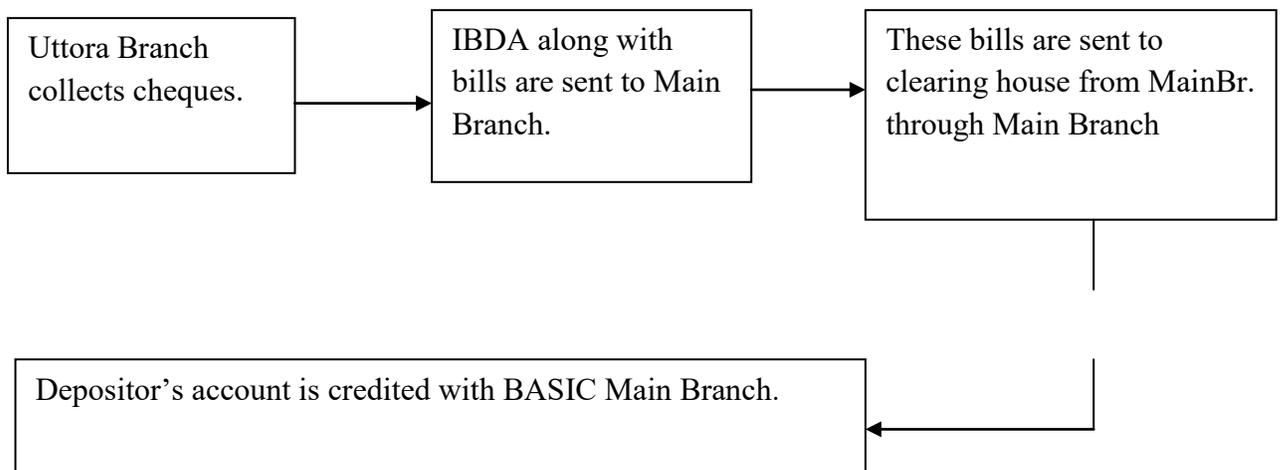
- **Outward Clearing Bills**

It refers the instruments drawn on the other banks received by BASIC bank Main Branch. They are of three kinds as follows

a) Cheques drawn on another branch of BASIC. The settlement process –



b) Cheques drawn on another Bank which is situated within clearing house area.



3.5 CASH

Cash is the lifeblood of all financial activities. Cash section is a very sensitive point of the branch. This section deals with all types of negotiable instruments and it includes vault, used as the store of cash, instruments. The vault is insured up to Tk.20 lac. Insured amount yet to be enhanced to Tk. 40 lac. Operation of this section begins when the banking hour starts. Cash officer begins his/her transaction with taking money from the vault, known as the opening cash balance. Vault is kept in a more secured place. The amount of opening cash balance is entered into a register. After whole days' transaction, the surplus money remains in the cash counter is put back in the vault and known as the closing balance. If the cash stock goes beyond this limit, the excess cash is then transferred to BASIC bank main branch. The main functions of this section are-

- **Cash receipt**

Cash receipt procedure is given below-

- The depositor first fills up the Deposit-in-Slip.
- Depositor deposits the money.
- Officer receives the money, counts and then enters in the Cash Receipt Register, and finally signs with seal and dates the deposit-in-slip.

- iv. Slip is then passed to another officer, who enters the receipt details like serial no, amount, etc. in his register, signs the slip and keeps the banks' part of the slip. Other part is given to the depositor.
- v. At the end of the day, entries are cross checked with the register kept at the cash counter to see whether the transactions are correct or not.

❖ Accounting treatment-

When cash received, the following entries are made-

Cash A/C.....Debit
Party's A/C.....Credit

• Cash Payment

Some important check points for making the payment are as follows-

❖ Endorsement

Endorsement is done by putting signature of the drawer on the back of the negotiable instrument for the purpose of negotiation. By 'blank endorsement', an order instrument is made as 'bearer'. BASIC bank limited endorses the instrument in the following ways-

ENDORSEMENT	IN CASE OF
Payee's A/C credited	Pay to Mr.X
Received payment Payee's A/C credited	Pay to BASIC bank, Mr.X
Payee's A/C credited	Pay to Mr.X , BASIC bank

❖ Crossing

Generally two types of crossing are practiced, namely- General Crossing and Special Crossing. Basically it gives a direction to the paying bank not to pay the check amount over the counter. General crossing includes 'A/C payee' crossing only. Drawing two parallel and transverse lines do it. On the other hand, special crossing is like general crossing but in addition bank name is

also mentioned. This gives the direction to the same to pay the check only to the banker, whose name appears in the crossing or to his agent.

Cash payment procedure is given below-

- i. Customer first deposits the check (s) to the cash section. Authorized individual checks whether it is materially altered, proper endorsed, crossed or not. Being satisfied the total requirements; he passes it to the computer for checking the balance. Operator verifies the check leaf security no. If matched, then operator signs. Otherwise noticed to the individual for stop payment;
- ii. Authorized officer is then verified the signature with the Specimen Signature Card (SSC);
- iii. Send the instrument to the computer section once again for posting;
- iv. Cash officer is then asked the bearer to sign on the back of the instrument. At the same he just enters the payment details in his register and pays the money to the bearer;
- v. At the end of the day, this information must be tallied with computer postings to ensure the correctness of payment.

Accounting treatment-

When cash paid, the following entries are made-

Party A/C.....	Debit
Cash A/C.....	Credit

3.6 Account Section

Accounts department maintains all records of transactions and all types of statement. At the end of transaction hour all concerned section sends vouchers of transactions to this department. Accounts department compares all figures/ amount, contents of transactions with supplementary statement prepared by computer. If any discrepancy arises regarding any transaction then this department reports to the concerned department. Following are the activities of accounts department:

- To record all transaction in the cash book.
- To prepare daily, weekly, monthly, half-yearly and yearly fund position.
- To prepare all kinds of statements related to Bangladesh Bank, Head office and National Board of Revenue (NBR).
- To prepare monthly salary statement, provident fund statement and administrative expenditure statement.
- To make charges for different types of duty.

4. Conclusion and Recommendations

4.1 Conclusion

In Uttora Branch of BASIC Bank, there were not enough HR activities. The branch is flexible to work because there is not too much pressure of clients.

The provided information was not enough to prepare the report. By asking some officials of Head office, I have gathered other information's.

The bank is very restricted to share their HR policies to the internees. So, I was assigned to the general banking section. I have observed how to open a bank account, FDR, issuance of cheques, clearing and others.

Learning

During this internship program, I got opportunities to practice professionalism like adaptability, discipline, communications, and punctuality. The experience that has been observed among the employees was bit interesting. It was a learning for me that, how to deal with complex colleagues who always demotivates people with wrong attitude.

On the contrary, it also has been observed that few people are taking leadership role and helping each other and making environment friendly. They are very helpful to the newcomers.

There are always some clients, who creates troublesome in the bank. It is very difficult to handle those customers wisely. The employees always listen first to the customers. They solve the problems of the client with care. It was a great learning that how to deal with difficult clients.

All the learning's will be very much helpful for my future career where I will be able to utilize my learning's and experiences with proper skills and professionalism.

4.2 Recommendations

Uttora Branch, BASIC Bank Ltd. is very in the point of customer satisfaction. A good no. of Govt. a/c is maintained satisfactorily that increases deposit position of the branch. Besides, I have observed some irregularities. Based on my observation some recommendations have made to improve the prevailing situation of the branch. The observations and pertinent suggestions are as follows –

- The time to reach Permanent Position from probation period takes almost two years, which is a very long time process as I considered and it should be less than two year.
- In case of account opening, terms and conditions are not printed on the back of the A/C opening form. But if it is so, applicants open their A/C being fully aware of the same. At the same time, bankers can easily follow the terms and conditions strictly.
- DD, TT takes more time to operate. It should minimize time.
- There is a provision of depositing a minimum amount of money at the time of opening an account and also maintain a minimum balance all the time. But it is not strictly followed, particularly for prospective customers. I think the amount should be fixed at a level that is not altered from customer to customer.
- Every account opening must have some documentary requirement (s). Without proper documentation, sometimes accounts are opened. Bankers should take special care in this arena to safe guard his position.

References

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2. MD. Badrul Haque
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