

Report On
The impact of the Covid pandemic on Eastern Bank Limited

By

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An internship report submitted to the BRAC Business School in partial fulfillment of the requirements for the degree of Bachelor of Business Administration

BRAC Business School
BRAC University
September, 2021

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Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

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Letter of Transmittal

Ahmed Abir Choudhury
Lecturer,
BRAC Business School
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66 Mohakhali, Dhaka-1212

Subject: Submission of Internship Report

Dear Sir,

This is a delight to submit the internship report "The impact of the Covid pandemic on Eastern Bank Limited" under your supervision for the BUS 400 course.

I've done my best to complete the report with the most important information and recommendations in the most condensed and thorough way feasible.

I am confident that the report will live up to the expectations.

Sincerely yours,

Nobaira Nayeem Labiba
17104191
BRAC Business School
BRAC University
Date: September 14, 2021

Non-Disclosure Agreement

This agreement is made and entered into by and between Eastern Bank Limited and the undersigned student at BRAC University, Nobaira Nayeem Labiba.

Acknowledgement

This report was prepared in order to analyze the impact of the Covid pandemic on Eastern Bank Limited. Both BRAC Business School and Eastern Bank Limited have been immensely helpful in conducting this report. I count myself grateful to have received so much support and collaboration during this journey.

This report would not have been possible without the guidance of my supervisor Mr. Ahmed Abir Choudhury. I am immensely grateful to Mr. Ahmed Abir Choudhury for contributing his valuable time in order to provide guidance to me through emails and conducting online sessions through Google Meet for effective communication.

I would also like to express my gratitude towards my supervisor at Eastern Bank Limited Mr. Saif Ahmed who has been really kind and helpful throughout this process. I would also like to thank all the other official at Eastern Bank Limited for helping me and providing me the necessary information that I needed in order to complete this report in an effective manner.

Lastly, I'd like to convey my gratefulness to everyone who has helped make my journey at BRAC Business School a smooth ride.

Executive Summary

Eastern Bank Limited, headquartered in Dhaka, Bangladesh, is a private commercial bank. It was established on August 8, 1992, under the Bank Companies Act of 1991, as a public limited company with limited liability.

The influence of the Covid epidemic on EBL is discussed in this paper. Banks all across the world are experiencing a financial crisis as a result of the global epidemic. Eastern Bank Limited, like similar banks, is trying to stay afloat. Then followed the second wave, which prompted the administration to declare a severe lockdown in response. During the lockdown, Bangladesh Bank has curtailed customer service hours and declared numerous branches to be closed. As a result of this circumstance, the majority of consumers are unable to repay their loans, and bad loans are on the rise. Customers are switching from EBL to other banks such as BRAC Bank because they provide lower interest rates on loans. Customers are more likely than ever to accept pay orders and loans, as the bulk of the population has lost their source of income and many of those who still have jobs have seen their earnings lowered. People are breaking their FDRs and Shanchayapatra in order to deal with the financial crisis, this has impacted the financial performance of EBL badly resulting in negative cash flows. EBL has reportedly, sacked a significant portion of their employees and moved their major branches like the Dhanmondi branch from a large space to a smaller one. This alone says that EBL is struggling and is trying to cut expenses in order to combat financial issues.

EBL should focus on grabbing the market now. They are falling behind in the rat race. They need to assess the market better and pick up the pace with its competitors

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Chapter 1: Overview of Internship

1.1 Student Information

Name:	Nobaira Nayeem Labiba
ID:	17104191
Program:	Bachelor of Business Administration
Major:	Accounting
Minor:	Operations Management

1.2 Internship Information

1.2.1 Company Information

Period:	14 th June 2021 - 14 th September 2021
Company Name:	Eastern Bank Limited
Department:	Finance
Address:	House-21, Road-08, Dhanmondi R/A, Dhaka-1205, Bangladesh.

1.2.2 Internship Company Supervisor's Information

Name:	Saif Ahmed
Position:	Senior Branch Sales & Service Manager
Email:	ahmed.saif@ebl-bd.com

1.2.3 Job Scope – Job Description/Duties/Responsibilities

At Eastern Bank Limited, I worked as a Finance intern. I had to work five days a week from 9:30 A.M to 6 P.M. I had to work alongside the Relationship Managers.

My job responsibilities included: filling out Account Opening forms, filling up kyc forms, writing debit and credit related information in the register, uploading data into the system (Oracle), auditing different registers and paperwork, making calls to the customers, handing out debit and credits cards and providing necessary information to the customers regarding account opening.

Sometimes, in absence of the second manager I also had to manage queues and assign customers to the relationship manager according to the service they desired. I even had to ease out any disputes that had occurred by holding out a conversation with the concerned customer. I had to get letters and different types of papers authorized by the branch manager or the operational manager depending on the nature of the work. EBL's policy is that if a customer does not receive their Debit Cards within three months, the card gets destroyed and they have to issue it again. My job was to figure all the cards that have surpassed the three months period, single them out in an excel sheet and then make one last call to them to see whether they are willing to receive the card, if not my job was to destroy it.

Eastern Bank's Dhanmondi branch had the following three centers: Service, Priority and Student, and I was given the opportunity to work in all of the said centers even if it was for a brief period.

1.3 Internship Outcome

1.3.1 Student's Contribution to the Company

In the banking sector collaboration is everything. I got to use my collaborative skills that I have developed from doing all the group works throughout my BRAC University life. I tried to be as helpful as I could towards the relationship managers, the customers and the managers as well.

Some of my noteworthy contribution to the bank:

- Since I am quite agile in terms of learning, I quickly learned how to fill out Account opening and kyc forms and that made the process way faster. Prior to that the relationship managers had to do all of that on their own while providing services to the customers. When I came into the picture, all they had to do was give an account number and send the documents to the main branch (Gulshan).
- Usually, the second managers maintain the queue and assign relationship managers according to the services and that becomes quite inconvenient for them, hence I would do all of that so that the second managers are able to do other important tasks.
- EBL's supply chain management is quite efficient, henceforth, different types of cards like debit, credit, aqua, lifestyle, etc, were coming in bulk amount on a regular basis. Before I came into the picture, the Relationship Managers were inputting the data into the register and at the same time doing other work, what used to happen was they would sometimes write the wrong account numbers and even forget to verify the signature. My job was to input the data onto the register when the cards came in, take the customers signature and verify them and give the acknowledgement slip to the relationship manager.

- The audit team came in July, henceforth everyone was in manic mode because they were trying to find out the mistakes and rectify them before the audit team comes in. Since I am good at pointing out mistakes, I audited various documents and got them rectified and authorized, that way the process became easier and the Dhanmondi branch's audit report was the best amongst all the other branches.
- Since I have great people's skills, whenever I would make calls to the customer, I would make sure that they buy at least one product from us for instance: FDR, Shanchayapatra, Home loan, etc.

1.3.2 Benefits to the Student

During my student life at BRAC, everything was theoretical, I finally got to use my knowledge in real life, in practical life. I realized that everything was different, practical life is different than all that's written in books.

The benefits that I got:

- My people management skills got even better.
- I got to realize that I prefer working hard.
- My patience level increased significantly.
- My problem-solving skills got better.
- I got to learn how important it is to work as a team and make anything work collaboratively.
- I had no prior knowledge regarding banks, now I know a lot.
- I got to learn about professionalism and how the banking industry works.
- My soft skills got better.
- The internship prepared me for the job world.

1.3.3 Problems/Difficulties

Eastern Bank Ltd. has an amazing organizational culture. The managers, relationship managers and even the messengers are really nice and friendly. However, just like any other banks, the pressure and the crowd are unreal.

Henceforth, sometimes the customers would get agitated and would talk in a condescending manner with me which I completely understood and never took otherwise and I would try to be extremely considerate towards them and I would never let my emotions get the best of me. These things would happen especially during the lockdown, because people were losing their jobs left right and center, so naturally they were a bit stressed and when they see a long queue, they get even more infuriated and pour their anger on us. But we had to have patience and try and calm them down as much as possible and give them what they wanted in a prompt manner.

Apart from that, during the lockdown, since all the banks were open, Eastern Bank's Dhanmondi branch was also open, and I had to go on a regular basis even though roster was going on since I was an intern. During that period, I unfortunately got infected with Covid from a customer. This was one of the other issues, many customers would not follow protocol and would not wear masks and maintain distance. During my covid I had to work from home for 15 days.

1.3.4 Recommendations

Eastern Bank Limited had stopped their internship program for a significant amount of time, they have started it again and they have inaugurated this with me. Hence, there were some things that they could work on.

For instance, I was a Finance intern, however I had to work almost for all the departments, this could be inconvenient for many interns, it was not for me but it could be for others. I had no designated work, I would work on whatever was available that day and I had to learn all the things myself by watching or asking questions. Eastern Bank Limited could definitely have a separate department just for interns, so that it's easier for them, when we intern for a particular organization most of us go in with zero work experience, hence if we are not guided properly, we might get demotivated.

For the internship program, Eastern Bank Limited could definitely assign a particular job to the interns that they could work on and get proficient on, or else things could get pretty messy and grave mistakes could be made if the intern is not dedicated or responsible and it would get very hard to trace back the to who had committed the mistake, in the process someone else might pay for others mistakes.

Chapter 2: Organization Part

2.1 Introduction

Eastern Bank's entry into the private sector is a watershed moment for Bangladesh's banking industry. When the Bank of Credit and Commerce International (Overseas) BCCI collapsed globally in 1991, the bank's operations in Bangladesh were shut down. Bearing the welfare of BCCI employees in mind as well as the interests of its depositors, Bangladesh Bank approved the formation of Eastern Bank Limited, which would take over all of BCCI's assets, cash, and liabilities in Bangladesh, with effect from August 16, 1992, under the Reconstruction Scheme. Eastern Bank Limited was established as a public limited company on August 8, 1992, with the goal of conducting banking business both within and beyond Bangladesh.

2.2 Overview of the Company

Eastern Bank Limited is a Bangladeshi private commercial bank with its headquarters in Dhaka. It began as a scheduled bank with only four branches: the Principal Branch and Motijheel Branch in Dhaka, the Agrabad Branch in Chittagong, and a branch in Khulna. When the bank received its Authorized Dealership from Bangladesh Bank in July 1993, it began expanding its branch network. In 1994 and 1995, six and three new branches were opened, respectively. They opened two more branches the next year.

EBL began its operations with a paid-up capital of Tk. 310 million and an authorized capital of TK 1000 million, divided into 10 million shares of TK 100 each. The paid-up capital was TK 720 million in 2002, although the allowed capital remained at Tk 1000 million. The public owned 83.42 percent of the company's stock, while institutional investors owned the remainder.

EBL is currently one of Bangladesh's fastest growing commercial banks and the country's largest capital-based bank. It has TK 828 million in paid-up capital as of December 2005.

The National Commercial Banks, other government organizations, and some depositors who consented to accept shares in the new bank in place of their deposits were among the first shareholders. The original Board of Directors of EBL, which was formed under government supervision, consisted of seven directors representing a variety of industries and professions. Because Eastern Bank Limited was under government control until the end of 2000, there were numerous management flaws.

The board of directors hired new professional management from several foreign banks in 2001, and they have been working to modernize the bank since then. Eastern Bank Limited now has 86 branches in 22 districts across Bangladesh, with Ali Reza Iftekhar serving as CEO and Managing Director.

2.3 Management Practices

All significant decisions are made by top management, as they are in every other commercial organization. The board of directors, as the highest level of the organizational structure, is responsible for policy formulation but is not actively involved in the bank's day-to-day operations. This responsibility has been entrusted to the management committee. The board of directors is primarily responsible for the bank's objectives and policies.

The board of directors has three committees for various objectives, which are listed below:

- The executive committee is made up of seven board members.
- Administrative committee of the board of directors.
- A committee to look into cases of bad loans that has been formed.

The day-to-day operations of the Bank are overseen by the Chief Executive Officer (CEO), who is aided by three Executive Vice Presidents (EVPs). The CEO has direct supervision over the Human Resources Department, the Managing Director's Secretariat, and the Audit and Compliance Department. Operations, Credit, and Corporate Banking are overseen by the three Executive Vice Presidents. They have control over these departments through the managers in charge of the numerous departments that make up these divisions.

Top leaders provide direction and instruction to mid- and lower-level employees about the activities and tasks they must do. The chief executive gives broad direction and guidance to managers and staff, but the responsibility for establishing how tasks and goals will be performed is delegated.

The current EBL management's philosophy aims to grow the bank into an ideal and distinctive banking organization. EBL aspires to be distinct from Bangladesh's other privately owned commercial banks. Rather of being a follower in the industry, they want to be a leader. They want to be a leader in offering high-quality service to consumers so that they can benefit from their services in other ways.

EBL functioned in a Geographical Matrix until 2000, with the bank's activities centered in twenty-two branches organized into zones. However, in 2001, a new management team led by Mr. Mahmood Sattar, the Managing Director, converted EBL's geographic matrix structure to a business matrix structure. The bank has been restructured into three primary operations, each of which is accountable for the firm's earnings: Corporate Banking, Consumer Banking & Treasury Banking.

All of the bank's other departments serve as support units for these three units, assisting them in whatever manner possible. The responsibilities and functions of the branches have been drastically curtailed under this system. Many functions, such as credit evaluation and approval,

loan monitoring, trade services, and so on, have now been concentrated in the Head Office. The bank's branches are now known as "Sales and Service Centers," with the primary goal of providing services to corporate and consumer clients while also creating and maintaining relationships.

2.4 Marketing Practices

The tri-color mnemonic signifying the colors of the sun, sky, and mother earth is used in EBL's communication campaigns, which was first launched in 2003. The logo's lively colors exude a sense of youthfulness. EBL is routinely ranked as one of Bangladesh's most well-known financial companies in several brand surveys. The EBL brand and visual design were recently updated to reflect the bank's ambition and confidence. Three key factors support the idea of putting the brilliant yellow color in the forefront. The brand now stands out against a bright yellow background on all communication pieces, giving it a quality, consistent, and assured appearance. The tri-color flow is complemented by a well-defined brand personality that highlights EBL's unique attributes of enthusiasm, precision, confidence, and agility of mind. The claim 'Simple Math' is the final piece in the logo design, and it displays the passion that it guarantees.

EBL takes its responsibilities as a responsible corporate seriously. It considers Corporate Social Responsibility (CSR) to be an investment in society and its own future, rather than a charity. As a leading service provider, EBL aspires to increase social capital. The Bank uses its core competencies in five areas of activity: it aims to create opportunities through social investments; it fosters creativity through its involvement in art and music; it enables talent through its educational grant program; it ensures long-term viability through its commitment

to sustainability; and the Bank's employees regularly participate in activities that deliver social aid.

EBL stepped forward to help the AILA-affected inhabitants of Satkhira by providing clean drinking water. EBL took part in a variety of social and community events throughout the year, contributing to the community's long-term development. EBL has been routinely financing the 'EBL-DUAA Inspiration,' a financial grant program that assists meritorious Dhaka University students, in collaboration with the Dhaka University Alumni Association (DUAA).

EBL's HR slogan is "We don't offer jobs, we offer careers." EBL is well-known for its gender-neutral work environment, corporate culture, and best practices, all of which help to attract and retain top industry talent. Employees at EBL are the company's brands.

To effectively solidify EBL's strong brand image, the bank plans to establish two distinct subsidiaries, EBL Securities Ltd. and EBL Investment Ltd., to provide relevant services to its own clients and open up new market opportunities. EBL recently received approval to create two remittance subsidiaries in Malaysia and the United Kingdom under the name EBL Exchange. These new SBUs will aid EBL in not just expanding its geographic reach, but also in exploring new markets. EBL recently upgraded its primary banking software to Universal Banking System in order to give cutting-edge technology to its consumers. EBL is the first bank in South Asia to implement such technology.

'Simple Math' is so much more than a catch phrase or promotional strap line for Eastern Bank; it has defined the way the bank conducts business. EBL seeks to live up to its brand promise of excellence, relevant client solutions, and accountability to all stakeholders by consistent delivery of the promise.

As the tagline suggests, EBL provides simplicity in all of its banking services and products. From products and services to procedures, EBL strives to keep the message's essence,

simplicity, in mind. EBL is a firm believer in investing in human capital, and as a result, people are recognized as the company's most precious asset.

Overall, EBL has become a significant brand in Bangladesh, representing innovation, quality, and trust.

2.5 Financial Performance and Accounting Practices

The finance and accounts division's responsibilities include:

- Daily liquidity position, treasury bills, call money, etc.
- Monthly-accrued interest calculation of all interest-bearing accounts and amortization of all fixed and other assets.
- Preparation of the bank's statement of accounts and profit and loss account, as well as the bank's annual report.

EBL's Audit and Compliance Division is one of the most essential divisions. The major purpose of this division is to give legal support to the bank's branches and to guarantee that all bank personnel follow the bank's regulations and policies through routine and surprise inspections and audits. The functions of this division are as follows:

- Keeping track of specific cases in terms of their securities, the value of those securities, and lastly, the potential of recouping a bank's stuck-up classified loan.
- Conducting investigations into suspicious or irregular matters as instructed by upper management and as asked by branch in charge.
- Follow up on stuck-up-advances of branches on a regular basis and maintain the branches under constant pressure.

- At least once a year, inspecting all branch activities.
- Conducting surprise audits when deemed necessary.

Financial ratio analysis of Eastern Bank Limited:

I. Liquidity Ratios:

Table 1 Liquidity Ratios

Liquidity Ratios:	2018	2019	2020
Current Ratio	30.35	10.54	24.89

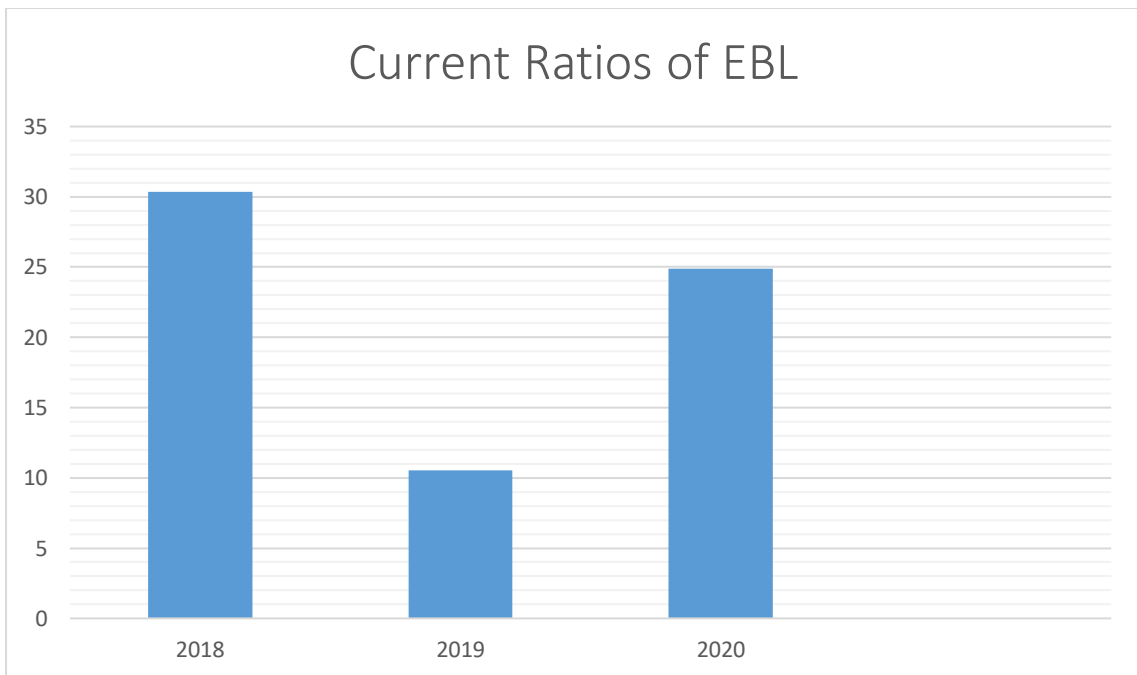


Figure 1 Current Ratios of EBL

II. Profitability Ratios:

Table 2 Profitability Ratios

Profitability Ratios:	2018	2019	2020
Return On Assets	2.66%	2.43%	1.76%
Return On Equity	32.68%	31.91%	20.47%
Earnings Per Share	4.17	4.94	5.05
Net Interest Margin	3.59%	3.52%	2.59%

III. Leverage Ratios:

Table 3 Leverage Ratios

Leverage Ratios:	2018	2019	2020
Asset to Equity	12.30	13.10	11.6

IV. Other Important Ratios:

Table 4 Other Important Ratios

Other Important Ratios	2018	2019	2020
Loans to Deposits Ratio	104.85%	96.62%	94.47%
Cost Of Fund	5.30%	5.58%	4.76%

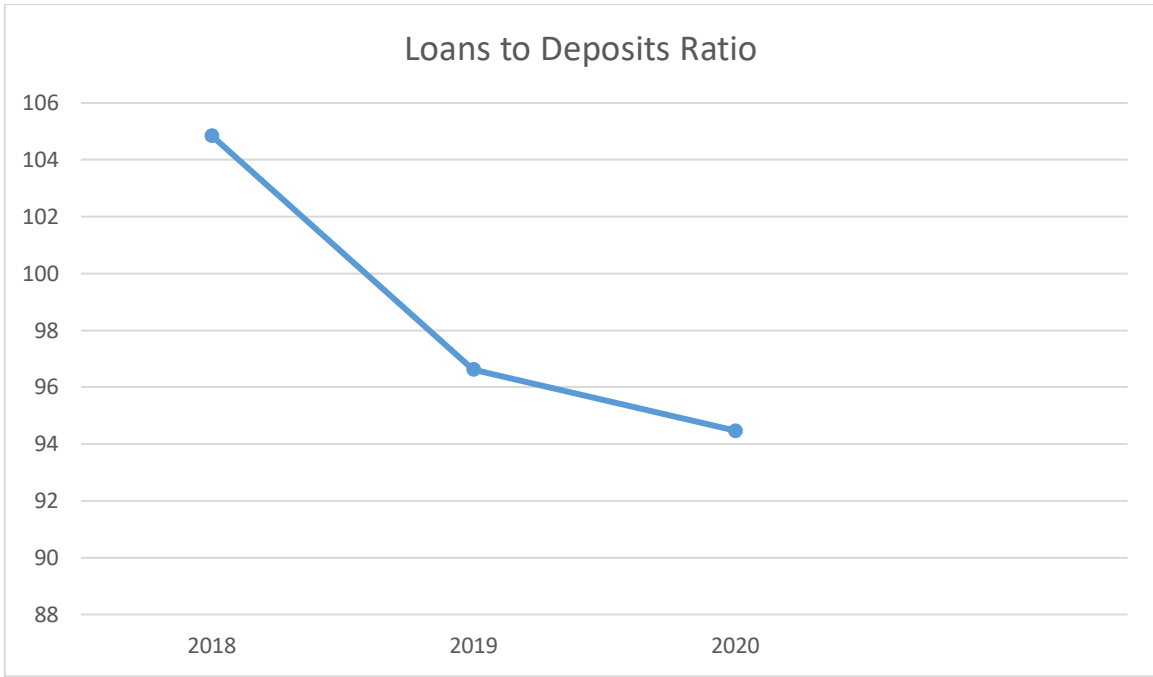


Figure 2 Loans to Deposits Ratio

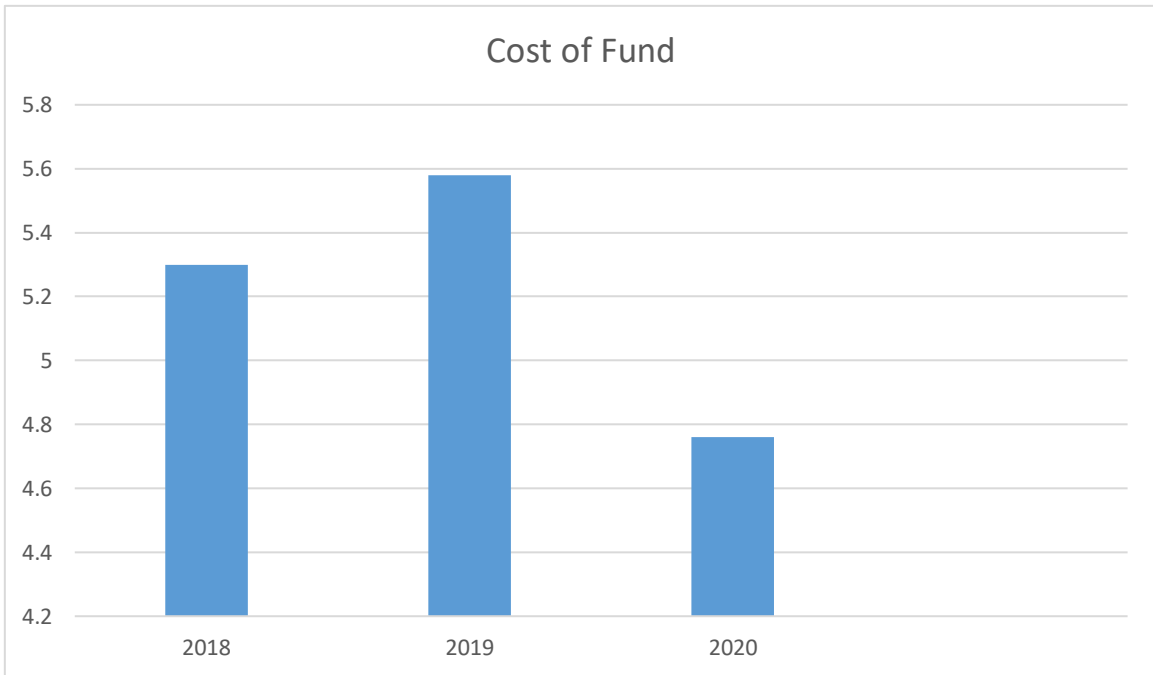


Figure 3 Cost of Fund

2.6 Operations Management and Information System Practices

Eastern Bank had previously had a relatively low level of automation. When the new management took control in 2001, they put a strong emphasis on computerizing the bank's operations. Almost all of the bank's operations are now automated after two years. The bank is also migrating to a new IT platform, with the goal of maintaining, running, and strengthening the bank's technology base in order to assure error-free data creation and continued operational efficiency and profitability. Oracle Flexcube, a world-class banking software, has been implemented to centralize operations and provide Online Banking, Internet Banking, Automated Teller Machine, Telephone Banking, and credit card facilities, among other things.

The IT division has become a major contributor to the bank's overall efficiency and profitability as a result of the use of cutting-edge information technology. Currently, the IT department performs the following tasks: Development, maintenance, and procurement of new software for banks' operations based on their needs, keeping track of computer hardware and replacing PCs as needed, educating employees so they can work in an automated environment and troubleshooting with new software.

Customers with an account with Eastern Bank Limited (EBL) can use the bank's Internet Banking (IB) services through the EBL Skybanking app. Skybanking is a mobile and web-based banking service that can be accessed from any device (phone, desktop, laptop, tablet, etc.) at any time. For EBL Skybanking, the same ID and password can be used on both mobile and web platforms to perform all essential banking services as needed.

By validating the customer's card's mobile number and PIN or their account data, EBL Skybanking ensures the highest level of security for registration. EBL Skybanking is more secure than ever before, thanks to the addition of fingerprint login, which uses the customer's device's fingerprint for app access. This program is given its own ID and password.

2.7 Industry and Competitive Analysis

SWOT Analysis of EBL:

i. Strengths:

- EBL is a nationally recognized financial services firm with a strong corporate identity. It has successfully positioned itself in the minds of customers thanks to its strong corporate image and identity.
- In 2001, EBL changed its typical business model. Instead of operating as a geographic matrix, EBL began to operate as a business matrix. Business units were created by separating the functional elements. Management has been able to work more efficiently as a result of this.
- As a result of the new organizational culture, centralized processes have emerged. Management has more control over the overall bank and its day-to-day operations under the existing setup. For this reason, loan defaults have been reduced since the Corporate Division and Risk Management Division at Head Office, as well as the branch managers, evaluate loan proposals.
- EBL has been using Oracle Flex cube, a banking software that provides to all of the needs of retail, corporate, treasury, and investment banking, since March 15, 2003. Flex cube allows EBL to stay connected across all of its branches and business segments. The Bank's functional structure has flattened out, allowing for more autonomy among the functional divisions. As a result, decision-making has become more efficient. Furthermore, the Bank's management has more control over its operations.

ii. Weaknesses:

- Each operational division is elevated within the divisions in the new structure, and power delegation is likewise centralized. It has a tremendous impact on the entire organization since middle and lower-level employees are growing increasingly unhappy as their decision-making capacity diminishes.
- Some employees are fighting the change as the firm moves toward a semi-multinational culture since they are accustomed to the traditional banking system and would not want to alter.

iii. Opportunities:

- They should concentrate on making EBL Skybanking, their digital app, more user-friendly and convenient.
- Many banks now offer Islamic banking services. Starting an Islamic banking sector can be a powerful instrument for capturing a lucrative market segment.

iv. Threats:

- Other local and multinational banks are consistently striving to come up with new inventive products and lower loan interest rates that appeal to clients first, and EBL is constantly under pressure from them.
- EBL also faces competition from mobile money systems like bKash.
- The present banking network of EBL is under threat from future private local and foreign banks. More commercial banks are projected to develop in the coming years. If this occurs, the level of competition will increase even further, forcing banks to devise ways to compete against and win the battle of banks.

- EBL should always develop its customer service tactics, and the entire service quality must unquestionably increase to achieve client happiness.
- EBL should keep up the pace with its competitors like BRAC Bank Limited, BRAC Bank at the beginning of this year lowered their interest rates and took most of EBL's customers, hence EBL should forecast these things better and lower their rates when the market demands it.

Porter's five forces analysis of EBL:

Table 5 Porter's Forces

Porter's Five Forces:	Degree of Force:
Competitive rivalry	High
Bargaining power of customers	High
Bargaining power of suppliers	High
Threat of substitutes	High
Threat of new entrants	Moderate

I. Competitive Rivalry:

Bangladesh's banking sector is characterized by intense rivalry. In Bangladesh, there are more than 50 commercial banks competing for a piece of the market. Bangladesh's national banks have the most extensive banking network. They compete against banks because of their cheap operating costs and government support. Standard Chartered Bank is Bangladesh's largest transnational banking network, with branches in many of the country's major cities. Other multinational banks that compete and are aggressive

in nature are also participating in the competition. Companies find it challenging to survive in the long run because of the high level of competition.

II. Bargaining power of customers:

Customers in Bangladesh's banking sector have a lot of bargaining power because there are so many commercial banks offering identical services. Customers have several alternatives when it comes to choosing a bank. For great service, they can either go with multinationals or turn to new local banks. For significant credit facilities, others may look to national banks. As a result, in order to attract clients or chase depositors, banks must offer them attractive interest rates and provide them with tailored, customized services.

III. Bargaining power of suppliers:

Customers and organizations that offer funding to the firm through depository schemes are referred to as suppliers in the context of EBL. In order to stay in business, EBL will have to raise the interest rate it charges its customers if the cost of funding rises. This could lead to high consumer dissatisfaction and, as a result, low profitability. EBL is well aware of the dire situation.

IV. Threat of substitutes:

Mobile banking financial services are posing a significant threat to banks. Utility and remittance services are also being phased out in favor of mobile-based financial services. Substitutes such as bKash and internet banking are putting a lot of pressure on the card sector and alternative distribution methods. PayPal, for example, is a virtual payment system that is now in use. All of these procedures are unquestionably dangerous in terms of deposit transfer and collection. It is difficult for banks to abandon the model and follow comparable strategies of mobile-based financial services due to

the large investment costs spent by banks in running branches and ATMs. Non-Bank Financial Institutions (NBFIs) are increasingly important in lending services. Large projects are frequently financed by NBFIs at rates that are nearly identical to those offered by commercial banks. NBFIs provide lending services for a variety of purposes, including house loans, car loans, and other personal loans. NBFIs provide leasing services, insurance services, various deposit plans, mutual funds, and other services, making entrance into the banking business more competitive.

V. Threat of new entrants:

The banking business is highly governed, with the Bangladesh Bank imposing numerous laws and regulations. Despite the fact that the entry barrier has been raised, banks continue to enter the business. Another huge challenge, much more so than the expansion of traditional banks, is the emergence and proliferation of mobile financial services. In recent years, mobile banking has experienced tremendous growth. New entrants like bKash modified the market environment's major determinants. As a result, the banking industry is feeling the heat to develop and advertise bank-branded mobile financial services.

This investigative study suggests that aspects of competition such as identical product and service price, cutthroat competition, the expansion and dominance of Mobile Financial Services, and the potential of substitutes constitute a significant threat to established rivals and newcomers. Since a result, capitalizing on current trends and creating economies of scale will be a priority in the future days, as consumer loyalty will be strained due to lower switching costs. Industry players should conduct such research on a regular basis to find the most effective ways for gaining a competitive edge.

2.8 Summary & Conclusion

EBL should focus on grabbing the market now. They are falling behind in the rat race. They need to assess the market better and they need to do it at a much faster pace.

EBL should pick up the pace with its competitors like BRAC Bank Limited, BRAC Bank at the beginning of this year lowered their interest rates and took most of EBL's customers, hence EBL should forecast these things better and lower their rates when the market demands it. They should concentrate on making EBL Skybanking, their digital app, more user-friendly and convenient in order to combat the mobile financial systems like bKash.

A bank's lending function adds value to the bank. Organizations, funding, monitoring, and loan servicing are all part of the lending function. Due to the Covid epidemic, a reoccurring scenario is that many borrowers are unable to pay their interest on time, and so their loans remain unpaid, which is referred to as credit risk. For lenders like EBL, outstanding loans are considered as incomplete transactions. These unfinished transactions will not contribute value, but rather detract from it. The method to add value to the lending function is to handle default risk appropriately and cautiously.

Excessive credit risk presents itself in the manner of non-loans and loan loss provisions, both of which depreciate bank value. As a result, Eastern Bank Limited can achieve its value creation goal by focusing the prevention of possible non-performing loans as well as the detection and remediation of ongoing trouble loans.

2.9 Recommendation\ Implications

- They should concentrate on making EBL Skybanking, their digital app, more user-friendly and convenient in order to combat the mobile financial systems like bKash.
- EBL should keep up the pace with its competitors.
- EBL should dispute or assign a well-trained executive to each branch to mitigate the credit risk of relatively big credits.
- Islamic banking is a profit-and-loss sharing system. As a result, I believe EBL should consider establishing an Islamic banking division to help limit the entire impact of credit risk.
- The EBL should focus more on various forms of advertising in order to make their product more prominent and attract serious entrepreneurs.
- Before approving a credit line, the bank should double-check the documentation to see if they have all they need. The credit officer should thoroughly review the project's feasibility report. They should not rely on the client's information. They should examine the accuracy of those figures by consulting the client's accounting records.

Chapter 3: Project Part

3.1 Introduction

Eastern Bank Limited is a Bangladeshi private commercial bank with its headquarters in Dhaka. It began as a scheduled bank with only four branches: the Principal Branch and Motijheel Branch in Dhaka, the Agrabad Branch in Chittagong, and a branch in Khulna. When the bank received its Authorized Dealership from Bangladesh Bank in July 1993, it began expanding its branch network.

EBL is currently one of Bangladesh's fastest growing commercial banks and the country's largest capital-based bank. It has TK 828 million in paid-up capital as of December 2005.

The National Commercial Banks, other government organizations, and some depositors who consented to accept shares in the new bank in place of their deposits were among the first shareholders. The original Board of Directors of EBL, which was formed under government supervision, consisted of seven directors representing a variety of industries and professions. Because Eastern Bank Limited was under government control until the end of 2000, there were numerous management flaws.

The board of directors hired new professional management from several foreign banks in 2001, and they have been working to modernize the bank since then. Eastern Bank Limited now has 86 branches in 22 districts across Bangladesh, with Ali Reza Iftekhar serving as CEO and Managing Director.

3.1.1 Background

Eastern Bank's entry into the private sector is a pivotal point for Bangladesh's banking industry. When BCCI went bankrupt on a global scale in 1991, the bank's operations in Bangladesh were shut down. Taking the welfare of BCCI employees as well as the interests of its depositors into account, Bangladesh Bank approved the formation of an Eastern Bank Limited, which would take over all of BCCI's assets, cash, and liabilities in Bangladesh, with effect from August 16, 1992, under the Reconstruction Scheme. As a result, Eastern Bank Limited began operations as a scheduled bank with only four branches. When the bank received its Authorized Dealership from Bangladesh Bank in July 1993, it began expanding its branch network. Eastern Bank Limited now has 86 branches in 22 districts across Bangladesh, with Ali Reza Iftakhar serving as CEO and Managing Director. EBL has been reformed into three primary businesses: Corporate Banking, Consumer Banking, and Treasury Banking. These three divisions are responsible for the bank's income. All of the bank's other departments serve as support units for these three units, assisting them in whatever manner possible. The responsibilities and functions of the branches have been drastically curtailed under this system. Many functions, such as credit evaluation and approval, loan monitoring, trade services, and so on, have now been concentrated in the Head Office. The bank's branches are now known as "Sales and Service Centers," with the primary goal of providing services to corporate and consumer clients while also creating and maintaining relationships.

3.1.2 Objectives

- To provide an overview of Eastern Bank Limited's operations.
- To gain an in-depth understanding of all of EBL's general banking activities and different services.

- To learn about the issues EBL is facing as a result of the pandemic and the growing competition, and to provide possible recommendations for those issues.

3.1.3 Significance

Due to the global pandemic, banks worldwide are undergoing a financial crisis. Just like those banks, Eastern Bank Limited is also struggling to survive. Then came the second wave, in response to the second wave, the government has announced a hard lockdown. Bangladesh Bank has reduced the customer service hour and has declared several branches to remain shut down during the lockdown period. Due to this situation, most of the customers are unable to repay the loans and bad loans are rising. Competing banks like BRAC Bank are offering lower interest rates for loans to customers, and many customers are shifting to them from EBL. Customers are now more prone to take pay orders and loans than ever, since a majority of the population have lost their source of income and salaries have been reduced of many who still have jobs. People are breaking their FDRs and Shanchayapatra in order to deal with the financial crisis, this has impacted the financial performance of EBL badly resulting in negative cash flows. EBL has reportedly, sacked a significant portion of their employees and moved their major branches like the Dhanmondi branch from a large space to a smaller one. This alone says that EBL is struggling and is trying to cut expenses in order to combat financial issues.

3.2 Methodology

Observing activities and working with officers such as Relationship Managers in order to gain a better grasp of banking procedures. Conducting interviews with EBL officials like the Branch Manager, Senior Branch Sales & Service Manager, Relationship Managers, and so on in order to gain a better insight on the bank's performance and the issues the bank is currently facing. Gathering information from EBL's documentation packages as well as the bank's website for the analysis part.

3.3 Findings & Analysis

Using Multiple Linear Regression forecasting technique:

- Net Interest Margin:

SUMMARY OUTPUT								
<i>Regression Statistics</i>								
Multiple R	0.99950041							
R Square	0.99900107							
Adjusted R Square	0.996004279							
Standard Error	0.027854025							
Observations	5							
<i>ANOVA</i>								
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>			
Regression	3	0.775901692	0.258634	333.357	0.040235128			
Residual	1	0.000775847	0.000776					
Total	4	0.776677539						
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	3.886294276	0.161396881	24.07912	0.026423	1.835552456	5.937036	1.835552	5.937036
Interest Income	0.000422417	1.85058E-05	22.82623	0.027872	0.000187279	0.000658	0.000187	0.000658
Interest Paid	-0.000370672	3.24193E-05	-11.4337	0.055538	-0.0007826	4.13E-05	-0.00078	4.13E-05
Loans	-1.97266E-05	1.51196E-06	-13.0471	0.048699	-3.8938E-05	-5.2E-07	-3.9E-05	-5.2E-07
RESIDUAL OUTPUT								
	<i>Observation</i>	<i>Predicted NIM</i>	<i>Residuals</i>					
	1	3.63694569	-0.000797246					
	2	3.130651427	-0.008826912					
	3	3.565297175	0.020839869					
	4	3.531647791	-0.015610368					
	5	2.585758393	0.004394658					

Figure 4 Net Interest Margin

Forecasted value of Net Interest Margin (NIM) of 2021 for the first two quarters:
 $(0.000422417 * 7120) + (-0.000370672 * 1817772004 * 5982) + 3.886294276 = 2.39\%$

- **Return On Asset:**

SUMMARY OUTPUT								
<i>Regression Statistics</i>								
Multiple R	0.99512245							
R Square	0.99026869							
Adjusted R Square	0.98053738							
Standard Error	0.05068556							
Observations	5							
ANOVA								
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>			
Regression	2	0.52285371	0.261427	101.7611	0.009731309			
Residual	2	0.00513805	0.002569					
Total	4	0.52799176						
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	2.50370813	0.15628331	16.02032	0.003874	1.83127534	3.17614092	1.83127534	3.17614092
Net Income	0.00030847	2.6288E-05	11.73406	0.007185	0.000195357	0.000421574	0.000195357	0.000421574
Total Assets	-7.6949E-06	5.743E-07	-13.3987	0.005524	-1.01659E-05	-5.22385E-06	-1.01659E-05	-5.22385E-06
RESIDUAL OUTPUT								
<i>Observation</i>	<i>Predicted ROA</i>	<i>Residuals</i>						
1	2.58417322	0.03391045						
2	2.32851783	-0.058377						
3	2.64562704	0.01182505						
4	2.44144332	-0.0071054						
5	1.74023125	0.0197469						

Figure 5 ROA

Forecasted value of ROA 2021 for the first two quarters:
 $(0.00030846526431377 * 1520) + (-7.69486162318645E-06 * 168010) + 2.50370812990932 = 1.68\%$

- **Return On Equity:**

SUMMARY OUTPUT								
<i>Regression Statistics</i>								
Multiple R	0.99819195							
R Square	0.996387168							
Adjusted R Square	0.992774336							
Standard Error	0.418104629							
Observations	5							
<i>ANOVA</i>								
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>			
Regression	2	96.4229299	48.21146	275.7912	0.003612832			
Residual	2	0.34962296	0.174811					
Total	4	96.7725529						
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	25.40793282	1.704688	14.90474	0.004471	18.07325233	32.74261331	18.07325233	32.74261331
Net Income	0.003855598	0.00018259	21.11578	0.002235	0.003069963	0.004641233	0.003069963	0.004641233
Shareholder's Equity	-0.000962822	6.3675E-05	-15.1208	0.004345	-0.001236794	-0.000688849	-0.001236794	-0.000688849
<i>RESIDUAL OUTPUT</i>								
	<i>Observation</i>	<i>Predicted ROE</i>	<i>Residuals</i>					
	1	26.91836934	-0.04203257					
	2	26.77487745	-0.16040511					
	3	32.23589201	0.44720474					
	4	32.24929866	-0.33706805					
	5	20.3729116	0.09230099					

Figure 6 ROE

Forecasted value of ROE of 2021 for the first two quarters: $(0.0038555981501888 * 1520) + (-0.000962821585200211 * 18712) + 25.4079328200852 = 13.25\%$

- **Loan to Deposit Ratio:**

SUMMARY OUTPUT									
Regression Statistics									
Multiple R		0.998576032							
R Square		0.997154091							
Adjusted R Square		0.994308183							
Standard Error		0.526301036							
Observations		5							
ANOVA									
		df	SS	MS	F	Significance F			
Regression		2	194.1063628	97.05318	350.3816	0.002845909			
Residual		2	0.55398556	0.276993					
Total		4	194.6603484						
		Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept		109.5087323	2.70167191	40.53369	0.000608	97.88437626	121.1331	97.88437626	121.133088
Total Loans		0.00040095	4.37393E-05	9.166819	0.011692	0.000212755	0.000589	0.000212755	0.00058914
Totals Deposits		-0.00044126	3.27459E-05	-13.4753	0.005462	-0.000582154	-0.0003	-0.00058215	-0.00030037
RESIDUAL OUTPUT									
Observation		Predicted Loans to Deposits Ratio	Residuals						
1		108.5850723	-0.173564231						
2		109.4503529	0.516303377						
3		105.3416502	-0.494158134						
4		96.5747805	0.047111204						
5		94.36090483	0.104307785						

Figure 7 Loan to Deposit Ratio

Forecasted value of Loan to Deposit Ratio of 2021 for the first two quarters:
 $(0.000400949860584514 * 100129) + (0.000441260005139089 * 128977) + 109.508732278627 = 92.74\%$

Table 6 Summary of Ratio Analysis

Year	2016	2017	2018	2019	2020	2021
Ratios						
Net Interest Margin (%)	3.64	3.12	3.59	3.52	2.59	2.39
ROA (%)	2.62	2.27	2.66	2.43	1.76	1.68
ROE (%)	26.88	26.61	32.68	31.91	20.47	13.25
Loan to Deposit Ratio (%)	108.41	109.97	104.85	96.62	94.47	92.74

3.4 Summary & Conclusions

From Table 6, it can be said that the decreasing trend of Net Interest Margin is not a good sign for Eastern Bank Limited. A declining ROA indicates that the bank has over-invested in assets that have failed to generate revenue growth, indicating that the company is in jeopardy. The Bank's deteriorating ROE indicates that it is becoming less efficient at generating profits and enhancing shareholder value. Eastern Bank's Loan to Deposits Ratio is ideal.

EBL should focus on grabbing the market now. They are falling behind in the rat race. They need to assess the market better and they need to do it at a much faster pace. EBL should pick up the pace with its competitors like BRAC Bank Limited, BRAC Bank at the beginning of this year lowered their interest rates and took most of EBL's customers, hence EBL should forecast these things better and lower their rates when the market demands it. They should concentrate on making EBL Skybanking, their digital app, more user-friendly and convenient in order to combat the mobile financial systems like bKash. A bank's lending function adds value to the bank. Organizations, funding, monitoring, and loan servicing are all part of the lending function. Due to the Covid epidemic, a reoccurring scenario is that many borrowers are unable to pay their interest on time, and so their loans remain unpaid, which is referred to as credit risk. For lenders like EBL, outstanding loans are considered as incomplete transactions. These unfinished transactions will not contribute value, but rather detract from it. The method to add value to the lending function is to handle default risk appropriately and cautiously.

In the three-month period of my internship, I have been able to witness that Eastern Bank is not performing that well financially, the employees both in the service and sales department are grappling to meet their targets. Out of all the branches of Eastern Bank Limited, Dhanmondi was the only branch that was able to do well and meet all the targets in the first quarter of this year, which is a really bad sign for the bank.

3.5 Recommendations

Even though Eastern Bank is not performing that well financially, they can still redeem themselves in the upcoming years. They just have to focus on a few things and make a few changes.

- EBL should assign more targets to the higher-level officials like Assistant Vice Presidents as opposed to junior officers. They should reward striking fringe benefits and incentives to those who are able to meet their year end targets. This will undoubtedly motivate the employees and enhance their performance. This ultimately will enhance the bank's overall performance.
- They should concentrate on making EBL Skybanking, their digital app, more user-friendly and convenient in order to combat the mobile financial systems like bKash.
- EBL should keep up the pace with its competitors like BRAC Bank Limited, BRAC Bank at the beginning of this year lowered their interest rates and took most of EBL's customers, hence EBL should forecast these things better and lower their rates when the market demands it.
- EBL should dispute or assign a well-trained executive to each branch to mitigate the credit risk of relatively big credits.
- The EBL should focus more on various forms of advertising in order to make their product more prominent and attract serious entrepreneurs.
- Before approving a credit line, the bank should double-check the documentation to see if they have all they need. The credit officer should thoroughly review the project's feasibility report. They should not rely on the client's information. They should examine the accuracy of those figures by consulting the client's accounting records.

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Appendix

Problem Statement:

Followed by the global pandemic, Eastern Bank Limited was already struggling financially, then came the second wave which led to negative cash flows. In addition to that, competing banks like the BRAC Bank are offering lower interest rates on loans and taking over clients.

Research Questions:

- Will EBL be able to power through the Covid Pandemic?
- Will they be able to fight off rivals?
- What measures are they currently taking in response to the pandemic and the growing competition?

Objectives:

- To provide an overview of Eastern Bank Limited's operations.
- To gain an in-depth understanding of all of EBL's general banking activities and different services.
- To learn about the issues EBL is facing as a result of the pandemic and the growing competition, and to provide possible recommendations for those issues.

Background:

Eastern Bank's entry into the private sector is a pivotal point for Bangladesh's banking industry. When BCCI went bankrupt on a global scale in 1991, the bank's operations in Bangladesh were shut down. Taking the welfare of BCCI employees as well as the interests of its depositors into

account, Bangladesh Bank approved the formation of an Eastern Bank Limited, which would take over all of BCCI's assets, cash, and liabilities in Bangladesh, with effect from August 16, 1992, under the Reconstruction Scheme. As a result, Eastern Bank Limited began operations as a scheduled bank with only four branches. When the bank received its Authorized Dealership from Bangladesh Bank in July 1993, it began expanding its branch network. Eastern Bank Limited now has 86 branches in 22 districts across Bangladesh, with Ali Reza Iftekhar serving as CEO and Managing Director. EBL has been reformed into three primary businesses: Corporate Banking, Consumer Banking, and Treasury Banking. These three divisions are responsible for the bank's income. All of the bank's other departments serve as support units for these three units, assisting them in whatever manner possible. The responsibilities and functions of the branches have been drastically curtailed under this system. Many functions, such as credit evaluation and approval, loan monitoring, trade services, and so on, have now been concentrated in the Head Office. The bank's branches are now known as "Sales and Service Centers," with the primary goal of providing services to corporate and consumer clients while also creating and maintaining relationships.

Methodology:

Observing activities and working with officers such as Relationship Managers in order to get a better grasp of banking procedures. Conducting interviews with EBL officials like the Branch Manager, Senior Branch Sales & Service Manager, Relationship Managers, and so on in order to gain a better insight on the bank's performance and the issues the bank is currently facing. Gathering information from EBL's documentation packages as well as the bank's website for the analysis part.

Significance of the issue:

Due to the global pandemic, banks worldwide are undergoing a financial crisis. Just like those banks, Eastern Bank Limited is also struggling to survive. Then came the second wave, in response to the second wave, the government has announced a hard lockdown. Bangladesh Bank has reduced the customer service hour and has declared several branches to remain shut down during the lockdown period. Due to this situation, most of the customers are unable to repay the loans and bad loans are rising. Competing banks like BRAC Bank are offering lower interest rates for loans to customers, and many customers are shifting to them from EBL. Customers are now more prone to take pay orders and loans than ever, since a majority of the population have lost their source of income and salaries have been reduced of many who still have jobs. People are breaking their FDRs and Shanchayapatra in order to deal with the financial crisis, this has impacted the financial performance of EBL badly resulting in negative cash flows. EBL has reportedly, sacked a significant portion of their employees and moved their major branches like the Dhanmondi branch from a large space to a smaller one. This alone says that EBL is struggling and is trying to cut expenses in order to combat financial issues.