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Standard
Chartered



SME Activities of Standard Chartered Bank in Bangladesh

Submitted To

Ms. Tasneema Afrin

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BRAC Business School

BRAC University

Submitted By

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Bangladesh



**You want to broaden your horizons
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Letter of Transmittal

12th January 2012

Ms. Tasneema Afrin
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BRAC Business School
BRAC University
66 Mohakhali C/A, Dhaka-1212

Subject: Submission of Report on SME Activities of Standard Chartered Bank in Bangladesh.

Dear Madam,

I would like to thank you for assigning me this subject to prepare the internship report. This task has been given me the opportunity to explore one of the most important featuring of the Standard Chartered Bank which is known as SME loan. I have completed my internship practically in Standard Chartered Bank at Gulshan (head office) from 1st October 2011 to 31st December 2011.

The topic of my report is “**SME Activities of Standard Chartered Bank in Bangladesh**”, contains a comprehensive study on the **small and medium enterprise** loan in Standard Chartered Bank in Bangladesh. It was a great pleasure for me to work on the above-mentioned subject.

I have tried my best to make this report informative. All the information presented in this report is done with outmost sincerity and honesty. I will wholeheartedly welcome any clarification and suggestion about any view and conception disseminated in my report.

Sincerely yours,

MD. Rakibul Hassan

ID: 08104072

BRAC Business School

BRAC University

Acknowledgement

All admires to almighty Allah who has created me and has given me opportunities and strength to work with people. This internship report might never have been completed without the necessary practical knowledge, support of many books, articles, websites, and primary data. It enhanced my knowledge on SME activities as well as banking business. Thanks to all those persons, who have assisted me, providing me co-operation. I would like to express my special thanks to **Ms. Tasneema Afrin**, Lecturer on Finance & Accounting department, BRAC Business School, BRAC University for his supervision, co-operation and advises. Then I would like to thank **Career Service Office (CSO)** of BRAC University, where I received support of requirements of finishing the internship program and daily updates of university.

I was placed in SME Department of Standard Chartered Bank to work as an intern from 1st October 2011 to 31st December 2011. The members of Standard Chartered Bank management were very co-operative and helpful. They helped me through providing various data, guidance and direction. I am grateful to **Ms. Eishita Alam**, Manager, Policy & Risk Management, SME Banking of Standard Chartered Bank for her cooperation and necessary support.

Then I want to express my special thanks to **Md. Tarik Jamil**, Manager, Loan Operations, Customer Loan Operations of Standard Chartered Bank for giving his valuable time and adequate information on the SME loan process.

Finally, I am also grateful to all other employees of SME Department for their support and assistance. I would like to thank the authors of the books that I have taken help from, which had made my understanding clearer during the making of this report.

.....

MD. Rakibul Hassan

ID: 08104072

Executive Summary

There is a great supportive role of banking system in human society. It plays a vital role for the economic development of a country. The local banking system of Bangladesh is developing their services day by day by following the multinational banks. Standard Chartered Bank is one of multinational bank who is leader and follower of the other local banks. At the same time it brings different modern technology in our banking culture.

In Bangladesh Standard Chartered Bank operate the banking operation over the Sixty Two (62) years. In that time it did lots of changes in this sector and it promoted many new ideas in this sector. Standard Chartered Bank is trying to develop economic condition of the country. In the SME, SCB has five different products for their different customer choice. Today this bank provides loan facility TK 10 Lac (BDT 1 million) to TK 15 crore (BDT 150 million) to that small and medium enterprise that has no easy access to banks or financial institutes. In the portfolio of SME, SCB gave loan (BDT 7.5 billion) TK 750 crore in the year of 2011. It is a huge amount of money that SCB providing for their customer in the SME loan.

The success of SME will largely depends on the selection of a business and man behind the business. Standard Chartered Bank provides this facility to those whose business operation is minimum one year and environment friendly business. At the same time the business should be legally registered and must have valid trade license. The entrepreneur should be physically able, preferably between the ages 25 to 50. Entrepreneur must have the necessary technical skills to run the business and acceptable social standing in the community.

The core competence of the Standard Chartered Bank is to provide the fastest loans to the customers in this country. To retain this competitive advantage Standard Chartered Bank would provide latest facilities whether they can give fastest services to clients than other banks. Regarding the services by the Relationship Officer (RO) or sales executive, almost all clients are satisfied by get these quick facilities from them. In the survey it is found that most of the clients give a suggestion to decrease the interest rate and loan processing fees. So, personally I think SCB management look after this things from the view point of customer and the competitor banks. By this way the Bank will be able to keep on playing its important roles in our economy.

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List of Abbreviations

Abbreviation	Meaning
SME	Small and Medium Enterprise
GDP	Gross Domestic Product
SCB	Standard Chartered Bank
UK	United Kingdom
USA	United States of America
BBA	Bachelor of Business Administration
BRAC	Bangladesh Rural Advancement Committee
CEO	Chief Executive Officer
HIV	Human Immunodeficiency Virus
AIDS	Acquired Immune Deficiency Syndrome
ATM	Automatic Teller Machine
LC	Letter of Credit
UDC	Un-Dated Cheque
PDC	Present- Dated Cheque
PL	Personal loan
TIN	Taxpayer Identification Number
EMI	Equated Monthly Installments
LAP	Loan Against Property
DCR	Duplicate Carbon Receipt
VAT	Value Added Tax
RO	Relationship Officer
CIB	Credit Information Bureau

Part One: Organization Part

1.0 Introduction

In Bangladesh By increasing a dynamic small and medium enterprise (SME) sector is seen as a priority amongst economic development goals, in both developed and emerging economies. SMEs are a primary driver for job creation and it also contributes on GDP growth. It is greatly contribute to economic diversification and social stability and its play an important role in private sector development. The Standard Chartered Bank (SCB) is one of them who introduce this SME finance in this country. We know that, SCB is the biggest bank in Asia, Africa, UK, USA and Middle East with its significant lending, investment and insurance activities around the world. SCB is considered as one of the largest banking and financial services organization in the world. In Bangladesh it has made its place as the fastest growing bank. In the SME sector in Bangladesh SCB has five different products and only SCB provide both the term loan and working capital finance. Though SCB also have another different loan product but it gives more emphasize on the SME loan because, in Bangladesh the SME loan is much more popular from another business loan. At the same time the percentage of new entrepreneur are increasing day by day. So as a business loan of SME is much popular and it has much more opportunity to grow up in Bangladesh.

1.1 Origin of the Report

This report has been prepared as a requirement of the internship program, after completion of the BBA program of school of Business, BRAC University. The main objective of the internship program is to initialize the student with the actual working experience and an exposure to the world outside the theoretical explanation.

This report is based upon the Standard Chartered Bank where, I, MD. Rakibul Hassan was placed for the internship program under the guidance of my honorable faculty advisor **Ms. Tasneema Afrin** and organization supervisors **Ms. Eishita Alam**, Manager, Policy & Risk Management, SME Banking and **Md. Tarik Jamil**, Manager, Loan Operations, Customer Loan Operations.

1.2 Objective

1.2.1 Broad Objective

The broad objective of this project:

1. How Standard Chartered Bank operates SME banking operation around the country through its extensive network.
2. Why Market concentration and product diversification are considered the main strategies for expanding the SME business.

1.2.2 Specific Objective

To support the broad objectives better we have developed some specific objectives. These are:

1. How Standard Chartered Bank operates SME banking operation around the country through its extensive network
 - History of Standard Chartered Bank SME
 - SME Product Details
 - Operation Process of SME Loan Disbursement of SCB
2. Why Market concentration and product diversification are considered the main strategies for expanding the SME business.
 - Market segmentation
 - Target consumer
 - Target market
 - Developing marketing mix
 - SWOT Analysis

1.3 Scope

The report has three parts. First part is the organization part where I covered brief about the organization. Second part is the job part where I covered what I did in the office and my responsibilities. In the third part; this is assigned by supervisor, SME Activities of Standard Chartered Bank in Bangladesh. In this part I covered how Standard Chartered Bank operate SME banking through its extensive network and why market concentration and product diversification are considered the main strategies for expanding the SME business.

1.4 Methodology

All the information incorporated in this report has been collected both from the primary sources and as well as from the secondary sources.

Primary sources included direct observation and interview of bank staffs. The organization part data was collected from secondary sources books, brochures, files, published reports and official web site of Standard Chartered Bank Bangladesh. To clarify different conceptual matters, different SME related journals and SME related articles used as a secondary data.

1.5 Limitations

The study has suffered from a number of barriers –

- Data from Standard Chartered Bank is highly confidential for the outside people and access to software is not provided.
- It was difficult to communicate with the customers, as many of them were unable to give time for interview.
- Available publish data was very limited.

2.0 Overview and History of Standard Chartered Bank

Standard Chartered Bank is world's one of the fastest growing financial institution, it has also a history of over 150 years. Including all subsidiaries, associates and joint ventures SCB has started its 1,200 branches in over 56 countries at the Asia Pacific Region, South Asia, the Middle East, Africa, the United Kingdom and the United States of America. Standard Chartered Bank is Asia's top syndication bank and is also strong in debt financing. As one of the world's most international banks, Standard Chartered Bank employs over 44,000 people representing 89 nationalities worldwide.

Standard Chartered Bank was formed in 1969 through a merger of two banks: The Standard Bank of British South Africa, founded in 1863, and the Chartered Bank of India, Australia and China, founded in 1853. Both companies were keen to capitalize on the huge expansion of trade and to earn the handsome profits to be made from financing the movement of goods between Europe, Asia and Africa.

The Chartered Bank

- Founded by James Wilson following the grant of a Royal Charter by Queen Victoria in 1853.
- Chartered opened its first branches in Mumbai (Bombay), Kolkata and Shanghai in 1858, followed by Hong Kong and Singapore in 1859.
- Traditional trade was in cotton from Mumbai (Bombay), indigo and tea from Kolkata, rice from Burma, sugar from Java, tobacco from Sumatra, hemp from Manila and silk from Yokohama.
- Played a major role in the development of trade with the East which followed the opening of the Suez Canal in 1869 and the extension of the telegraph to China in 1871.
- In 1957 Chartered Bank bought the Eastern Bank together with the Ionian Bank's Cyprus Branches. This established a presence in the Gulf.

The Standard Bank

- Founded in the Cape Province of South Africa in 1862 by John Paterson. Commenced business in Port Elizabeth, in January 1863.
- Was prominent in financing the development of the diamond fields of Kimberley from 1867 and later extended its network further north to the new town of Johannesburg when gold was discovered there in 1885.
- Expanded in Southern, Central and Eastern Africa and, by 1953, had 600 offices.
- In 1965, it merged with the Bank of West Africa, expanding its operations into Cameroon, Gambia, Ghana, Nigeria and Sierra Leone.

From the early 1990s, Standard Chartered Bank has focused on developing its strong franchises in Asia, Africa and the Middle East. It has concentrated on consumer, corporate and institutional banking and on the provision of treasury services - areas in which the Group had particular strength and expertise.

Since 2000 the Bank has achieved several milestones with a number of strategic alliances and acquisitions, which have extended the customer and geographic reach and broadened the product range that Standard Chartered Bank offers.

2.1 Standard Chartered Bank Bangladesh

Standard Chartered Bank has been operating in Bangladesh for over Sixty Two (62) years. After the partition of the subcontinent in 1947, Bangladesh became East Pakistan; thereafter SCB started its business in 1948, in the port city of Chittagong. Standard Chartered Bank is doing exceptionally well in Bangladesh.

Today the bank is spread all over the country and is arguably the largest foreign bank in Bangladesh. It has branches in Bogra, Chittagong, Dhaka, Khulna, Savar and Sylhet. They have ATM booths almost all over Dhaka and Chittagong. Standard Chartered Bangladesh has bought out the Bangladesh operations of various other foreign banks such as Grindlays Bank and American Express.

Today, the bank is the oldest and largest foreign international bank in this country with total operating network of 26 branches, 57 ATMs and 7 Financial Kiosks nationwide. The bank is also the only foreign international bank in the country with full range presence in 6 cities like; Dhaka, Chittagong, Khulna, Sylhet, Bogra and Narayanganj. It has its head office in Gulshan, Dhaka. Jim McCabe is the current CEO of Standard Chartered Bank in Bangladesh.

Currently Standard Chartered Bank in Bangladesh provides both consumer banking and wholesale banking products and services offering comprehensive personal banking, business banking, corporate and institutional banking, treasury and custodial services to diverse customers in Bangladesh. Customers can avail a wide variety of banking and financial products and services including credit cards, loans, deposits, foreign currency exchange, investments and more. The bank offers competitive currency exchange rate allowing customers to greater expose their exchange transactions. Standard Chartered Bank also offers a host of convenient banking services through its one-stop internet banking service.

2.2 Principles & Values

Standard Chartered success is built on teamwork, partnership and the diversity of employees. At the heart of values lie diversity and inclusion. They are a fundamental part of the culture and constitute a long-term priority in the aim to become the world's best international bank.

SCB Stands for-

† **Strategic Intent:**

- The world's best international bank.
- Leading the way in Asia, Africa, Middle East, UK, and USA.

† **Brand Promise:**

- Leading by Example to The Right Partner.

† **Values:**

- Responsive
- Trustworthy
- International
- Creative
- Courageous

† **Approaches:**

- **Participation:** Focusing on attractive, growing markets where can leverage the relationships and expertise.
- **Competitive Positioning:** Combining global capability, deep local knowledge and creativity to outperform with the competitors.
- **Management Discipline:** Continuously improving the way we work, balancing the pursuit of growth with firm control of costs and risks.

2.3 Corporate Social Responsibility at Standard Chartered Bank

At Standard Chartered, in addition to contributing to economic growth through our core business activities, we want to have a broader positive impact on the communities in our markets; the bank is committed globally to uphold high standards of Corporate Social Responsibility. There are numerous ways we are striving to be a force for good; globally as well as in Bangladesh.

- To commit USD 1 million to Dhaka Urban Comprehensive Eye Care project that will serve over 270,000 visually impaired people in Dhaka.
- To built an Operation Theatre and children's Ward at Islamia Eye Hospital and provides for its maintenance since 2003.
- To organize 'Living with HIV' program we help educate not only our staff but the youth in our communities about HIV and its prevention and assign eighteen seminars titled "Confronting AIDS Challenge in the 21st Century" in different universities and cities to spread awareness about HIV /AIDS amongst the younger generation in Bangladesh.

- To focus on the areas of history, culture and art, seeking to make a difference and surface little known events and artwork.
- To encourage development of youth through education scholarships and sports sponsorships.
- To encourage all corporate bodies in Bangladesh to uphold high standards of social responsibility by the CSR activities.

2.4 Products and Services

2.4.1 Personal Banking

Personal banking means the consumer or person before opening a bank account and then commit to transition on their own needs or other purposes. Currently Standard Chartered Bank Bangladesh provides different type of personal banking and all of these are much more helpful to their clients and customers.

Table 2.1 Different parts of Personal Banking

<p><u>Accounts</u></p> <ul style="list-style-type: none"> • Savings Accounts • Current Accounts • Services • Fixed Deposits • Savings Schemes <p><u>Branch Sales & Services</u></p> <ul style="list-style-type: none"> • ATM & Branch Locations • Alternate Channel 	<p><u>Loans</u></p> <ul style="list-style-type: none"> • Auto Loan • Personal Loan & Flexi Loan • Home Loan <p><u>Service Quality</u></p> <ul style="list-style-type: none"> • Service First 	<p><u>Cards</u></p> <ul style="list-style-type: none"> • Credit Card • Debit Card • Prepaid Card
--	--	--

Source: Internet & Internal Document

2.4.2 Priority Banking

Priority Banking are categorized into 4 parts;

- Priority Privileges
- Priority Suites
- A world without borders
- Be our Priority today

Priority Privileges

At Priority Banking, SCB make everything our value from their priority. In essence SCB categorized it into 3 sectors; these are- you, your family and your business.

Priority Suites

Peace of mind. It is the feeling you get when you stroll through a forest, walk along the bank of a meandering stream, or step into the Priority Banking Centre, with its use of natural elements such as wood, stones and water, color palette of beige and brown, and seasonal accents of blue and green.

A world without borders

Standard Chartered Priority Banking is available across an extensive network. So, whether you are on the move or at home, you can be sure of constant access to the most privileged levels of personalized banking in our branches across the world.

Be our Priority today

Standard Chartered offer an exclusive banking service for those who want the best. To enjoy this exclusive Priority Banking membership and all the benefits and privileges that come with it,

simply maintain an average balance of Tk. 35 Lakhs in any one or combination of the following products - Savings Accounts, Term Deposits, Business plus Current Accounts.

2.4.3 Islamic Banking

Standard Chartered has been offering world-class and completely Shariah-compliant Islamic Banking solutions since 1993; and at present has coverage in 6 countries including Bahrain, Bangladesh, Indonesia, Malaysia, Pakistan and UAE.

At Standard Chartered Saadiq, respect our Islamic beliefs and values. That's why it offer world class Islamic Account solutions combined with modern banking facilities. The Islamic Banking is categorized into 4 parts;

Table 2.2 Different parts of Islamic Banking

<ul style="list-style-type: none"> • Saadiq Deposit Accounts <ul style="list-style-type: none"> ○ Saadiq Current Account ○ Saadiq Savings Account ○ Saadiq Term Deposit 	<ul style="list-style-type: none"> • Saadiq Financing Products <ul style="list-style-type: none"> ○ Saadiq Auto Finance ○ Saadiq Personal Finance ○ Saadiq Home Finance
<ul style="list-style-type: none"> • Saadiq Cards <ul style="list-style-type: none"> ○ Saadiq Debit Card ○ Saadiq Credit Card 	<ul style="list-style-type: none"> • Profit Rates <ul style="list-style-type: none"> ○ Monthly Profit Rate & Weight age

Source: Internet & Internal Document

2.4.4 SME Banking

The constant economic growth in Bangladesh means ample opportunities for growing our dream of business. Standard Chartered Bank's SME Banking comes into play with its wide range of business responsive products, services and superior customer service. SME Banking are categorized into 5 parts;

1. Business Installment Loan
2. Orjon
3. Loan Against Property
4. Trade & Working Capital
5. Transaction Services
 - Business Priority Account
 - Business Premium Account
 - Business Plus Account
 - Straight 2 Bank
 - Door Step Banking

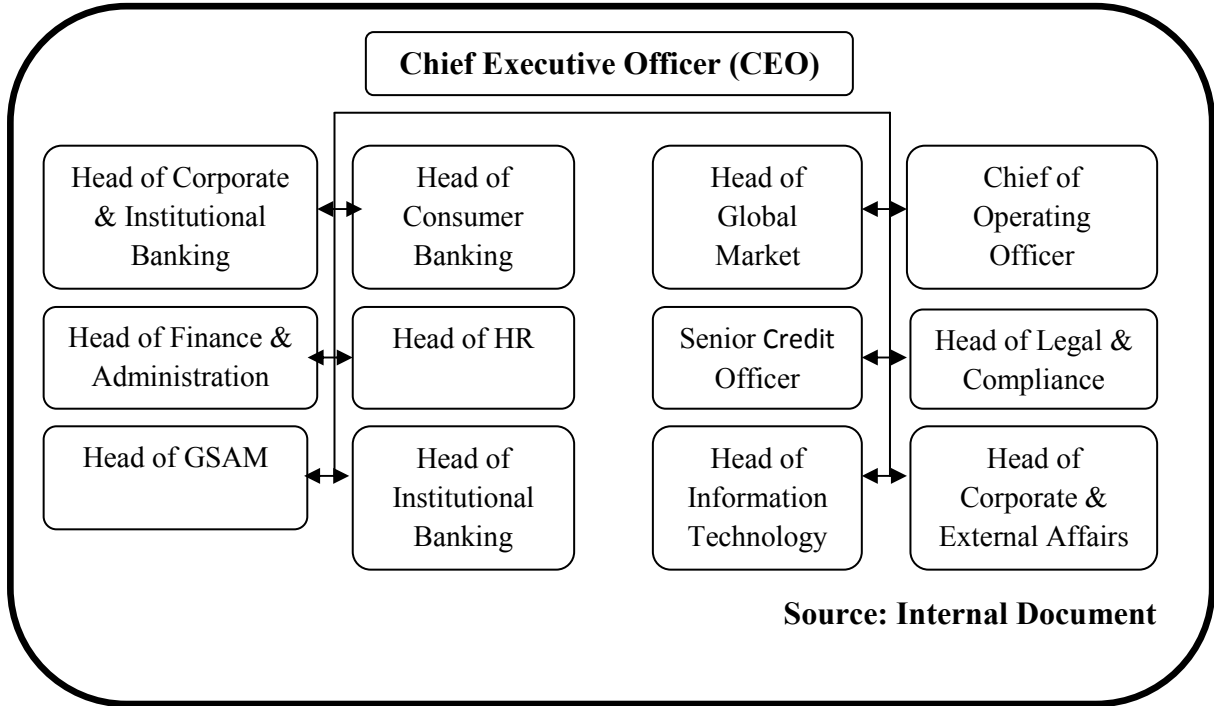
2.4.5 Wholesale Banking

- Schedule of Charges

2.5 Chain of Command

Standard Chartered Bank in every country follows a hierarchy pattern of command. The Chief Executive Officer (CEO) for the country reports to the respective regional manager. All other departmental heads at the headquarters report to the country CEO. Managers or Senior Managers reports to the divisional heads. The respective Branch Managers are responsible for the performance of their unit. Each branch is organized functionally along line divisions with some support facilities and the manager assigns tasks to his/her subordinate personal and supervises their performance. Organogram of SCB Bangladesh is given below;

Figure: 2.1 Organogram of SCB Bangladesh



2.6 Functional Structure of SCB Bangladesh

SCB Bangladesh operates with a functional structure with sufficient flexibility to obtain the benefit of matrix system of organizational structure. The functional structure that relies on grouping of people on the basis of common expertise and experience allows sufficient opportunity to become more specialized and productive by doing the same work repeatedly and over long exposure to the work.

Such a structure provides greater control over quality control and effective allocation of fund and task to the employees. The structure is also conducive for the employees to enjoy greater autonomy and span of control.

At SCB, the functional structure is applied with a great deal of flexibility. That is, the bank intends to shrug off the demerits of the functional structures by implementing certain flexibility and allocation of authority that enables it to reap the benefits of matrix structure. This process at SCB is achieved by greater automation of the process by using of computer technology and

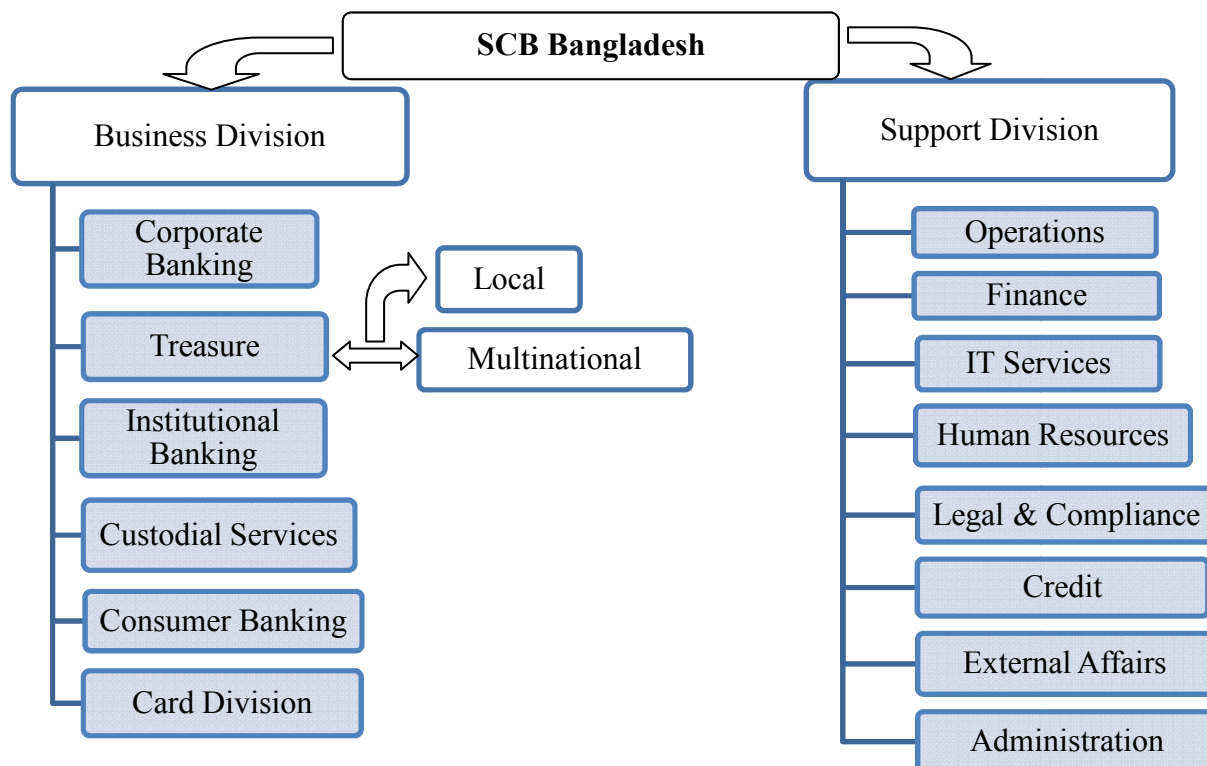
forming of cross functional teams of develop new products and improve the quality of the services or address specific operational problems. SCB is known for revolutionizing the banking industry of Bangladesh through the adoption of newer technology such as ATM Machine, Tele Banking, Credit Card Operation etc.

SCB in Bangladesh can be broadly divided into two functional areas;

1. Business and Support Division of SCB
2. Product Division of SCB-Consumer, Corporate and Institutional Banking.

2.6.1 Business and Support Division of SCB

Figure: 2.2 Business and Support Division (Functional Areas) of SCB Bangladesh.



Source: Internal Document

2.6.2 Product Division of SCB-Consumer, Corporate and Institutional Banking.

Different types of customers are targeted by different divisions. Consumers Banking Division and Corporate Banking Division namely Corporate and institutional Banking (C & I) are two main divisions.

Consumer Banking

Consumer Banking division meets the needs of individual customers with various products like Savings Account, Extra Value Saving Account, VIP Saver's Account, Freedom Account, Access Account, Call Deposit, Graduate Account, FCY (foreign currency) Deposit, NFCD (Non-resident Foreign Currency Deposit) Fixed Deposit, RFCD (Residence Foreign Currency Deposit) Account, Personal Loans, Auto Loans, Flexi Loans, Cash Line, Installment Loans etc.

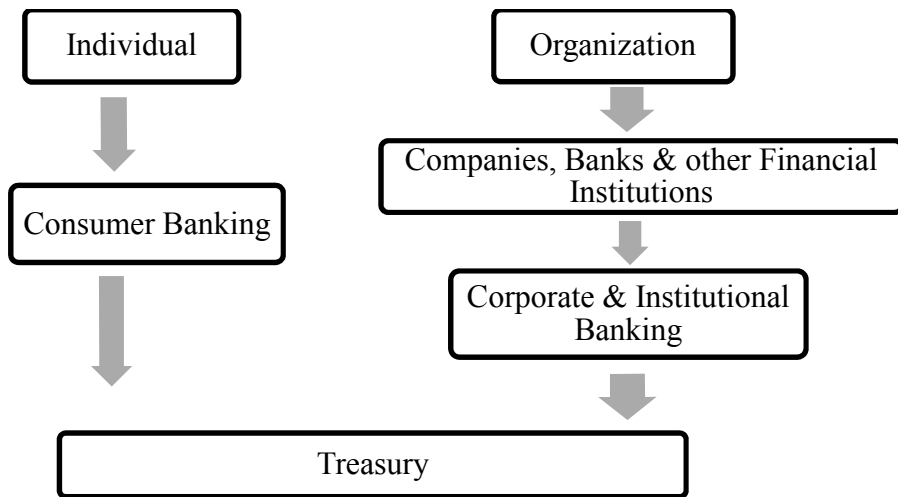
Corporate & Institutional Banking

Corporate and institutional banking meets the needs of companies, banks and other financial institutions. Standard Chartered provides a full range deposit and loan products to its corporate clients. Rapid decision making is an important feature of SCB's services to international and domestic companies doing business in Bangladesh. All accounts are assigned to a Relationship Manager to look after client needs. Each Relationship Manager keeps close contact with the client obtaining in depth knowledge of the client's business and providing timely advice. This division's also include products such as;

- ♣ Network banking and borrowing services like working capital loan, long-term loan, short-term loan, and margin account.
- ♣ Commercial large loan
- ♣ Real estate apartment loan
- ♣ Heavy transport buying loan
- ♣ Construction loan
- ♣ Restaurant loan

It also includes like international trade related services such as L/C issuing, L/C amendment, L/C transfer, L/C confirmation, negotiation, bank guarantees etc. These products are only served to the corporate clients of the bank, and those are mostly local corporate, large and local corporations, multinational national companies.

Figure: 2.3 Relationships between respective customers with different departments of SCB



Source: Internal Document

This focus allows the business to develop an in-depth understanding of the bank’s customer’s evolving requirements. This in turn enables them to develop the products and services that help SCB stand out from the competition. Treasury provides support to the customers of both these business and develops customers of their own.

Part Two: Job Part

The Standard Chartered Bank (SCB) is the biggest bank in Asia, Africa, Middle East, UK, and USA with its significant lending, investment and insurance activities around the world. SCB is considered as one of the largest banking and financial services organization in the world. In Bangladesh it has made its place as the fastest growing bank. Being able to work in this world famous organization I find myself lucky. Here I got the opportunity to work with credit policy and risk management department and customer loan operation department. During the three months of my internship I was placed in Head Office at Gulshan Avenue. I heavily enjoyed to do work in this bank.

3.0 Job as an Intern

I had opportunity to gain experience working over on different departments of Standard Chartered Bank. I was engaged on several tasks on respective departments such as - credit policy and risk management department and customer loan operation department. The work experience gave me a good idea of the overall banking system of Bangladesh and taught me the professionalism at work place.

I started my work from the credit policy & risk management department under the SME team. In this department, I have learnt that how to processing the loan, identification of problems regarding SME loan, types of loan and in which sector the bank allocate the loans. Under the SME team I was go through the SME files on the bases of the requirements and at the same time I made a database all the old SME files. These files were taken from the vault under the basis of requirements. I worked few days in the SME section.

Then I moved to the loan operation department and there I was processing all the files of loan. Here every type of loan files was coming to make a record for the future. So my main tusk was rearranged the files and gave it to the scan machine operator. On the times of rearranging the files that time I learned many things on the procedure of loan and the necessary requirements papers. Here I handled the Personal loan (PL), Auto loan, Saadiq home finance, Home sweet home finance, SME loan, Mortgage loan, Business loan etc. So that's why it is very clear to me to know about all the procedures and necessary papers of taking any kind of loan. At the same

time I arranged the UDC (Un-Dated Cheque) and PDC (Present- Dated Cheque). All of these cheques were inputted in the server as a database.

In the both department I had to check 25-30 files on an average. All these required total concentration and meditation. In a sense, I had to check the following information;

- Copy of valid trade license.
- Copy of last 12 months bank transaction statements.
- Photo ID of the business owner.
- Copy of utility bills of the business or home entity.
- TIN Certificate.
- Photograph of the customer.
- Partnership deed and registration copy.
- Certification of incorporation.
- Board/Partnership resolution.
- All facility related offer letter.
- Memorandum and article of the association, from X to XII

I also got a chance to do work in the foreign exchange division. But I only worked in the import section. I came to know how to make a letter of credit form, how to make swift and some related topic of opening of letter of credit. But I worked very few days in this section.

3.1 Job responsibilities

- Create a database on the different loan files.
- Data entry.
- Rearrange the SME and all types of loan files.
- Analyzing the loan files.
- Input the PDC & UDC.

Part Three: Project Part

4.0 Definition of SME

In Bangladesh SMEs have assumed special significance for poverty reduction programs and potential contribution to the overall industrial and economic growth. An SME (Small and Medium Enterprise) is defined as, “A firm managed in a personalized way by its owners or partners, which has only a small share of its market and is not sufficiently large to have access to the stock exchange for raising capital”. SMEs ordinarily have few accesses to formal channels of finance and depend primarily upon savings of their owners, their families & friends. So, as a result, most SMEs are sole proprietorships & partnerships.

SMEs have been defined against various criteria. The three parameters that are generally applied by the Governments to define SMEs are:

- ◆ Capital investment in plant and machinery.
- ◆ Number of workers employed.
- ◆ Volume of production or turnover of business.

A quantitative definition in each national context is, however, advantageous, as it makes it easier to target macro-level policies for a specific group of enterprises. The countries with such definitions have recorded a higher growth rate in the SME sector. This indicates that the more precise the definition, the more effective the transaction of policies intended to benefit the sector with actual results. In countries where no definition exists, the enterprises are in a disadvantageous position.

4.1 Definition of SME as per Bangladesh Bank

In Small Enterprise:

Small Enterprise refers to the firm/business which is not a public limited company and complies the following criteria:

Table 4.1 Different sector of Small Enterprise and their asset & employee condition

Serial No.	Sector	Fixed Asset other than Land and Building (Tk.)	Employed Manpower (not above)
01.	Service	50,000-50,00,000	25
02.	Business	50,000-50,00,000	25
03.	Industrial	50,000-1,50,00,000	50

Source: Articles**In Medium Enterprise:**

Medium Enterprise refers to the establishment/firm which is not a public limited company and complies the following criteria:

Table 4.2 Different sector of Medium Enterprise and their asset & employee condition

Serial No.	Sector	Fixed Asset other than Land and Building (Tk.)	Employed Manpower (not above)
01.	Service	50,00,000-10,00,00,000	25
02.	Business	50,00,000-10,00,00,000	25
03.	Industrial	1,50,00,000-20,00,00,000	150

Source: Articles**4.2 Purpose**

- Contribute to the socio-economic development of the country.
- Encourage small and medium industry especially agro-based industry of the country.
- Participate in reduction of poverty through employment generation and income generating projects.
- Provide financial assistance to small and medium enterprise, which have limited access to the formal financial markets.

4.3 Classification of Entrepreneurs

Two types of entrepreneurs will come under this scheme:

1. New and inexperienced entrepreneurs.
2. Experienced and successful entrepreneurs.

4.4 SME Banking in Standard Chartered Bank

Standard Chartered Bank provides SMEs with its wide range of business responsive products and services. To help expand the business and tackle all fund related constrains of SMEs, Standard Chartered offers business installment loans of up to Tk 70 lakh (BDT 7 million) from a minimum of Tk 10 lakh (BDT 1 million). The loan requires a cash security of 30 to 50 per cent (%) of the loan amount depending on existing repayment track record. This loan is repayable in three to five years at the interest rate of 19.5 per cent (%). Any business having at least three years of experience in the same business and a minimum turnover of Tk 120,00000 can apply for this loan.

Its loan scheme Orjon however has been crafted to support the business needs of women entrepreneurs and enables SMEs to obtain financing without any requirement of collateral. The features and eligibility requirements of this scheme are similar to the business installment loans, except for an interest rate of 18.5 percent (%).

Standard Chartered also offers loan against property ranging from Tk 14 lakh (BDT 1.4 million) to Tk 2.8 crore (BDT 28 million), to enterprises with annual turnover of Tk 70 lakh (BDT 7 million), at the interest rate of 16 per cent(%) which is repayable over three to 10 years. The bank also offers trade and working capital financing and different SME transaction services, online based Straight 2 Bank service and Doorstep Banking (which allows secure banking transactions without leaving the doorstep).

4.5 SME Products

4.5.1 Business Installment Loan (BIL)

Here the customers do not let fund shortage hold back their business expansion. The customer can take the lone on the full amount what they demand and they can repay the loan at the monthly installment process. Customer can take up to BDT 7 Million to truly start their business.

Features

This loan will help the customer to meet their financial needs for their business expansion. A customer can make long term investments with this business loan and build up their equity by repaying the loan in convenient Equated Monthly Installments (EMI). Customer can avail this loan through some simple documentation and against competitive cash securities.

- ◆ Maximum Loan: BDT 7,000,000 (Seventy Lacs) only
- ◆ Minimum Loan: BDT 1,000,000 (Ten Lacs) only
- ◆ Interest Rate: 19.5% per annum
- ◆ Tenor: 3 Years - 5 Years (i.e. 36 to 60 EMI payments)
- ◆ Cash Security: 30% to 50% of the loan amount

Following table indicates the monthly repayment amount or EMIs against different loan amounts and tenors:

Table 4.3 Different monthly repayment amount of BIL

Loan Amount	36 months	48 months	60 months
1,000,000	36,750	30,000	26,050
2,000,000	73,500	60,000	52,100
3,000,000	110,250	90,000	78,150
4,000,000	147,000	120,000	104,200
5,000,000	183,750	150,000	130,250
6,000,000	220,500	180,000	156,300
7,000,000	257,250	210,000	182,350

Source: Internet Document

Eligibility

Any Business fulfilling the following criteria can apply for this loan:

- ◆ At least 3 years or more experience in the same business.
- ◆ Minimum annual turnover of BDT 12,000,000 (One crore twenty lacs) only.

Documents

The following denotes the documents required for any business to apply for this loan:

Table 4.4 Necessary documents required of BIL

SL.	Documents	Proprietorship Concern	Partnership Firm	Private Limited Company
1	Valid Trade License	√	√	√
2	3 Year Old Trade License	√	√	√
3	Latest 12 Month Bank Statement	√	√	√
4	National ID of Business Owners	√	√	√
5	Utility Bill of Business	√	√	√
6	TIN Certificate	√	√	√
7	Photograph of the Owners	√	√	√
8	Registered Partnership Deed	N/A	√	N/A
9	Memorandum & Article of Incorporation, Form X and XII	N/A	N/A	√
10	Certificate of Incorporation	N/A	N/A	√
11	Board/ Partnership Resolution	N/A	√	√
12	All Facility Related Offer Letters	√	√	√

Source: Internet Document

Charges

- ◆ Loan Processing Fee: 1% of the approved loan amount.
- ◆ Early Settlement Charge: 5% on outstanding amount if repaid at any given time before maturity of the loan.
- ◆ VAT and Stamp Charge: All charges and fees are subject to 15% VAT, to be paid by the customer. Stamp charge will be at actual to be paid by the customer.

4.5.2 Orjon

In Bangladesh the number of women-owned company continues to grow, and Standard Chartered Bank is dedicated to help the women entrepreneurs to grow their business by offering competitive Business Loans specially designed for women.

Standard Chartered's Orjon provides the liquidity for the women entrepreneur to need to grow their business or meet their cash flow requirements. By taking this loan the customer have to obtain financing without any requirement of land or property collateral.

Features

'Orjon' has been crafted to perfection to support the business needs of women entrepreneurs. The following features depict the very reasons as to why 'Orjon' can be instrumental in your business success:

- ◆ Maximum Loan: BDT 7,000,000 (Seventy Lacs) only
- ◆ Minimum Loan: BDT 1,000,000 (Ten Lacs) only
- ◆ Interest Rate: 18.5% per annum
- ◆ Tenor: 3 Years - 5 Years (i.e. 36 to 60 EMI payments)
- ◆ Cash Security: 30% to 50% of the loan amount

Following table indicates the monthly repayment amount or EMIs against different loan amounts and tenors:

Table 4.5 Different monthly repayment amount of Orjon

Loan Amount	36 months	48 months	60 months
1,000,000	36,260	29,490	25,520
2,000,000	72,520	58,980	51,040
3,000,000	108,780	88,470	76,560
4,000,000	145,040	117,960	102,080

5,000,000	181,300	147,450	127,600
6,000,000	217,560	176,940	153,120
7,000,000	253,820	206,430	178,640

Source: Internet Document

Eligibility

Any Business fulfilling the following criteria can apply for this loan:

- ◆ At least 3 years or more experience in the same business.
- ◆ Minimum annual turnover of BDT 12,000,000 (One crore twenty lacs) only.

Documents

The following denotes the documents required for any business to apply for this loan:

Table 4.6 Necessary documents required of Orjon

SL.	Documents	Proprietorship Concern	Partnership Firm	Private Limited Company
1	Valid Trade License	√	√	√
2	3 Year Old Trade License	√	√	√
3	Latest 12 Month Bank Statement	√	√	√
4	National ID of Business Owners	√	√	√
5	Utility Bill of Business	√	√	√
6	TIN Certificate	√	√	√
7	Photograph of the Owners	√	√	√
8	Registered Partnership Deed	N/A	√	N/A
9	Memorandum & Article of Incorporation, Form X and XII	N/A	N/A	√
10	Certificate of Incorporation	N/A	N/A	√
11	Board/ Partnership Resolution	N/A	√	√
12	All Facility Related Offer Letters	√	√	√

Source: Internet Document

Charges

- ◆ Loan Processing Fee: 1% of the approved loan amount.
- ◆ Early Settlement Charge: 5% on outstanding amount if repaid at any given time before maturity of the loan.
- ◆ VAT and Stamp Charge: All charges and fees are subject to 15% VAT, to be paid by the customer. Stamp charge will be at actual to be paid by the customer.

4.5.3 Loan Against Property (LAP)

At Standard Chartered we strive to meet customer needs in a competitive and dynamic business environment. Standard Chartered Bank understands that, as an SME, customers require quick access to cash, and the flexibility to leverage their assets to fuel their business growth.

Standard Chartered's Loan Against Property (LAP) provides the liquidity to the customer to need to grow their business or meet cash flow requirements. The loan enables to the customer to leverage their property to obtain financing.

Features

Loan against property is very flexible and is designed to meet the different financial needs of the business. With Loan Against Property (LAP) customer can undertake long term investments for expansion. In the process Loan Against Property (LAP) also enables to customer to build up their business equity by repaying the loan in monthly installments.

- ◆ Maximum Loan: BDT 28,000,000 (taka two crore eighty lac) only
- ◆ Minimum Loan: BDT 1,400,000 (taka fourteen lac) only
- ◆ Interest Rate: 16% per annum
- ◆ Tenor: 3 Years - 10 Years (i.e. 36 to 120 EMIs payments)

- ◆ Maximum % of loan amount against market value of the property: For Commercial Property 60% of property's current market value. For Residential Property 70% of property's current market value.

Following table indicates the monthly repayment amount or the equal monthly installments (EMI) is given below:

Table 4.7 Different monthly repayment amount of LAP

Loan Amount	60 months	72 months	84 months	96 months	108 months	120 months
2,500,000	60,800	54,250	49,675	46,325	43,825	41,900
7,500,000	182,400	162,750	149,025	138,975	131,475	125,700
12,500,000	304,000	271,250	248,375	231,625	219,125	209,500
17,500,000	425,600	379,750	347,725	324,275	306,775	293,300
22,500,000	547,200	488,250	447,075	416,925	394,425	377,100
25,000,000	608,000	542,500	496,750	463,250	438,250	419,000
28,000,000	680,960	607,600	556,360	518,840	490,840	469,280

Source: Internet Document

Eligibility

To be eligible to apply for this loan, the applicant must fulfill the following criteria:

- ◆ At least 3 years of experience in same business.
- ◆ A minimum annual turnover of BDT 7,000,000 (Taka Seventy Lac) only.

Documents

The following denotes the documents required for any business to apply for this loan:

Table 4.8 Necessary documents required of LAP

SL.	Documents	Proprietorship Concern	Partnership Firm	Private Limited Company
1	Valid Trade License	√	√	√
2	3 Year Old Trade License	√	√	√
3	Latest 12 Month Bank Statement	√	√	√
4	National ID of Business Owners	√	√	√
5	Utility Bill of Business	√	√	√
6	TIN Certificate	√	√	√
7	Photograph of the Owners	√	√	√

8	Registered Partnership Deed	N/A	√	N/A
9	Memorandum & Article of Incorporation, Form X and XII	N/A	N/A	√
10	Certificate of Incorporation	N/A	N/A	√
11	Board/ Partnership Resolution	N/A	√	√
12	All Facility Related Offer Letters	√	√	√

Source: Internet Document

Property Documentation Requirement:

A. For Government/Leasehold Land:

1. Lease Deed/ Ownership Deed (photocopy).
2. Baya Deed for at least 25 years, if any (photocopy).
3. Development Agreement/ Joint Venture Agreement with the land owner/ developer.
4. Power of Attorney (if any).
5. Power of Attorney Acceptance Letter from lessor of the property.
6. Mutation (any one).
 - a. Mutation Letter from RAJUK/ CDA.
 - b. Mutation Letter from National Housing Authority (NHA).
 - c. Mutation Letter from Ministry of Works.
 - ◆ Duplicate Carbon Receipt (DCR) with Mutation Order Sheet.
 - ◆ Up to date Municipality Tax Receipt.
 - ◆ Up to date Land Tax Receipt.
 - ◆ Non-Encumbrance Certificate (NEC).
 - ◆ Approved Plan/ Layout Plan and Approval Letter by RAJUK/CDA/Concerned Authority.
 - ◆ Any other documents as advised by the bank's lawyer.

B. For Private/Freehold Land:

- ◆ Ownership Deed (photocopy).
- ◆ Baya Deed for at least 25 years, if any (photocopy).
- ◆ Development Agreement/ Joint Venture Agreement with the land owner/ developer.
- ◆ Power of attorney (if any).
- ◆ Recent Survey Report (i.e. Math Parcha Duly attested).
- ◆ CS, SA, RS Parcha (PS, BS, RS Parcha- only applicable for Chittagong).
- ◆ Mutation Parcha and Mutation Proposal Sheet.
- ◆ Duplicate Carbon Receipt (DCR) with Mutation Order Sheet.
- ◆ Up to date Municipality Tax Receipt.
- ◆ Up to date Land Tax Receipt.
- ◆ Non-Encumbrance Certificate (NEC).
- ◆ Approved Plan/ Layout Plan and Approval Letter by RAJUK/ CDA/ Concerned Authority.
- ◆ Any other documents as advised by the bank's lawyer.

Charges

- ◆ Loan Processing Fee: 1.5% of the approved amount.
- ◆ Valuation Fee: BDT 5000 per property.
- ◆ Legal fee: BDT 7000 property.
- ◆ Early Settlement Fee: 5% on outstanding amount if repaid at any given time before maturity of the loan.

- ◆ VAT and Stamp Charges: All charges and fees are subject to 15% VAT, to be paid by the customer. Stamp charge will be at actual to be paid by the customer.

Both the valuation and legal fees are non-refundable and inclusive of processing fee of 1.5%+VAT of the loan. Both fees will be discounted from the said processing fee at the time of loan disbursement if the loan is approved by the bank, the facility is availed by the customer and the property(s) are mortgaged in favor of the Bank.

4.5.4 Trade and Working Capital Financing

Here Standard Chartered Bank offer this service to their clients on hand in hand and at the same time if the clients business requires various combinations of banking facilities then the Trade and Working Capital Financing is here to provide their the perfect blend.

The lists of benefits that Standard Chartered Bank offers to their client's needs and these are:

- Letter of Credit (LC)
- Loan Against Trust Receipt (LATR)
- Revolving Loan (RL)
- Local Bill Discounting (LBD)
- Term Loans
- Bank Guarantee
- Shipping Guarantee
- Foreign Exchange Forward
- Overdraft Facilities

Features

The beneficial features of Standard Chartered Trade and Working Capital are:

- Facilities of up to BDT 120,000,000 (taka twelve crore) only for single customers and up to BDT 150,000,000 (taka fifteen crore) only for groups.
- Fast access to trade lines and transactions.
- Dedicated experts to support with all your banking needs.
- Easy access to operational accounts.
- Competitive rates for foreign exchange services.
- Wide options of instruments to serve as security or collateral.
- Acceptable collaterals: Property, Cash/Bond/FD, Stock Hypothecation, Personal Guarantee, Corporate Guarantee, etc.

Eligibility

To avail these benefits a business must fulfill the following criteria:

- Minimum Annual turnover of BDT 200,000,000 (Taka twenty crore) only.
- 3 years of business experience.

4.5.5 Transaction Service

To bring out the best option from the client business' deposits, Standard Chartered Bank offers its SME Transaction Services. SCB have formulated a matrix of stages with respective features that are bound to show up with the most beneficial transactions.

Standard Chartered Bank offers three types of accounts. These are SME Business Priority Account, SME Call Account and Business account. Each of these account types are subdivided into Business Plus, Business premium and Business Priority segments.

The following tables highlights all features and charges of the all the SME transaction services.

4.5.5.1 Business Priority Account

The Business Priority Account means a client who will want to enjoy the extra privileges of personalized and the superior account services for their business from the bank. SCB try to provide that kind of superior services for their clients. A certain class of people takes that kind of service from the SCB.

Benefits

- Tiered Interest Rate
- Online Banking facility across all Standard Chartered branches
- Access to ATMs (Sole Proprietorship Only)
- Internet Banking and SMS Banking
- Evening Banking Facility in select Branches
- 24-hour Contact Center (Sole Proprietorship Only)
- Experienced Relationship Manager to take care of all your daily banking requirements
- FREE Issuance of Pay Order and Demand Draft
- FREE Online Intercity Transaction Facility
- FREE Over-the-Counter Transaction
- FREE Monthly Account Statements
- FREE Daily e-Statements
- FREE Exclusively Designed Personalized Cheque Book
- A host of other exclusive privileges offered by Priority Banking, including free valet parking, discounts, fee waivers and privileges

Eligibility

By maintaining a minimum half-yearly average balance of BDT 1,000,000 Lac, any of the following type of business entities & individuals can benefit from Business Priority Account.

- Sole Proprietorship
- Partnerships
- Self-Employed Professionals
- Limited Liability Company (LLC)
- Local Development Organizations (Only Liability Relationship)

4.5.5.2 Business Premium Account

The Business Premium Account has been designed to create a relevant and exclusive package only for making the clients business flourish. By becoming a Business Premium Accountholder, anyone can enjoy the following distinctive services:

Benefits

- Tiered Interest Rate
- Online Banking facility across all Standard Chartered branches
- Access to ATMs (Sole Proprietorship Only)
- Internet Banking and SMS Banking
- Evening Banking Facility in select Branches
- 24-hour Contact Center (Sole Proprietorship Only)
- Team of Relationship Managers
- FREE Exclusively Designed Personalized Cheque Book
- FREE Online Intercity Transaction Facility.
- FREE Over-the-Counter Transaction
- FREE Monthly Account Statements
- FREE Daily e-Statements

Eligibility

By maintaining a minimum half-yearly average balance of BDT 500,000 Lac, any of the following type of business entities & individuals can benefit from Business Premium Account.

- Sole Proprietorship
- Partnerships
- Self-Employed Professionals
- Limited Liability Company (LLC)
- Local Development Organizations (Only Liability Relationship)

4.5.5.3 Business Plus Account

Standard Chartered has put together the custom-made Business Plus Account especially designed to support the ambitious growth of SMEs. By becoming a Business Plus Accountholder, anyone can enjoy the following distinctive services:

Benefits

- Tiered Interest Rate
- Online Banking facility across all Standard Chartered branches
- Access to ATMs (Sole Proprietorship Only)
- Internet Banking and SMS Banking
- Evening Banking Facility in select Branches
- 24-hour Contact Center (Sole Proprietorship Only)
- Free up-gradation from normal Current Account to Business Account
- FREE 1st Cheque book
- FREE Out-Station Cheque Collection
- FREE Monthly Business Statements

Eligibility

By maintaining a minimum monthly average balance of BDT 250,000/-, any of the following business entities can benefit from Business Plus Account.

- Sole Proprietorship
- Partnerships
- Self Employed Professionals
- Limited Liability Company (LLC)
- Local Development Organizations (Only Liability Relationship)

4.5.5.4 Straight 2 Bank

Efficiency and responsiveness are two of the driving force of any business. Beholding these two fundamentals Standard Chartered Bank offers the Straight 2 Bank service to all SME customers. Banking was never as easy as Straight 2 Bank.

Straight 2 Bank is positioned to become the key channel for all SME Banking clients by providing enhanced product offering, greater geographic reach, time efficiency, improved operational support model, and comprehensive secured platform.

Straight 2 Bank is an online service through which anyone can view their bank statements and make certain crucial transactions like fund transfer, DD instruction etc. A client can also view their daily transactions, which is updated every half an hour. They can enjoy the true essence of real-time banking.

4.5.5.5 Door Step Banking

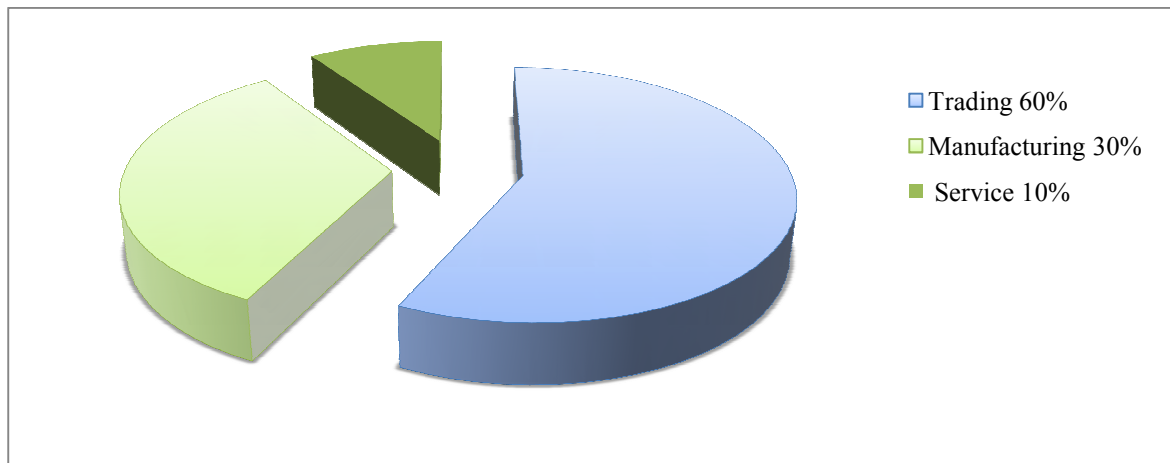
In today's competitive business environment time is money, and money saved is money earned. With this idea the SME Banking team brings Doorstep Banking for their clients. It is a customizable service that allows them to securely conduct banking transactions without leaving their doorstep, which in turn saves the client's valuable time.

Doorstep Banking is a cash/cheque pickup and delivery service from different cash collection and payment points of clients business. This service saves their regular commuting time to SCB branches for cash transactions. It is also very safe as the transportations of the cash/cheques will

be done using bullet proof armored vehicles, which will be present at their preferred pickup/delivery points at a very affordable price.

4.6 Sector wise Distribution of SMEs

Figure: 4.1 Percentage of different sector of SME in SCB



Source: Internal Document

In the SMEs sector wise distribution we see that, SCB gives much more emphasize on the trading sector. Because the traders take the big amount of loan and at the same time it is less risky from the other business sector. And the percentages of new traders are increasing day by day. The trading sector takes the major portion of the loan and that type of loan can be long term or short term. The manufacturing sector is the second position of the SME loan and that type of loan takes for making the old industry much bigger or increasing the production amount. In the service sector SCB gives very few amounts of SME loan. That type of loan is giving for the service people like; doctor, lawyer etc.

4.7 SME Network Coverage



Figure: 4.2 SCB SME network coverage in Bangladesh

4.8 Selection of Potential Enterprise for SME

4.8.1 Enterprise selection Criteria

The success of SME will largely depend on the selection of a business and man behind it. In terms of the business (Enterprise), the following attributes are given below:

1. The business should be in operation for at least one year.
2. The business should be environment friendly.
3. The business should be legally registered, like; valid trade license, income tax or VAT registration etc.
4. The business should be in legal trade.
5. The business must have a defined market with a clear potential growth.
6. The business center must be located close to the source of its raw materials market.
7. It should have to access all the utilities, skilled manpower's and necessities.

4.8.2 Entrepreneur Selection Criteria

Entrepreneur selection is very important job for any bank. So the entrepreneur selection criteria are given below:

1. The entrepreneur should be physically able and in good health, preferably between the age of 25-50. In case if the entrepreneur is closer to 50, it should be seen what the succession process will be and whether it is clearly defined or not.
2. The entrepreneur must have the necessary technical skill to run the business, like; academic background, professional training, relevant work experience in another institution or years of experience in this line of business.
3. Clear-cut indication of source of income and reasonable ability to save.
4. Suppliers or creditors should support that he pays on time and is general in nature.

5. The entrepreneur must have an acceptable social standing in the community, he should possess a high level of integrity (doesn't cheat anyone, generally helps people), and morally sound.
6. The entrepreneur must possess a high level of enthusiasm and should demonstrate that he is in control of his business (Confidently replies to all queries) and has the ability to take up new and fresh challenges to take the business forward.

4.8.3 Guarantor Selection Criteria

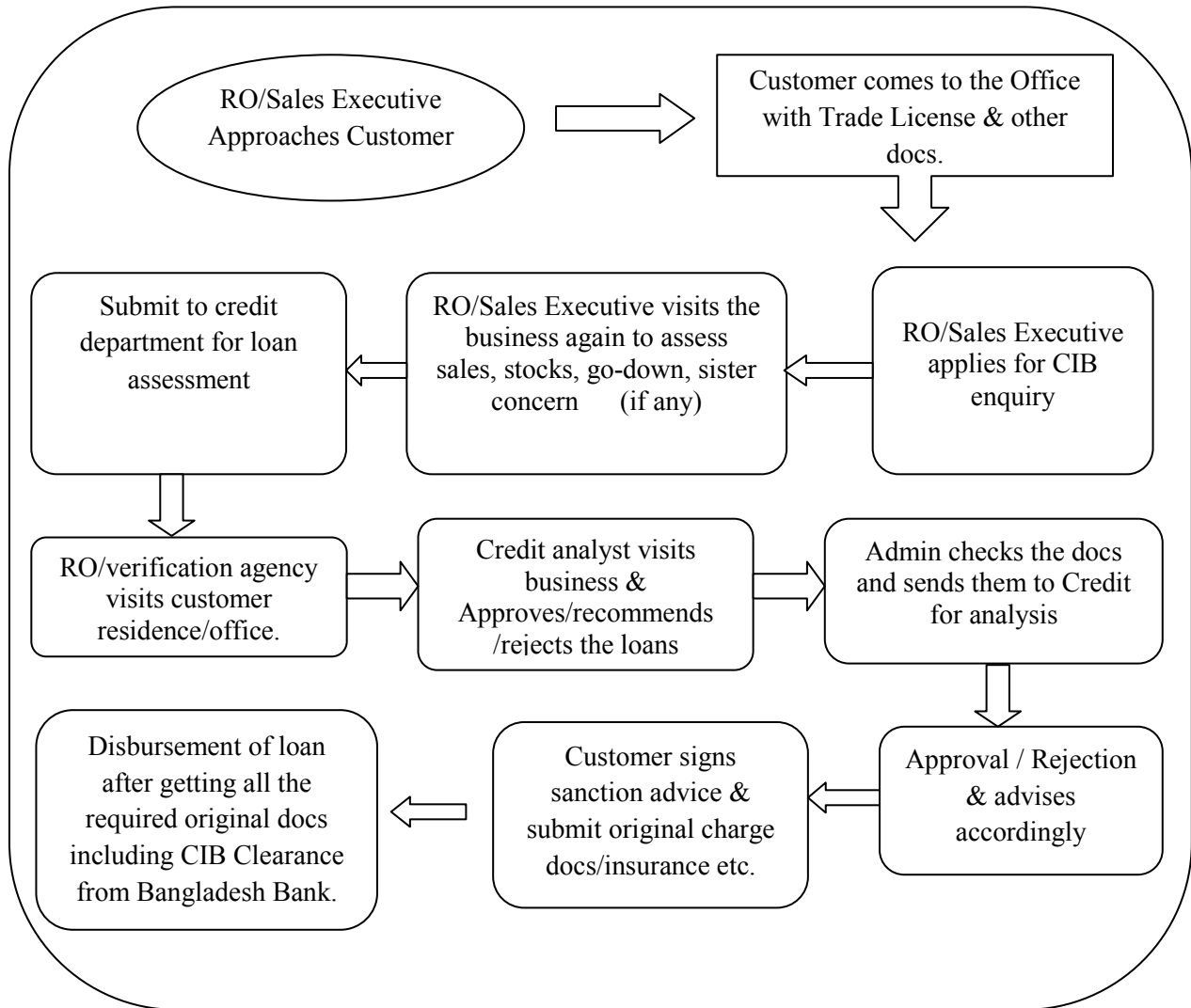
Equally important is the selection of a guarantor. The same attribute applicable for an entrepreneur is applicable to a guarantor. In addition he should possess the followings:

1. The guarantor should know the entrepreneur and should preferably live in the same community.
2. The guarantor should be aware about all the aspects of loan and his responsibility.
3. Govt. and semi-govt. officials can be selected as a Guarantor such as schoolteacher, college teacher, doctor etc.
4. Police, Army persons, political leaders and workers, and religious leader cannot be selected as a guarantor.

4.9 SME Loan Process Flow

When a customer comes to the unit office for a loan request, first he/she meets with the Relationship Officer (RO) or sales executive to discuss about the loan, which loan product is suitable for him/her. After then the following process takes place.

Figure: 4.3 Flow Chart of SME Loan Process



Source: Internal Document

4.10 Monitoring

Monitoring is a system by which a bank can keep track of its clients and their operations. So monitoring is an essential task for a Relationship Officer (RO) to know the borrowers activities after the loan disbursement. This also facilitates the buildup of an information base for future reference.

4.10.1 Importance of Monitoring

Through monitoring a Relationship Officer (RO) can see whether the enterprise invested the sanctioned amount in the pre-specified area of his business, how well the business is running, the attitude of the entrepreneur, cash credit sales and purchase, inventory position, work in process and finished goods etc. This information will help the RO/Standard Chartered Bank to recover the loan accruing to the schedule and to take the necessary decisions for repeat loans. Moreover, monitoring will also help to reduce delinquency. Constant visit over the client /borrower ensures fidelity between the bank and the borrower and tends to foster a rapport between them.

4.10.2 Area of Monitoring

The purpose is to know the entire business condition and all aspects of the borrowers so that mishap can be avoided.

i. Business Condition: The most important task of the Relationship Officer (RO) to monitor the business frequently, it will help him to understand whether the business is running well or not, and accordingly advise the borrower, whenever necessary. The frequency of monitoring should be at least once month if all things are in order.

ii. Production: The RO will monitor the production activities of the business and if there is any problem in the production process, the RO will try to help the entrepreneur to solve the problem. On the other hand the RO can also stop the misuse of the loan other than for the purpose for which the loan was disbursed.

iii. Sales: Monitoring sales proceed is another important task of the RO it will help him to forecast the monthly sales revenue, credit sales etc. which will ensure the recovery of the monthly loan repayments from the enterprise as well as to take necessary steps for future loans.

iv. Investment: It is very important to ensure that the entire loan has been invested in the manner intended. If the money is utilized in other areas, then it may not be possible to recover the loan.

v. Management of raw materials: In case of a manufacturing enterprise, management of raw materials is another important area for monitoring. If more money is blocked in raw materials then necessary, then the enterprise may face a fund crisis. On the other hand the production will suffer if there are not enough raw materials.

4.10.3 Monitoring System

The Relationship Officer (RO) can consider the following thing for monitoring:

- I. The RO will monitor each business at least once a month. He/she will make a monitoring plan or schedule at the beginning of the month. During monitoring the RO must use the prescribed monitoring form and preserve in the client file and forward a copy of the report to SME head office immediately.
- II. **A SME branch will maintain the following files:** The file will contain Purchase Receipt, Delivery Memo's, and Quotations. In addition, all other papers related to furniture and fixture procurement.
- III. **Other fixed assets and refurbishment:** All fixed assets and refurbishment related papers such as purchase receipt, delivery memo's, quotation, guarantee and warrantee papers, servicing related papers and any other paper related to fixed assets are refurbishment will be in this file.
- IV. **Lease agreement file:** This file will contain all papers related to lease agreement between the lease giver and owners of the leased premises.
- V. **Individual client file:** Individual files are to be maintained for each borrower and that will hold loan application, Loan Proposal, Copies of Loan Sanction Letter, Disbursement Memo, Monitoring Report, CIB (Credit Information Bureau) application and Report, Credit report from other bank and all other correspondents including bank receipt.
- VI. **Statement file:** All types of statement sent to SME head office will be kept in this file chronologically. The Statement file is so important for the bank.
- VII. **Office instruction file:** All kind of office instruction regarding administration should be kept in this file.

- VIII. **Operating instruction and guideline files:** All kind of office instruction and guidelines related to operating should be kept in this file.
- IX. **Security documents and legal aspect file:** One set of security documents and lawyer's opinions and suggestions regarding issue will be kept in this file.
- X. **Survey form file:** After conducting survey, all survey will be kept in this file sequentially.

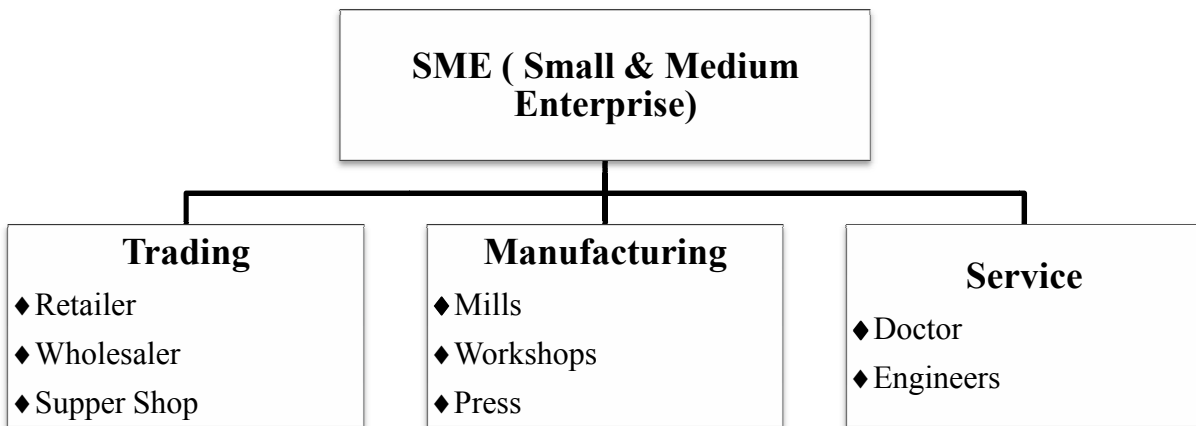
5.0 SME Relates With Modern Marketing Concept

At the present world SME banking is an industry in transition. From a market that was considered too difficult to serve, it has now become a strategic target of banks worldwide. In our country perspective, the objective of modern marketing concept is the customer satisfaction and this satisfaction comes through incorporated marketing efforts. In terms of SME the goal is to economic development of our country through meeting and exceeding customer needs better than competition. In terms of customer point of reference, SME provides the best facilities to customers regarding their needs.

The marketing process of SME that is related on the modern marketing concepts are briefly describing in the below;

5.1 Market Segmentation

The market consists of many types of customers, products and needs and the marketer has to determine which segments offer the best opportunity for achieving company objectives. SME segments the market into three categories: **Trading, Manufacturing, and Service.**

Figure: 5.1 Market Segmentation of SME

Source: Internal Document

In trading business, there are different kinds like retailer, wholesaler, general stores etc. in manufacturing, there are mills, bakery, workshops, press business, etc and also except purchasing manufacturer organization also take loans to meet the working capital requirements. In service business, there are barber shop, hospitals, satellite business etc.

However SME is a small and medium enterprise, therefore it focuses on small loan clients that are small types of business like trading, manufacturing, and service. Basically manufacturing clients take medium or low amount of loan during short period of time.

5.2 Bases for Segmenting Consumer Markets

There is no single way to segment the customer market. A market has to try different segmentation variables like; geographic, demographic and behavioral segmentation. These are describing bellow:

5.2.1 Geographic segmentation: Geographic segmentation means, dividing a market in to different geographic units such as nations, states, region, countries, cities, or neighborhood. In

terms of SME, it targets every region around the country in terms of small business. Now the SME has almost 26 unit offices to provide credit facilities to the clients around the country. Each of the SME unit offices mainly setup the district levels around the city.

5.2.2 Demographic Segmentation: Demographic Segmentation means dividing the market in to groups based on demographic variables such as age, gender, family, income, education, religion, nationality and so forth. SME provide loans 20-60 aged peoples. SME is restricted to provide loans more than age of 65.

5.2.3 Behavioral Segmentation: Behavioral segmentation divides buyers in to groups based on their knowledge, attitude, uses or responses to a product. Many marketers believe that behavior variables are the best starting point for building market segments. In terms of SME, few clients would be found those who had done Masters Degree and most of clients are secondary or higher secondary pass. But basically SME segments clients at least whether the clients can understand his/her own business and their business progress. At the same time SCB gives very importance on attitude to the clients and their office staffs.

5.3 Target Customer

Today's business world is a competitive business world and it is tough to take a good market position in any kind of business. So, to succeed in today's competitive marketplace, organization must be customer centered and keeping them by delivering greater value. But before it can satisfy customers, organization must first understand their needs and wants. There are too many different kinds of consumers with too many different kinds of needs and some organizations in a better position to serve certain segments of the market. In terms of SME Loan of Standard Chartered Bank, their target customers are small and medium enterprises. And at the same time the fresh entrepreneurs are also the target customer of SCB. So SCB mainly targeted those clients who actually understand their own business.

There are three sectors of target customers which SME follows: Trading, Service and Manufacturing. Basically according to the clients demand, SME support them financially to enhance their business.

5.4 Target Market

SME products of SCB have build with the objective to support small & medium enterprises of Bangladesh. The target market for SME credit is;

1. Service (Professional) Sector (Doctors, Engineers, etc.)
2. Trading Sector (Retailers, Wholesalers, Supply chain)
3. Manufacturing Sector.
4. Business Sector (Advertising agencies, Consultants, Developers, etc.)

Although SME has several products like; Business Installment Loan (BIL), Overdraft etc.

5.5 Developing Marketing Mix

Marketing mix is very important for any organization, because the set of convenient strategic marketing tools like; “product, price, place and promotion” that the organization combine to produce it wants in the target market. The many possibilities can be controlled into four groups of variables known as the four P’s: Product, Price, Promotion and Place.

5.5.1 Product

Product means the goods and services combination the company offers to the target market. In view of SME, they have short term and medium term loans whether RO provide quick and quality services to clients. Customer service is another element of product strategy. A company designs its products and support services to profitability meet the needs of target customers. Short terms products means 3/6/9/12 months loan (not more than one year) and midterm product means 15/18/24/30/36/48/60/72 months loan (it’s up to 10 years or more).

5.5.2 Price

In the competitive market price is the very sensitive issue for the customer. Price is the amount of money customers have to pay to obtain the products. In terms of SME of Standard Chartered

Bank, clients have to pay a certain amount of processing fees and stamp costs to get the loan. SCB charges this price on the basis of competitive market. Standard Chartered Bank charge SME interest rate up to 20% for per annum. It is very low from the other competitive banks because the other banks charge interest rate 22% to 26% per annum. At the same time SCB carry the charge of CIB (Credit Information Bureau) that is taken from the Bangladesh Bank.

5.5.3 Place

Place means where the products or services are available for the customer. Place includes company's activities that make the product available to target consumers. SCB already try to spread out its unit offices around the country. At the same time, SCB tries to reach each and every small business enterprise to meet client's demands through the SME service.

5.5.4 Promotion

Promotion means to promote the goods or services for the customer. It means activities that communicate the merits of the product and persuade target customers to buy it. So, advertisement is one of the major elements in promotion. SME is focusing customers by printing various leaflets, magazines and showing banners in front of their respective unit offices. For example; Door Step Banking is one kind of promotional activities. It is a door-to-door customer services to clients.

6.0 Comparative analysis of SME Credit Scheme of Different Banks

In the competitive analysis part SCB compare with two different banks on the activities of SME, these are:

BRAC Bank Ltd.

BRAC Bank Ltd. is a full service commercial bank with Local and International Institutional shareholding. The BRAC Bank Ltd. started its banking operation in 4th July 2001. In a short

period of time this bank takes lots of challenging tasks and at the same time it can become a reputation based organization. In Bangladesh BRAC Bank is the largest SME financier sector.

The SME products are;

- Prothoma Rin (exclusively designed for women entrepreneur)
- Anonno Rin (for small-scale loan)
- Apurbo Rin (for helping their SME)
- Durjoy (without any securities)
- Shomriddhi Rin (import-export related expenses)
- Shompod Rin
- Shokti Rin

Eastern Bank Ltd.

Eastern Bank Ltd. (EBL) began its journey in the banking sector in 8th August 1992 and it has established itself as a leading private commercial bank in Bangladesh. Eastern Bank Ltd. (EBL) has launched SME Banking in 6th June 2006.

The SME products are;

- EBL Agrim (for any legal business purpose)
- EBL Bannijoy (for import export business)
- EBL Uddog
- EBL Subidha
- EBL Mukti (for women entrepreneur)
- EBL Asha
- EBL Unnoti (bundle loan product for SME customer)
- EBL Krishi Rin (for agricultural sector)

6.1 Criterion for Sample Selection:

The comparative analysis has been chosen in the basis of the following criterion:

6.1.1 Loan size

- BRAC Bank Ltd. - BDT 1 Lac to BDT 35 million.
- Eastern Bank Ltd. - BDT 1 Lac to BDT 10 million.

In terms of loan amount, SCB provide up to BDT 150 million as a loan to a customer in “Trade and Working Capital Financing” in the sector of SME. It is a huge amount of money that is invested in the SME lone sector.

6.1.2 Rate of interest

- BRAC Bank Ltd- 18% to 24% per annum.
- Eastern Bank Ltd- 14% to 15% per annum.

In terms of interest rate, SCB charges interest rate up to 20% for per annum. In the competitive market perspective SCB charge an average interest rate to the customer, where the other bank charge more than 20% per annum. Here the BRAC Bank charges high interest rate from the customer.

6.1.3 Loan processing fees

- BRAC Bank Ltd. - 0.50 % of the loan amount
- Eastern Bank Ltd. - not available

In terms of Loan Processing Fee, SCB charge 1.5% of the approved loan amount. Basically it is depend in the SME product.

6.1.4 Period of loan

- BRAC Bank Ltd. - 1 to 3 years
- Eastern Bank Ltd. - up to 1 year

In terms period of loan, SCB give 3 to 10 years to the customer.

6.1.5 Mode of Finance

- BRAC Bank Ltd. - only term loan
- Eastern Bank Ltd. - only working capital lone

In terms of mode of finance, SCB provide the long term loan to the customer and at the same time it can provide not only the term loan but also the trade and working capital finance. Here these two banks do not provide the long term loan and at the same time they do not provide both together these two services.

6.1.6 Comparative Analysis of SME Credit Scheme of Two Different banks

Table 6.1 SCB SME credit scheme compare with two banks

Name of the bank	Loan size	Rate of interest	Loan processing fees	Period of loan	Mode of finance
Standard Chartered Bank	BDT 1 million to BDT 150 million	18.5% to 20% per annum.	1.5% of the loan amount.	3 to 10 years	Both term loan & working capital finance.
BRAC Bank Ltd.	BDT 1 Lac to BDT 35 million.	18% to 24% per annum.	0.50 % of the loan amount.	1 to 3 years	Only term loan
Eastern Bank Ltd.	BDT 1 Lac to BDT 10 million.	14% to 15% per annum.	Not available.	up to 1 year	Only working capital lone

Source: Internal & Internet Document

6.1.7 Portfolio Size of three different banks in SME Sector

Table 5.2 Portfolio of SME loan of three different banks (2011 year)

Serial No.	Name of the bank	Portfolio Size
1	Standard Chartered Bank	BDT 7.5 billion (TK 750 crore)
2	BRAC Bank Ltd.	BDT 100 billion (TK 10000 crore)
3	Eastern Bank Ltd.	BDT 3 billion (TK 300 crore)

Source: Internal & Internet Document

On the basis year of 2011 SME loan portfolio information we can see that, the BRAC bank is the highest investor in the SME sector and take the first position, Standard Chartered Bank stay in the second position and Eastern Bank Ltd. stay in the third position.

7.0 SWOT Analysis

SWOT analysis means the comparison of Strengths, Weaknesses, Opportunities and Threats. Its essential purpose is to identify the strategies that will create a firm-specific business model that will best line up, fit, or match a company's resources and capabilities to the demands of the environment in which it operates. It helps the organization to identify how to evaluate its performance and examine the macro environment, which in turn would help organization to navigate in the turbulent ocean of competition.

Table 7.1 SWOT Analysis of SCB

<p style="text-align: center;"><u>Strength</u></p> <ol style="list-style-type: none"> 1. SCB banking experience for more than 63 years. 2. Long term success depends on its reputation. 3. Providing good quality service. 4. Having wide range of customer. 5. Having bulk of qualified, experienced and dedicated human resources. 6. Good facilities and equipments. 7. Interactive corporate culture. 	<p style="text-align: center;"><u>Weakness</u></p> <ol style="list-style-type: none"> 1. Having fewer branches. 2. Charging high fees from its rivals. 3. Less advertising and promotion.
<p style="text-align: center;"><u>Opportunities</u></p> <ol style="list-style-type: none"> 1. Huge untapped sub-urban and rural SME market. 2. Fresh entrepreneurs. 	<p style="text-align: center;"><u>Threats</u></p> <ol style="list-style-type: none"> 1. Local and Multinational banks. 2. Up-coming banks.

8.0 Findings

The findings of this report are given below;

- Small number of branches.
- No specific guideline to deal with applied cases.
- Most of the customers want to reduce the interest rate and increase tenure.
- Security size is highest among all consumer banking products.
- Huge number of documents in the helpdesk causes delay in the disbursement process.
- Process time sometimes even longer due to delayed submission of CIB report.
- Lack of marketing activities in the sub-urban and rural area, whereas other competitors are giving more advertising at different spot.
- In the size of loan amount, SCB give the loan up to BDT 150 million (per person) that is higher from the other banks loan amount.
- In terms of interest rate SCB charge 18.5% to 20% per annum that is more or less average interest rate from the other banks.
- In terms of loan processing fees SCB charge 1.5% of the loan amount that is high from the other competitors and at the same time this high charge impose the negative impact on the customer.
- In terms of loan period SCB give 3 to 10 years that create positive impact on the customer mind and it provide the maximum time of the loan from the other competitors.
- In the mode of finance SCB give both term loan & working capital finance that impose the very effective things on the customer mind.

8.1 Recommendation

SCB is a well known international bank with a reputation to live up to. It is high time to improve the performance of SME. For better improvement of SME, SCB can consider the following recommendation;

- Try to open new branches in this country.
- Structure should be developed to deal with demand cases.
- More SME service center need to be added to fully take the advantage of the huge potential customer segments.
- The Bank should have more conference in overseas, work shop, symposium, and seminar for more expansion of SME loan.
- Loan facility parameter should be expanded so that all the people can get loan according to their needs.
- Barriers should be removed by taking advanced steps in mode of disbursement, charge documents and approval process.
- SME Loan sanctioning and disbursement procedure should be easy and flexible being considered the requirements of different classes of people.
- Reduce the interest rate because most of the competitors are providing loans at a lower rate.
- Reduce the loan processing fees.
- Try to reduce the amount of security size because most of the competitors are providing loans by taking minimum securities.
- Introducing more business loan or SME products.
- Giving more training to the sales people to ensure the quality submission of application.
- Training programs should be developed for credit support employees.
- Increase marketing activities in the urban and rural area.
- Increasing minimum loan amount up to 15 Lac, for attracting small business.
- Re-verification policy should be applied properly.

9.0 Conclusion

Standard Chartered Bank is a strong and effective player in the financial system in Bangladesh. It is a forward-looking, modern multinational bank with a record of sound performance in this country. In this country it is committed to provide high quality financial services to contribute to the growth of GDP of the industrialization, increasing export & import, creating employment opportunity, rising standard of living and overall sustainable socio-economic development. In Bangladesh it is now one of the top listed and most profitable private sector commercial bank. It also emphasizes on the domestic scenario more closely and analyzes any certain trends and strategies of their competitors. The bank must accept any failures and think of them as an objective to pursue future goals instead of blaming such failures on other factors and in this way the Bank will be able to keep on playing its important roles in our economy. At the same time to cope with recent challenge of banking sector Standard Chartered Bank is creating an environment where employees are happy to build their career and customers feel good doing business with them.

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Appendix

Interest Rate For SME Business Segment			
Features	BUSINESS PLUS	BUSINESS PREMIUM	BUSINESS PRIORITY
Tiered interest Rate for Linked Call Accounts	TIER 1: rate 2% on daily balance between BDT 50,000 to 249,999		
	TIER 2: Rate 3% on daily balance between BDT 250,000 to 999,999		
	TIER 3: Rate 4% on Daily balance above or equal BDT 1,000,000		

SCHEDULE OF CHARGES BUSINESS ACCOUNT SEGMENTATION			
Item Details	BUSINESS PLUS	BUSINESS PREMIUM	BUSINESS PRIORITY
Opening Balance Requirement - SME Current Account	Tk. 50,000	Tk. 500,000	Tk. 1,500,000
Opening Balance Requirement - SME Call Account	Tk. 250,000	Tk. 500,000	Tk. 1,500,000
Opening Balance Requirement - Business Account	Tk. 250,000	Tk. 500,000	Tk. 1,500,000
Average Half yearly Balance	Tk. 250,000	Tk. 500,000	Tk. 1,000,000
Account Related Charges			
Half Yearly Account Maintenance Charges	Tk. 500	Free **	Free *
Dormant Account	Tk. 1,000	Tk. 1,000	Tk. 1,000
Return Mail Account	Tk. 1,000	Tk. 1,000	Tk. 1,000
Unclaimed Account	Tk. 1,000	Tk. 1,000	Tk. 1,000
Cheque Book			
Personalized Cheque Book	Free 1st book ***	Free	Free
ATM Usage (Sole Proprietors Only) Applicable to Visa Electron debit Cards			
SCB ATMs Withdrawal Limit Per Day	Tk. 50,000	Tk. 50,000	Tk. 50,000
ATM withdrawal fee from DBBL ATM	Tk. 25	Tk. 15	Free
Balance enquiry call center	Free	Free	Free
Debit Card facility (Sole Proprietors Only)			
Annual Fee per debit card new issuance	Tk. 600	Tk. 300	Free
Annual Renewal Fee per debit card	Tk. 600	Tk. 300	Free
Debit Card Replacement Fee	Tk. 300	Tk. 150	Free
Consolidated Account Statements			
Statements Hard Copy	Free Monthly	Free Monthly	Free Monthly
e-Statements	Free Monthly	Free Daily	Free Daily
Duplicate Statement			
Statement request upto one year	Tk. 500	Tk. 250	Free
Statement request Over one year	Tk. 1,000	Tk. 500	Free
Account Closure	Tk. 500	Tk. 500	Tk. 500
Stop Payment			
Single Cheque	Tk. 250	Tk. 100	Free
Cheque Book lost	Tk. 500	Tk. 500	Tk. 500
Cheque Return			
Inward clearing Cheque dishonored due to insufficient fund	Tk. 1,000	Tk. 1,000	Tk. 1,000
Cheque deposited by customer	Free	Free	Free
SPECIAL SERVICES			
Foreign Inward Remittance Certificate	Tk. 250	Tk. 250	Tk. 250
Certificate of Balance/ Certificate of Interest	Tk. 250	Free	Free
Standing Instructions			

Setting up charge	Tk. 100	Free	Free
Execution fee per item	Tk. 100	Free	Free
Per Amendment of Standing Instruction	Tk. 100	Free	Free
Cancellation of Standing instruction	Free	Free	Free
Over the Counter Transaction	Free	Free	Free
Remittances			
Issuance of Pay Order up to 100K	0.10% (Min. Tk. 100)	Free	Free
Issuance of Pay Order over 100K	0.10% (Max. Tk. 500)	Free	Free
Issuance of Demand Draft-Customer Lcy	0.3% (Min. Tk. 250)	Free	Free
Issuance of Demand Draft -Customer Fcy	0.3% (Min. US\$ 10)	Free	Free
PO / DD Cancellation / Revalidation	Tk. 250	Tk. 250	Tk. 250
Lost / Duplicate Instrument	Tk. 250	Tk. 250	Tk. 250
Online Intercity transactions Below 1,000K	Free	Free	Free
Online Intercity transactions Above 1,000K	Tk. 500	Free	Free
Online Intercity transactions Above 5,000k	Tk. 1,000	Free	Free
Instant in house account to account transfer	Tk. 100	Free	Free
Remittances from abroad	Tk. 500	Tk. 500	Tk. 500
Traveler's Cheque Issuance per passport	Tk. 200	Tk. 200	Tk. 200

* A fee of BDT 2,000/- will be deducted as Half Yearly Account Maintenance fee for **Business Priority A/c** if the Half Yearly Average balance is below BDT 1,000,000/-

** A fee of BDT 1,000/- will be deducted as Half Yearly Account Maintenance fee for **Business Premium A/c** if the Half Yearly Average balance is below BDT 500,000/-

*** Cheque book issuance fee of BDT 200/- for SME **Business Plus A/c** (2nd Item onwards) will be applicable only if the monthly average balance of the previous month falls below BDT 250,000/-