



**SME Banking of IFIC Bank Limited: A  
comparative study among City Bank,  
Eastern Bank and IFIC Bank**

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**Internship Report on  
SME Banking of IFIC Bank Limited: A  
comparative study among City Bank,  
Eastern Bank and IFIC Bank**

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**Submitted To**

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**S U B M I S S I O N D A T E: November 29, 2 0 1 1**



## Letter of Transmittal

29<sup>th</sup> November, 2011

Ms. Rahnuma Ahmed

BRAC Business School

BRAC University, Dhaka.

Subject: Request for accepting our Term Paper

Dear Madam,

It gives me enormous pleasure to submit the internship report on “SME Banking of IFIC Bank Limited: A comparative study among City Bank, Eastern Bank and IFIC Bank” as per instruction. I expect this report to be informative as well as comprehensive.

While conducting the report, I have gathered lots of knowledge about banking system and many unknown facts, problems and prospects regarding SME Banking of different banks like City Bank, Eastern Bank, IFIC Bank etc. This internship program and preparation of report has given me the opportunity to acquaint myself with a reputed bank. I believe that the experience I acquired from this study will facilitate me a lot in my future career life.

It has also to be mentioned that without your expert advice and cooperation it would not have been possible to complete this report. I shall be pleased to answer any sort of query you may have regarding this report.

-----  
Sincerely yours

Sifat Afrin ID- 07204009

## Acknowledgement

It is indeed a great pleasure and honor on my part to have the opportunity to submit this report after three months of internship in IFIC bank Limited. It was neither an easy task for me to fit in a situation where I had never. But yet I have successfully completed my internship in the IFIC bank Limited and it would not be possible without the help of some kind hearted people. I will be ungrateful if I fail to appreciate their kindness and not thank them.

First of all I would like to thank my intern supervisor Ms. Rahnuma Ahmed , lecturer of BRAC Business School, BRAC University for her valuable guidance and co-operation regarding internship program.

Secondly, I would like to thank warmly to my two friends NashitaChowdhury( Employed as intern in City Bank) &FarhanaRahman(Employed as intern in Eastern Bank) without whom cooperation I wouldn't able complete my report.

I express my deepest gratitude & thanks to Mohd. Nazrul Islam ( First Assistant Vice President(FAVP) of Elephant road branch) my site supervisor for his all cooperation during my internship in the bank. Also I would like to pay my gratitude to Ariful Islam( Manager of Crediy Dept.), AfrozaAkhter GI officer of Credit Department who helped by providing many important documents , research report related to SME loan.

The last but not the least, I also feel honor to thank all the executives, officers & staff of Elephant road branch for their help and cordial cooperation during this study.

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## Executive Summary

Generally by the word “Bank” we can easily understand that the financial institution deals with the money. . Bank is a financial institution which basically strives to maintain the flow of financing in order to make profit as well as to help general people. It is a significant site for the surplus as well as deficit group. Banks & financial institutions play an important role in the process of economic growth of a country. In a developing country like Bangladesh, banking business is very much competitive. About 52 banks are operating & competing to hold maximum market share. IFIC Bank Limited is one of the leading private commercial banks in our country. As blend of commercial banking IFIC provide their clients with full range of service to help them grow their assets & net worth. They offer SME loan to their clients especially to develop small & medium scale enterprise. IFIC bank also provide full-fledge commercial banking services like collection of deposit, WC finance I processing and manufacturing units and face-lifting international trade.

The main purpose of this project report is to provide basic idea on “ SME product & services, Eligibility criteria for SME loan” of IFIC Bank Limited- A study of Elephant road branch”. To make the report significant, a comparison have been presented on SME banking among IFIC Bank, City Bank & Eastern Bank Limited. The report will also contain the present situation of SME banking based on the comparison of three different banking institutions.

Firstly the report consists a general overview of IFIC bank limited, their mission, history of 34 years, products and services, operational network etc. Then a brief description on internship duties has been mentioned, which includes nature of the jobs, Specific responsibilities of a job Different aspects of job performance etc.

Secondly, this report contains brief information about the SME banking as an introduction. Besides that, it includes objectives, methodology, scope, limitations of the report.

Then an elaborate description on SME financing( Types of SME products & services, eligibility for loan approval) of IFIC bank, City bank , Eastern bank has been presented. Moreover, comparative analysis among those three banks, discussion about the prospects & problems of IFIC bank limited regarding SME loan, at last the recent circumstances of SME loan on our country has been presented in this report.

Finally , conclusion & recommendation is given at the last part of the report. Hoping IFIC bank Limited –Elephant road branch will consider the recommendation with caring and improve their problem & prospect to deliver better services to their customers.





# Chapter One

## Introduction

### SME (Small & Medium Enterprise) Loan

There is a great interest in small and medium enterprise as a major plank of poverty reduction in Bangladesh. SME means small and medium enterprise and the loan which is given to those enterprises is known as SME loan. The government has formulated a comprehensive industrial policy 2005 by putting special emphasis for developing SME as a thrust sector for balanced and sustainable industrial development in the country to help deal with challenges of free market economy and globalization. To facilitate SME sector of the country, IFIC Bank provides collateral free credit facilities to the small & medium entrepreneurs across the country whose access to traditional credit facilities are very limited. IFIC Bank Ltd. started SME Banking in 2008.

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

<b>Sector</b>	<b>Fixed Asset other than Land and Building (TK)</b>	<b>Employed Manpower (not above)</b>
Service	50,000-50,00,000	25
Business	50,000-50,00,000	25
Industrial	50,000-1,50,00,000	50

*Source: Research paper regarding SME in Bangladesh*

Medium Enterprises refers to the establishment or firm which is not a public limited company and complies the following standards:

Sector	Fixed Asset other than Land and Building (TK)	Employed Manpower (not above)
Service	50,00,000-10,00,00,000	50
Business	50,00,000-10,00,00,000	50
Industrial	1,50,00,000-20,00,00,000	150

*Source: Research paper regarding SME in Bangladesh*

### **Current status of SME financing by Banks in Bangladesh:**

#### **( BB sets SME financing Target at tk 625b for 2011)**

The central bank has set the target for disbursement of loans at over taka 625 billion for the small and medium enterprise sector in calendar year 2011, marking a 64.56 % increase over that of the previous year . The banks and financial institutions initially set the target at tk 240 billion in 2010. But the SME financing target was later revised upward for the year-to tk 380 billion to meet the growing demand for such credit.

SRL no	Types of Banks	Estimated
01	Owned commercial banks & financial institutions	TK 134. 99 billion
02	Private commercial banks	451.76 billion
	Foreign commercial banks	15.93 billion
	Country's non banking financial institutions	22.65 billion

Source: Financial Express

### **Contribution of SME in the economy :**

In view of present economic development effort in Bangladesh the SME sector plays an important role. These are reflected in the following performance of this sector-

- During the fourth five year plan, a total of .35 million jobs were created against the target of .4 million.
- Contribution of SME sector to GDP remained above 4.5% during the period from 2000-01 to 2004-2005.
- SME sector employees 25% of the total labor force.
- SME sector help alleviate poverty, increase income level of rural people & promote agro-industrial linkage in Bangladesh.

The growth of Small and Medium enterprises (SMEs) in terms of size and number has multiple effects on the national economy, specifically on employment generation, GDP growth, and poverty alleviation in Bangladesh. At present, Small & Medium Enterprise sector is playing a vital role in creation of new generation entrepreneurs and 'Entrepreneurs Culture' in the country. Experience shows that borrowers of small enterprise sector prefers collateral free loan since normally they cannot offer high value security to cover the exposure.

Compared to large and medium industries the SME has some inherent advantages these are given below:

- ⦿ Lower capital investment
- ⦿ More jobs per unit of invested capital
- ⦿ Lower capital output ratio
- ⦿ Lower infrastructure requirement
- ⦿ Shorter start up time
- ⦿ Creation of micro entrepreneurial talent
- ⦿ Lower consumption of energy
- ⦿ Stimulation of personal savings
- ⦿ Promotion of agro-industrial linkages

## Objective of the Report:

### Primary

- ✚ To compare the SME banking system among IFIC bank, City bank & Eastern bank Limited.

**Secondary:** The secondary objectives of this report are to-

- ✚ To know about SME product and services of IFIC bank Limited, City bank& Eastern bank Limited.
- ✚ To highlight the current circumstances of SME banking in our country based evaluation of three local banking institutions.

## Scope

This project is only for academic purpose to fulfill the requirement of internship. The study made the comparison on SME banking among IFIC bank, City bank & Eastern bank limited only.

## Methodology

The study basically conducted based on both primary & secondary data.

**Primary data:** Several face to face interviews with the followings have been conducted to collect data:

- ✚ Ariful Islam, credit risk analysis manager, Elephant road Br , IFIC bank limited
- ✚ Mohd. Nazrul Islam, First Assistant Vice President(FAVP),Elephant road Br.,IFIC bank limited
- ✚ Three Officers of Elephant road Br. , IFIC bank limited
- ✚ Two Clients of Elephant road Br., IFIC bank limited
- ✚ Two Interns, City bank & Eastern bank Limited

**Secondary data:** To understand the SME scenario of IFIC bank limited the following sources have been used-

- ✚ Product program guide
- ✚ Different research paper regarding SME
- ✚ IFIC bank website
- ✚ Internal records of loan approval
- ✚ Operational manual/Annual report

In case of City & Eastern bank limited the sources of information are as follows-

- ✚ Official website
- ✚ Product program Guide and prospectus.

## Limitations

Some limitations had been faced during the time of preparing this project report. The present study was not out of limitation. But doing internship in IFIC Bank Limited was a great opportunity to know the banking activities of Bangladesh especially IFIC bank. Some constrains are as follows-

- One of the major limitations is the shortage time period of internship. Since 3 months is not enough to know everything of a bank, so this report doesn't contain all the area of IFIC Bank Limited.
- Second , lacking of various sources of information like inability to take interview of Credit risk manager from City bank & Eastern bank Limited. Because of this limitations this report may not contain some important information.
- Due to time limitations many aspects could not be discussed.
- Confidential information was undisclosed for the sake of organization

## Chapter Two

### Organizational Overview

#### Bank profile

International Finance Investment and Commerce Bank Limited (IFIC Bank) is banking company incorporated in the People's Republic of Bangladesh with limited liability. It was set up at the instance of the Government in 1976 as a joint venture between the Government of Bangladesh and sponsors in the private sector with the objective of working as a finance company within the country and setting up joint venture banks/financial institutions abroad. In 1983 when the Government allowed banks in the private sector, IFIC was converted into a full-fledged commercial bank. The Government of the People's Republic of Bangladesh now holds 32.75% of the share capital of the Bank. Directors and Sponsors having vast experience in the field of trade and commerce own 8.62% of the share capital and the rest is held by the general public.

**Branches and ATM locations of IFIC:** At Dhaka zone they have 47 branches and five ATM locations.

#### Bank's Mission

“Our Mission is to provide service to our clients with the help of a skilled and dedicated workforce whose creative talents, innovative actions and competitive edge make our position unique in giving quality service to all institutions and individuals that we care for.

We are committed to the welfare and economic prosperity of the people and the community, for we derive from them our inspiration and drive for onward progress to prosperity.

We want to be the leader among banks in Bangladesh and make our indelible mark as an active partner in regional banking operating beyond the national boundary.

In an intensely competitive and complex financial and business environment, we particularly focus on growth and profitability of all concerned.”

## **Milestones in the development of IFIC BANK**

**1980** - Commenced operation in Foreign Exchange Business in a limited scale.

**1982** - Obtained permission from the Govt. to operate as a commercial bank.

- Set up a its first overseas joint venture (Bank of Maldives Limited) in the Republic of Maldives (IFIC's share in Bank of Maldives Limited was subsequently sold to Maldives Govt. in 1992)

**1983** - Commenced operation as a full-fledged commercial bank in Bangladesh.

**1985** - Set up a joint venture Exchange Company in the Sultanate of Oman, titled Oman Bangladesh Exchange Company (subsequently renamed as Oman International Exchange, LLC).

**1987** - Set up its first overseas branch in Pakistan at Karachi.

**1993** - Set up its second overseas branch in Pakistan at Lahore.

**1994** - Set up its first joint venture in Nepal for banking operation, titled Nepal Bangladesh Bank Ltd.

**1999** - Set up its second joint venture in nepal for lease financing, titled nepal Bangladesh Finance & leasing Co. Ltd. (which was merged with NBBL in 2007)

**2003** - Overseas Branches in Pakistan amalgamated with NDLC, to establish a joint venture bank: NDLC-IFIC Bank Ltd., subsequently renamed as NIB Bank Ltd.

**2005** - Acquired MISYS solution for real time on-line banking application.

- Core Risk Management implemented.

**2006** - Corporate Branding introduced.

- Visa Principal and Plus (Issuer and Require) Program Participant Membership obtained.

**2008** - Observing 25th Anniversary of Customer Satisfaction.

**2009** - 64 Branches offering Real Time On-line banking facility.

**2010** - All 96 Branches & SME Service Centers of IFIC Bank is operating under state-of-art world class Real Time On-line Banking Solution.



## Product & service offerings

**CORPORATE BANKING-** Corporate banking is providing a wide range of financial services, offering specialist advice and products to corporate clients to meet diverse demands of changing market scenario. Products and services for commercial and business customers include:

- ✚ Working Capital Finance
- ✚ Project Finance
- ✚ Term Finance
- ✚ Trade Finance
- ✚ Lease Finance
- ✚ Syndication Loan etc.

**RETAIL BANKING** -Retail Banking is mass- banking facility for individual customers to avail banking services directly from our wide branch net work all over the country. IFIC Bank offers a wide variety of deposit products, loan product & value added services to suit your banking requirements. Products and services for individual customer include:

- ✚ Consumer Finance
- ✚ Deposit Product
- ✚ Card
- ✚ NRB Account
- ✚ Student File
- ✚ SMS Banking etc.

**SME BANKING-** It is for the small and medium enterprises who don't have enough money to operate their business. To facilitate SME sector of the country, IFIC Bank provides collateral free credit facilities to the small & medium entrepreneurs across the country whose access to traditional credit facilities are very limited. We are offering 15 different products for selected target groups, such as-

- ✚ Easy Commercial Loan
- ✚ Retailers Loan
- ✚ Transport Loan



- ✚ Commercial House Building Loan
- ✚ Possession Right Loan
- ✚ Contractor's Loan
- ✚ Bidder's Loan
- ✚ Working Capital Loan
- ✚ Project Loan
- ✚ Letter of Guarantee
- ✚ Letter of Credit
- ✚ Loan against Imported Merchandize (LIM)
- ✚ Loan against Trust Receipt
- ✚ Muldhan
- ✚ Women Entrepreneur's Loan (Protyasha)

**TREASURY & CAPITAL MARKET:**The Treasury Division of IFIC Bank is engaged with Cash Management, Liquidity Planning and Liquidity Protection. It is also conscious to protect all the bank's Assets and Profits against loss due to domestic as well as global financial realities, particularly Interest and Exchange Rate fluctuations. The Treasury Department is also regarded as a Profit Center, which generates income by trading instruments in the Financial Market. The Treasury is constituted with well setup Front Office, Mid Office and Back Office.

### **Treasury Products**

IFIC Bank Treasury deals with the following Money Market, Capital Market and Fx Market Instruments for managing fund, statutory requirement, liquidity and investment.

#### ✚ **Money Market**

- Overnight Call
- Term Placement
- Repurchase Agreement
- Reverse Repo

#### ✚ **Government Securities**

- Treasury Bill
- Treasury Bond

### ✚ Capital Market

Share

Bond

### ✚ Foreign Exchange

Spot

Forward

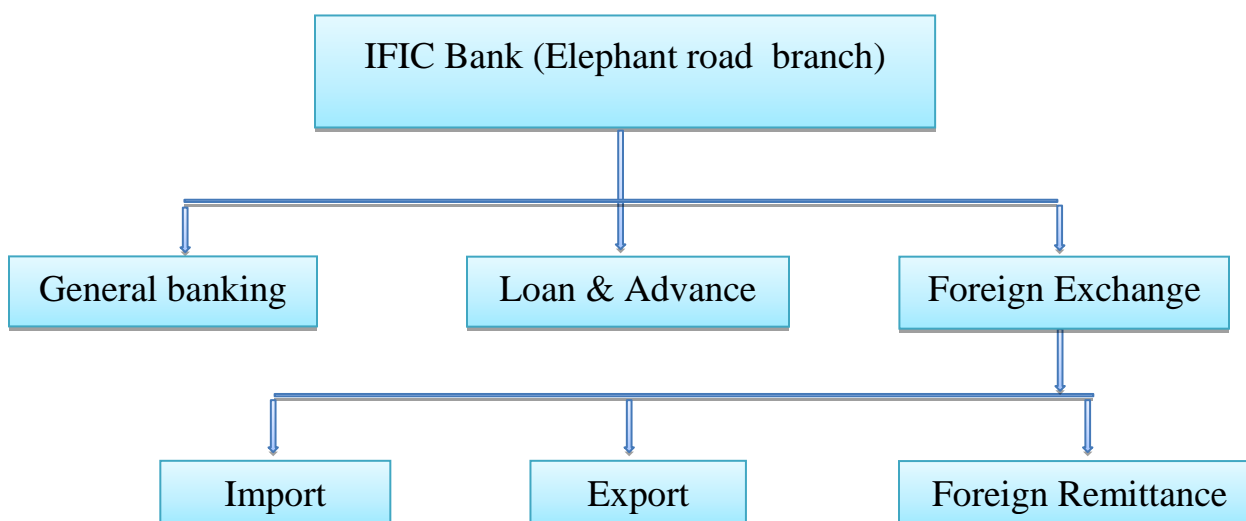
Swap

Term Placement

## AGRICULTURE CREDIT:

In order to achieve desired growth in agriculture sector of the country, IFIC bank is committed to increase their present loan portfolio in agricultural sector. IFIC Bank is offering Agriculture Loan products namely i) KrishiSaronjamRin - for Agriculture Equipments ii) ShechSaronjamRin - for irrigation equipments iii) Poshupokkhi&MotshoKhamarRin - for Live Stock & Fish Culture & iv) PhalphasaliRin - for Fruit Orchard for individuals & group at micro level.

**Operational network of organization-**IFIC bank operate their daily activities in three different sectors which has been represent through a chart-



# Chapter Three

## Internship Position & Duties

**Description of the job:** I started my internship in International Finance Investment and Commerce (IFIC) Bank Limited, Elephant road branch in September 05, 2011. My internship duties were three months, so I divided duties in the three months. I tried my best to achieve absolute knowledge & experience from the internship. I visited the following department in my three months internship period.

I performed my duties in the following three departments-

Department	Time duration
General Banking division (GB)	One month
Credit division	One month & 15 days
Foreign exchange (FX)	15 days

**Duties & performance in GB:** GB is one of the most important department where all kind of banking activity starts. Because it includes multi tasks & all kind of transactions actually run in this department. During my internship period I learn most from this section. I worked in the following section under GB division-

- ✚ Account opening
- ✚ Account closing
- ✚ Cheque book issue
- ✚ Local remittance transaction
- ✚ Clearing house section
- ✚ Pay order issue

**Duties & performance in Credit division:** Credit division mainly deals with the approval of different types of loan, manage the repayments of their clients to avoid the credit default risk. I think it is the most risky department comparing to the other departments because

bank's main income comes from the loan interest, so if they give loan to wrong person and the loan become default bank will face a huge loss. That's why to know the creditworthiness of an applicant, IFIC bank go through several procedures like collect CIB report from Bangladesh bank, survey the location of applicant's property, collect information about the income of applicant's etc. I did following works in this department-

- ✚ Fill up the documents required for preparing the loan proposal
- ✚ Made renewal loan proposal.
- ✚ Made statement of accountwise recovery of classified loans.
- ✚ Prepare voucher for collecting the install of lease financing.

**Duties & performance in Foreign exchange:** The FX division mainly has three separate section import, export & foreign remittance. The export & import section basically deals with the opening of LC (Letter of credit) to support different people who have export-import oriented business. Here the IFIC bank basically works as a guarantor for their clients. And to open LC is not a easy procedure, IFIC bank go through a series of complex procedures in case of LC. Some of those procedures are *collecting trade license, collecting bill of entry, collecting several information about the applicant's business, collect VAT, TIN, IRC certificate etc.*

In case of foreign remittance section, several types of remittance comes from outside of the country in this section & this section receive remittance safely to transfer them to their clients.

I performed the following activities in FX-

- ✚ Opening LC
- ✚ Purchasing documentary bills for collection
- ✚ Preparing different types of voucher such as debit/credit, single debit/credit, cash debit voucher.

# Chapter Four

## Comparison of SME Banking


Comparison among City bank, Eastern bank, and IFIC bank Limited based on SME banking are presented below-

### Comparison of SME products & Features:



The growth of Small & Medium enterprise (SME) in terms of size and numbers has multiple effects on the national economy, specifically on employment, GDP growth, and poverty alleviation in Bangladesh. At present, small & medium enterprise sector is playing vital role in creation of new generation entrepreneurs and “ Entrepreneurs culture” in the country. To facilitate SME sectors of the country ,IFIC bank provides collateral free credit facilities to the small & medium entrepreneurs across the country . Basically IFIC bank is offering 15 different products for selected groups , such as *Easy Commercial Loan, Retailers Loan , Transport Loan , Commercial House Building Loan , Possession Right Loan , Contractor's Loan , Bidder's Loan , Working Capital Loan , Project Loan , Letter of Guarantee , Letter of Credit , Loan against Imported Merchandize (LIM), Loan against Trust Receipt , Muldhan, Women entrepreneur's Loan (Protyasha).*

SME products	Features
EASY COMMERCIAL LOAN	To meet business requirement of individual business enterprises (other than public limited company) against pledge of financial instruments i.e. FDR, ICB Unit Certificate, WEDB, NFCD, PSS Account, MIS & Share Certificates & any other Govt. security eligible for credit facilities. Loan Processing Fees: Tk. 500/- Penal Interest: Additional 2.00% p.a on the overdue amount.

<p style="text-align: center;">RETAILERS LOAN</p>	<p>Retailer’s loan is basically a term loan in nature and no collateral security is needed for this loan. The repayment policy is monthly basis. Shortest possible processing &amp; least formalities because the loan period is only 12 to 36 months and the loan is applicable up to 2 lac taka. From the IFIC’S point of view, to meet working capital /capital finance for any small &amp; retail entrepreneur with successful business record, having a valid trade license are eligible for Retailers loan. So the eligibility criteria’s for retailers loan are-</p>
<p style="text-align: center;">TRANSPORT LOAN</p>	<p>To purchase of Road/Water transport for commercial use transport loan is given. For this loan, penal interest rate will be additional 2.00% p.a on the overdue amount, if any. For this type of loan the eligible criteria are given below-</p>
<p style="text-align: center;">COMMERCIAL HOUSE BUILDING LOAN</p> 	<p>People who need loan for commercial or residential purposes and also for the construction of uncompleted residence commercial house building loan is given.</p>

### POSSESSION RIGHT LOAN



For financing fixed working capital proprietorship which concern having no collateral security to offer other than possession right of shop and this is very risky loan. It is risky because here need to be 3 parties agreed. One party is the owner another one the possession holder and the bank, if owner is disagreed the loan facility could not be given to possession holder. The loan is limited up to 5lac taka.


### CONTRACTOR'S LOAN



This loan is given to the contractors who have a good relationship with the bank and depth of the relation decides the amount of loan which is given to contractors. That's mean more the good relation, the higher the amount of loan is approved.

<p style="text-align: center;">BIDDER'S LOAN</p>	<p>Individuals, business enterprises (other than public limited company) engaged in construction and supply business can avail Bidder's loan for issuing Payment Order/Demand Draft etc. to participating in tenders.</p>
<p style="text-align: center;">WORKING CAPITAL LOAN</p>	<p>This type of loan is given to the business organizations who have manufacturing as well as in trading business for their daily operation.</p>
<p style="text-align: center;">PROJECT LOAN</p>	<p>It is a big concept according to IFIC bank and for that they have separate department. The loan size is huge which 1- 100crore taka is and when the amount is huge a number of banks take initiatives to finance the project loan. This grouping among banks to give loan is known as syndicate and this is done to share risk if any loan default takes place.</p> <p>.</p>
<p style="text-align: center;">LETTER OF GURANTEE</p>	<p>In these criteria guarantee is given by the bank to business organizations for issuing guarantee to participate tenders, execute job order and to meet any other obligation. But the period is too short only 45-180 days.</p>



<p>LETTER OF CREDIT</p>	<p>According to IFIC bank the LC process basically depends more on the relationship and mutual understanding between them and customers.</p>
<p>LOAN AGAINST IMPORTED MARCHANDIZE (LIM)</p> 	<p>In case of LIM, there should a long relationship between bank and client because it is based on the trust. Here the bank takes the responsibility of maintaining the imported goods of their clients. Sometimes the bank gives incentives to their clients.</p>

## LOAN AGAINST TRUST RECEIPT



The LIM and LTR is almost the same category of loan given by the IFIC bank. Here the bank basically issue loan against a trust receipt.

## MULDHAN



Any business purpose loan for business enterprises (other than Public Limited Company) incorporated in Bangladesh engaged in manufacturing or trading or service business. This is a term loan in nature and it has monthly repayment facility. No Collateral security is needed, loan above Tk.5, 00,000/- (Taka Five Lac) is to be collaterally secured by legal mortgage of immovable properties. In case of loan period IFIC bank gives maximum 36 (thirty six) months for loan upto Tk.5.00 lac and maximum 60 (sixty) months for loan above Tk.5.00 lac. For muldhan the penal interest is also high additional 3% on the overdue/ excess over limit amount, if any.

WOMEN-ENTREPRENUR'S  
LOAN(PROTYASHA)



Any business purpose loan for Small and Medium sized business, owned by women entrepreneurs. This also term loan in nature. Loan size is fixed which is minimum Tk. 50,000/-(Fifty Thousand), maximum Tk. 3.00 lac. Loan period is maximum 18 (Eighteen) months for loan amount of Tk. 50,000/- , maximum 24 (Twenty four) months for loan upto Tk.1.00 lac. , maximum 36 (Thirty six) months for loan upto Tk.3.00 lac. No collateral security is needed here.



## Eastern Bank Ltd.

Eastern bank Limited has categorized their SME banking into twelve different sectors, which has been described below-

SME products	Features
EBL AGRIM	Any legal business purpose, loan facility minimum BDT 200,000 – maximum BDT 950,000, No collateral security required, Loan tenure 1 month to 6 months, Single shot payment at maturity but interest will be realized on monthly basis, Partial payment and early payment allowed- no additional fee required.
EBL PUJI	Any business purpose loan from Tk. 500,000 to Tk. 5,000,000, To be repaid within maximum 36 months (Next loan is repayable within 60 months), Collateral security required along with charge on business assets, Loan repayable in equal monthly installment
EBL BANNIJO	Credit facility up to BDT 20,000,000 to any legitimate import business, Nil margin LC facility, No requirement of land/building mortgage, Post import facility up to 6 months, 30%-40% of total limit in the form of FD as collateral required, Over Draft facility to support day to day general expenses..

<p style="text-align: center;">EBL UNNOTI</p>	<p><i>"Unnoti" is a bundle loan product for SME customer having finance against fixed asset and working capital requirement for creditworthy business secured by collateral security (registered mortgage of land &amp; building)."</i></p> <p>Any legal business purpose bundle loan for SME, Loan amount from BDT 10 Lac to 1 Crore, 50% Term Loan and 50% OD facility of total loan limit, Maximum tenor for Term Loan is 60 months and Overdraft for 12 months*, Collateral security required along with charge on business assets, Flexibility in loan usage, interest would be charged on utilization amount only, Lowest interest rate in the market Nominal loan processing fee only.</p>
<p style="text-align: center;">EBL UDDOG</p>	<p>Any legal business purpose, loan minimum BDT 6,00,000 – maximum BDT 50,00,000, Without land/building mortgage, To be repaid within maximum 60 months, Loan repayable in monthly installments, 50% of the loan amount in the form of fixed deposit is needed.</p>

<p style="text-align: center;">EBL SUBIDHA</p>	<p>Minimum account opening amount BDT 100,000, Minimum deposit requirement for interest earning BDT 100,000, Daily interest bearing and half-yearly interest paying account, Free Monthly Statement for the Current Account and Free Half-yearly Statement for the Shubidha Account, No Ledger Fee if the Shubidha Account average balance is BDT 100,000 or more; in case of amount less than that a semi-annual ledger fee of BDT 300 will be applicable, 24-hour money withdrawal facility at any VISA ATM, No Intercity Transaction Fee Up to BDT 10,00,000, Any EBL Branch Banking Facility, Internet Banking facility.</p>
<p style="text-align: center;">EBL MUKTI</p>	<p>Credit facility up to BDT 300,000 (three lac) in any legitimate business, No requirement of land/building mortgage, Yearly interest rate is 10%, which is the lowest in the country, Repayable in 18 months, Facility is only for Women Entrepreneurs.</p>


<p>EBL KRISHI RIN</p>	<p><i>“Agriculture is one of the prime driving force of Bangladesh economy. In order to ensure loan in agricultural sector, EBL is introducing ‘EBL KrishiRin’ facilities for the farmers without any collateral &amp; zero processing fee.”</i></p> <p>Loan for Individual Farmers/Share Cropper who are directly engaged with crop cultivation. Loan Limit Minimum BDT 10,000.00 and Maximum BDT 1,50,000.00, Loan may be given for one time or revolving basis, Repayment depends on harvesting of the crops, No collateral required, No loan processing fee.</p>
<p>EBL ASHA</p>	<p>Any business purpose loan from Tk. 200,000 to Tk. 990,000, To be repaid within maximum 24 months (Next loan is repayable within 60 months), No requirement for collateral security Loan repayable in equal monthly installment.</p>
<p>EBL UDDOM</p>	<p>Any legal business purpose, loan amount minimum BDT 10 Lac to maximum BDT 50 Lac, Without land/building mortgage, 50% of the loan amount in the form of fixed deposit is required, To be repaid within maximum 48 months, 50% loan repayable in monthly installments and rest 50% overdraft, Overdraft facility when necessary.</p>

<p style="text-align: center;">EBL INVOICE FACTORING</p>	<p>Interest rate 13% per annum, Limit amount maximum BDT 5 crore, Accepted invoice from list of buyers/debtors including EBL's Corporate Clients, MNCs, Multilateral Agencies, Banks, NBFIs Insurance Companies, NGOs</p>
<p style="text-align: center;">SME EQUITY BUILDER</p>	<p><i>“SME Equity Builder” from Eastern Bank Ltd. is designed for the Small and Medium sector businesspersons as an exclusive savings scheme. This SME Equity Builder Account is linked with your Current Account that gives you higher return of your monthly savings at the maturity”</i></p> <p>Minimum installment amount BDT 500 and maximum BDT 50,000, Tenor 5 years (60 months), Higher interest rate compare to other savings scheme in the market, Pre-mature encashment is allowed anytime*, One enterprise can open multiple EBL SME Equity Builder account, 90% SOD facility of the present value of the deposited amount*, Free monthly statement for the Current Account and free half yearly statement for the SME Equity Builder Account, It's easy, simple and smart savings scheme from your monthly business income where you can build your business equity.</p>



SME Banking of City Bank is assuming a new and modern dimension. It is entering in to a wider horizon. For the first time in the history of CityBank, SME Banking business processes are going to be driven through a centralized platform model. This is a fundamental move away from a 25 years legacy system of decentralized geography based branch banking model.

SME products	Features
CITY MULDHAN	To facilitate trade related business. Loan amount ranging from Tk. 500,000 to Tk. 40,00,000, Competitive interest rate, Flexible security arrangement, Complete business solution, Considerations of cash transactions besides bank statement, Quick approval process.
CITY SHEBA	To facilitate different concerns engaged in service related industry, The City Bank is going to introduce a customized product naming City BankSheba . The product will positively satisfy different business related needs of the clients involved in different service sectors. Features are same as city muldhan.
CITY SHULOV	A unique product to facilitate concerns engaged in manufacturing business. The product will facilitate to meet up diversified needs to different manufacturing concerns. Features are same as city muldhan.

<p style="text-align: center;">CITY MUNAFA</p>	<p>"MUNAFA" is a terminating loan facility (EMI based) for working capital, fixed asset purchase, or any other business purpose. Bank would finance against net cash flow of the socio economic entity derived from cash flow of any creditworthy business and secure the lending against lien of CBL fixed deposit amounting 50% of loan volume. The product will allow the bank to capture the existing market opportunity.</p>
<p style="text-align: center;">CITY NOKSHI</p>	<p>City Bank introduces City Nokshi – an exclusive SME financial facility for women entrepreneur.</p>
<p style="text-align: center;">CITY AGRO</p> 	<p>City agro loan basically for the rural people and farmers. That's it has been divided into 4 categories based on different rural activities-</p> <ul style="list-style-type: none"> <li>-CITY KHAMAR: City Khamar is the loan product to assist the growers who are involved in fish and poultry production.</li> <li>-CITY JONTROPATI: City Jontropati is aimed to facilitate the farmers to produce different agro based machinery and equipment for their irrigation and cultivation.</li> <li>-CITY SHOSSHU: City Bank has come forward to accept the call and introduced City Shosshu to facilitate rural agricultural development.</li> <li>-CITY LIVESTOCK: City Livestock is the loan product to assist the persons involve in farming livestock in different areas in the country.</li> </ul>

## Comparison of Eligibility for loan approval:



SME products	Eligibility
Easy commercial loan	FDR, ICB Unit Certificate, WEDB, NFCD, PSS Account, MIS & Share Certificates & any other Govt. security are eligible for credit facilities.
Retailers loan	Successful business record, Valid trade license.
Transport loan	Individual, business enterprises (other than public limited company) who engaged in transport business at least for two years as well as has experience are eligible for transport loan.
Commercial house building loan	Individual, business enterprises (other than public limited company) having commercial plot are eligible for construction of commercial building.
Possession right loan	At least two years' experience in the line of business is eligible for possession right loan.
Contractor's loan	Individual, business enterprises (other than public limited company) engaged in construction and supply business are eligible for secured over draft to execute work order awarded by Govt. /Semi Govt. & Autonomous Bodies.

Bidder's loan	There are no specific criteria for being eligible. But for getting bidders loan legal business documents and experience is needed.
Working capital loan	Business Enterprises (other than public limited company) engaged in manufacturing/ trading business are eligible to avail Working Capital Loan to meet day to day expenses for processing of manufacturing and selling product.
Project loan	Business Enterprises (other than public limited company) engaged in manufacturing/ service industry can avail Project Loan to set up /BMRE of manufacturing /service unit.
Letter of guarantee	Business Enterprises (other than public limited company) engaged in construction, supply and other business enterprise can avail Letter of Guarantee facility .
Letter of credit	Business Enterprises (other than public limited company) can avail Non-funded facility for import / procurement of merchandise.
Loan against imported Merchandize(LIM)	Business Enterprises (other than public limited company) can avail Non-funded facility for import / procurement of merchandise.
Loan against trust receipt	Business Enterprises (other than public limited company) engaged in import of merchandise can avail working capital for retirement of import documents.
Muldhan	Business enterprise having two years' experience in existing business, Monthly cash flow to support proposed loan installment.

Women Entrepreneur's loan (Protyosha)	Woman entrepreneurs having two years' experience in the same line of business, Monthly cash flow to support proposed loan installment.
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SME products	Eligibility
EBL Agrim	Any successful enterprise with minimum two years in same or relevant business can apply for the loan, Business cash flow to support the proposed loan in one shot, Necessary documents of business required, Bank account in the name of the enterprise or entrepreneurs, Personal guarantee required .
EBL Puji	Any sole proprietorship, partnership, or private limited companies having minimum 3 years of successful business operation, Monthly cash flow to support the proposed loan installment.
EBL Bannijyo	Any legitimate business with three years of operation and at least one year experience in import business, Necessary import related documents, Business cash flow to support repayment.
EblUnnoti	Any sole proprietorship, partnership or limited companies having minimum 2 years of successful business operation, Business cash flow must support to the proposed loan amount.
EBL Uddog	Any successful enterprise minimum one and a half years in same or relevant business can apply for loan, Business income to support the proposed loan installment, Necessary documents of business are required, Bank account in the name of enterprise or the entrepreneurs.

EBL Shubidha	Any legitimate business entity - sole proprietorship, partnership or private limited company, with valid trade license and other documents as per Bangladesh Bank requirements, can open EBL Shubidha.
EBL Mukti	Any legitimate business with at least two years of operation, Business Cash Flow to support repayment.
EBL Krishirin	Any individual Bangladeshi farmer/share cropper has minimum 1 year experience in farming can apply for the loan, Loan will be extended up to 15 bighas cultivable land owners/7.5 bighas for potato & sugarcane, Repayment tenor minimum 3 months and maximum 12 months.
EBL Asha	Any sole proprietorship, or private limited companies having minimum 1.5 years of successful business operation, Monthly cashflow to support the proposed loan installment, 2 personal guarantee.
EBL Uddam	Any successful enterprise minimum 2 years in same or relevant business can apply for loan, Business income to support the proposed loan Installment, Necessary documents to business are required, Bank account in the name of enterprise or the entrepreneur.

SME Equity builder	Any legitimate business entity-sole proprietorship, partnership or private limited company, with valid Trade License and other documents as per Bangladesh Bank requirements, can open EBL SME Equity Builder.
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Basically city bank doesn't follow any specific eligibility for loan approval, as we have seen in case of IFIC & Eastern bank Limited. So, city bank actually approve loan based on their knowledge about a Clint's capability of repayment as well as based on the CIB report from Bangladesh bank.



## Chapter Five

### Summary of Comparative Analysis & Findings

<b>Items</b>	<b>City bank</b>	<b>IFIC bank</b>	<b>Eastern bank</b>
SME products	City bank has categorized this loan in six different categories.	IFIC bank has categorized this loan into 15 separate sectors, which covers a wide area.	Eastern bank has 12 different products of SME loan.
Purpose of loan giving	To encourage women as entrepreneur, to enhance the trade, manufacturing & agro related business.	To facilitate the commercial business, retailers, women, bidders, to finance WC & also offers some non-funded facility like LC, LTR etc.	To finance any secured business, to encourage the women, farmers as well as equity builders.
Security	Flexible security arrangement, it means no collateral fee is required.	No collateral security is needed.	Collateral security may charge fee or required along with charge on business asset. It actually depends on different types of SME loan.
Minimum income of borrower	Consider 40000 tk per month.	Consider 30000tk per month.	Consider 30000tk per month.
Minimum age of business	Not fixed	At least 3-4 years.	At least 2-3 years.
Tenor	3 to 5 years	3 to 5 years	1 to 5 years
Interest rate	Competitive interest rate.	16%	12%
Link account	Minimum opening balance 1000tk	Minimum opening balance 2000tk	Minimum opening balance 1000tk
Loan processing fee	1.5% of loan size+ vat	1% of loan size+ vat	2% of loan size+ vat, but no loan processing fee is charged for krishirin.

<b>Items</b>	<b>City bank</b>	<b>IFIC bank</b>	<b>Eastern bank</b>
Environment policy	There is no policy	Recently taken initiatives for not giving any loan to environment unfriendly projects.	There is no policy.
Repayment Schedule	Monthly installment	Mainly monthly but sometime Quarterly	Monthly installment

### **Financing scenario of SME loan in IFIC bank Limited:**

In comparison to city bank & Eastern bank IFIC bank basically have both some strong side as well as weaknesses which has been discussed below-

- ✚ IFIC bank provide a wide range of SME product comparing to the City & eastern bank. Because IFIC has 15 different categories of SME product which is higher than the other two banks.
- ✚ Operational Constraints one of the major problems in IFIC bank .SMEs suffer from various types of operational constraints which impede their growth and expansion. Lack of institutional credits, limited access to modern technology and non-availability of marketing information and other promotional support are the major constraints hampering the SMEs growth. So, IFIC bank is thinking about using modern technology like software to analyze the creditworthiness process.
- ✚ Another problem faced by IFIC bank is that due to illiteracy and inadequacy of management know-how, majority of the entrepreneurs in the SME sector cannot afford to maintain the documentation procedures themselves which are required to avail the financing opportunities from the available formal sources. The entrepreneurs cannot properly utilize the money as well as they do not motivate other entrepreneurs to take loan
- ✚ It also offers products even for some non-funded facility such as order finance, LC facility with LTR.
- ✚ The bank is flexible in terms of security against the facilities it offers to their Clients.

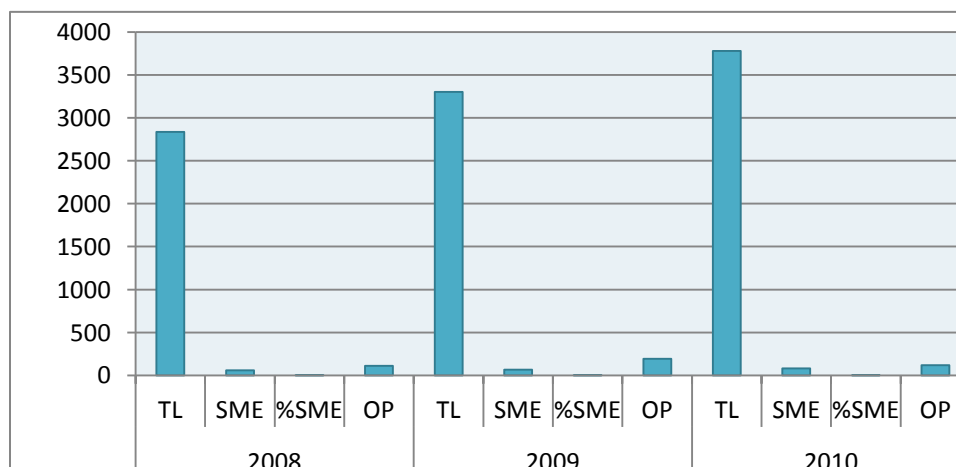
- ✚ At Dhaka the Elephant road branch of IFIC bank is corporate customer oriented and they are not very serious about the marketing & expanding of SME loan in the city.
- ✚ Time of loan processing is relatively slow & IFIC bank doesn't have any fixed target for providing SME loan.
- ✚ IFIC bank is not concern about the marketing & promotional activities of SME products and services, even they have any outsourcings for marketing.
- ✚ The interest rate for SME loan is relatively high in IFIC bank comparing to the other two banks.

### SME Loan situation of IFIC bank ltd:

2008				2009				2010			
TL	SME	%SME	OP	TL	SME	%SME	OP	TL	SME	%SME	OP
2836.15	60.03	2.12	110	3301.80	67.78	2.05	193	3779.40	80.96	2.14	120

Here, TL stands for total loan and advances, SME stands for performance of SME sector, % SME= % of SME loan in total loan, OP = Operating profit. Figures are in crore tk.

From the table, it can be seen that, the OP from SME loan is the highest in 2009, but in 2008 & 2010 the SME contribution is low comparing to 2009. In 2008 IFIC bank's performance is only 60.03 crore which is only 2.12% of total loan & advances., but in 2009 their performance has increased to 67.78 crore which is 2.05 % of of TL , finally they have reached to 80.96 crore in 2010 which is the top performance comparing to 2008 & 2009.



## **Prospect of SME banking in IFIC bank Limited:**

Our country has the potential for further growth of SME , which promises generation of higher employment, boost revenue earning and fetch foreign exchange through exports.

The board of directors of IFIC bank is optimistic about the substantial growth in the business activities of the bank. To bring unbanked people in the mainstream of banking, the bank has plan to open a good number of new branches /SME/Krishi branches in different districts of the country in 2010 to raise the number of branches to 100 like other First generation private sector commercial banks. The bank will also strengthen its financing in SME & Agriculture sector, these are the two priority sectors that has been identified by Bangladesh Bank in 2010.

This year IFIC bank is thinking about to give training about proper money utilization and management know how to upgrade the knowledge of SME entrepreneurs. Moreover, SME entrepreneur do not keep proper record of transaction andtheir book keeping skills is not satisfactory. That's why IFIC bank is planning to make proper book keeping record as a requirement for giving SME loan.

## **Contemporary scenario of SME banking in Bangladesh:**

As in this project report SME banking of three different local institutions have been associated & discussed, so after a broad comparison some drawbacks and inaccuracy have come out. Those lacking is basically precluding the growth of SME banking in Bangladesh. There are few initiatives visible from the government side to bolster SME . There are some problems tha need to be solved on an urgent basis to promote the SME. The problems of SME loans in Bangladesh are as follows-

### **Delay in payment of debts**

SMEs are especially prone to problems resulted by late payment by trade-debtors which should be taken under serious consideration of the policymakers in order to formulate suitable legislation, in case of SME loan banks need to keep provision 2 to 5 % which reduces the investment capacity of a bank.

## **Lack of entrepreneurship development program**

In Malaysia, there is a Ministry of called Ministry of Entrepreneur & Cooperative Development . It has different divisions and wings for operating training and support for entrepreneur development. But in Bangladesh there is no such responsible body to do development activities. Lack of sector specific skilled manpower: There is no educational institute or technical college in Bangladesh equipped with modern technologies for training up people to employ in that sector.

## **Lack of marketing knowledge:**

One of major problems of the SME is ignorance about the marketing .Based on the previous analysis about three different banking institutions it can be said that , they even fail to undertake market research, lack an appropriate pricing strategy and fail to evaluate their decisions in regard to other aspects of marketing mix. InBangladesh it is a very new concept and to develop this concept appropriate market research isneeded.

## **Lack of testing facility**

In Bangladesh there is lack of testing SME products to know whether it is accepted by SME or not, whether it is providing benefit to the SME clients or not.. So, that that further changes can be made according to the demand of SME clients.

## **Absence of SME support centers**

Till now a few consulting firms are providing services at a high charges. In Bangladesh there should be some more SME centers to support the potential entrepreneurs to prepare project proposal, formulate marketing strategy.

## **Absence of an individual SME policy**

There is an SME policy strategy 2005. But many of its articles become obsolete today. So, drafting & implementing an individual SME policy based on current need is essential today.

## Chapter Six

### Recommendation

- To overcome the operational problems of SME sector IFIC should use upgraded as well as latest technology by analyzing the global market situation. So, that this sector can develop more.
- For the lacking of literacy and adequate knowledge of management know how, SME entrepreneurs cannot properly maintain the documentation procedures which is needed for approving the loan .So, IFIC bank can arrange several types of seminar and workshops for their small entrepreneurs to make them aware about the entire SME banking process as well as to clarify how they can use their money in a better way.
- Project management knowledge of the SME entrepreneur should be improved byGovernment through various training on Loan Application Procedures, Project Appraisal, Selection techniques and investment counseling.
- Due to the delay in payment of debts banks face several problems which basically reduce the investment capacity, so to avoid this difficulties Government should establish on proper and strict legislation for the debt holder.
- The target groups are to be aimed successfully and expert trainers are to be placed to train about adequacy of management knowledge and make entrepreneurs afford to keep proper document.
- In order to develop the SME concept, IFICcan go for market research to promote it widely and also for appropriate market strategy. For this they can outsource their marketing process for SME banking.

## Conclusion

IFIC Bank started SME banking only few years back but they are very much conscious about this banking system. Because now a day's small and medium enterprise are being considered as the driving forces of pro-poor economic growth in Bangladesh. The SME market is becoming increasingly attractive as competition has increased. Though there are many challenges need to face in this SME banking but IFIC Bank is going to take some measure to reduce the challenges and by reducing those problems they want to give emphasize to SME loan to small entrepreneur and want to develop our national economy specially increase employment generation, GDP growth and poverty alleviation in Bangladesh.

## References

### **Prospectus/ Annual reports:**

- ✓ Prospectus of IFIC Bank ltd.
- ✓ Prospectus of City bank & Eastern bank ltd.
- ✓ Prudential Regulations for Small & Medium enterprise Financing
- ✓ Annual report, IFIC bank ltd, 2008
- ✓ Annual report, IFIC bank ltd, 2009

### **Interviews:**

- ✓ Interviews of Ariful islam- Credit risk analysis manager IFIC bank ltd.
- ✓ Mohd Nazrul Islam First Assistant Vice President (FAVP), IFIC bank ltd.
- ✓ Three Officers of Elephant road Br. , IFIC bank limited
- ✓ Two Clients of Elephant road Br., IFIC bank limited
- ✓ Currently occupied interns (Two) of City bank & Eastern bank ltd.

### **Internet:**

- ✓ [http://www.ificbank.com.bd/sme\\_banking.php](http://www.ificbank.com.bd/sme_banking.php)
- ✓ <http://www.ificbank.com.bd/index.php>
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