



INTERNSHIP REPORT ON

**THE GENERAL BANKING ACTIVITIES & ANALYSIS OF FINANCIAL
PERFORMANCE OF
BASIC BANK LIMITED**



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BASIC BANK LIMITED

COURSE ID: BUS 400

Submitted to:

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Date of Submission: 14th September, 2014

Letter of Transmittal

14 September, 2014

To

Mahmudul Haq

Assistant Professor

BRAC Business School

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Subject: Submission of Internship report on “The General Banking Activities and Analysis of Financial performance of BASIC Bank Ltd.”

Dear Sir,

I am pleased to submit the internship report as a partial fulfillment of BBA program. I have tried my level best to present you a report on the general banking activities and analysis of financial performance of BASIC Bank limited. This paper has provided me the opportunity to relate theories with the real-world operation. Banks operate in a different way, if I had never been done my internship in a bank I would never have understand this fact.

In these regard, I have done my heart and soul to complete this report with the quality of your expectation. It would be my immense pleasure if you find this report useful and informative and I hope you will appreciate my effort.

Sincerely Yours,

Progya Neelima

ID: 10304097

BRAC Business School

ACKNOWLEDGEMENT

To begin with, I would like to express my deepest gratitude towards The Almighty Allah for giving me the capability, ability and determination to effectively complete my internship program. I also want to thank and convey my gratefulness to my honorable advisor Mahmudul Haq, Assistant professor, BRAC Business School, BRAC University to provide me extremely well arranged guidelines and time from his busy schedule to complete my report.

I express my deepest thanks to the management of the BASSIC Bank Limited for helping me throughout my internship program. My special thanks to Mr. Abdus Sabur, Assistant General Manager, Ms. Kamrun Nahar, Assistant Manager, Ms. Mahfuza Sultana, Officer and to other assistant officers for giving me essential knowledge related to the banking sector. Without their co-operation and proper guidance I would not be able gain practical knowledge and complete my internship program.

I would like to express my heartiest appreciation to my entire family who have always been a constant support to me and have patiently helped me while preparing this report. I wish to extend my thanks to my friends who were always there to help me whenever I needed them.

EXECUTIVE SUMMARY

BASIC Bank Limited is a state owned bank however operates like a private bank. It was established in order to progress the industrial sector of Bangladesh. For more information I have prepared a report that starts with the synopsis of Banking Industry in Bangladesh followed by some more information regarding the history of BASIC Bank limited. A progress chart of BASIC Bank Ltd. is provided in the report. In the later Chapter the General Banking Department of this particular bank is elucidated in an elaborate manner. The types of work of this department, the imperative documents to open an account are described in a very comprehensive way. Along with that what are the products and service they offer, type of loans can also be establish in this report. In the forthcoming chapter my three months' internship experience and my activities can be found. In addition to that the most important chapter that consists of the analysis regarding financial performance of BASIC Bank Limited is also prepared in very careful manner. Trend analysis and cross-sectional analysis is conducted taking the years 2011, 2012 and 2013 respectively. A assessment is also done with a similar type of bank that is Bangladesh Development Bank Limited. Lastly the report ends with various beneficial recommendations provided which can benefit the bank to improve its effectiveness and along with it a brief conclusion.

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CHAPTER: 01

INTRODUCTION

This Chapter includes:

1.1 Origin of the Report

1.2 Objectives of the report

1.3 Scope of the report

1.4 Methodologies

1.5 Limitations

1.1 Origin of the Report

Theoretical knowledge is not complete unless it is being practiced. As a student of BRAC Business School, I have got the chance to have that practical knowledge after completing all the essential courses. Afterwards, finishing three months of internship program from Bangladesh Small Industries and Commerce (BASIC) bank limited, I have prepared this report under the guidance of my advisor, Mahmudul Haq, Assistant professor of BRAC business school. Without his support this report could not achieve its factual outline. Fundamentally, this report is the result of my thorough understanding and my experience gained from working in banking world.

1.2 Objectives of the report

General Objectives

- To understand the system of bank workings
- To know the products and service offerings
- To understand the banking environment
- To know the type of responsibilities of a bank

Specific Objectives

- To conduct a trend and cross sectional analysis of BASIC Bank Limited with Bangladesh Development Bank Limited.
- To have a broad understanding about General Banking Department
- To know the financial position of this bank

1.3 Scope of the report

This report is based on the overall general banking activities of BASIC Bank Limited and also contains the financial performance analysis including both the trend and peer analysis with Bangladesh Development Bank Limited.

1.4 Methodologies

The data used to conduct this report is collected from two different sources. They are-

Primary sources:

- Interviewing other officers and staffs
- Personal observation

Secondary sources:

- Annual report of BASIC Bank
- Internet
- Books

1.5 Limitations

To prepare this report I had also faced some difficulties while collecting data. The limitations or the reasons are-

- Organization did not disclose full information
- Non-cooperative behavior of some officials of the bank
- Up to date data are not available
- Three months are very short span of time to grasp all the banking activities and functions.

Chapter: 02

Overview of BASIC Bank Limited

This Chapter includes:

2.1 Overview of the Banking Sector in Bangladesh

2.2 History of Basic Bank Limited

2.3 Foremost Functions of BASIC Bank Limited

2.4 Corporate Strategy of BASIC Bank Limited

2.5 Organizational Structure of BASIC Bank Limited

2.6 Resources and Capabilities OF BASIC Bank Ltd.

2.7 Products and Service Offerings of BASIC Bank Ltd.

2.8 CSR Activities and Donation

2.9 PROGRESS AT A GLANCE (2007-2012)

2.1 Overview of the Banking Sector in Bangladesh

Reinforcing the financial sector is a vital concern for an economy. Efficient banking or sound financial system serves as an effective channel for mobilizing funds from savers to productive sectors and hence helps to attain economic development. Bangladesh is a third world country with an under developed banking system, mostly in terms of the services and customer care provided by the banks run by. After the independence, banking industry in Bangladesh started its journey with 6 nationalized commercialized banks, 2 State owned specialized banks and 3 Foreign Banks. In the 1980's banking industry achieved significant expansion with the entrance of private banks. In general the banks which get license to operate under Bank Company Act, 1991 (Amended in 2003) are termed as Scheduled Banks. There are 56 scheduled banks in Bangladesh who operate under full control and supervision of Bangladesh Bank which is empowered to do so through Bangladesh Bank Order, 1972 and Bank Company Act, 1991. Scheduled Banks are classified into following types:

- State Owned Commercial Banks (SOCBs): There are 4 SOCBs which are fully or majorly owned by the Government of Bangladesh.
- Specialized Banks (SDBs): 4 specialized banks are now operating which were established for specific objectives like agricultural or industrial development. These banks are also fully or majorly owned by the Government of Bangladesh.
- Private Commercial Banks (PCBs): There are 39 private commercial banks which are majorly owned by the private entities. Conventional PCBs and Islami Shariah based PCBs are the two types of PCBs. Right now there are 31 conventional PCBs operating in the industry. They perform the banking functions in conventional fashion i.e. interest based operations. On the other hand there are 8 Islami Shariah based PCBs in Bangladesh and they execute banking activities according to Islami Shariah based principles i.e. Profit-Loss Sharing (PLS) mode.
- Foreign Commercial Banks (FCBs): 9 FCBs are operating in Bangladesh as the branches of the banks which are incorporated in abroad.

Besides, there are Non-Scheduled Banks, which are established for special and definite objective and operate under the acts that are enacted for meeting up those objectives, are termed as Non-

Scheduled Banks. These banks cannot perform all functions of scheduled banks. There are now 4 non-scheduled banks in Bangladesh which are: Ansar VDP Unnayan Bank, Karmashangosthan Bank, Probashi Kollyan Bank and Jubilee Bank.

2.2 HISTORY OF BASIC BANK LIMITED

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

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

Motto of BASIC Bank Limited

“Serving people for progress”

Capital Position

Authorized capital	Tk. 5000.00 million
Paid up capital	Tk. 2946.98 million
Total Reserve and Surplus up to 31.12.2012	Tk. 3493.60 million
The Bank is required to transfer 20 percent of its net profit before Tax to Capital Fund as per the Banking Companies Act 1991.	

2.3 FOREMOST FUNCTIONS OF BASIC BANK LIMITED

The Bank Offers:

- Term loans to industries especially to small-scale enterprises.
- Full-fledged commercial banking service including collection of deposit, short term trade finance, working capital finance in processing and manufacturing units and financing and facilitating international trade.
- Technical support to Small Scale Industries (SSIs) in order to enable them to run their enterprises successfully.
- Micro credit to the urban poor through linkage with Non- Government Organizations (NGOs) with a view to facilitating their access to the formal financial market for the mobilization of resources.

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

2.4 CORPORATE STRATEGY OF BASIC BANK LIMITED

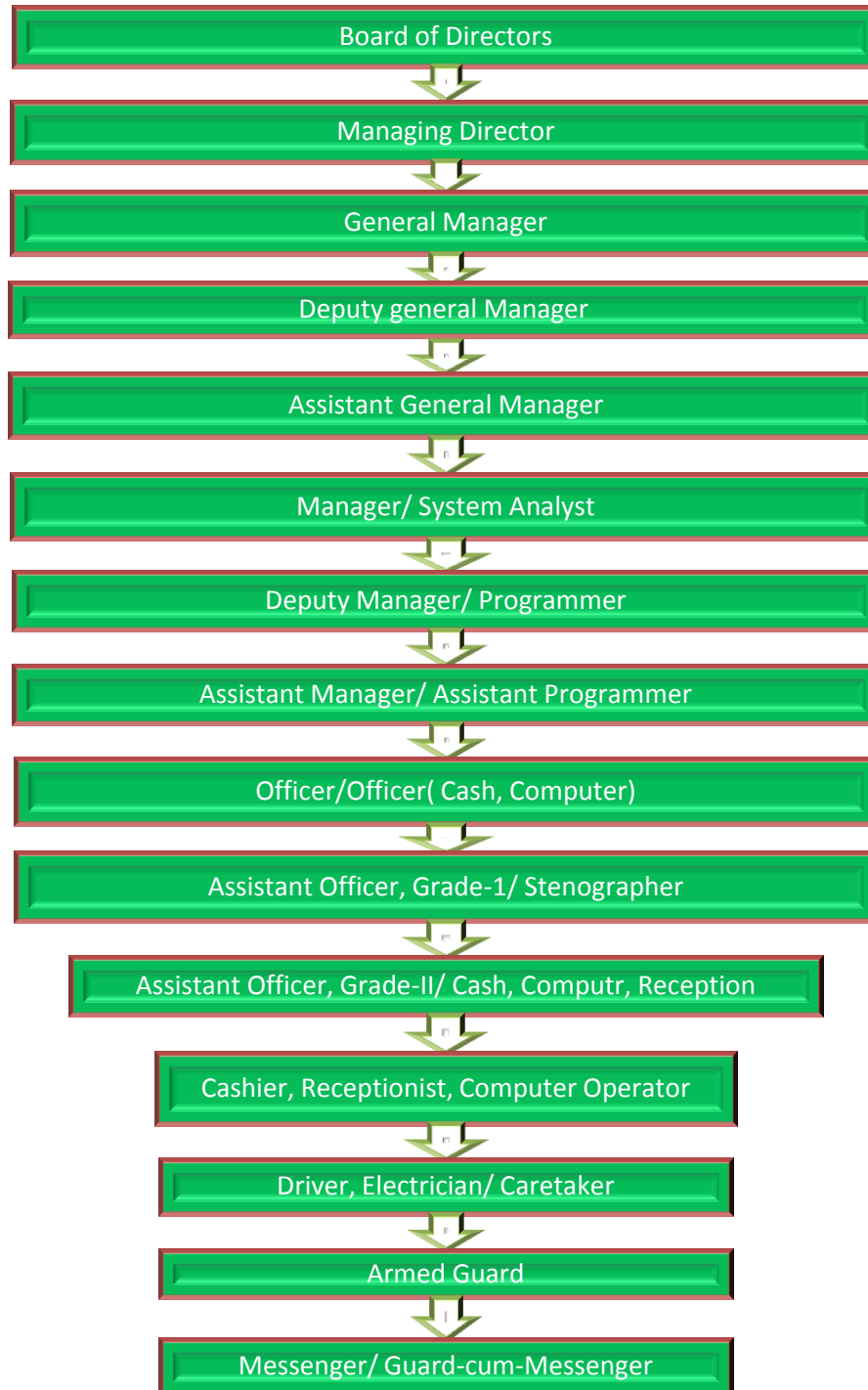
Financing establishment of small units of industries and business and facilitate their growth Small Balance Sheet size composed of quality assets.

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

2.5 ORGANIZATIONAL STRUCTURE OF BASIC BANK LIMITED

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

Management Hierarchy of BASIC Bank Ltd:



2.5.1 Board of Directors

The members of the Board of Directors are appointed by the Bank and Financial Institutions Division, Ministry of Finance, Government of the People's Republic of Bangladesh. As the government holds 100 percent ownership of the bank thus appoints all the directors of the board. At the moment, there are 6 (six) Directors including the Managing Director. There are two Committees of the Board of Directors namely the Executive Committee and the Audit Committee as per guidelines of Bangladesh Bank. Each Committee operates under the Terms of Reference (TOR) as stipulated by the Board and the guidelines of Bangladesh Bank.

2.5.2 Management

The Managing Director is the person who basically takes lead in the management system of BASIC Bank Ltd. For this critical job the Deputy Managing Director, the General Managers and the Departmental heads working in the head office, are always there to assist him. This bank is different from other banks as it relies more on vertical integration to the extent that reporting to the Chief Executive is concerned. The Branch Managers from different branch always reports directly to the Managing director. For functional purposes such as dismissing any challenging circumstances they report to the Heads of the concerned Departments, hence helping in quick decision making.

2.6 RESOURCES AND CAPABILITIES OF BASIC BANK LTD.

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

2.6.1 Physical and technological resources

A great deal of investment for developing the physical resource base of the Bank has been made. The Bank has its presence in all the major industrial and commercial hubs of Bangladesh in order

to cater to the needs of industry and trade. At present, there are fifty conveniently located branches throughout Bangladesh. Major features of these branches are:

- Fully computerized accounts maintenance.
- Well decorated air conditioned facilities.
- A fully operational computer network which is currently being implemented. The work of Local Area Network (LAN) and Wide Area Network (WAN) installation having reliable and secured communication between the branches and the Head Office is in progress to facilitate any Branch Banking and ATM Services.
- Money counting machine for making cash transactions easy and prompt.
- Sixteen branches are authorized dealers of foreign exchange. This facilitates speedy disposal of transaction of export and import trade.

2.6.2 Human resources

BASIC Bank has a well-diversified pool of human resources, which entails personnel with high academic background. Also, there is a positive demographic characteristic. Most employees are comparatively young in age yet mature in experience. As at the end 2012 the total number of employee was 1657. To help employees to adapt the changes and new working conditions and to meet the challenges in the banking industry, intensive training program, on a regular basis, is being imparted to employees of all levels. Bank believes that human resource is the main driving force and quality human resources are the key sources for the success in today's banking business. Keeping this view in mind and recognizing the importance of training for professional excellence, BASIC Bank established its own training cell in 2005 with modern facilities. In 2011 the cell arranged 29 training courses and provided training to as many as 608 employees of the bank. BASIC Bank established its own training institute in 2012 with all modern facilities. In 2012, they arranged 20 training courses and provided training to as many as 498 employees of the bank. The Bank also sends its employees to BIBM and other local and foreign institutions with a view to enhancing and sharpening their knowledge base. During the year 2012, a total of 191 employees of the Bank were provided with training in various fields at BIBM, BBTA and other training institutions. Moreover, 5 officials were provided with overseas training programs in 3 different programs. In case of recruitment of new officers the Bank follows a strict

recruitment policy in order to ensure that only the best candidates are recruited. For fresh recruitment, comprehensive written test and viva voce are being conducted through the renowned institutions like IBA, BIBM, and BIM etc. The Bank, so far, has recruited seven batches of entry-level management staff, all of whom have got excellent academic background.

2.6.3 Monetary/ Financial Resources

BASIC Bank Limited is unique in its objectives. It is a blend of development and commercial banks. The Memorandum and Articles of Association of the Bank stipulate that 50 percent of loanable funds shall be invested in small and cottage industries sector. Like any other financial intermediaries, BASIC Bank Limited is no exception in performing its core functions viz. Mobilization of fund and utilizing such mobilized fund for profitable purposes.

A. Mobilization of fund

The main sources of fund for the Bank are:

1. Deposit
2. Borrowing

1. Deposit

Deposit is the mainstay of the Bank's sources of funds. Following usual practices, it collects deposit through:

- a. Current Deposit
- b. Savings Deposit
- c. Term Deposit
- d. Scheme Deposit

2. Borrowing

Apart from deposit, BASIC Bank Limited received funds from:

- a. Bangladesh Bank
- b. Asian Development Bank (ADB)
- c. KfW (kreditanstalt für Wiederaufbau Credit Institution for Reconstruction), a German development bank. All of these funding sources are for relatively longer period. Receiving the credit lines from ADB and KfW has been recognition of the Bank's highly satisfactory performance.

B. Utilization of Fund

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

2.7 PRODUCTS AND SERVICE OFFERINGS OF BASIC BANK LTD.

BASIC bank ltd is currently offering the following products and services to its clients. These are

-

BASIC FORTUNE PLUS (DPS)

This is a recurring deposit scheme with attractive benefits. Realization of monthly installments will start from the day of opening and all subsequent installments will be realized/ deposited by the last day of the same month onward. Up to 80% loan facility on deposit amount excluding interest accrued will be provided.

Installment Amount	3 years	5 years	7 years	10 years
Tk. 500	21,562	40,594	64,468	1,12,136
Tk. 1000	43,124	81,189	1,28,937	2,24,272
Tk. 2000	86,249	1,62,378	2,57,875	4,48,545

Tk. 5000	2,15,624	4,05,946	6,44,687	11,21,364
Tk. 20000	8,62,496	16,23,787	25,78,751	44,85,456

BASIC DOUBLE BENEFIT SCHEME

Taking this scheme will double one's money within 06 years. Deposit of Tk. 25,000/- and multiplies thereof but maximum limit of Tk. 50, 00,000/- at a time will be acceptable.

RFC & NFC DEPOSIT

BASIC Bank Limited gives opportunity to maintain foreign currency account through its Authorized Dealer Branches.

CURRENT DEPOSIT ACCOUNT

This bank offer current deposit facility to our customers. It is an easy-to-use account for daily business transactions with no restriction, instant access and withdrawals of money anywhere in Bangladesh.

PREMIUM PLUS CURRENT ACCOUNT

This is a unique current A/C with free remittance facility where interest amount will be paid on the basis of average monthly balance and will be credited in June and December of each year.

FIXED DEPOSIT

BASIC Bank offers fixed term deposit a/c which will boost up customers savings amount in time. For earning a higher rate of interest in return one can deposit a lump sum amount for a fixed period.

BASIC RAPID GROW DEPOSIT SCHEME

Initial deposit will be 1.5 times in 03 years & 03 months term. Minimum acceptable limit of deposit will be Tk. 25,000/- and maximum limit will be Tk. 50, 00,000/- at a time.

KRISHOK SAVINGS

Account is a unique savings deposit product for the farmers. Any adult individual farmer in single or joint name(s) can open this account. Initial deposit of this account can start with Tk. 10.00 only. No bank charge.

SAVINGS DEPOSIT ACCOUNT (SB)

In this deposit account customers are allowed to withdraw their money whenever required. It also promotes the savings habit among the people.

SPECIAL NOTICE DEPOSIT ACCOUNT (SND)

BASIC Bank provides Special Notice Deposit A/C for corporate customers for day-to-day business operations.

BASIC MONTHLY BENEFIT SCHEME

Any adult individual(s) who has/have a Savings/Current/Special Noticed Deposit A/C can open this scheme in single or in joint names by depositing TK 1,00,000/- or multiplies thereof for 05 (Five) years term.

SCHOOL BANKING

It is a special product for school students with a vision to grow their savings habits and familiarize young generations with banking. Account can be opened in the name of any school going citizen who is under 18 years of age.

SUPER DOUBLE BENEFIT SCHEME

Taking this scheme will double one's money within 05 years 3 months. Deposit of Tk. 25,000/- and multiplies thereof but maximum limit of Tk. 25, 00,000/- at a time will be acceptable.

INDUSTRIAL FINANCE

The main focus of the bank is to cater small and medium industries through its entire branch network in the form of various industrial loans.

COMMERCIAL CREDIT

The Bank provides Commercial credit for day-to-day operations of business on commercial purpose.

SME FINANCE

To help in creating a strong base of SME through funding of small and medium sized enterprises.

FOREIGN TRADE

Facilitating diversified export import services towards industrial and commercial enterprises.

CREDIT FOR AGRICULTURE & AGRO BASED PROJECTS

Loan for Primary Products, Crops, Farming & other Farming Activities as well as agro based industries is a priority of the bank.

MICRO CREDIT

Providing Micro credit to the urban, sub-urban and rural poor through linkage with Non-Government Organizations (NGOs) with a view to facilitating their access to the formal financial market for the mobilization of resources is tremendous way to help the economy.

BASIC KALYANI FOR WOMEN ENTREPRENEURS

Any enterprise owned or led by woman may be eligible to get loan up to Tk. 5 lac without collateral security and up to Tk. 25 lac with collateral security.

WORKING CAPITAL LOAN

BASIC bank offers Cash Credit (CC), Export Cash Credit, and Loan for Bid Instrument Purchase (BIP) [Personal, Contractors & Suppliers], Commercial Service Provider, LIM, LTR, PC etc.

ATM / DEBIT CARD

ATM/Debit card can be used for withdrawal of cash as well as for purchasing goods or services wherever VISA and Q-cash POS under this network is available.

REMITTANCE (MONEY TRANSFER)

It offers Cash Credit (CC), Export Cash Credit, and Loan for Bid Instrument Purchase (BIP) [Personal, Contractors & Suppliers], Commercial Service Provider, LIM, LTR, PC etc.

ONLINE BANKING

This service helps the customer or client in experiencing true online facility around the country.

LETTER OF CREDIT

This service includes the guarantee of a bank in billing, purchasing and collecting payments on behalf of the clients.

CONSUMER CREDIT

This facility is only for the staffs of BASIC bank Ltd. Staffs can take two types of loan. One is 3 basic loan which is for 6 months and the other 6 basic loan which is for 4 years.

2.8 CSR ACTIVITIES AND DONATION

The concept of Corporate Social Responsibility (CSR) was considered in the early part of the 20th century but it received enormous impetus in the early 1950s. As a stakeholder of the society, the Bank is keen to augment CSR activities gradually in the days to come. As such in broadly defining, CSR refers to the voluntary role of business towards building a better society and cleaner environment beyond its financial commitments and regulatory obligations. Some CSR activities and donations made by BASIC bank are given bellow:

Poverty Alleviation

With a view to widen the access to finance by the poor and ultra-poor community, BASIC Bank Limited has been financing NGOs for quite since 1995 at privileged rates of interest (between 7.00% and 13.00%). So far the bank has financed 65 NGOs of various categories and capacities from small to large and also from local/regional to national/international. Such activities also contributed to generation of income and employment as well.

Women Empowerment

As half of the population is woman, a sustainable national progress can't be attained, if women are left aside. Considering this reality the bank has been mobilizing credit facilities to the capable women entrepreneurs at a reduced rate of interest. So far the bank has financed several woman entrepreneurs and it will gain due momentum in the days to come.

Concern for the Environment

To reduce environmental pollution, this bank has financed 26 CNG refueling stations. Again, most of their office vehicles have already been converted to CNG fueling system. Use of CNG fuel also helps save hard earned foreign currency. Environmental issues are taken into account while assessing credit proposal for the industrial projects.

Sports and Cultural Activities

During the year 2011, the Bank extended financial support Tk.1.00 crore each to Sheikh Russel Krira Chakra and Sheikh Jamal Dhanmondi Club towards development of games and sports. In the year 2011, an amount of Tk.8.00 lac was contributed for making documentary exhibition and archive of scarce footage of our great independence war. The Bank also contributed Tk.10.00 lac to Bangladesh Table Tennis Federation in the year 2011. In the year 2011, the Bank sponsored Tk.4.00 lac to arrange Baishakhi Fair. The Bank also sponsored 25th to 31st National Junior Chess Championship by contributing Tk.1.00 lac in each year. BASIC has been patronizing the Handball Federation by arranging BASIC Bank Limited Inter-district National Women Handball Tournament. The Bank also donated a fund of Tk.1.00 lac to Krishibid Institution for organizing their national convention. In the year 2006 the Bank sponsored Tk.1.00 lac for organizing the SME fair.

Disaster Relief

In the year 2011, the Bank donated 25,000 pieces of blankets to Prime Minister's Relief and Welfare Fund. In the previous year the Bank donated an amount Tk.1.00 crore to the same Fund for the rehabilitation of the victims of the Nimtoli Fire Tragedy.

Education

During 2011, the Bank distributed Tk.5.00 lac among the meritorious students of Gopalganj Zilla Samity. In 2010, BASIC Bank Limited donated a fund of Tk.50.00 lac to the aggrieved families of the two late secretaries of the Government of Bangladesh for maintaining the educational expenditure of their children. In 2009 BASIC Bank Limited donated Tk.2.00 lac to Bangladesh Asiatic Society for publishing Bengali version of the largest National encyclopedia of Bangladesh. In publishing the first edition (English version) of the encyclopedia, BASIC Bank Limited donated Tk.5.00 lac as well. 'BASIC Bank Limited Gold Medal' was introduced in collaboration with the Banking Department, University of Dhaka for the students of the department with outstanding academic achievements.

Promotion of Entrepreneurship

The promoters of the Bank envisaged fostering entrepreneurship amongst the potential, new and small entrepreneurs and generating employment through financing Small and Medium Scale Industries (SMIs) towards industrialization actually needed for economic growth of the country. Keeping the dream in mind, the bank always remained stick to the triple bottom line: People, Planet & Profit and focused attention to the SMIs which is ultimately promotion of SMEs. In this way, a lot of entrepreneurs have grown with us through which employment opportunities are created for a large number of people.

Health Care Program

Access to healthcare facilities is one of the fundamental rights of every human being. BASIC Bank Limited is committed to assist those poor people, who have no way to secure basic treatment. In the year 2011, the Bank distributed about Tk.3.00 lac amongst different disadvantaged individuals. In the year 2010, the Bank patronizes some organizations, which work for improvement of public health. Also in 2009 the bank donated SANDHANI & Lions Eye Hospital in organizing their free treatment campaign held at different places across the country. The Bank also extended its assistance to some acid victims directly.

Awareness Building

Generation of awareness is a very useful tool to combat social evils, like drug addiction, smoking, pollution, terrorism, population etc. For this purpose, the Bank has continue to display banner, festoon sticker, display board and use such other communication channels for discouraging drug, smoking, pollution, population growth etc. The Bank kept continued such awareness building activities for the year 2011. In 2010, the Bank donated a sum of Tk.0.50 lac to Sundarban Supporters Committee for creating awareness to elect Sundarban as the new eleven Wonders of the World.

In the future the Bank has an active plan to establish a charitable organization in the name of "BASIC Bank Foundation" to augment CSR activities through expanding both nature and magnitude towards implementation of social obligations in an organized manner for a better Bangladesh.

2.9 PROGRESS AT A GLANCE (2007-2012)

YEAR	2012	2011	2010	2009	2008	2007
From the Balance Sheet	(Million Taka)					
Authorized Capital	5,000.00	5,000.00	2,000.00	2,000.00	2,000.00	2,000.00
Paid-up Capital	2,946.98	2,357.59	1,964.65	1,455.30	1,309.77	1,247.40
Reserve and Surplus	3,493.60	3,124.17	2,509.78	2,468.65	1,672.82	1,349.17
Shareholders' Equity	6,440.58	5,481.76	4,474.43	3,923.95	2,982.59	2,596.58
Fixed Assets	526.82	364.46	283.12	232.65	228.36	196.11
Total Assets	109,682.06	78,031.73	61,569.38	45,308.31	46,651.53	38,773.91
Deposits	87,693.23	62,650.73	49,259.60	34,501.69	38,368.23	31,947.98
Long- term Debt	5,492.93	2,788.15	2,718.46	2,875.16	1,708.4	1,385.81

Loans and Advances	85,955.76	56,884.76	46,341.51	29,261.53	27,269.13	22,263.35
Placement & Investment	14,111.57	13,760.82	9,294.02	12,244.91	15,659.03	13,560.92
From the Income Statement	(Million Taka)					
Gross Income	13,402.26	8,825.20	6,120.53	5,162.30	5,060.29	3,549.51
Gross Expenditure	10,792.18	6,476.70	4,403.49	3,593.96	3,526.35	2,741.37
Profit before Tax	2610.08	2,348.50	1,717.05	1,091.10	1,533.94	808.14
Profit after Tax	27.89	976.11	660.93	648.85	549.86	282.96
Tax Paid (Cumulative)	7,066.80	5,987.61	4,948.64	4,225.37	3,538.01	2,790.98
Others	(Million Taka)					
Import Business	37,093.50	47,087.80	42,205.90	33,976.6	27,359.77	21,266.57
Export Business	29,939.20	33,061.10	23,998.80	19,887.7	22,270.87	16,794.96
Financial Ratios	(Percentage)					
Capital Adequacy Ratio	10.05	10.13	9.41	13.48	12.04	12.91
Capital Fund to Deposit Liabilities	7.34	8.75	9.08	11.37	7.81	9.23
Liquid Assets to Deposit Liabilities	9.91	14.28	12.06	24.67	47.70	49.10
Loan to Deposit Liabilities	91.75	87.74	94.08	84.81	71.07	69.69
Earning Assets to Deposit Liabilities	105.56	108.22	81.55	116.44	114.69	109.70
After Tax Return on Average Assets	0.03	1.40	1.24	1.41	1.30	.83

Net Profit to Gross Income	0.21	11.06	10.80	12.57	10.87	7.97
Interest Margin Cover	110.17	139.76	95.15	135.79	137.08	176.80
After Tax Return on Equity	0.47	19.61	14.95	18.79	19.68	11.70
SMI/SSI Loan and Micro Credit to Total Loan	52.12	54.67	56.78	56.93	59.32	56.73
Number of Branches	62	45	34	32	31	31
Number of Employees	1,657	1132	964	776	735	721
	(Million Taka)					
Deposit per Employee	52.92	55.35	51.10	44.46	52.20	44.31
Advance per Employee	51.87	50.25	48.07	37.71	37.10	30.88
Profit before Tax per Employee	1.58	2.07	1.78	2.02	2.09	1.51

CHAPTER: 03

INTERNSHIP ACTIVITIES

This Chapter includes:

3.1 Internship Experience

3.2 General Banking Department at a glance

3.3 Activities in General Banking
Department

3.1 Internship Experience

I have joined BASIC Bank Limited, Dhanmondi Branch at 26th May, 2014 as an intern. At my 1st day of joining I was terrified as this was my 1st step towards the outside world. Being lucky enough, I have met some people who were really helpful throughout the time of my internship program. Such a warm welcome boosted my confidence up to a level that I became very friendly with almost everyone in the General Banking Department within a very short span of phase. Although I got the chance to work; more specifically to assist in General Banking Department, there are two more departments commonly known as the Loan or Advances Department and the Foreign Exchange Department.

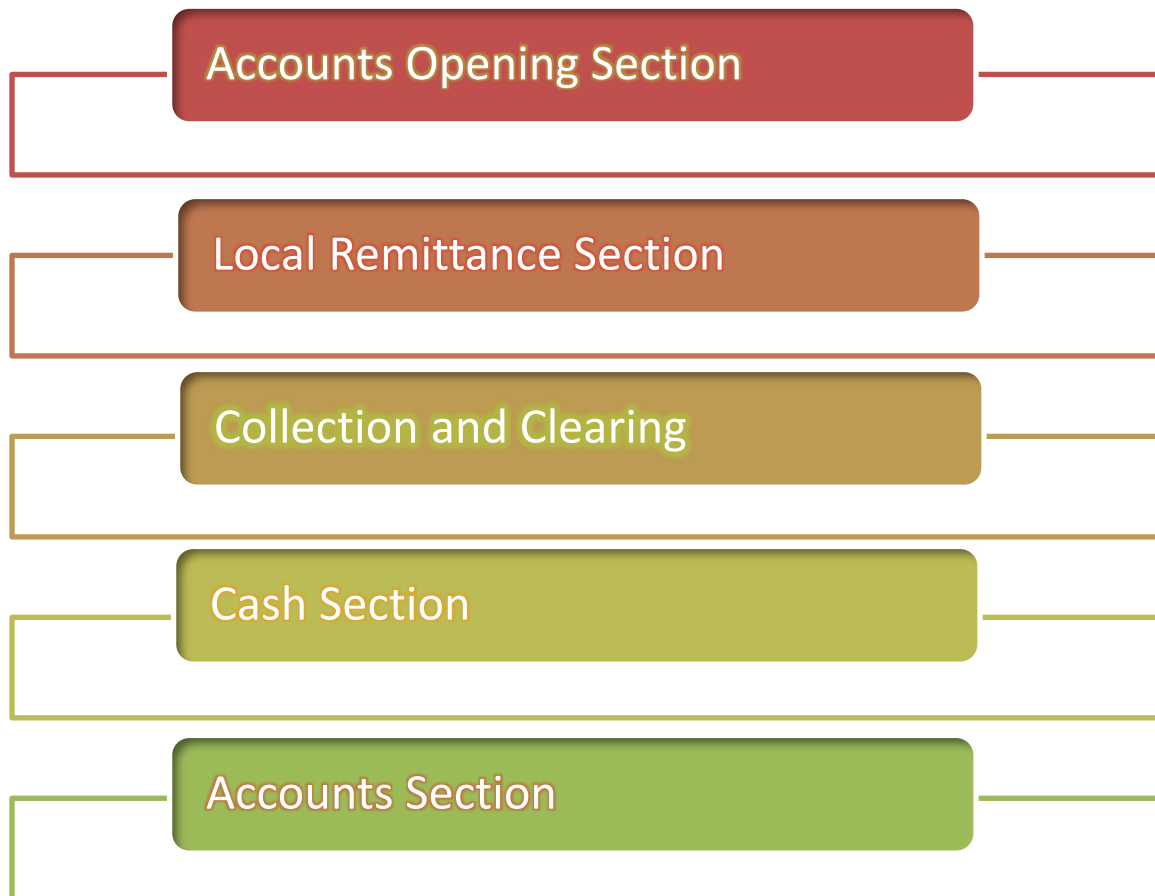
The General Banking Department sounds somewhat an easy going department however has the most critical job according to me, as this department has to handle different types of customers or clients often, that too directly. This department has taught me some very essential jobs that are very crucial in this modern era of banking. I have learnt how to open a bank account, filling the formalities of the form, how the customer information number is given, writing a pay order, how the clearing of cheques are done. Moreover, what type of products they offer to their old and new clients is also imparted by the personnel of this branch of BASIC Bank ltd.

Learning the above activities was not possible unless I had a strong guidance and cooperation from the people who were always ready to help me whenever I needed them. Unlike the other organizations whose behavior is more of domineering type, the behavior of these people made me feel one of them. Basically, the environment of this branch or the people is very generous, that also taught me to stay always closer to the ground.

Although only three months is not sufficient to learn everything of banking world, I tried my heart and soul to relate my theoretical knowledge with practical one. In words, the experiences I have gathered from working in this branch will surely going to be a great help in my future as well as in building a better career.

3.2 General Banking Department at a glance

General Banking department executes the core functions of a bank. It deals day to day transactions. It takes the deposit from the customer and meets the customer demands for cash by honoring their cheques. Generally, it has the following core responsibilities:



3.3 Activities in General Banking Department

Although the chart shows some very important responsibilities of General Banking Department, however I did not get the chance to work in all of the sections. My job was to only filling up the forms for opening account and writing the random numbers each and every leaf of the cheque

under the guidance of an authorized person. So in this chapter I am going to only cover how an account is opened and the documents needed to complete the process of opening an account.

In the later chapter I am going to discuss briefly on the local remittance section, collection and clearing, cash section and account sections as I was always around to assist my co-workers whenever I was told to do so.

3.3.1 Activities in Account Opening Section

When a customer opens an account in a bank it binds him into a contractual relationship. This is the way to build up a banker-customer relationship which is also sometimes a start of fraud and forgery if not being careful. Bearing this in mind the bank takes extra care in selecting its clients. When a customer wants to open a bank account he or she must meet the criterion that this bank requires. After providing sufficient documents an account can be opened according to their demand. There are some basic requirements to open an account such as, photographs, nominee, national ID card number, introducer etc. And now here comes my part, where I need to fill up the customer information number, the account number, the address (permanent and present), and the customers' personal data such as birthdate, name of spouse, father and mother. In the case of customer information number and account number an authorized personnel provided me with necessary information. Thus help me to fill up the form correctly.

3.3.2 Activities in Terms of Issuing Cheque book

Issuing cheque books is a job of account opening section and I consider this work somewhat very imperative. As there can be a lot of falsifications regarding this matter, BASIC Bank has a very good reliable step to prevent this which I find very interesting. Basically an authorized person throws some random numbers and I just used to write it down on the back of every cheque leaf. After that, the authorized person checks whether the security numbers are correct or not and completes the task by putting signature.

CHAPTER: 04

GENERAL BANKING DEPARTMENT

4.1 Accounts Opening Section

4.2 Common Formalities Required for Every Account

4.3 Issuing Cheque Book

4.4 Fixed Deposit Receipt (FDR)

4.5 Local Remittance Section

4.6 Collection and Clearing

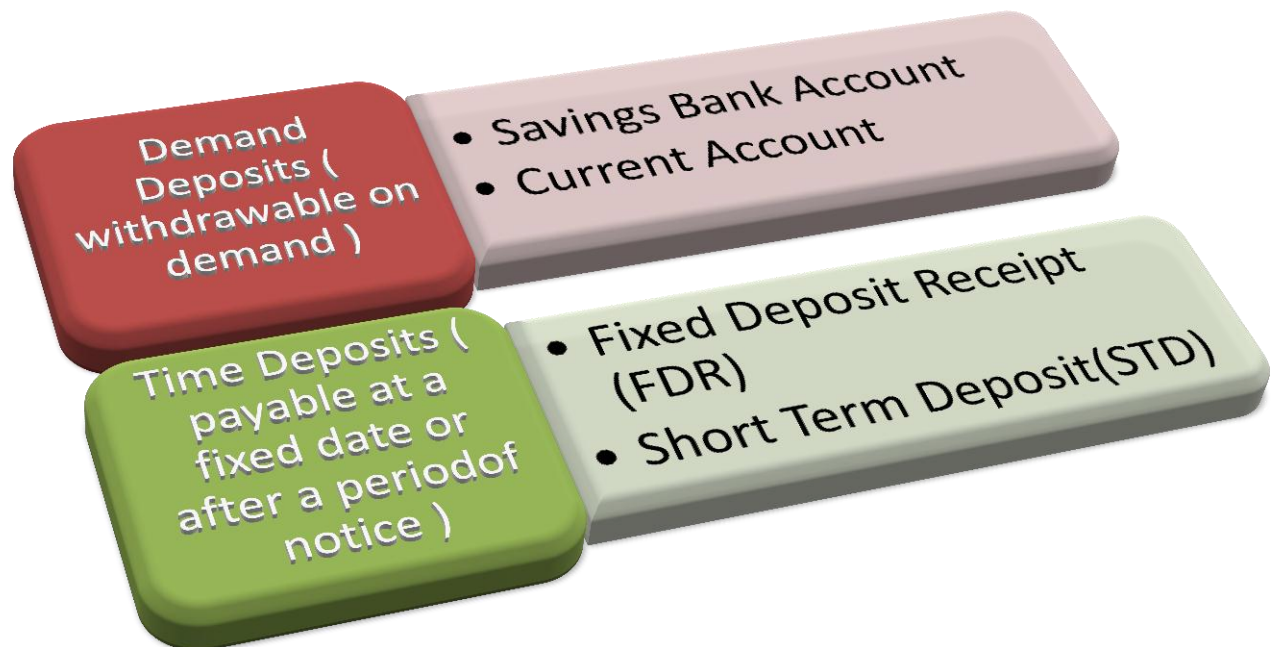
4.7 Cash Section

4.8 Accounts Section

In the previous chapter I have simply discussed about my internship part or the job I used to do in General Banking Department. Although the part was petite still, I was sentient of the other sections of general banking department most prominently in the account opening section where the necessary documents are different for different customers.

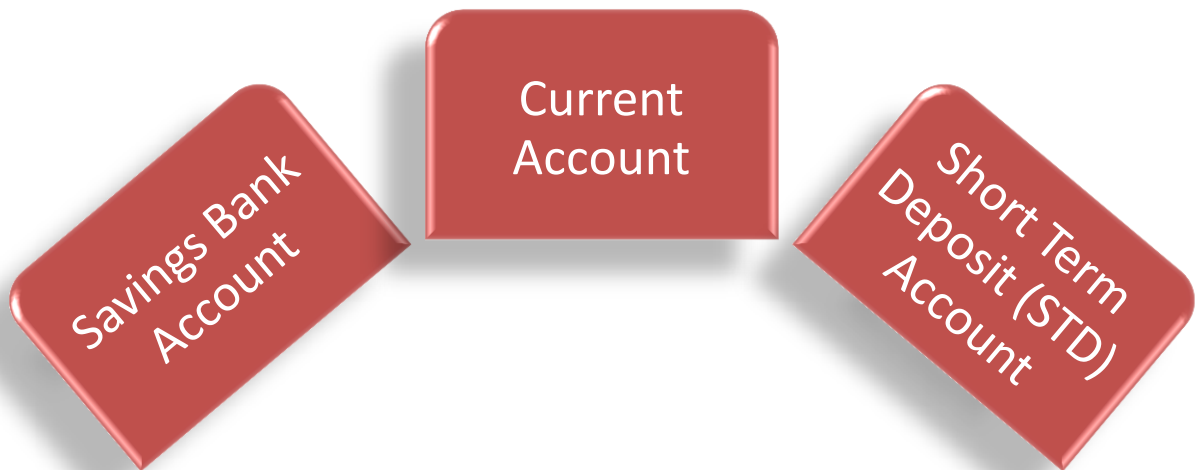
4.1 Accounts Opening Section

One of the elementary functions of commercial banks is to receive deposits. The following types of account are offered by this branch for accepting both demand and time:



Types of Accounts with Terms and Conditions

The types of account this segment covers are given below:



4.1.2 SAVINGS BANK ACCOUNT

This type of account is primarily opened by the small scale savers. Therefore, there is a restriction on withdrawals in a week. If anyone wants to withdraw a huge amount of money one must give prior notice in order to get the permission. Some important points are as follows:

- Minimum opening of Tk. 500 is required.
- Cheque book issuing balance is per leaf Tk. 3.
- Withdrawal amount should not be more than $\frac{1}{4}$ th of the total balance at a time and limit twice in a week.
- Interest rate is 7.00% (p.a.) if monthly minimum balance is up to Tk. 1.00 Crore and interest rate is 7.50% (p.a.) if monthly minimum balance is above Tk. 1.00 Crore. Interest is paid twice in a year depending on monthly minimum balance. When money is deposited within 5 of the following month, then it is counted as monthly minimum balance.

- Can open the A/c individually or jointly. In case of joint A/c, joint signature is required if not authorized otherwise.
- Minor (for withdrawal purpose), lunatic, insolvent, pardanshin women (not mandatory) cannot open such sort of account.

4.1.3 CURRENT ACCOUNT

Current Account is generally maintained by or appropriate for traders, importers, exporters, private individuals who are into business, merchants, mills and factory owners, limited company's etc. The benefit of maintaining this account is that account holders of this account can withdraw money at any time as there is no restriction. Money can be collected and paid at frequent interval through this account. Given below are some important points:

- Minimum opening deposit of Tk. 1000 is required.
- Although there is no restriction in withdrawal, if it is a huge amount i.e. 1 lac or more the bank needs one day before notice.
- There is no interest given on the deposited money.
- These deposits on demand are called demand liabilities of a banker as the banker is under an obligation to repay these amounts.
- The main objective of this account is to help the businessmen, joint ventures, public authorities from the risk of handling a lot of cash.
- Minimum Tk. 1000 balance must be maintained all the time.
- Minor cannot open such type of account.
- Account holder can enjoy secured overdraft (SOD) or even temporary overdraft (TOD) facility.

4.1.4 SHORT TERM DEPOSIT (STD) ACCOUNT

Usually several large companies, organizations, Government Departments possess money in STD account. Repeated withdrawal is discouraged and involves earlier notification. BASIC

Bank is given an instruction by the customers to debit their current account as soon as its deposited amount crosses a certain limit so that the amount will be transferred to the STD account. Then the deposit must be kept for at least seven days to acquire interest. The interest offered for STD is less than that of savings deposit. Interest is calculated based on daily minimum product and paid two times in a year. The interest rate varies depending on the deposited amount. For instance:

Deposit Products	Rate of Interest (p.a.)
Less than Tk. 1.00 Crore	6%
Tk. 1.00 Crore & above but less than Tk. 25.00 Crore	6.50%
Tk. 25.00 Crore & above but less than Tk. 50.00 Crore	6.75%
Tk. 50.00 Crore & above but less than Tk. 100.00 Crore	7.00%
Tk. 100.00 Crore & above	7.50%

4.2 COMMON FORMALITIES REQUIRED FOR EVERY ACCOUNT

- Duly filled up Account Opening Form.
- Introducer's signature on Account Opening Form to be verified by Manager under full signature.
- Two copies of passport size photograph of account opener(s) duly attested by the introducer.

Note: Mandate or authority form filled up by an individual (s) or account openers are to be obtained if the customer wants to authorize another person to operate an account on behalf of him/ them.

Documents Required For Each Account Separately

In case of Proprietorship Firm-

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

In case of Partnership Firm-

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

In case of Private Limited Joint Stock Company-

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

In case of Public Limited Joint Stock Company-

- Photocopy of Registration certificate certified by Chairman or Secretary.

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

In case of Societies/Clubs-

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

In case of Cooperative Society-

- Copy of Bye-law duly certified by the Co-operative officer.
- Up to date list of office bearers.
- Resolution of executive Committee as regards of the account.
- Certified copy of Certificate of Registration issued by Registrar, Co-operative Societies.

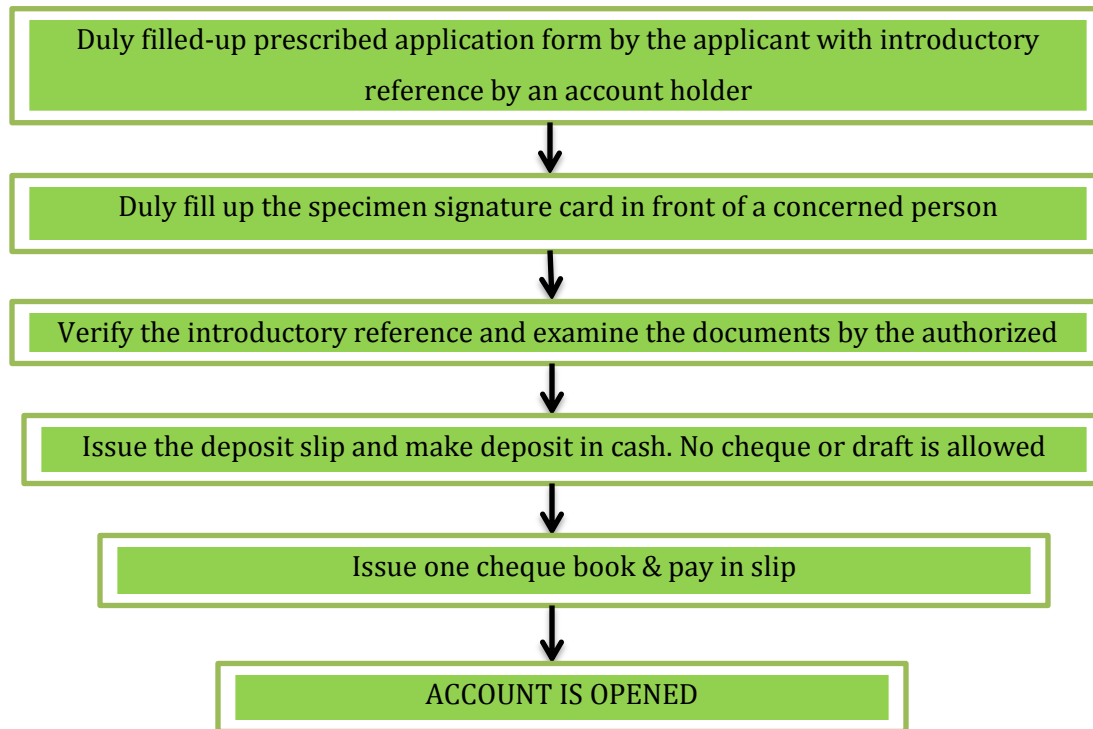
In case of Non-Government College/ School/ Madrasha, -

- Up to date list of the Governing Body/ Managing Committee.
- Copy of Resolution of the Governing Body/Managing Committee authorizing opening and operation of the account duly certified by Gazetted Officer.

In case of Minor's account-

- Putting the word “MINOR” after the title of the account.
- Recording special instruction of operation of the account.
- The account opening form is to be filled in and signed by either of the parents or the legal guardian appointed by the Court of Law & not by the Minor.

Account Opening Procedure in a Flow Chart:



4.3 Issuing Cheque Book

4.3.1 New and Old Account

Only against requisition on the prescribed application form a new or fresh checkbook is issued to the account holder whereas for old account, requisition is made on the prescribed requisition slip attached with the previously issued checkbook. By generating a security number randomly for every check leaf the instrument is prepared and with respective security number on the back of each leaf and signed by the authorized person. After that, necessary entries are made in Check Issue Register. Lastly client (s) is issued a cheque book.

4.3.2 In case of Duplicate Check Book

When clients or account holders lose their cheque books he/she might get another one in place of the lost one however they need to guarantee the bank for the lost cheque book by approaching personally with an application. Verify signature of the A/C holder with the specimen signature card. Then the bank records the series number of lost checkbook in the stop payment register and takes indispensable steps to guard against fraudulent payment.

Account Enquiry

By submitting an application in prescribed balance enquiry receipt a customer can attain the statement of his A/C. Typically it is provided two times in a year. In addition to that clients can know their current deposit position casually.

Transfer of an Account

If a client or an account holder wants to transfer his/her own account to another branch the first thing they need to do is to apply to that branch manager where he/she is maintaining his/her account with a justified explanation. Then the manager of the current branch requests to the later branch manager where the A/C holder wants to transfer his account. Also, he also sends original copy of account opening form and SSC (Specimen Signature Card) and photocopy of application for transferring the account with the balance remained in the account.

Closing of an Account

An account may close-

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

The cheque book must be returned to the bank to close the account. BASIC bank charges Tk. 200/= for the same by debiting the amount from his account and rest amount is then paid to the

customer. Necessary entries are given to the account closing register and computer. After the necessary entries being made it is to make sure whether that A/C holder is completely free from all dues or not.

4.4 FIXED DEPOSIT RECEIPT (FDR)

4.4.1 FDR Account

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

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

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

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

- Maturity date
- Interest Rate

In case of FDR Account, the bank does not have to maintain a cash reserve. So, BASIC bank offers a high interest rate in these accounts. The revised interest rates for FDR effected from July 01, 2014 followed by BASIC are-

Deposit Products	Rate of Interest (p.a.)
01 month	9.50%
03 months	9.50%
06 months	9.50%
12 months	9.50%
24 months & above	9.50%

4.4.2 Renewal of FDR

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

4.4.3 Loss of FDR

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

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

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

Period	Premature Encashment	Interest rate
03 months	Before 30 days	No Interest
	Every completed calendar months	SB (Savings Bank) Rate
06 months	Before 03 months	SB Rate
	Before maturity however completes 3 months	Interest payable at 03 months Rate for a period of 03 months
12 months	Before 03 months	SB Rate
	Before expiry of 06 months	Interest payable at 03 months Rate for a period of 03 months
	After expiry of 06 months however before maturity	Interest payable at 06 months Rate for a period of 06 months
24 months	Before 03 months	SB Rate
	After expiry of 06 months however before maturity	Interest may be allowed at 06 months Rate for a period of 06 months
	After expiry of 12 months however before maturity	Interest may be allowed at 12 months Rate for a period of 12 months

4.5 LOCAL REMITTANCE SECTION

It is risky to remit cash from one place to another. So, Banks remit funds on behalf of the customer (s) to save them from any awkward consequences over the network of their branches. There are three modes of remitting funds. These are given below-

- Pay Order (PO)
- Demand draft (DD)

- Telegraphic Transfer (TT)
- Call Deposit Receipt (CDR).

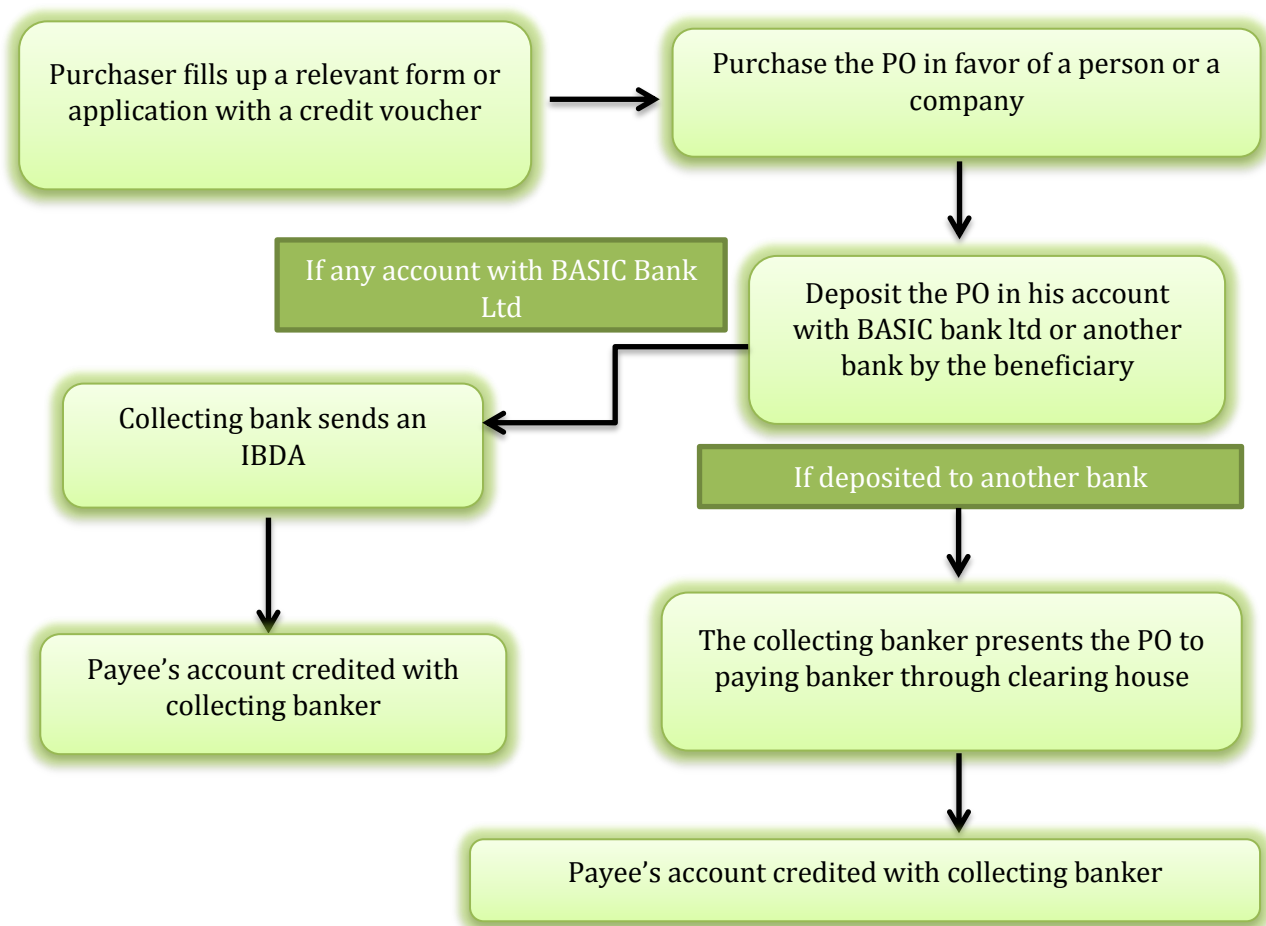
4.5.1 PAY ORDER (PO)

An instrument used to remit fund within a clearing zone is known as Pay Order. Unlike cheque, there is no possibility of dishonoring PO. The PO can only be encashed through the branch that has issued the instrument.

PO Charge

- For account holder charge is Tk.50.
- For non-account holder charge is Tk.150.

PO Working Procedure, shown in a flow chart:



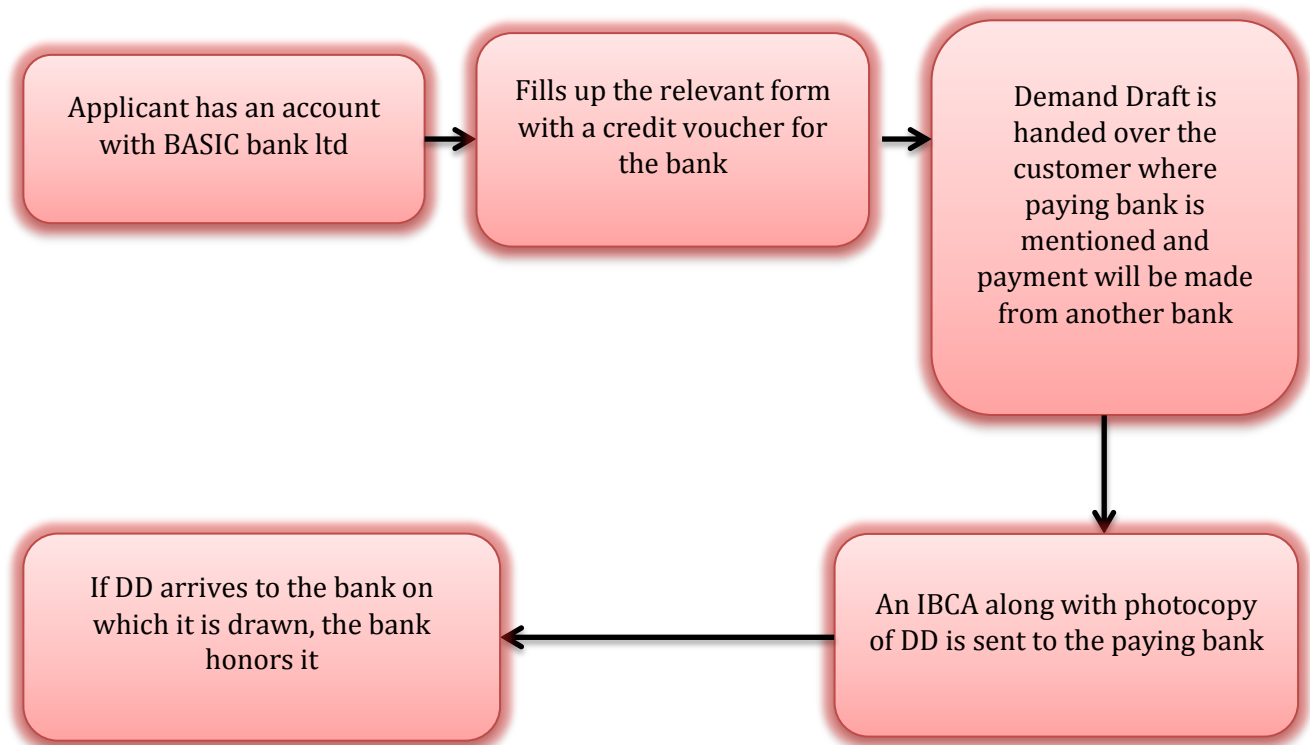
4.5.2 Demand Draft (DD)

DD is called 'Banker's Draft'. It is an instrument, issued by a particular branch, drawn on another branch of the same bank, instructing to pay a certain amount of money. It is very prevalent instrument for remitting fund from one corner of a country to another. Demand Draft can be issued against Cash or Cheque.

Demand Draft Charge

- DD issuance charge is 0.10% or Tk. 100.00 whichever is higher.
- DD cancellation charge is Tk. 100.

DD Working Procedure in a flow chart:



4.5.3 TELEGRAPHIC TRANSFER (TT)

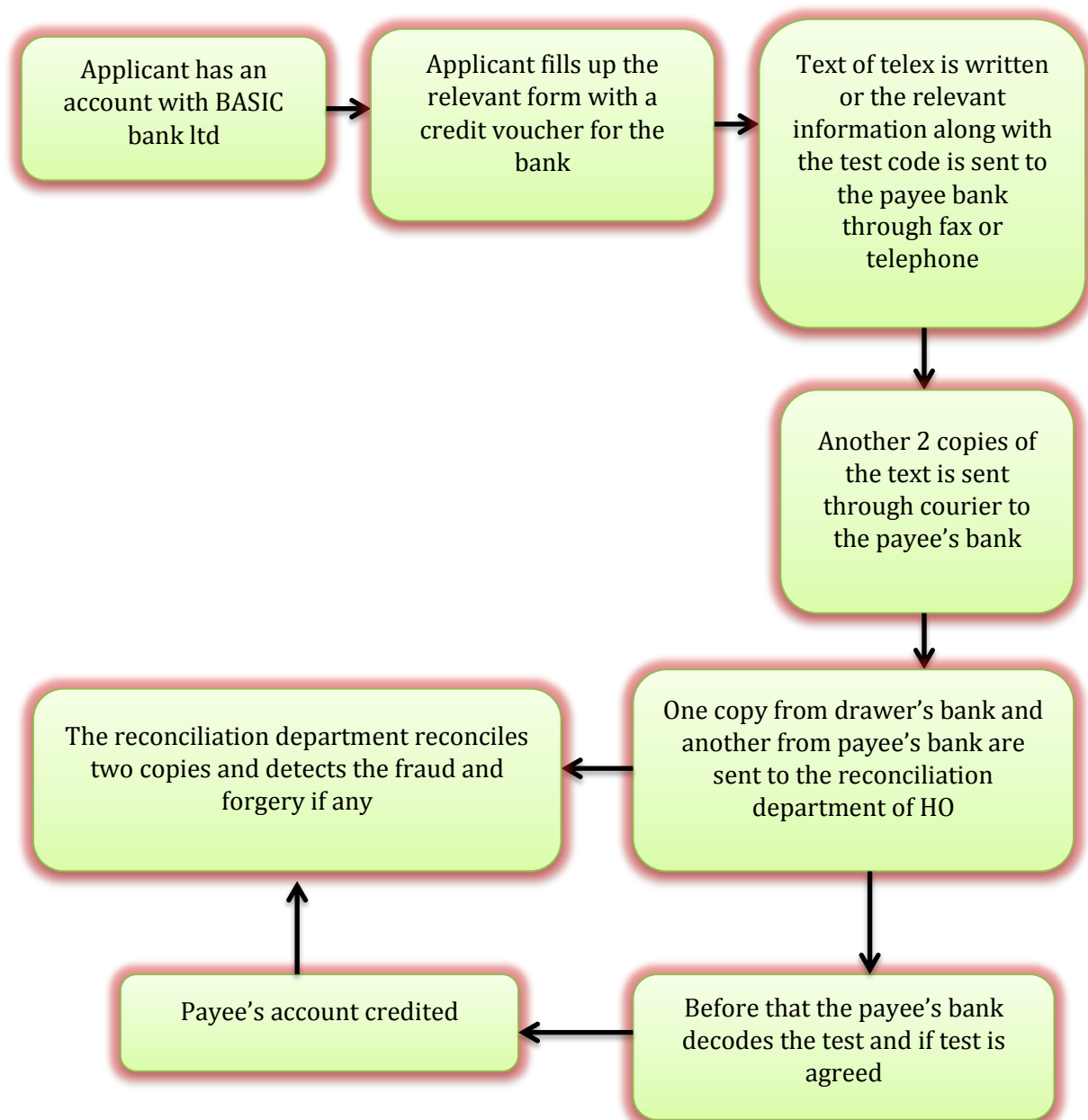
Sometimes the remitter of the funds requires fund immediately. In that case, the banker is requested to remit the funds telegraphically. Different modes are Telegram, Telephone, Telex,

and Fax. Telegraphic Transfer is the most rapid and convenient but expensive method. The drawer and the payee should have accounts with BASIC bank. TT is issued against cash, cheque, and letter of instruction.

TELEGRAPHIC TRANSFER Charge

- TT issuance charge is 0.10% or Tk. 100.00 whichever is higher.
- TT cancellation charge is Tk. 100.

Telegraphic Transfer's Working Procedure in a flow chart (outward):



4.6 COLLECTION and CLEARING

4.6.1 Collection

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

Types of Bills for Collection

1. Outward Bills for Collection
2. Inward Bills for Collection.

4.6.2 CLEARING

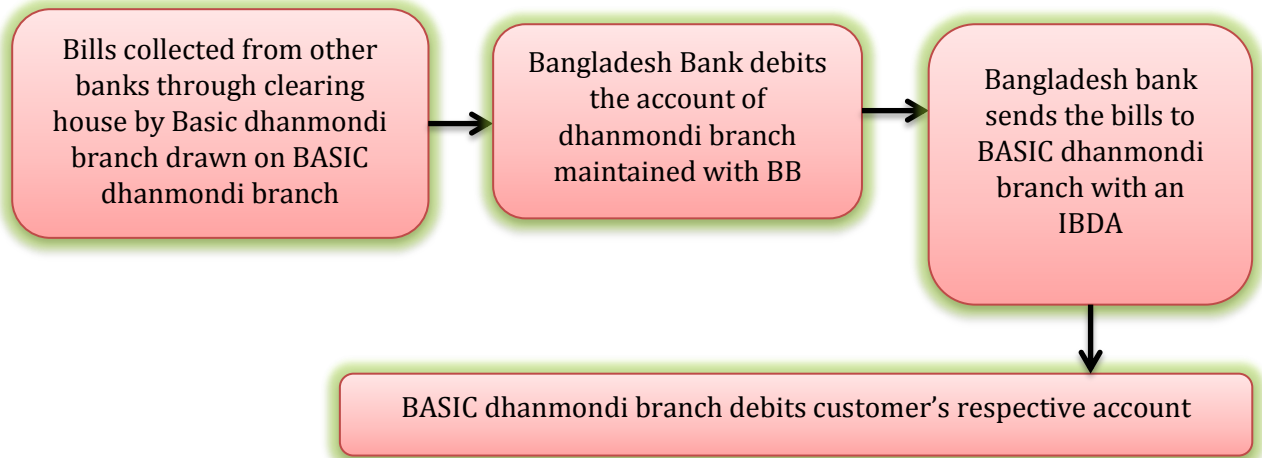
According to the Article 37 (2) of Bangladesh Bank Order, 1972, the banks which are a member of the clearing house are called as Scheduled Banks. The scheduled banks clear the cheques drawn upon one another through the clearing house. This is an arrangement by the central bank where every day the representative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

Types of cheques for clearing

1. Inward clearing cheques.
2. Outward clearing cheques.

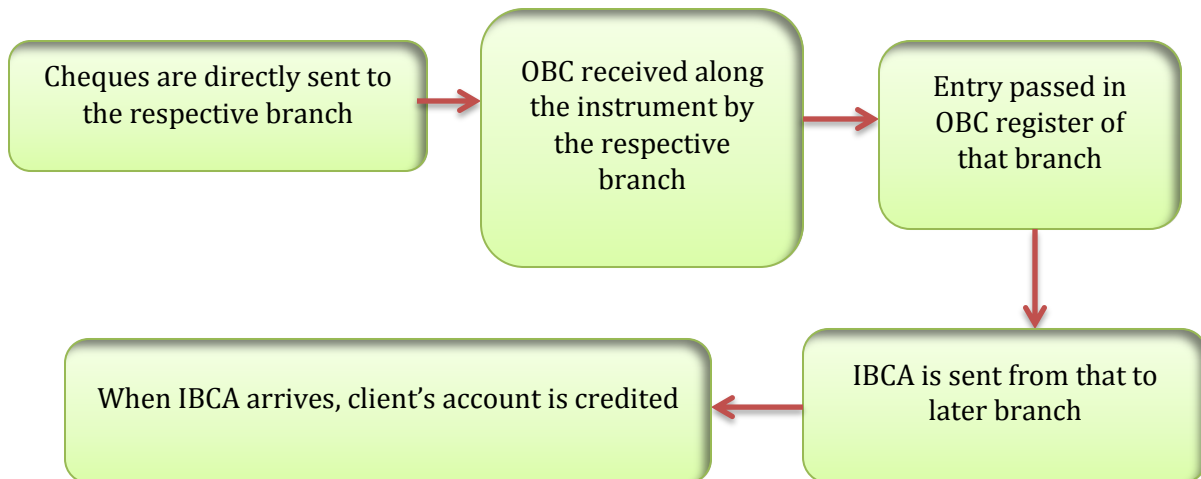
Inward Clearing Bills

It refers the instrument drawn on BASIC Bank Ltd, received from other banks in the clearing house by their representative. Settlement process:



Outward Clearing Bills

It refers the instruments drawn on the other banks received by BASIC bank Ltd. When cheques are drawn on dhanmondi branch of BASIC, the clearing process is:



4.7 CASH SECTION

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

1. Cash Receipt
2. Cash Payment

4.8 ACCOUNTS SECTION

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

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

CHAPTER: 05

FINANCIAL PERFORMANCE

ANALYSIS

5.1 Ratios Used for Analysis

5.2 Financial Ratios of BASIC Bank Ltd & Bangladesh Development Bank Ltd.

5.3 Trend & Cross-sectional Analysis of the Ratios

5.1 Ratios Used for Analysis

$$\text{Debt to Equity} = \frac{\text{Total Liability}}{\text{Total Owner's Equity}}$$

$$\text{Debt to Total Assets} = \frac{\text{Total Assets} - \text{Total Owner's Equity}}{\text{Total Assets}}$$

$$\text{Return on Assets (ROA)} = \frac{\text{Net Income after Tax}}{\text{Total Assets}}$$

$$\begin{aligned} \text{Return on Equity (ROE)} \\ = \frac{\text{Net Income after Tax}}{\text{Operating Income}} \times \frac{\text{Operating Income}}{\text{Total Assets}} \times \frac{\text{Total Assets}}{\text{Total Owner's Equity}} \end{aligned}$$

$$\text{Earnings per Share} = \frac{\text{Net Income after Tax}}{\text{Common Equity Shares Outstanding}}$$

$$\text{Equity Multiplier} = \frac{\text{Total Assets}}{\text{Total Owners' Equity}}$$

$$\text{Profit Margin} = \frac{\text{Net Income after Tax}}{\text{Operating Income}}$$

$$\text{Net Interest Margin} = \frac{\text{Interest Income} - \text{Interest Expense}}{\text{Total Assets}}$$

5.2 Financial Ratios of BASIC Bank Ltd & Bangladesh Development Bank Ltd.

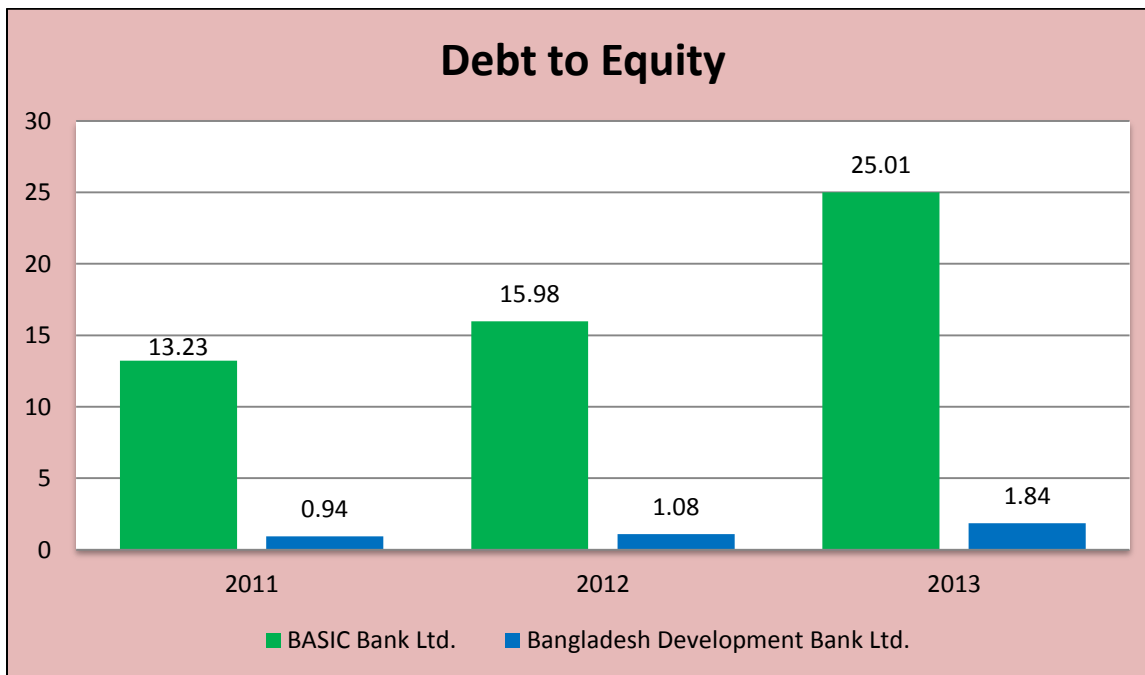
To get hold of a swift hint of the performance of a financial institution ratio analysis is used frequently. This tool is used by investors, creditors, managers and different regulators. For investing decisions investors often rely on this effective tool. A financial institution itself can have a clue of its financial position in the industry by doing trend analysis and cross-sectional or peer analysis. These are the two important analyses I have conduct in order to acquire how well BASIC Bank Ltd. is performing and what are its future movements in comparing with its competitors and with itself from time to time. The ratios I have used are classified as Short-term Solvency Ratios, Debt Management Ratios, Asset Management Ratios, Profitability Ratios, and Market Value Ratios. For cross-sectional analysis I have taken Bangladesh development Bank Limited which is also a specialized bank like BASIC Bank Ltd.

Name of the Ratios	BASIC Bank Ltd.			Bangladesh Development Bank Ltd		
	2011	2012	2013	2011	2012	2013
Debt to Equity	13.23	15.98	25.01	0.94	1.08	1.84
Debt to Asset	0.93	0.94	0.96	0.48	0.52	0.65
Return on Asset	1.25%	0.03%	-0.34%	2.38%	2.56%	2.18%
Return on Equity	17.81%	0.43%	-8.80%	4.62%	5.33%	6.19%
Earnings per Share	33.12	0.95	-18.04	17.15	20.92	25.50
Equity Multiplier	14.23	16.98	26.01	1.94	2.08	2.84
Net Profit Margin	24.94%	0.57%	-12.56%	42.90%	44.24%	31.19%
Net Interest Margin	2.80%	2.26%	1.08%	3.11%	2.69%	2.03%

5.3 Trend & Cross-sectional Analysis of the Ratios

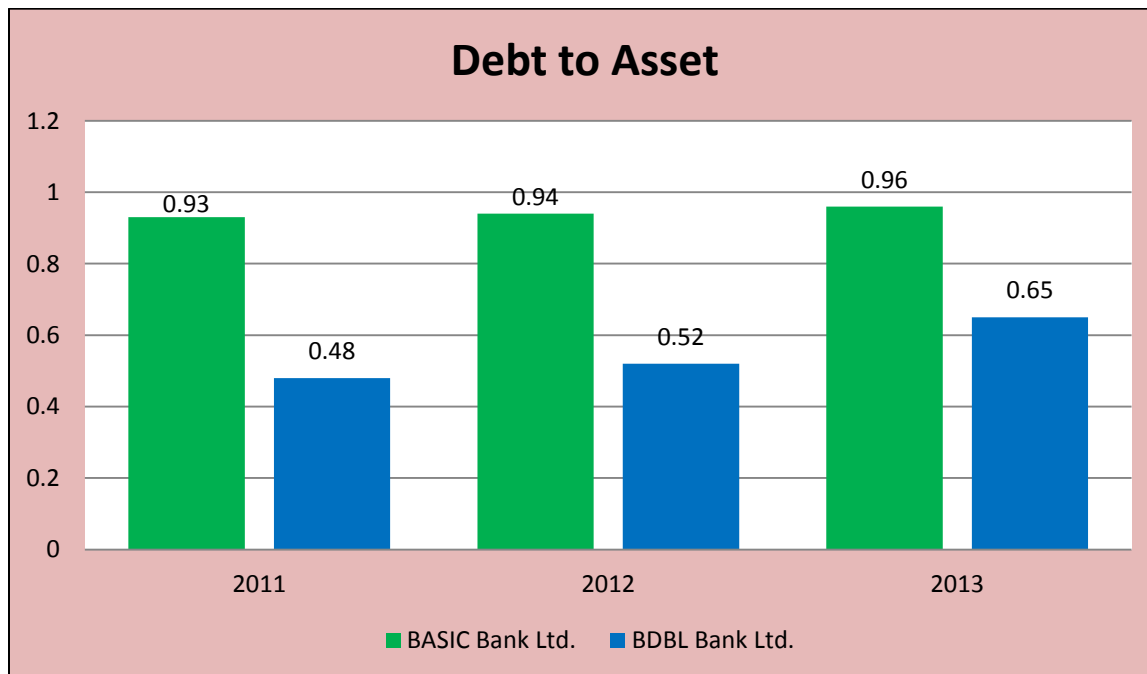
5.3.1 Debt to Equity

The debt to equity ratio is a financial, liquidity ratio that compares total debt to total equity. It is calculated by dividing total liability with total owner's equity. For a bank loans are assets that they distribute and deposits are liabilities that they acquire from their customers. The following scenario shows against TK. 1 as equity BASIC Bank used TK. 13.23, TK. 15.98 and TK. 25.01 as debt in the years 2011, 2012 & 2013 respectively. The trend indicates that BASIC Bank is adding more debt in its capital structure every year and it is rising significantly which puts the bank in a riskier position. On the other hand, if compared to BDBL the performance of BASIC Bank is also very poor. BDBL used TK. 0.94, TK. 1.08 and TK.1.84 as debt against TK. 1 as equity in the years 2011, 2012 & 2013 respectively and which is way better than BASIC Bank. The debt to equity ratio of BDBL also signifies that BDBL has good control on its capital structure, whereas the debt to equity ratio of BASIC Bank does not show that the bank has a good planning on deciding its capital structure.



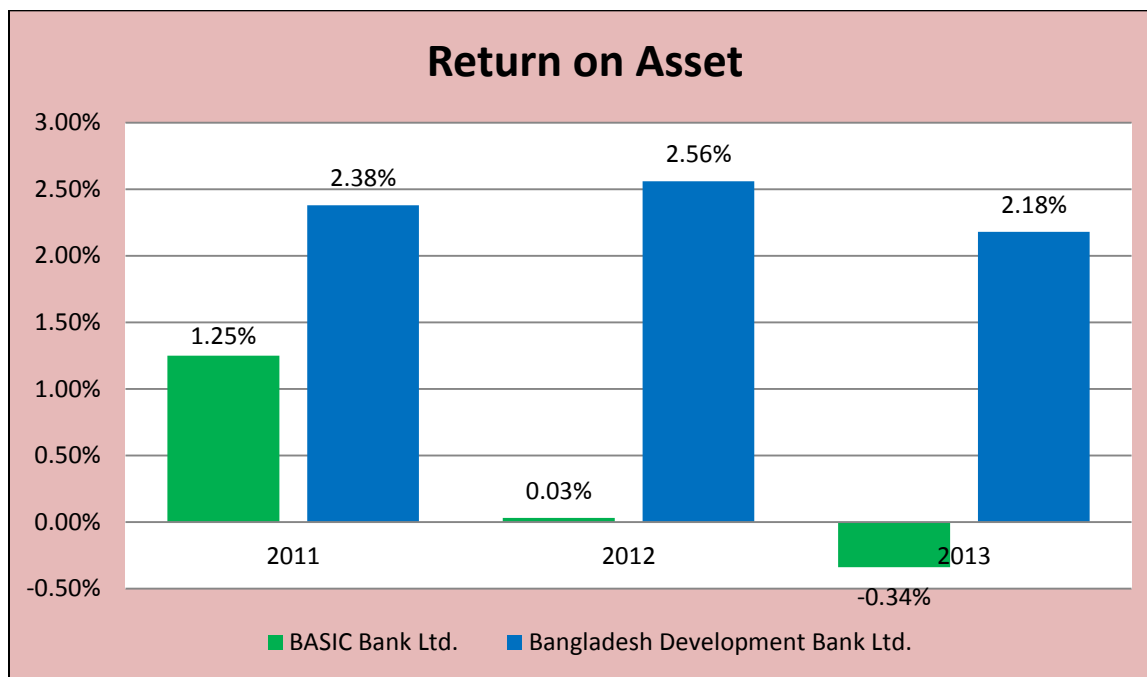
5.3.2 Debt to Asset

Debt-to-assets ratio or simply debt ratio is the ratio of total liabilities to total assets. It is calculated by dividing total liabilities to total asset. It is a solvency ratio and it measures the portion of the assets which are financed through debt. Debt ratio ranges from 0.00 to 1.00. Lower value of debt ratio is favorable and a higher value indicates that higher portion of asset is financed through debt which indicates a bank is not that solvent. Debt ratio of 0.5 means that half of the company's assets are financed through debts. BASIC Bank is highly debt financed as the debt ratio is increasing that is 0.93, 0.94 and 0.96 consistently. This means more than half of BASIC Bank's total asset was debt financed in the years 2011, 2012 & 2013 respectively. In contrary, BDBL is in a better position than BASIC Bank and the bank had used 48%, 52% and 65% debt in the years 2011, 2012 & 2013 respectively to finance its assets. Although in 2013, BDBL used 65% debt to finance its asset, It is still in a better position than BASIC Bank Ltd.



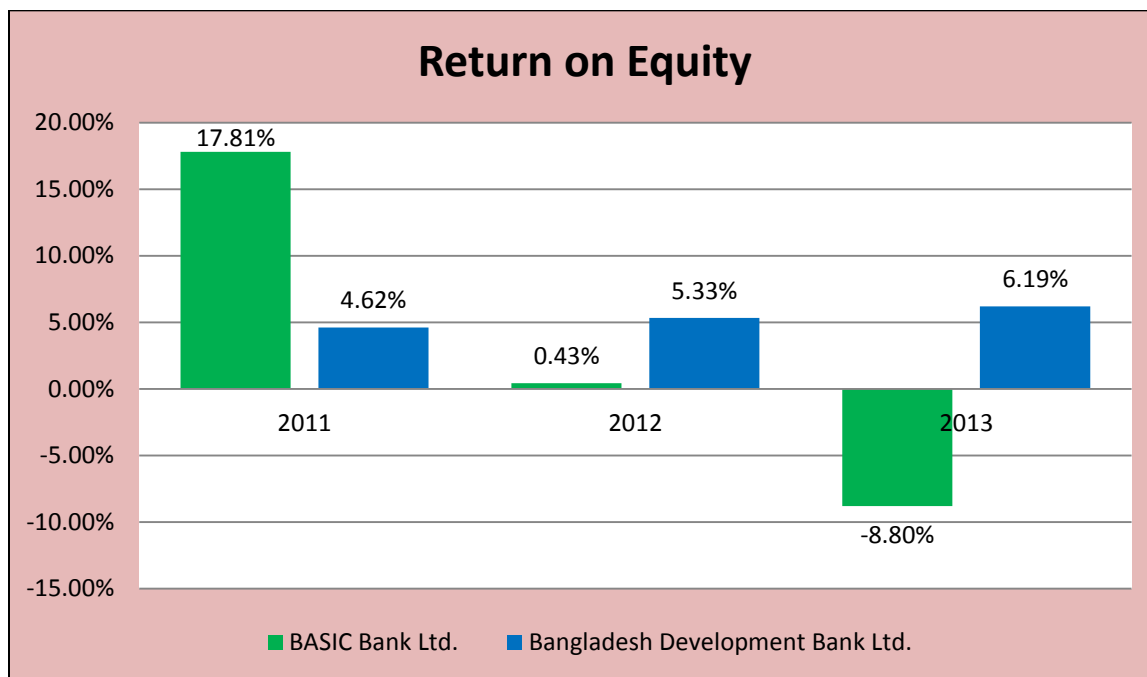
5.3.3 Return on Asset

Return on assets is the ratio of annual net income to total assets during a financial year. It measures efficiency of a bank in using its assets to generate net income. It is a profitability ratio. It is based on accounting book values not on market values. Higher values of return on assets the more profitable the bank is. An increasing trend of ROA indicates that the profitability is improving. Conversely, a decreasing trend means that profitability is deteriorating. In the year 2011 and 2012 BASIC Bank was generating 1.25% and 0.03% of profit to every 1 Tk. of asset. On the contrary new bank BDBL is generating a huge amount of profit that is 2.38% and 2.56% however in year 2013 its profit for every 1 Tk. of asset has been decreased to 2.18% even though it is much better than BASIC bank. As BASIC Bank has incurred loss of 0.34% for every 1 Tk. of asset, management should think of ways to improve its efficiency in using its assets.



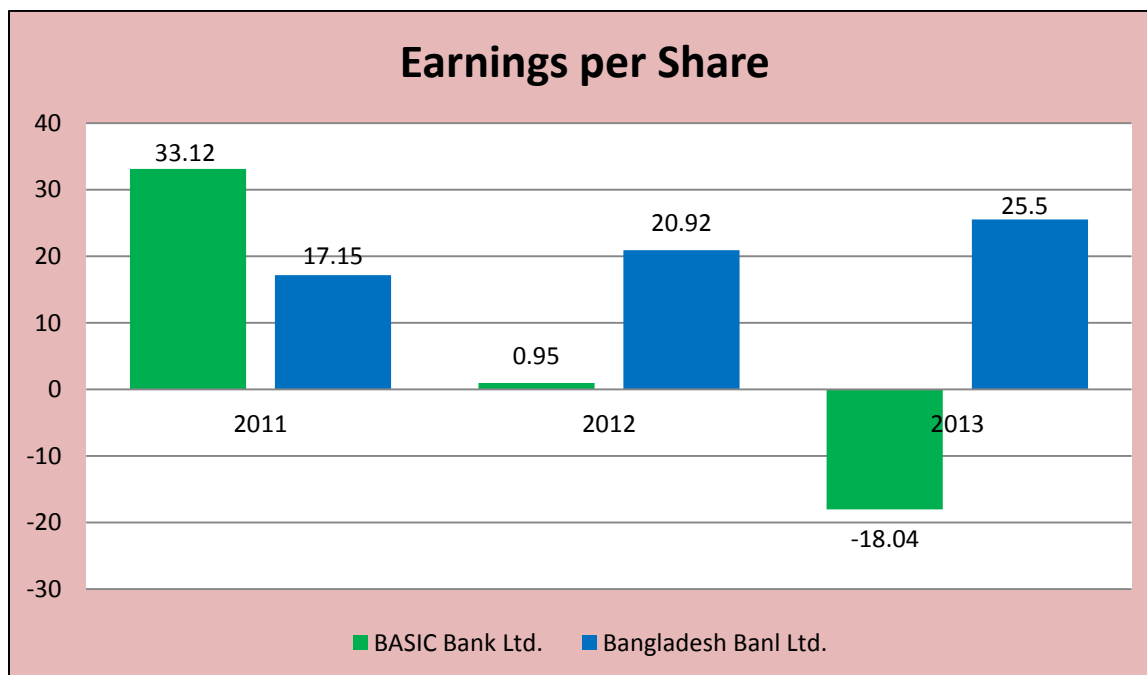
5.3.4 Return on Equity

Return on equity or return on capital is the ratio of net income during a year to its stockholders' equity during that year. It is a measure of profitability of stockholders' investments. It shows net income as percentage of shareholder equity. Return on equity is an important measure of profitability. Higher return on equity indicates that the bank is efficient enough to generate profit for every new investment. In the year 2011 BASIC bank was generating more profit than BDDL which is 17.81% whereas BDDL has only 4.62% of return on equity. In the year 2013 the ROE of BASIC bank shows a negative figure which means shareholders are losing their money instead of gaining. This is because the bank had a huge amount of loss in the year 2013. On the other hand BDDL is having a gradual growth as new bank. It has generated 6.19% of profit for every 1 Tk. of total equity.



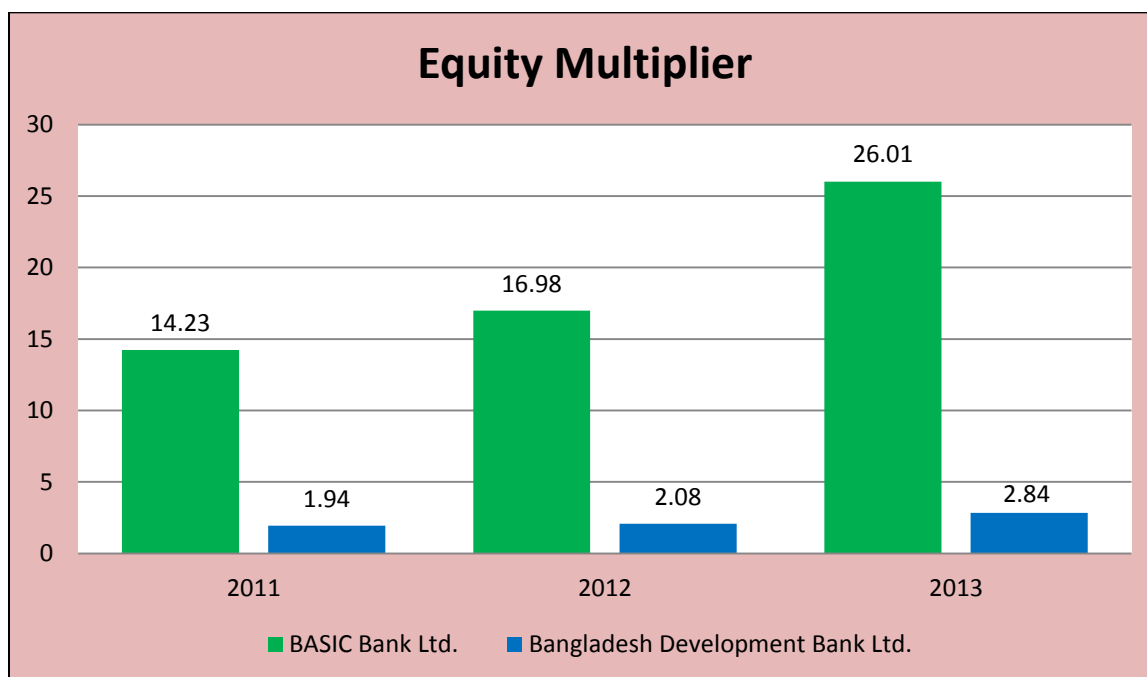
5.3.5 Earnings per Share

Earnings per share, also called net income per share, is a market prospect ratio that measures the amount of net income earned per share of stock outstanding. In other words, this is the amount of money each share of stock would receive if all of the profits were distributed to the outstanding shares at the end of the year. Earnings per share or basic earnings per share is calculated by subtracting preferred dividends from net income and dividing by the weighted average common shares outstanding. Higher earnings per share, always better than a lower ratio because this means a bank is more profitable and it has more profits to distribute to its shareholders. The earning per share of BASIC Bank fluctuates a lot whereas BDBL has steady earnings per share. BASIC Bank had TK. 33.12 as EPS and BDBL had TK. 17.15 in the year 2011 which means BASIC Bank generated more income per share compared to BDBL. However, in the year 2012 the scenario is completely opposite and there was a sudden fall in the EPS of BASIC Bank. The scenario was worse for BASIC Bank in the previous year as it had a loss per share of TK. 18.04 whereas the counterpart BDBL yielded TK.25.5 per share.



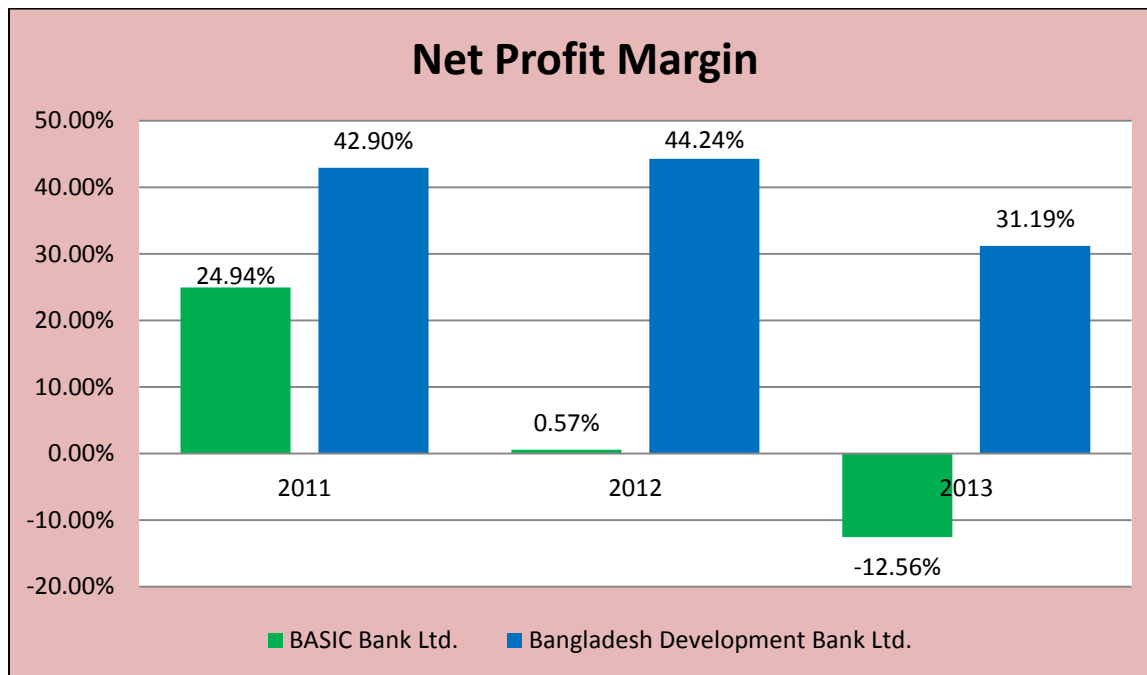
5.3.6 Equity Multiplier

The equity multiplier is a financial leverage ratio that measures the amount of assets that are financed by shareholders. It is calculated by dividing total assets with total shareholder's equity. This ratio indicates how much of a bank's asset is owned by the creditors. Higher the equity multiplier, higher the risk is. This also means a bank has high debt servicing cost. In the year 2011, the equity multiplier of BASIC bank was 14.23 where as new bank BDBL had a ratio of equity multiplier, 1.94 which shows that only a small portion of asset is financed through debt. Since year 2011 BASIC Bank has used a very huge amount of debt to finance its assets as in year 2012 and 2013. It has increased using debt to a higher level in year 2013. It is of a great concern to the shareholders of the bank. In contrary, BDBL has a ratio of 1.94, 2.08 and 2.84 respectively which shows that their assets are more financed by the equity holders.



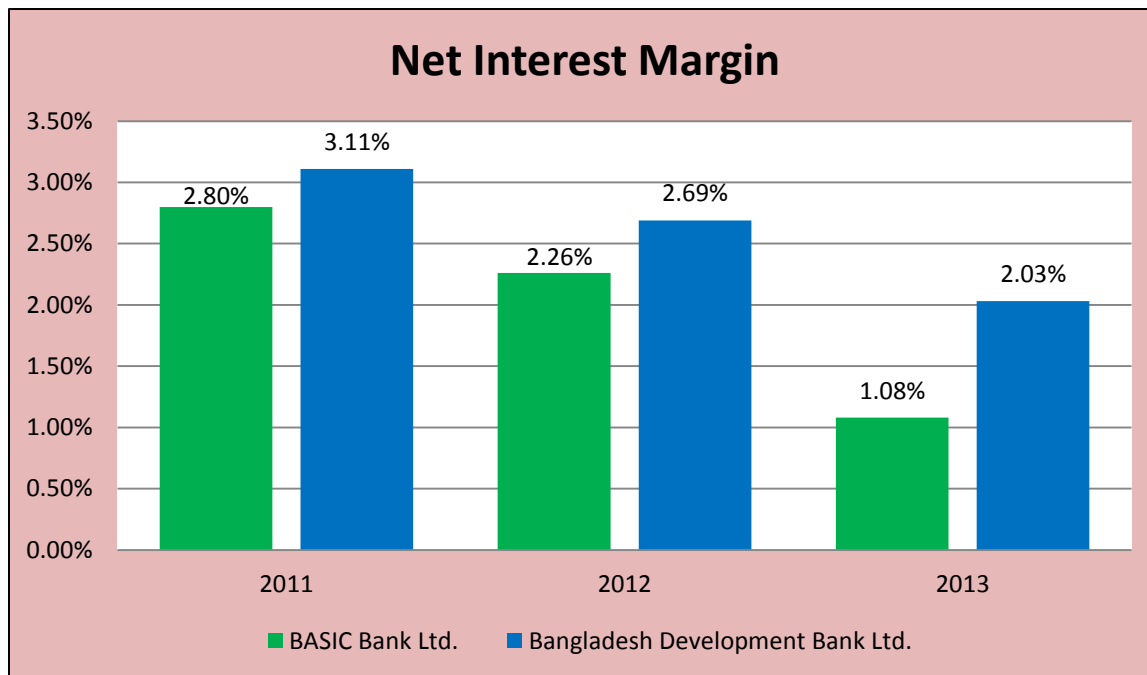
5.3.7 Net Profit Margin

Net profit margin is the percentage of revenue remaining after all operating expenses, interest, taxes and preferred stock dividends excluding the common stock dividends have been deducted from a company's total revenue. The profit margin ratio is a profitability ratio that measures how well a bank is turning its revenue into profits for its shareholders. Although a new bank, BDDL is very efficient in turning its revenues to profits as in year 2011 and 2012 the ratio is increasing such as, 42.90% and 44.24%. In the case of BASIC Bank year 2011 shows that the management was efficient enough to turn revenue into profit however in year 2012 the ratio has a sudden fall which is 0.57%. This means for every 1 Tk. BASIC bank had a profit margin of only 0.0057 Tk. This situation worsens when the bank had not made any profit in year 2013 rather faced loss of 0.1256 Tk. for every 1 Tk. In case of BDBL although the profit margin decreased however is in a good position. As for every 1 Tk. it had a profit margin of 0.3119 Tk.



5.3.8 Net Interest Margin

Net interest margin demonstrates how successful a bank's investment decisions are compared to its debt situations. A negative value signifies that the firm did not make an ideal decision, since interest expenses were greater than the amount of returns generated by investments. In year 2011, 2012 and 2013 the net interest margin of BASIC Bank is 2.8%, 2.26% and 1.08% respectively. This means their investment decision or giving loans to clients was not ideal enough so they had a decreasing ratio consistently. On the other hand, BDBL is also having the same problem as its ratios are also decreasing from 3.11% to 2.69% to 2.03% respectively from year 2011 to 2013. Both the banks need to make a careful decision while disbursing loan, investing in industries to avoid such decreasing rate.



CHAPTER: 06

This Chapter includes:

6.1 Recommendation

6.2 Conclusion

6.3 References

6.1 Recommendation

Once an outstanding BASIC Bank Ltd is now facing a huge amount of loss. The Bank that used to be a standard itself is now in a fragile situation. Although not every branch of this Bank is not at fault, for some branches, overall performance is not meeting up the standards nowadays. There can be so many reasons behind this bad performance. However If I was told to recommend some steps to recover this situation I would have suggest the followings:

- The bank should introduce some new products as there are a few to attract new clients. Even though it is a state owned bank it operates like a private bank. Hence, to compete in this modern era of banking where private banks are leading, it's a duty of BASIC Bank to enhance its products and services. New products should be included in its portfolio.
- For marketing these products BASIC Bank should find out a proper way so that the general people get to know about it. In this case they may go for door to door operations. In this way new clients will be interested to take deposit scheme in the bank.
- Introducing and marketing new products will not attract customers if the bank does not give guarantee of proper and well-organized services. For this the bank needs to make sure that whenever withdrawing money it has enough cash reserve.
- Using technology is always of great help whenever there is a need for providing faster services. BASIC Bank should use more computerized and internet based.
- Research and development activities should be taken into consideration.
- Loan portfolio should be designed in such a way that there is chance of defaulting. For this, they can rely on different renowned credit rating companies so that the loss of bad debt can be removed to some extent.
- Effective strategies must be undertaken against defaulters.

- Office should be fully decorated to attract clients to take its services.
- The bank should unconditionally continue to follow its own rules and procedures.
- The bank can introduce reward system for good borrowers as well as punishment for bad borrowers.
- Management must try to think how to increase the profit or shareholder's value. They must try to work freely without any influence.

6.2 Conclusion

BASIC Bank limited although a state-owned bank, operates like a private bank. The name itself contains a meaning that is to develop the small industries in Bangladesh. Though it is not confined only in the improvement of industrial sector, it has also scattered its activities in green banking and different CSR activities. This is very sorry to say that despite all its activities the bank has to find itself in a very bad situation recently. However if precautionary steps are taken the bank can regain its previous form. Working in General Banking Department helped me to learn a lot and made my internship program complete. I have learnt how a bank operates, how clients are handled, how calmly a situation is controlled and many more.

To conclude, I would like to say that BASIC Bank will surely come out of its recent status only if they try to be more careful in disbursing its loans. To bring back its strong existence the management must think of revolutionary initiatives so that this inconvenience will never be there to bother in future.

6.3 References

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6.4 Appendix

BASIC	Bangladesh Small Industries & Commerce
BDBL	Bangladesh Development Bank Limited
DD	Demand Draft
BB	Bangladesh Bank
FDR	Fixed Deposit Receipt
STD	Short Term Deposit
A/C	Account
SSC	Specimen Signature Card
SB	Savings Bank
TT	Telegraphic Transfer
OBC	Outward Bills for Collection
IBCA	Interest Bearing Checking Account

