

INTERNSHIP REPORT  
ON  
“SME DIVISION OF  
BRAC BANK LIMITED”



Inspiring Excellence

Internship Report On  
“SME Division of BRAC Bank Limited”



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Submitted to:

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Date of Submission: July 30, 2017

## Letter of Transmittal

July 30, 2017

Mr. Feihan Ahsan  
Lecturer, BBA program  
BRAC Business School  
BRAC University

Subject: Submission of Internship Report

Dear Sir,

This is my pleasure to inform you that I have successfully completed my internship report on “SME Division of BRAC Bank Limited”. I am pleased to present this report after a long and rigorous effort. I have tried to incorporate all the knowledge that I have acquired during my internship program to make this report as informative, reliable and relevant as possible.

I would like to express my gratitude to you for your endless support, valuable suggestion and guidance in preparing this report. Writing this report has been a great experience for me. I would like you to kindly accept my report and to acknowledge my devotion and efforts. I will be glad to answer any of your queries regarding the report.

Yours Sincerely,

Tahjinara Taj Eva

ID: 13104229

## **Acknowledgement**

I would like to start off by giving my solemn thanks to Almighty Allah (SWT) for giving me the strength and the aptitude to complete this report in due time. This report is the result of many people's contribution and help. I would like to specially thank my academic supervisor Mr. Feihan Ahsan, for helping me with his invaluable guidance and endless support during the course of preparing this report.

My sincere gratitude goes to my company supervisor Mr. Kamal Hussain, & Mr. Tazuddin Ahmed, Associate Managers, Business Development, for answering my many questions with great care and patience. Without their constant guidance, advice and helpful nature throughout the internship it would not have been possible to complete the report so smoothly. A special gratitude goes to all the members of the Customer Experience team, my friends and family for their sincere cooperation during my internship program

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## Executive Summary

Business banks have a vital impact in the financial advancement of a nation. As a completely operational business bank BRAC Bank Limited has developed as a market pioneer in the private banking sector, changing the example of SME financing by achieving unexplored market specialties. This report is prepared as a requirement for the successful completion of my internship program at BRAC Bank Limited (Head Office). This report has been divided into two broad segments: First chapter consists of a brief description about the organization, corporate Mission, Vision, Values and CSR Activities. This part also includes a brief detail about the day-to-day duties and responsibilities that I was required to perform as an intern. The second chapter is based on the topic of this report “SME Division of BRAC Bank Limited. As a part of the internship program I got the chance to work for a period of three months in the Archive Operation under Central operation department BRAC Bank Limited. During this period, I have learned about this organization and the operations that are conducted by the SME banking division. As this department have three segments, retail banking, corporate banking and SME banking. I work with the part of SME in this department. SME Banking Division is a business division of BRAC Bank Limited that deals with Small and Medium Sized Entrepreneurs involved in different types of business. SME banking division primarily provides loans to small and medium sized trading, manufacturing, service, agriculture, non-farm activities and agro-based industries located across the country. SME loan have several products but mostly they provide three products and those are APURBO, ANNONO, TARA. They have other loan products but in rural areas they didn't provide those loans such as new launching product is BAHON. Any rural part of BRAC bank will not provide loan for that. Only city areas will be included for this loan product.

## CHAPTER 1

### Origin of the Report

Every business major student has to carry out this 3-month long internship program as a reflection of practical implication of their study. This is the best way to preliminary learn about the organization and cope with the environment in such a way like professional employees. I started my internship at BRAC Bank Ltd on 1st June 2017 and completed the program on 30<sup>th</sup> August 2017.

### Objective of the Report

Specific Objectives of the study are as follows:

- Give an Overview of BRAC Bank Ltd.
- SME Service and Activities of BRAC Bank LTD.
- To make an assessment of SME Portfolio of BRAC Bank Ltd
- To evaluate the performance of the bank
- To know the risk issues of SME banking & the policy to overcome that problems.
- To know the terms and conditions of SME loans
- To know the disbursement and recovery procedures of SME loans

### Methodology

Sources of data:

For collecting the required data, I have used both primary & secondary sources of data.

Primary data sources:

- Discuss with Executives, officers.
- Face to face communication with the supervisor and employees of the BRAC Bank Ltd.

- Direct observation by visiting SME unit office of BBL. Direct observation by Internship training of BBL.

Secondary sources:

- Annual performance report of BBL.
- Bank records
- Journals of the Bank
- Website of BRAC Bank Ltd ([www.bracbankbd.com](http://www.bracbankbd.com))

### **Limitations of the study**

The study has suffered from a number of barriers-

- Data from BRAC Bank is highly confidential for the outside people and I had no authority to use the core banking software.
- BBL changes its core banking software, MBS to FINACLE that's why all the employees are very busy with their work, sometimes I had to wait more than one week for a piece of information.
- Time is the big constraint for my research. I have to submit a broader deal in a shorter form of outcome.
- I was busy the whole working time regarding the work issues. So, I could get few more times to spend in collecting data for preparing my internship report.



## **1.1 BRAC BANK LIMITED**

BRAC Bank Limited is a main private business bank in Bangladesh, started by Sir Fazle Hasan Abed (organizer and director of BRAC, NGO) on July 4, 2001. Since commencement BRAC Bank Ltd. has demonstrated conspicuous development in the managing an account division. The bank now has a system of 185 Branches, 469 ATMs, 81 CDMs, 448 SME Unit Offices and 229 settlement conveyance focuses the nation over. With its huge branch system and responsibility towards SME Banking and the bank has accomplished an overwhelming business sector position inside a brief span period.

As of late, BRAC Bank Limited have moved its organizations from being "Item Centric" to "Client Centric" by separating their items, procedures and strategies as per diverse client fragments. The essential goal of the bank is to bear on a wide range of saving money exercises with a key concentration in encouraging Small and Medium Enterprises (SME). Till now the bank has dispensed over BDT 350,000 million to SME borrowers and in this way made a critical commitment to the general financial improvement of the nation. In spite of the fact that BRAC Bank has developed as the market pioneer in SME business, after some time it has expanded its emphasis on Retail and Corporate Businesses to achieve the more extensive market fragments and differentiate the portfolio. With its group of more than 6,000 workers, BRAC Bank serves more than 1,500,000 individual clients through its different scope of keeping money arrangements.

## **Corporate Vision**

“Building a profitable and socially responsible financial institution focused on market and business with growth potential, thereby assisting BRAC and its stakeholders build a just, enlightened, healthy, democratic and poverty free Bangladesh”

## **Corporate Missions**

- Continued growth in Small & Medium Enterprise(SME) sector
- Have structured and continuous growth in low-cost deposit and retail assets.
- Fund Corporate Assets through self-liability mobilization and grow assets through syndications and investment in faster growing sectors.
- Make constant effort to raise non-funded income
- Keep debt charges at 2% to maintain a steady profitable growth
- Attain efficient collaborations between the branches, SME unit offices and BRAC field offices for delivery of remittance and Bank’s other products and services
- Manage various lines of business with a diverse, fully dedicated team and well-regulated environment with no compromise on service quality
- Have a highly driven team entirely devoted to materialize the bank’s vision into reality.

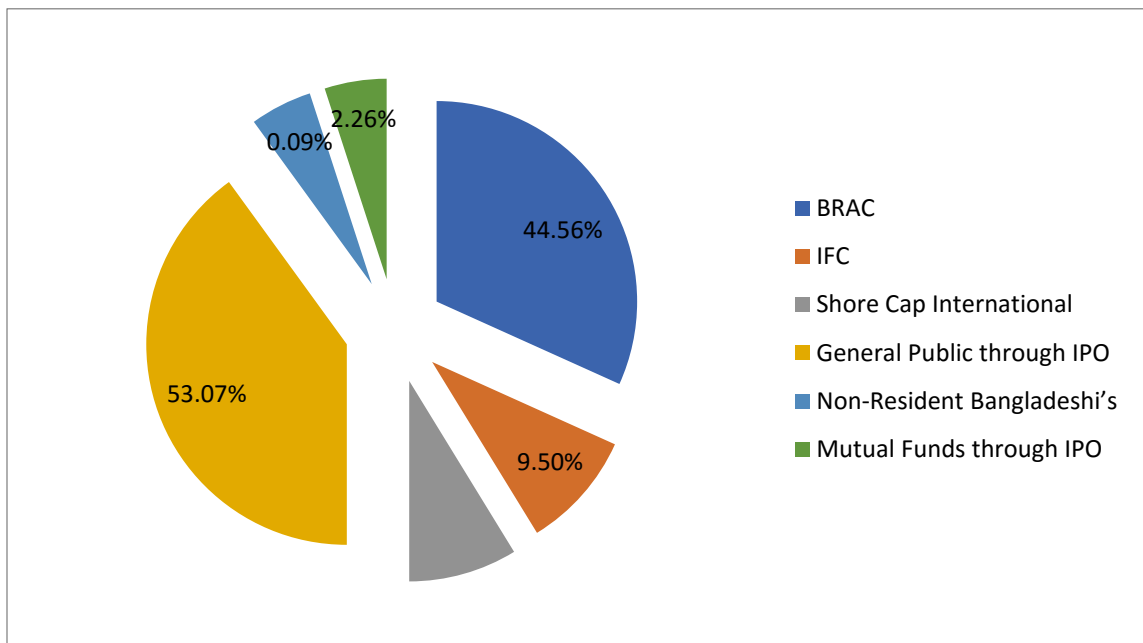
## **Goal of BRAC Bank**

BRAC Bank will be the absolute market leader in the number of loans given to small and medium sized enterprises throughout Bangladesh. It will be a world-class organization in terms of service quality and establishing relationships that help its customers to develop and grow successfully. It will be the Bank of choice both for its employees and its customers, the model bank in this part of the world.

## 1.2 Share Holding Structure of BBL:

The shareholding structure of BRAC Bank Limited consists of different group with institutional shareholdings by BRAC, International Finance Corporation (IFC), Shore cap International and general public is also included through IPO. The present shareholder structure of BRAC Bank Ltd is as follows-

Show Chart:



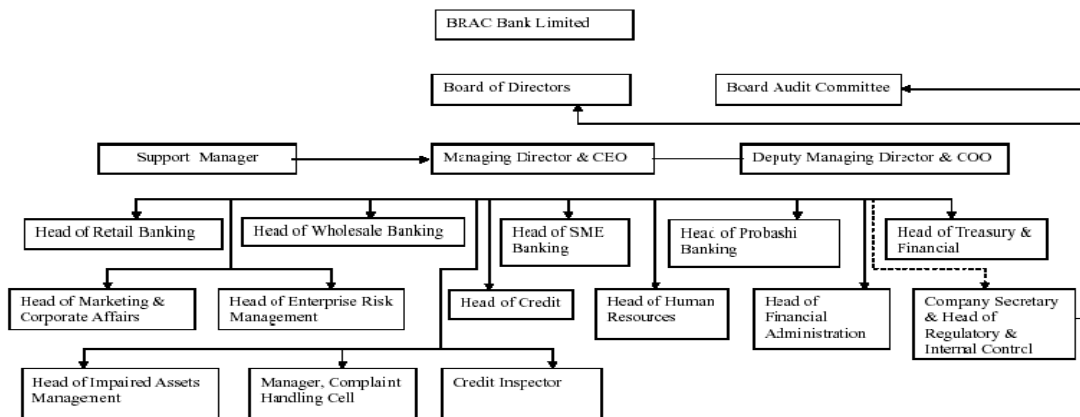
## 1.3 CSR Activities:

Every one of the organizations of BRAC Bank Limited take after the 3P Company Philosophy- People, Planet, Profit. BRAC trusts that they have a social obligation towards every one of the general population they manage. The bank has had a fundamental impact in building up the SME division of the nation by making it less demanding to get to back for SME business people through

Collateral Free SME Lending and spreading their managing an account administration to the remotest regions of the nation. Which is why BRAC Bank have undertaken the “Green Banking” initiative which mainly aims for conservation of energy. In order to reduce paper consumption and shorten banking procedures, the bank is now concentrating more on online banking, SMS banking and other alternative delivery channels. BRAC Bank's CSR exercises additionally incorporates understudy grants, gifts to doctor's facilities in provincial regions, and money related backings for underprivileged ladies.

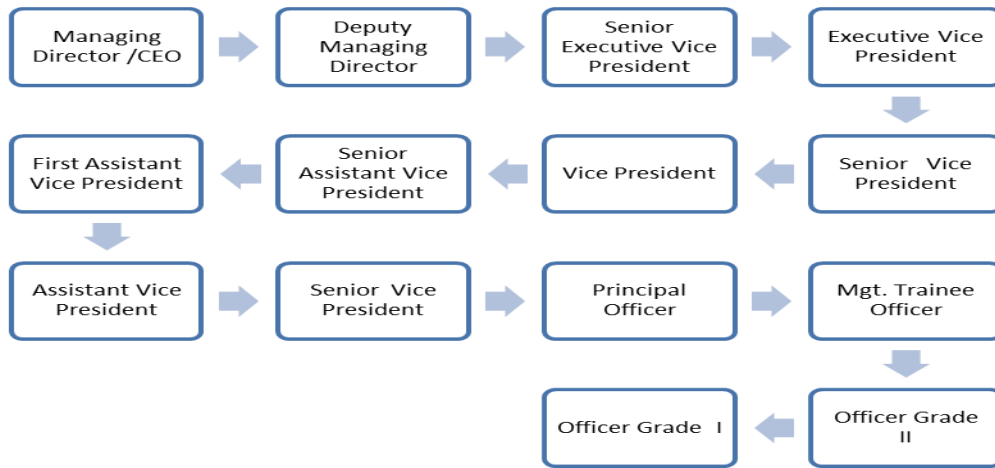
### 1.4 Management Aspect:

Top Management settles on all the significant decisions at BRAC Bank Limited. The Board of directors are not specifically worried about the day-to –day operation of bank yet they assume a vital part on policy formulation



**Organizational Structure**

### Organization Hierarchy of BBL Head Office:



## 1.5 Divisional Overview

BRAC Bank are primarily segmented into three divisions:

Corporate Banking, Retail Banking and SME Banking.

### 1. Corporate Banking Division

The corporate managing an account division gives wholesale banking service to corporate clients. Their point is to give banking service, for example, working capital finance, project finance, credit syndication and trade solution for corporate customer through their two unified operations situated in Dhaka and Chittagong and also nine corporate branches to provide services at certain land ranges which can't be come to by their concentrated corporate keeping money group. They basically serve four classifications of vast corporate customers:

(i) Large corporate which includes textiles and garments, telecommunications, power and infrastructure, (ii) Large Local Corporate, (iii) Local Corporate and (iv) Corporate Institutions. The Local Corporate section used to be under SME Banking division as “Medium Business Unit”. In order to cater specific target customer needs, it has been shifted to be operated under the Corporate Banking division.

### 2. SME Banking Division:

That gives money related answers for small, medium and rising organizations. The bank has one of the most grounded SME establishments in the nation enhancing access to fund for little scale organizations. SME Banking clients are served through 448 SME Unit Offices situated the nation over.

Products and Services of SME Division

- Annono - Unsecured Term Loan
- Apurbo - Secured Term Loan, Overdraft and Demand Loan

- Shakti - Partially Secured Term Loan
- Tara – For Women Entrepreneurs
- Shombriddhi - Trade Finance
- NIRMAN - Loan for construction or restoration of housing facility for workers and jobholders and/or commercial complex for rental purpose under Equated Monthly Installment (EMI) loan facility.
- Bahon – Car loan.

### **3. Retail Banking Division:**

The reason for retail banking is to serve singular clients instead of business substances, who are getting managing and business service from local branches.

### **4. Cash Management and Custodial Service**

Cash management services helps corporate entities to collect and manage fund through various products. Services Offered by Cash Management & Custodial Services:

- Deposit Facility  Cash pick up service  Transactional Banking Services  Nationwide Collection Service  Payment Transfer Solution  Secured Cash Service
- (Initial Public Offering) Fund Management  Custodial Services

### **5. Treasury & Financial Institutions Division:**

Gives all sort of treasury solutions for inside and outside customers through fund management, regulatory requirements handling & daily liquidity management services.

## **6. Credit Risk Management:**

Controls the risk related with loaning which generally may prompt financial loss if the customers neglect to satisfy their commitment.

## **7. Operations Division BRAC Bank:**

This division have an incorporated operations framework to guarantee a controlled service delivery so that it conveyance to clients. The bank likewise has Regional Operating Centers (ROC) located everywhere throughout the nation to make benefit conveyance speedier. Right now, there are 9 ROC managing over 60% of SME credit, whatever is left of the operation is done from the head office.

## **8. Information Technology Division:**

To make decision making more effective and efficient, and also gaining the competitive advantage, an organization needs to quickly adopt new technologies association needs to rapidly embrace new advancements. The IT division of BRAC Bank comprises of talented innovation group giving a wide range of IT booster for the financiers and ceaselessly searching for new technology in advances that the bank can gain and use to utilize and increase the operational productivity.



## 1.6 BRAC Bank subsidiaries:



### BRAC EPL Stock Brokerage Limited

BRAC EPL Stock Brokerage Limited is one of the main stock merchants in the country. BRAC EPL Stock Brokerage Limited has membership at both of the country's stock trades; the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE).



### BRAC EPL Investment Limited

BRAC EPL Investment Limited delivers a whole range of Investment Banking services including traditional merchant banking activities such as Issue Management, Corporate Advisory, Corporate Finance, Underwriting and Portfolio Management.



### BRAC SAAJAN Exchange Limited

BRAC Saajan Exchange Limited mainly provides remittance services to the large Bangladeshi Communities living in UK. Apart from its remittance services the Company also caters to the investment needs of the NRBs through its parent organization BRAC Bank.



bKash Limited (a subsidiary of BRAC Bank) operates with an objective to ensure access to a broader range of financial services (mobile fund transfer facility) for the people of Bangladesh. It has a special focus to serve the low-income masses of the country to achieve broader financial inclusion by providing services that are convenient, affordable and reliable.

## 1.7 Internship Responsibilities

I got the opportunity to work as an intern in the Head Office of BRAC Bank Ltd and the tenure of my internship was 1st June to 30st August 2017. Through this period, I had many responsibilities and job roles. As I was intern a lot of things about head office, branch and SME unit office banking during this time. I got familiar with the work environment

- Update securities of SME, Retail loan & Account opening files in checklist
- Indexing different SME & Retail loan files based on file no and loan account no. Account opening files based on account no, serial no and ring no
- Update securities of these files in central database using “Finacle” a software that is currently BBL using
- Creating Top least based on these data using Microsoft Excel where loan file no and loan account no of a client can be found.
- Finally used to update these data in net server and used to make report to project manager at the end of work.
- Two vendors (RBL, ORBL) are required where finally all the document and files will be archived. Some important files, vendor mail it specifically. In that situation, I have to go through the files and update vendor regarding those files which one have go through which vendor and which files have their original document and which one has only copied document.

## Lesson learn from internship:

BRAC bank has used Finacle software to record data and closes their loan. It has used intranet to close loan. Employees of SME closing department will close loan when a loan turns out to be ended. I have checked borrower file that contains every detail of borrower loan information. Practically I experience the team work in corporate life. Each & every team member has some responsibilities and target to fill up. I observed it very closely and helped them to make their task easier. I learned about how bank strategically maintain all the documents and archive them in such a way so that any files can be reopened whenever needed. I learned about the available products of SME financing and learned about the customer issues and different perspective of it by other employees along with my supervisor.

## CHAPTER 2

### 2.1 Small and Medium Enterprise (SME):

The most valuable natural resource of Bangladesh is its people. As a nation, we struggled for our independence and now the attainment of economic uplift is the main goal. But the small and medium entrepreneurs were overlooked. This missing middle group is the small but striving entrepreneurs, who because of lack of fund cannot pursue their financial uplift, as they have no property to provide as equity to the commercial banks.

With this end in view-BRAC Bank was opened to serve these small but hard-working entrepreneurs with double bottom line vision. As a socially responsible bank, BRAC Bank wants to see the emancipation of grass-roots level to their economic height and also to make profit by serving the interest of missing middle groups. 50% of its total portfolio usually collected from urban areas, are channeled to support these entrepreneurs who in future will become the potential strength of our economy. BRAC Bank is the market leader in giving loans to Small and Medium Entrepreneurs. They have been doing it for the last five years.

The most important regular asset of Bangladesh is its people. As a country, we battled for our autonomy and now the achievement of monetary elevate is the primary objective. Micro lenders are working here and providing very small amount of loan and on the other hand regular commercial banks have been providing bigger amount of loans to larger industries and trading organizations. In any case, the little and medium business people were neglected. So, small entrepreneur cannot expand or start their business for the lacking of fund as they have no property to give as value to the business banks.

With this end in see BRAC Bank was opened to serve these little however persevering business visionaries with twofold primary concern vision. As a socially dependable bank, BRAC Bank needs to see the liberation of grass-attaches level to their monetary stature and furthermore to make benefit by serving the enthusiasm of missing center gatherings such as for startup company. Half of its aggregate portfolio normally gathered from urban territories, are directed to help these business people who in future will turn into the potential quality of our economy. BRAC Bank is

the market pioneer in offering advances to Small and Medium Entrepreneurs. They have been doing it throughout the previous five years.

BRAC Bank firstly identify that the Bangladesh has a large market for SME loan. From 2002 they have started to provide SMEs loan and until they are focusing on promoting broad based participation by catering to the small and medium entrepreneur. BRAC bank has been well developed network of SME throughout Bangladesh. All employees are expected to conduct themselves in accordance with the rules and regulations of the bank and try to grow it faster. And now one of the major product and service of BRAC Bank Ltd. is SME loan. The core reasons for providing SME loan is to Support Small Enterprise, Economic Development, Spread the experience, Encourage Manufacturing, Profit Making and Employment Generation BRAC Bank and along with a vision to be the absolute market leader in the number of loans given to small and medium sized enterprises throughout Bangladesh.

## **2.2 Minimum Requirement for SME Financing According to Bangladesh:**

Every SME service provider bank has to follow certain rules and regulations that are given by Bangladesh Bank along with general banking rules. All the minimum requirements can be described as follows

### **-Pre-Operation**

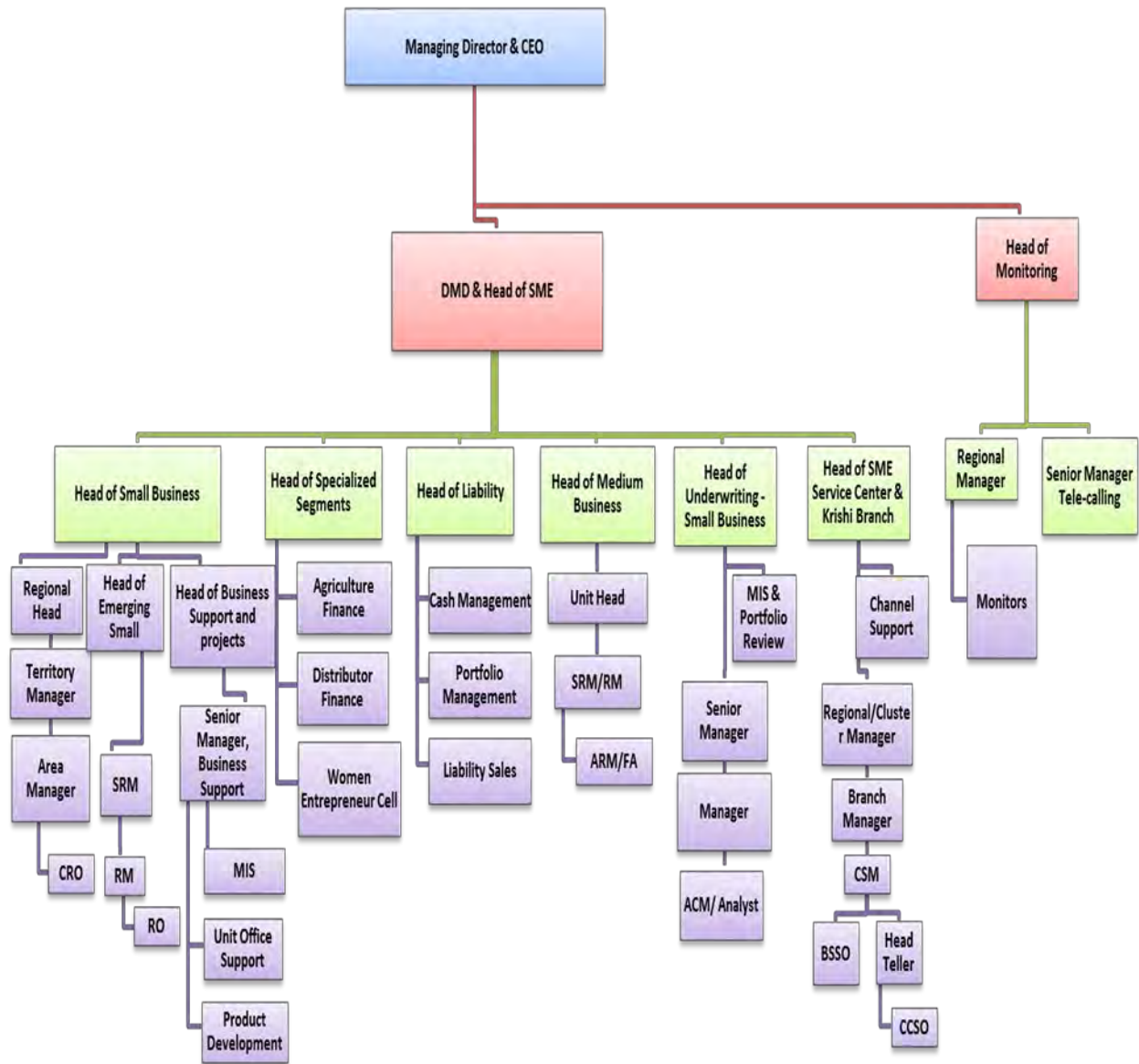
Small enterprise financing, bank/financial institutions are required to follow some specific guidelines. Firms that have effectively settled SME financing are required to consistence with the rules by six months of the date of issuance of Small Enterprise Financing Prudential Regulations

Pre-operation guidelines are-

- For taking SME financing, banks are required to set up their own particular risk management capacity and strategy those will be properly staffed in combined with sufficient expertise and experienced person in the field of consumer finance/business.
- Getting approval by the Board of Directors that bank should be develop comprehensive credit policies suitably. The policy must be along with all those process such as documentations process, disbursement systems and appropriate monitoring mechanism and also along with revise with job description and job specification of different layer staffs. Specific powers/authority will give the authority relating to approval/sanction of consumer finance facility.
- Every bank shall develop their own specific Product Program Guide (PPG) for every type of SME activities and product of SME. These PPG will define the eligibility of the borrower in terms of objectives or quantitative parameters also measure the maximum permissible loan limit of each borrower. It shows the maximum permissible exposure banks will take against each product.
- Those Banking provide the service of SME shall have computer based Management Information's System (MIS) which will cater the need of small and medium enterprise financing portfolio and should be flexible enough to generate necessary information regarding various clients and their payments behaviors.
- The bank shall prepare product wise profit and loss account quarterly and present it to the board members and directors to the immediate next meeting.

Some loan can be deficit or bad debt. For those banks are required to comprehensive recovery procedures for the delinquent loan and try to recover the loan from the loan defaulter. These processes may different from product to product, but the distinct should be prescribed in such manner so that pre-planned enforcement measures could be taken immediately.

**SME Organizational profile of the BRAC Bank Limited:**



Sources : Website of BRAC Bank Limited.

### 2.3 Target Customer:

As the core product of BRAC Bank Ltd is SME, BRAC Bank has a solid SME focus and has built up an extensive variety of SME business items, these are modified for particular limited small and medium business all over the country. The SME loan products cover a scope of country, semi-urban and urban monetary needs in the market. Other than them, enterprises, transport business, training foundations, medicinal focuses, marine business, some other high worth organizations, people and so on are additionally the principle clients of the bank. The bank has the ATM card and Credit card office, so the clients of the same are additionally in target.

### 2.4 SME Network Coverage:





## 2.5 SME Products

ANONNO (Business Loan):



Eligibility: Small sized businesses (Production, Trading, Service Agro based products and others). Having at least 3 years business history. ANONNO is a business loan to meet any kind of business needs, which starts from BDT 3 Lac to 15 Lac.

- No security required
- Easy installment
- Easy loan processing

### Eligibility

- Any kind of business having valid trade license, which has been operating at least 3 or more years.
- Those who have property/land/building.
- No mortgage needed.

**Business Type:** Sole proprietorship, Partnership or Private Limited company.

**Interest Rte:** 19%

### Loan Ceiling:

- Equal Monthly Installment facility – BDT 3 Lac to BDT 15lac
- For repeat loan – BDT 3Lac to BDT 20 lac

- There are also single installment loan facilities provided and Regional credit committee can approve loans up to 25 Lac. BDT 2 Lac can be allowed in selected SME unit officers and the list of officers will be finalized reviewed quarterly basis by concern regional head and HOSB & HOSME.

#### **Monthly Installment facility:**

- For new loan- 12 months to 18 months (Extending 6 months in a given month 15% loans of all city corporation & 10% loans other areas).
- For fixed asset financing tenor can be extended up to 36 months.
- For extending loan up to BDT 50 lac tenor can be extended up to 36 months

#### **Loan Booklet Fee, Relationship Fee & early settlement fees:**

1. Booklet Fee: BDT 200 (15% vat will be applicable on loan booklet fee)
2. Processing Fee: NIL
3. Early settlement fee: Term facility: 2%+VAT on last outstanding balance. But no early settlement fee for repeat customer.
4. SIL facility: No early settlement fee will be charged.
5. Security Replacement fee: NIL
6. Reschedule Fee: BDT 2000+ VAT
7. CIB charge: BDT 100
8. Documentation charge: Minimum 2150 tk. Charges may vary depend upon variability of charge documents.

#### **Restrictions:**

- 21 years to 65 years at the time of application but the proposed loan tenure must coverage age ceiling.
- In the case of family guarantors, this age can be relaxed. However approver can make a call to accept family guarantor below ( not less than 18 years and up to 70 years) if there is no other option available.

- In case of proprietor or partners, they should have minimum 2 years' experience on the same line of business as a entrepreneur.
- Owners cannot involve in any activity subversive to law or discipline or direct affiliation to politics. BRAC can finance e Politically Exposed Person(PEP) after getting the exception approval from CAMELCO or customer will be considered as PEP only that he is currently in the position of president or secretary in Thana and above level committee in the leading political parties.

Loan purpose for business: business expansion, working capital, fixed asset purchase, advance payment, agriculture, production or trading and other business purposes.

**Notes for mandatory business documents:**

- Dully signed and filled up loan application form
- Customer detail (name, fathers name, mothers name etc.) declaration form
- NID of entrepreneurs & guarantors
- Trade License (Up to date)
- SBS Form- 2
- Up to date CIB report.

## PROTHOMA or TARA SME Loan



Prothoma is a term loan for small scaled business operated by women entrepreneur.

- No security required
- Easy loan processing

### **Loan Ceiling:**

- Equal monthly installment facilities provided such as BDT 2 lac to BDT 15 lac
- Single installment facilities are like BDT 2 lac to 15 lacs for all loan proposal
- Short term loan as BDT 2 lac to BDT 15 lac

**Interest rate:** 10% interest rate will be charges.

### **Monthly installment facility:**

- For new loan- less than 8 lac, tenor will be 12 months, for 8 lacs and above EMI can be 12 to 24 months.
- For Fixed asset financing tenor can be extended up to 36 months.
- Repeat loan can be disburse for same tenure as continuing loan (up to 36 months) if the repeat applicant can be provided 1<sup>st</sup> party member owned land as MDTD
- Single installment loan facility will to 3 months to 9 months
- Short term loan facility will be 3 months to 9 months.

### **Loan Booklet Fee, Relationship Fee & early settlement fees:**

- Booklet Fee: NIL
- Processing Fee: NIL
- Fire insurance premium: As per schedule charge of insurance company
- Life Insurance premium: As per schedule charge of insurance company (optional)
- CIB charge BDT 100. If entrepreneur is married, CIB report of spouse will be obtained (If she or he) is involve in any kind of business.
- Documentation Charge: Minimum BDT 2150, charges may vary and depend upon variability of charge documents.
- Security Replacement fee: NIL
- Reschedule Fee: BDT 2000+ VAT
- Bellow 70% to up charge for loan tenor passed customers based on outstanding amount of last date of last month from CRM approval date and charge will be 1 %+ VAT.

### **Eligibility**

- Any kind of business having valid trade license, which is at least 2 years of old
- Sole proprietorship, Partnership or Private Limited Company
- Small sized business (Production, Trading, Service and others)
- No mortgage needed.

## APURBO SME Loan



Apurbo is a loan facility for small and medium enterprises that involve in trading, manufacturing, service, agriculture, non-farm rural activities, agro based industry and many other acceptable sectors spread all over Bangladesh marketed through our SME unit offices or branches & service center across the country. The products offer term loan, overdraft facility, revolving facility, single installment, bank guarantee for the purpose of working capital finance, fixed asset purchase and agriculture production and other business purposes. Any kind of business operating at least 3 or more years. To meet any kinds of business needs, APURBO is loans against registered mortgages. Specialty of this loan Term loan and overdraft based on your business needs.

- Limited documents
- Easy installment and overdraft facility

**Loan Ceiling:** BDT 10 lacs to BDT 5 Crores

**Interest rate:** This rate will be calculated on daily basis and will be charged in the loan amount monthly for term loan and single installment loan facility and quarterly for overdraft and revolving loan.

**Monthly installment facility:**

- For BDT 10 lacs to BDT 25 lac :12 months to 36 months at 6 months interval
- Above BDT 25 lac to BDT 50 lacs :12 months to 48 months, at 6 months interval.
- Above 50 Lacs: 12 months to 60 months at 5 months interval
- Equity monthly installment facility: Number of months require for servicing the debt out of cash flow from the business

- Overdraft facility While offering term loan facility and overdraft facility together to a single borrower, number of months require for servicing total debt through monthly installment to be determined out of cash flow from the business. However, draft tenure is 12 months and it is renewable annually.

### **Loan Booklet Fee, Relationship Fee & early settlement fees and other fees:**

- Loan application fee: BDT 600
- Relationship charge: NIL
- Stamp Charge: As per Stamp Act
- Legal and valuation Charge: As per banks approve rate
- CIB charge BDT 100.
- Letter of Disclaimer: BDT 300
- Letter of hypothecation for each additional business entities: BDT 300
- Letter of personal guarantee for each PG- BDT 300
- Overdraft loan: NIL
- Security Replacement fee: BDT 1000
- Reschedule Fee: BDT 2000+ VAT
- Term out fee: NIL

### **Eligibility**

- Any kind of business having valid trade license, which has been operating at least 3 or more years.
- Those who have property/land/building
- Mortgage needed for taking the loan. Mortgage can be property, land or building.
- Minimum one-year satisfactory transactional account maintains with any bank where the yearly turnover must be at least 4 times of proposed overdraft limit and turnover.
- There is no evidence of frequent inward cheque returns for insufficient fund (10% of total transactions) in the bank account.

**Restrictions:**

- The owners have to full control and involve over the business.
- Resident Bangladesh by born
- 21 years to 65 years at the time of application but the proposed loan tenure must coverage age ceiling.
- In the case of private limited company, this age can be relaxed for the Directors other than Chairman and Managing Director (not less than 18 years and up to 70 years) if there is no other option available. A clear successor will be required for the age above 60.
- Owners cannot involve in any activity subversive to law or discipline or direct affiliation to politics and has not been convicted by law in past.



## SHOMRIDDHI SME Loan



To meet import-export related expenses, post import expenses, tax/duty payment, local bill purchase and working capital, SHOMRIDDHI loan.

- LC and LATR facility
- Revolving loan, overdraft
- Local bill discounting facility

**Loan Ceiling:** BDT 1 lac to BDT 1 crore each one-off L/C, exposure can be 1.5 crores.

BDT 10 lac to BDT 5 crores- revolving limit.

**Monthly installment facility:** Based on cash cycle, Maximum 180 days (120 days for trading companies) for each L/C, limit is renewable each year.

### **Interest rate:**

- For secured interest rate will be 12% to 15% per annum
- For unsecured interest rate will be 14 to 17% per annum
- Rate of interest charge as per ALCO decision

**Early settlement fee for term loan:** 2% on outstanding principal at the time of early settlement.

### **Loan Fee, Relationship Fee & early settlement fees and other fees:**

- Loan application fee: BDT 600
- Relationship charge: NIL

- Panel Charges: Regular interest plus 3% on outstanding overdue from the date of overdue to till settlement will be charges on day end balance.
- Documentation Charges: Stamp charge+ CIB report charge- at actual
- Fire insurance premium- as per schedule of charges of insurance company
- Security Replacement fee: BDT 1000
- Reschedule Fee: BDT 2000+ VAT
- Term out fee: NIL

**Documents required (General loan document where two witness signs must be attached)**

- Certificate of Incorporation
- Memorandum and Article of Association
- Schedule- X & form- X1
- Board resolution with signatory authority of all charge documents
- RJSC search report
- Creation of charge with RJSC over mortgage asset as well as hypothecation on floating asset

**Documents required for partnership business:**

- Partnership deed (notarized)
- Partners resolution for availing loan from BRAC Bank Limited.

**Local Bill Purchase**

- Loan up to BDT 20 million in export

**Specialty of this loan**

- Easy loan processing
- Convenient interest rate
- Loan payment facility up to 180 days.

## Eligibility

- Any kinds of businesses having valid trade license and which has been operating for at least 3 years.
- Sole proprietorship, Partnership or Private Limited Company.

## SHOHOJ SME loan:

Shohoj is a loan facility for business expansion, working capital, fixed asset purchase, agricultural production and other business services.

**Legal form of business:** Sole proprietorship, partnership, private limited company.

### Loan ceiling:

- Equal monthly installment facility: minimum BDT 50000 and no Maximum bar
- Overdraft Loan Facility: Minimum BDT 50000 and no maximum bar.

**Interest rate:** Cash security rate+ 3%

**Penal interest fee:** 2% p.a. on overdue amount

**Early settlement fee:** 0.5% outstanding amount of BDT 10000 whichever is lower, no fee repeat customer.

### Monthly installment facility:

- Equal Monthly Installment: 12-60 months, with 3 months interval
- Overdraft loan facility: 12 months

### Loan Booklet Fee, Relationship Fee & early settlement fees:

- Booklet Fee: BDT 600
- Processing Fee: NIL
- CIB charge BDT 100 (per CIB charge).

- Documentation Charge: Minimum BDT 1550 (BDT 1450 for stamp & BDT 100 for CIB)  
+ additional Charge (if applicable)
- Security Replacement fee: NIL
- Reschedule Fee: BDT 2000+ VAT

**Eligibility and Restrictions:**

- Minimum 21 years at the time of application
- Owners cannot involve in any activity subversive to law or discipline or direct affiliation to politics and has not been convicted by law in past.
- Experience require for proprietor or partners business. They should have minimum one-year experience in the same line of business as an entrepreneur.

**Documents require for partnership business:**

- Need partnership deed
- Need partnership account agreement
- Partnership resolution for availing loan

**Documents require for private limited company:**

- Memorandum and Article of Association
- List or personal profile of director
- Certification of Incorporation
- Form X11 Certified by RJSC (particular director)
- Board resolution in respect of availing loans and execution of document with bank
- Certification of Commencement (In case of public related company)
- Joint venture agreement (In case of Joint venture company)
- BOI permission (In case of joint venture company)

## SHOKTI SME loan:



Business loan under which you can avail BDT 1 million to BDT 10 million to meet your any kind of business needs.

- Loan against partial cash security
- At least 1 year bank statement.
- Term loan and Overdraft Facility

### Loan Ceiling:

- Equal monthly installment: BDT 1000000- BDT 6000000 for new proposal  
BDT 1000000 – BDT 7500000 for repeat loan proposal
- Overdraft loan will be offered in combination with equal monthly installment, where overdraft component will be 95% of FDR value.

**Interest rate:** Term+ Overdraft facility= 22.50% & only term loan facility= 15-17%

**Early Settlement fee:** term facility: 2 % + Vat on last outstanding balance.

**Monthly installment facility:** EMI= 12-60 months & OD loan facility = 12 months

### Loan Booklet Fee, Relationship Fee & early settlement fees:

- Booklet Fee: BDT 600
- Processing Fee: NIL
- Fire insurance premium: As per schedule of charge of insurance company.

- CIB charge BDT 100 (per CIB charge).
- Documentation Charge: Minimum BDT 2750 (BDT 2650 for stamp & BDT 100 for CIB)  
Charges may vary depends upon variability of charges documents.
- Security Replacement fee: BDT 1000/-
- Reschedule Fee: BDT 2000+ VAT

Documents require for proprietorship or partners and private limited company are as like SHOHOJ SME loan product.

### **BAHON SME Loan:**

This is a new launched product of SME banking of BRAC bank. This is a term loan basis. Small and Medium Business other than transport Operators can apply for this loan. Car rental business, if only it has fully-fledged transport assignment are also the target group for this loan.

Loan ceiling: Single vehicle- BDT 0.5 M to BDT 5.0M

Multiple vehicle- BDT 0.5M to BDT 50.0M

Monthly loan installment:

- 13 months to 60 months
- Time period between vehicle manufacturing year & expiry date of loan agreement should not exceed 10 years

Interest Rate: As per interest rate card (secured loan)

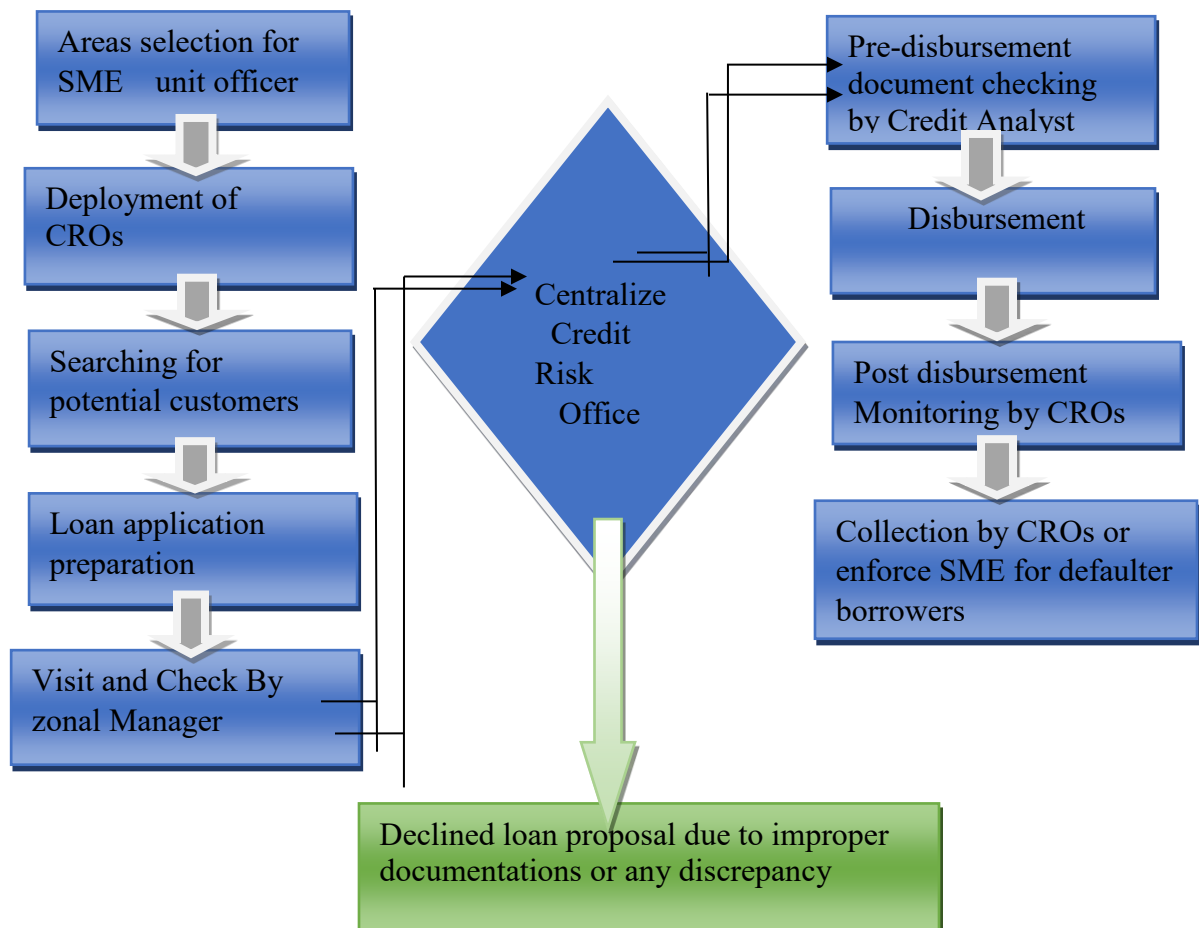
Eligibility and restrictions:

- Business age should be minimum two years.
- Vehicles which are eligible for registration from BRTA will be considered only.
- Manufacturing type of vehicle should be within last 5 years of application date.
- Commercial vehicle includes Mini Truck, covered van, pickup van, prime mover, trailer, Tank lorry, dump truck, ready mixer etc.
- Passenger vehicle includes bus, microbus, minibus etc. which are produced for official or business use.

They have other SME products but those are not available now. So, I tried to focus on most popular SME products.

## 2.6 SME Loan process flow is shown below: -

When a customer comes to the unit office for a loan request, first he/she meets with the customer relationship officer to discuss about the loan, which loan product is suitable for him/her.



## 2.7 Loan Sanction activities and Disbursement of SME loan:

- **Select Potential Enterprise:** For SME loan, in this step the CRO conduct a survey and identify potential enterprise. Then they communicate with entrepreneurs and discuss
- **Loan Presentation:** The function of CRO is to prepare loan presentation based on the information collected and provided by the entrepreneur about their business, land property.
- **Collect confidential information:** Another important function of a CRO is to collect confidential information about the client from various sources.
- **Filled Up CIB Form:** CRO give a CIB (Credit Information Bureau) form to the client and the client fill and sign in it. In some case if the client is illiterate then the CRO fill the form on behalf of the client. Then CRO send the filled and signed form to the SME,
- **Sending CIB To Bangladesh Bank:** The SME, head office collects all information and sends the CIB form to Bangladesh Bank for clearance. Bangladesh Bank return this CIB form within 10-12 days with reference no.
- **CIB Report from Bangladesh Bank:** In the CIB report Bangladesh Bank (BB) use any of the following reference number.
- **Loan Sanction:** The respective unit office sanction loan to the client if it is 2 to 5 lacs and the send the sanction letter including all necessary charge documents to the loan administration division for disbursement the loan.



## 2.8 Disbursement Manual Activities:

Sometimes I received those loan files and check them if they are properly given from the branch office and give entry to our database of that files.

**Prepare Loan File:** Receiving all documents, Loan Administration Division prepares a loan file with all documents received from the unit office.

**Charge Documents Checking:** The loan administration division checks all charge documents. Following charge documents are checked:

**Prepare Disbursement List:** The loan administration division lists all new sanctioned clients' details and sends a request to the treasury through internal mail.

**Disbursement of The Amount:** Sending the list to the treasury of BRAC bank for disburse the amount, the treasury disburses the amount to the client through the mother account of the client's bank. BRAC bank disburse amount through any of the following banks corporate branch nearer the BRAC bank head office and the corporate branch of the respective bank send the amount to the client account

**Message Sent to The Unit Office:** Completing the disbursement, loan administration division sent a SMS to the respective CRO informing the disbursement of the sectioned loan.

## 2.9 Findings

BRAC Bank Limited, as we know, is one of the fastest growing banks in Bangladesh. Bank Limited is the largest commercial SME Bank in the country and 4<sup>th</sup> largest SME Bank in the world in terms of outstanding loan amount. SME banking which has made the performance of this bank so enlightened is its core product to offer to the small and mediocre business entrepreneurs. SME loan is a loan given especially to entrepreneurs who are experienced small or medium businessman, more or less middle aged, at least moderate income generated and who have reasonable personal or family asset. In fact, no businessman could think ever before that they could take loan so easily, without any collateral and without going to bank. But BRAC Bank Limited has made this improbable process so successfully through SME banking. Finally, I would like to mention certain factor which does not matched with modern banking system but it's regularly practiced in this particular department-

- There are some needless unite office which actually work as a burden for both bank & employee
- Lack of motivation towards the employee.
- CRO's are not getting enough time to monitor of loan utilizing. Every CRO has to fill up the individual target which is given by the head office
- The SME head office collects all information and sends the CIB form to Bangladesh Bank for clearance. Bangladesh Bank returns this CIB form to the respective SME head office by requiring long time ranging 10-12 days. It's time consuming.
- Day by day the bank has increased SME Unit office. It has created whole area network in villages. So, it is trying to increase their SME Clients. The clients of this bank have minimum knowledge of interest rate that are charged. BBL offers very few common SME package. BBL also supports the new entrepreneurs and their apprentices.

## Recommendation

Considering all the study and analyzing all the data I think the following suggestion will benefit both BBL and its customers.

- The number of installment for BRAC Bank Ltd is too high, which turns out to be hard for the clients sometimes. The BRAC Bank LTD. should Increase the number of Installment for the SME loan policies
- Implement strict and continuous monitoring system of the whole recovery process
- Train the Customer Relationship officers more comprehensively and realistically so that customers may not face any trouble while getting and repaying the loan.
- It should reduce the interest rate- because many of their competitors are providing loans at a lower rate. For example, most of the competitor's banks providing loan at 18-22% interest rate. High interest rate is the result of high cost of fund, so they must source fund at lower cost.
- Analyze customers' behavior to identify the type of customer that makes default and stop giving them SME loan.
- Special motivation program needs to be taken to motivate the Customer Relationship officers, because it has been observed by the researcher that their task is very difficult. So, to obtain the full efficiency they need to be well motivated.
- Risk Management department's audit report should be more strict and reliable so that possible defaulter may not get the loan.

## Conclusion:

SME assumes a crucial part for our economy and it add noteworthy bit to our GDP. BRAC Bank is the pioneer in SME banking and these days the greater part of the business banks are presenting SME advances for giving credit support to the SME entrepreneur. BBL gives SME loan to help the SME business and made a noteworthy benefit. In spite of the fact that there are a few risks in SME business in view of no guarantee is required for credits yet at the same time it produces more benefit than different business sector of banks.

Interest rate for SME loan which cuts the maximum profit or sometimes full that generates SME entrepreneur by using loans. Loan Interest rate, repayment size, periods, market condition, nature of business and entrepreneur experience are specifically influences the repayment of loans or the repayment capabilities of clients. Recovery rate of this loan is 97%, which is too good in comparison to any other bank's recovery rate. BRAC Bank Limited has made it possible as the loan is given to experienced, small and medium entrepreneurs most of whom are moderately aged, slightly educated and having moderate income and this class of people is very loyal. But they can serve this class of customers with more commitment and loyalty and they can turn the recovery rate to 100%.

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