

Cheque Clearing Process of Janata Bank Ltd.



Janata Bank Limited

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INTERNSHIP REPORT

**“Cheque Clearing Process
of
Janata Bank Ltd.”**

Submitted to

Dr. Md. Mamun Habib

Internship Supervisor

Associate Professor

BRAC Business School

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Prepared by

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Major in Marketing

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Program: BBA

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Date of Submission: 05.04.2018



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LETTER OF TRANSMITTAL

05 April, 2018

To

The Supervisor,

Dr. Md. Mamun Habib

Associate Professor

BRAC Business School

BRAC University

Subject: Submission of Internship Report

Dear Sir,

This is my great pleasure to submit report on “Cheque Clearing Process of Janata Bank Ltd”. I have got the opportunity to work in Mohakhali corporate branch of Janata Bank Limited for my internship program which is very necessary for my academic program.

I have enjoyed the opportunities of learning and working of internship. I have learned practical knowledge for the preparation of the report. On the other hand, I have worked on Cheque clearing department which will help me to emphasize the topic with real life situation. I would like to thank you for your supportive advice and allow me to write this report.

I will be very grateful for any clarification when needed and therefore, I shall be highly obliged if you are kind enough to approve my internship report.

Sincerely yours

Md. Syeeduzzam

ID – 13204003

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ACKNOWLEDGEMENT

As a student of BBA Program of BRAC Business School, Internship program is one of the most important requirements for completing graduation from the department. In this scenario, I would like to thank all the faculties of BRAC University who help me to finish my academic courses.

This is a brief summary of my recent study on “Cheque Clearing Process of Janata Bank Ltd” as a part of internship program of BRAC Business School. At the very beginning I want to remember almighty Allah for giving me this opportunity and strength to complete this project properly & blessings for my success.

I would like to thank my honorable teacher Dr. Md. Mamun Habib, Associate Professor of BRAC Business School, for helping me to prepare the report. I will remain indebted to him for his valuable suggestion and proper direction as well as the time he has given in supervising my work on report.

I was posted in Mohakhali corporate branch of Janata bank limited to work as an intern. The members of Janata Bank Ltd. Management and employees of the bank are very helpful and cooperative. They helped me very much through providing various data, important guidance and proper directions. I am grateful to Mr. Rasel Mahmud, Executive officer of Janata Bank Limited (Mohakhali Corporate Branch) for his cooperation and necessary support.

I am also grateful to all other employees of this branch for their help and support. I humbly appreciated the patience of the entire individual of Mohakhali corporate branch who spent their time in making me adapt quickly to the banking environment.

To conclude, I am very grateful to the wonderful people of BRAC University (my teacher, my classmates and others) for their love and support. It would be very impossible without their help, support and love.

TO WHOM MAY IT CONCERN

This is to certify that the internship report on “Cheque Clearing Process of Janata Bank Limited” is done by **Md. Syeeduzzam**, ID – 13204003, Student of **BRAC University** as a part of Internship Program of **BRAC Business School** for **BBA program**. Moreover, the report on “Cheque Clearing Process of Janata Bank Limited” has not been submitted for any degree, diploma, title or recognition before.

The report has been prepared under my guidance and supervision.

.....

Dr. Md. Mamun Habib

Associate Professor

BRAC Business School

BRAC University

EXECUTIVE SUMMARY

The report on “Cheque Clearing process of Janata Bank Limited” is prepared based on my three months practical experience at Mohakhali corporate branch of Janata Bank Limited. This is an opportunity which helps me to learn more about the real-life scenario of a financial institution. Day by day, Financial institutions around the world are getting involved with online activities, like as electronic fund transfer and online transaction. Moreover, Bangladesh is also working on electronic fund transfer for commercial bank under Bangladesh Automated Clearing House (BACH). From this report, I have learned about how Janata Bank receive cheque of different commercial bank from account holder of the branch and forward to the Bangladesh bank for clearance. This internship program gives me an opportunity to learn how to input data for outward cheque clearing process and uses of 3 different seals for clearing. In this report, Secondary data is mainly used, though some primary data are collected from employees of the bank. During the preparation of this report, some problems are faced such as privacy issue of customers since Janata Bank Limited is a financial institution and an intern do not have the permission and opportunities to work with customers. Time limitation was another limitation to complete this report.

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Profile of Janata Bank Limited

Janata means “people”. In 1971 Bangladesh got freedom but had not any financial institute, Both the erstwhile United Bank Limited and Union Bank Limited were nationalized as well as named as Janata Bank. From 1972 it has started its journey in country along with outside of the country. For the economic development of the country Janata Bank Ltd. has been playing a significant role by mobilizing savings and distributing funds into different productive sectors. In 15 November, 2007 Janata Bank has become a public limited company with the name Janata Bank Limited with the Joint Stock of Registrars.

Financial History

In the end of 2016,

Bank deposit- BDT 641,819.15 million

Authorized Capital - BDT 30,000 million

Paid-up Capital - BDT 19,140 million

According to deposit/Asset, Janata Bank limited is second largest commercial bank in Bangladesh.

Institutional history

Janata Bank operates with 912 branches across the country and outside of the country it operates with 4 oversea branches in United Arab Emirates. Moreover, Janata Bank limited has a big family of around 12,939 employees (updated on 2017). The Directors of the bank are representatives from both public and private sectors, in addition, The Board of Directors is headed by a chairman and board is composed of thirteen members headed by a Chairman.

Mission of Janata Bank Limited

The mission of the bank is to take active participation on the socio-economic development of the country by maintaining a stable growth strategy, delivering high quality financial products along with providing excellent customer service through an experienced management team. Moreover, it will ensure good corporate governance in every step of banking network.

Vision of Janata Bank Limited

Vision of this bank is to become the effective and largest commercial bank in Bangladesh to support sustainable economic growth as well as be a leading bank in South Asia.

Services of Janata Bank Limited

Janata bank limited as government owned bank provides all the major banking services and facilities to its customer. The bank offers services like as-

- Demand Draft
- Pay Order
- Security deposit Receipt
- Telegraphic Transfer
- Mail Transfer
- Transfer of Fund by Special Arrangement

Janata bank also operates the following Internet facilities-

- Current/Savings/STD account status
- Advance account status
- FDR account status
- Loan account status

1.0 Introduction

1.1 Rationale of the study

In the age of modern technology, financial institutions are improving their way of activities to fulfil fast growing customer demand. Electronic Fund Transfer system is used in Bangladesh by all commercial bank for cheque clearing under Bangladesh Automated Clearing House (BACH). This report focuses on how a Branch of a Bank takes part in cheque clearing process and how electronic fund transfer system works.

1.2 Background

Though online payment system is much safer than before, people still have less faith on online money transfer system. To achieve the faith of the customer, commercial banks are trying to secure their system. Likewise, other commercial banks in Bangladesh Janata bank limited has developed its financial operations.

1.3 Objectives

This report will help to understand the cheque clearing process of a Janata bank through electronic fund transfer system. In addition, report will emphasize on participation of a branch in a system of central bank of Bangladesh along with outward cheque clearing process. The main objective of this report is to determine how cheque clearing process is completed through electronic fund transfer by Bangladesh Automated Clearing House (BACH).

2.0 Literature Review

In Bangladesh Janata Bank Limited is the 2nd largest commercial Bank among all local and foreign bank. According to annual report of Janata Bank Limited 2017, it operates through 912 branches within Bangladesh and including 4 other overseas branches at United Arab Emirates. Janata Bank limited publishes “Troimashik Bulletin” in every three months. Moreover, it publishes various survey report and different activities of major banking though it has not published any particular article on cheque clearing process yet. However, it has provided some information about cheque clearing house on their official website as Bangladesh Electronic Fund Transfer Network (BEFTN) has begun “live Operation” to encourage electronic payment system for secured, faster and decrease cost and paper-based payment method on 28th February 2011. Among banks BEFTN facilitates the electronic transmission of payment which allows inter-bank clearing over the traditional paper-based system. It could operate a wide variety of transfer of credit like as payroll, company dividends, retirement, expense reimbursement, foreign and domestic remittances, Payments of bill, government tax, social security and person to person account.

The system also could operate debit transfers of insurance premiums, government licenses and fees and payments of loans, utility bills, government taxes, mortgages. However, according to the bank, Electronic Fund Transfer (EFT) is grabbing attention of corporate clients and also government bodies. Though only listed companies are paying cash dividend by using EFT network, more than 28 ministries and government offices are now paid their salary through EFT. According to Payment System Division of Bangladesh Bank BACH solution will use image-based clearing system in 8 major clearing centers connected to the central clearing center with all regional centers. To facilitate and Business Continuity and Disaster Recovery (DR), a redundant is being setup as the Disaster Recovery (DR) site with the other local sites also having connectivity with the Data recovery site.

Department of Payment system of Bangladesh bank has published a report on “Functional Specification of Communication Links and Security Version 1.1” which includes that all commercial banks must need to setup a dedicated, secure and reliable communication network among their cheque processing centers and Bangladesh Bank’s Data Centre & Disaster recovery

centers to interchange image data with Bangladesh Bank centers. Bangladesh bank recommends commercial bank to connect to Bangladesh Bank sites for the communication and security infrastructure. Knowledge and experience of officers concerned helps to understand the steps of activities along with importance of different steps of cheque clearing process. Discussion with officials and official documents were primary sources whereas annual report of Janata bank limited, periodical published by the bank, official web site etc. were secondary sources of necessary information.

3.0 Activities Under Taken

I was asked to join in cheque clearing section of Mohakhali corporate branch of Janata Bank Limited. Whereas, I had to arrange 50-80 checks every day for posting those cheques in Bangladesh Electronic fund transfer system(BEFTN).

I had to input-

1. Bank name
2. Branch name
3. Instrument number
4. Amount of money

Then software arranges those input to represent different financial report based on date of entry. Cheque clearance basically two types such as inward clearance and outward clearance. My job was to make outward clearance request to Bangladesh bank. Bangladesh electronic fund transfer system automatically identify routing number of cheques, amount and other machine-readable numbers printed on cheques while cheques are scanned to send to Bangladesh automated clearing house.

3.1 Bangladesh Automated Clearing House (BACH)

BACH is the first electronic clear house of Bangladesh which has two components such as the Automated Cheque Processing System (ACPS) and the Electronic Fund Transfer(EFT). Moreover, those two systems work in batch processing mode, which means transactions collected from different brunch of the bank during the day are processed at a specific time duration, in addition, received transactions are completed by a single multilateral netting figure on every individual bank's respective books which are maintained with Bangladesh bank. Operation of BACH is on the most modern tract of transection system by establishing data center (DC) and Disaster Recovery Site (DTS). To communicate related information to Bangladesh bank, A virtual Private network has established during participation between commercial bank and Data center & disaster recovery site. However, very first in Bangladesh for secured Data communication digital certificate has been formulated.

	Month name	Total Item Processed	Total Amount	Avg. Item processed per day	Avg. Transaction size
1	Oct	190,501	1,134,300,221,794	8,659	5,954,301
2	Nov	196,186	1,119,948,533,478	8,918	5,708,606
3	Dec	175,446	1,044,468,561,855	9,234	5,953,220
4	Jan	213,209	1,249,686,851,144	9,270	5,861,323
5	Feb	188,727	1,105,799,984,537	9,933	5,859,257

Table 01: Transaction Process of High value (October 2017- February 2018)

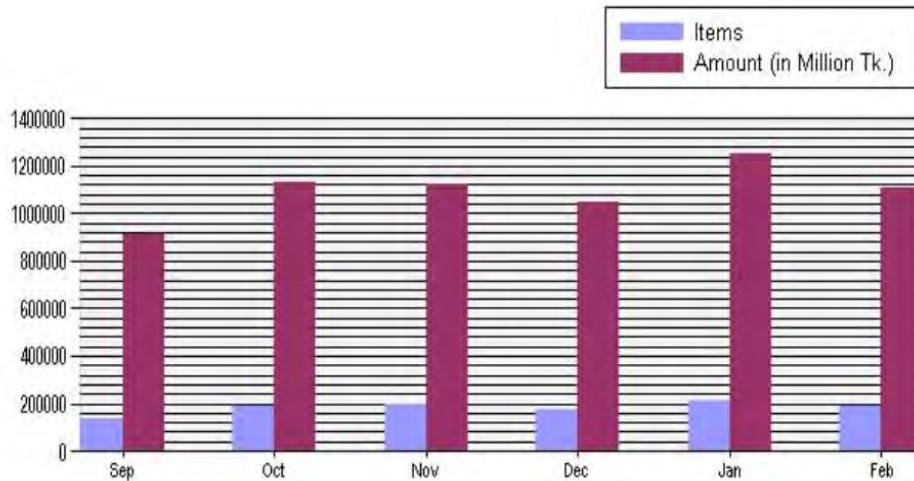


Figure 01: Total item process and total amount of High value.

	Month name	Total Item Processed	Total Amount	Avg. Item processed per day	Avg. Transaction size
1	Oct	1,783,510	653,912,368,543	81,069	366,644
2	Nov	1,810,354	643,319,891,929	82,289	355,356
3	Dec	1,608,760	632,787,572,784	84,672	393,339
4	Jan	1,959,739	720,686,087,749	85,206	367,746
5	Feb	1,701,752	637,254,073,801	89,566	374,469

Table 02: Transaction Process of regular value (October 2017- February 2018)

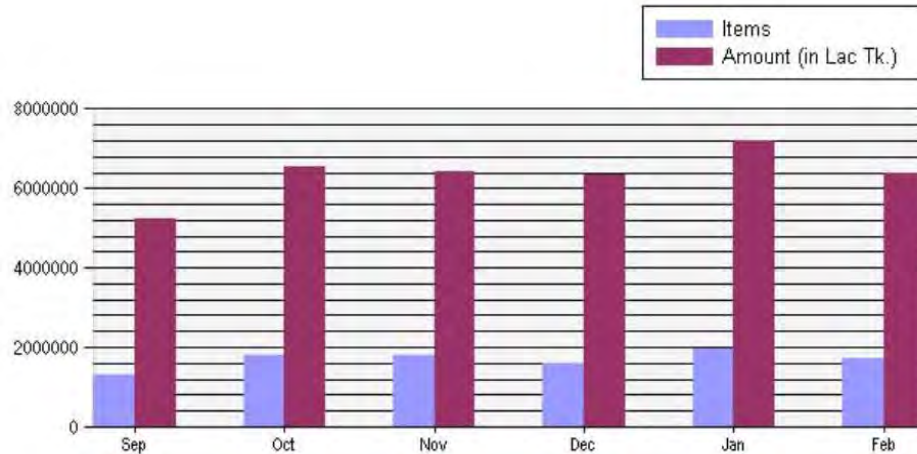


Figure 02: Total item and amount process of regular value.

There are two types of transactions in term of amount of money like as High value and regular value.

High value: Any amount over 5,00,000(five Lac) will be considered as High value if customer demand for High value clearance, Moreover, there are 60-taka charge for high value cheque clearing service.

Regular Value: Taka less than 5 Lac will be categorized as regular value amount. However, High value transactions require additional charges whereas regular value transactions have no extra charges for processing.

3.2 Janata Bank Cheque Processing System

Cheque clearing process in Janata Bank Limited (Mohakhali corporate branch) is maintained by a software named TEMENOS (T 24) based on Temenos Globus. This Software has mainly 4 operational tools such as-

- ❖ Inward List
- ❖ Outward Batch
- ❖ Settlements report
- ❖ Search

These four operational sections help to organize different inward and outward clearance. In addition, this software is a door of electronic fund transfer where paper cheques are converted into electronic fund.

3.2.1 Inward List:

Inward list contains list of cheques which are issued from different commercial banks to Mohakhali corporate branch of Janata bank limited. User interface of Inward list shows serial number of cheques, bank name, account number as well as amount of fund. This list also helps duty officers by representing total number of cheques along with total amount of fund for per day basis inward list.

3.2.2 Outward Batch:

The most important part of the cheque clearing process of Janata Bank limited is found in this outward batch section. At the very first stage, clearing officer uses 3 different seals after receiving cheques from customers, moreover, cheques are rearranged according to types of customer accounts to make different batches; those cheques are scanned to create image form of paper cheques. A special type of scanner is used to scan both side of the cheques at the same time. Secondly, scanned cheques are displayed on user interface of outward batch section and software automatically collect identified information like as routing number (machine readable number), amount of money, even date of clearing from the cheque. In other hand, sometimes software cannot read all identifying information from the cheques, then it shows notifications of all missing data so that clearing officer can solve the problem manually when it is necessary. All the scanned information is forwarded to local bank for further process to send total cheque items which are collected from different branches of Janata bank to Bangladesh bank. However, Bangladesh bank has its own clearing board which monitors all cheque clearing process of different banks and end of the day they calculate total amount of fund what is due to among other commercial banks. Moreover, Bangladesh bank advice fund to transfer from one commercial bank to another commercial bank. Total cheque clearing process do not require physical cash to transfer fund. Sometimes few cheques are not accepted by clearing house of Bangladesh bank, nevertheless, those unaccepted cheques are send back to respective branch of respective bank with explanation of rejection. After getting explanation, clearing officer of commercial bank try to overcome those barriers and send again to Bangladesh bank with correction of previous lacking of those default

cheques. To sum up, it can be said that the process clearing house of electronic fund transfer ensure security by providing different steps of automated operations and cheque clearing house of all commercial bank available in Bangladesh is monitored closely by Bangladesh bank which is central bank of Bangladesh.

3.2.3 Settlements report:

The software automatically prepare different reports from all cheque settlements since software keeps all the data for further use. Settlement report shows total balance, number of total cheques, cheque number lists and date of settlement as well. In this circumstance, it is clear that software records all the necessary data to ensure strong security of the process.

3.2.4 Search

This is a very essential tool for working officials to find out and single settlement by inputting any identical number to the system. This option allows officers to search for any single entry which needs to be re checked. The interface of this “Search” option shows all related result according to the input.

4.0 Challenges and Proposed Course of Action for Improvement

Insufficiency of information due to customer privacy, corporate obligations and security was the main constrain of the study. Usually data in the bank are organized as per their service policy, therefore, it is very difficult to extract required data from vast amount of information. Lack of access to internal data of the bank and busy schedule of employees of the bank were other barriers for completing the task. It is also challenging to maintain time frame to complete the report within given time duration. It is believed that more permissions to official work for an intern could help to overcome mentioned barriers and could give opportunities to gain more in-dept knowledge and experience.

However, Clearing House for everyday process starts at very early hours such as if one customer wants to liquid the cheque's amount to their perspective account on same day as cheque posting day, he/she must need to post the cheque before 12.00 pm otherwise the cheque will be liquid on next working day. If bank could speed up the activities of cheque clearing process, it will be possible to extend cheque receiving time for the customers who want to liquid their cheque as same as they have posted the cheque. It will also add value to the advancement of banking sector of Bangladesh by providing faster transection of fund than before and institution will step ahead towards technological advancement of financial organization.

My major subject is marketing and I was very much interested to work with marketing activities of Mohakhali corporate branch of Janata bank limited. Firstly, marketing policies for government owned bank are controlled by head office of the Bank except customer services of a particular branch. Bank officers apply customer satisfaction activities by proving organized services to their valuable customers. In addition, Cheque clearing process through BACH increases customer satisfaction level by providing faster and secure electronic fund transfer. Secondly, my minor subject was supply chain management, therefore, I was looking for opportunities to work on those sectors which were directly related to supply chain management though I had very little participation on financial supply chain management as well as inventory maintenance of cheque books. I was posted on cheque clearing department where it was very challenging for me to relate my academic knowledge with given task. On the other hand, I have learned to maintain office

discipline and gain real life experience to work as an effective team worker which will help me to increase my interest to gain more academic knowledge of related field.

My academic studies make me interested for future job sections in Janata bank limited and the bank follows policy of Bangladesh bank for recruitment process. A competitive entrance examination is held under central bank of Bangladesh for the post junior and senior officers. Job examination of central bank emphasizes on result of entrance examination rather than graduation subject of the candidate. However, it is believed that Bachelor of Business Administration (BBA) could help to ensure prosperous banking career in government owned bank like as Janata bank limited or in other commercial banks in future. Nevertheless, those challenges have given me the strength to work in difficult situation and knowledge of problem solving in real life activities of a bank.

5.0 Impact of the Internship Program

In recent days, organizations are looking for very competitive candidates with job experience, therefore, internship program is designed to give students the opportunity to achieve some prior experience before the career has started. This internship program has given me the opportunity to gain more practical knowledge and valuable working experience of financial organization as Janata Bank limited (Mohakhali corporate branch). However, I have got opportunity to work with cheque books entries, here, I was asked to make a list of account whose cheque requisition was accepted and kept record with number of pages of cheque book. In the age of information, education is not limited only to classrooms and books. Nowadays, education is the very essential tool to cope up with the real world and to apply respective knowledge to ensure sustainable economy growth of the organization and also the nation. On the other hand, the theoretical knowledge is obtained from courses of study, which is only the half portion of the subject matter and real-life knowledge has no replacement. The perfect co-relation between experience and academic study is very essential for fast growing business world with a view to maintain a proper bridge between theory and practice. Internship program is designed to bring students closer to the real-life experience which will help them to start a career with prior experience. This program helps a student to update themselves with organizational behavior and teaches valuable discipline. Moreover, internship program involves students with ethical behavior of the organizations along with official environment. Last but not least, Internship program is the very first door to enter into professional career after academic studies of business administration.

In addition, an internship opportunity offered by BRAC Business School for its very potential undergraduate business study students to get the real-life working experience for three-month duration program, which is known known to student as “Internship Program”. For the competition of this internship program, I had opportunity to work in Mohakhali corporate branch of Janata Bank Limited as an intern which allowed me to gain knowledge of general banking and gave me scopes to experience practical scenario rather than simulation. This experience will keep me ahead in future jobs in financial institutions since I have some experience of working in a financial organization such as bank. Nowadays, Organizations are looking for people who have very specific knowledge of the institution and experience in related field so that employees could be effective

on the job from the very first day of appointment of the employees. To sum up, it can be said that internship program helps students to understand the relation between study materials and real-life experience.

6.0 Concluding Statements

6.1 Summary

I have emphasized and discussed about the cheque clearing process of Janata bank limited. To complete this report, I have selected Janata bank Limited (Mohakhali corporate branch). However, the bank plays a very important role in commercial banking sectors as well as sustainable economic development of the country. Cheque Clearing Process through Electronic Fund Transfer are helping commercial bank to fulfil fast growing business transaction by ensuring secure and fast payment system. To provide efficient payment methods or cash flow of any financial institutions there is no alternative of fast and secure fund transfer. In any strategy of economic development, uses of technology in banking sector helps to boost total socio-economic development, therefore, it is very much essential to understand how commercial bank gets benefit from new technology as electronic fund transfer system to connect all commercial bank's cheque processing system under a single network system.

6.2 Recommendations

Central bank of Bangladesh should increase time limit for accepting cheque request from customers who want to liquid their cheque on the same day they make request since massive traffic jam of Dhaka city is the main reason for many people to reach the bank at late hour. However, it will give customers a little bit pressure less banking hour.

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