

Internship Report

Fund management at DBH

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26th January, 2014

Letter of Transmittal

26th
January 2014
Mahtab Farooki
BRAC Business School (BBS)
BRAC University

Subject: Submission of Internship Report of BBA Programme

Dear Madam,

It is my great pleasure to submit the internship report on "*Fund Management at DBH*" which is a part of BBA Program to you for your consideration.

I made sincere efforts to study related materials, documents, observe operations performed in DBH Finance Co. Limited and examined relevant records for preparation of the report.

Within the time limit, I have tried my best to gather the appropriate information as broadly as possible and if you need any further information, I will be glad to assist you.

Thanking you,

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Acknowledgement

At first I would like to thank my honorable internship supervisor from BRAC Business School (BBS), BRAC University, Mahtab Farooki for providing me such an opportunity to prepare an Internship Report on “**Fund Management at DBH**”. Without her helpful guidance, the completion of this project was unthinkable. I would like to place my gratitude to the HR of DBH Finance Co. Limited to enable me to complete my internship in their esteemed organization.

Very special thanks go to Tabassum Samad Chowdhury, Head of Deposit Operation, DBH Finance Limited & Mir Mohammed Ariful Islam, Senior Executive Deposit, DBH Finance Co. Limited, for helping me in all phase of the internship process. Their overwhelming support for my internship gave me the inspiration to do a better report.

During my preparation of the project work I have come to very supportive touch of different individuals (respondents from DBH Finance Co. Limited) & friends who lend their ideas, time & caring guidance to amplify the report’s contents. I want to convey my heartiest gratitude to them for their valuable responses.

Executive Summary

The non-bank financial institutions (NBFIs) are emergent sector of the financial system in Bangladesh. The NBFIs have been contributing toward increasing both the quality and quantity of financial services and mitigating the gaps of existing financial crisis to meet the growing needs of different types of investment in the country.

Major business of all NBFIs are keeping deposit and providing loans. In terms of keeping deposits org. has specific policy and these policies have both positive and negative impact. In terms of loan facilities to the business along with various types of product as loans to individuals and organizations therefore risk is associated with each and every product they are offering. To minimize this risk every institution has its own risk management policies. A number of actions are taken so that risk associated to their investment can be minimized.

This report is emphasizes on asset management, liabilities management and credit management in NBFIs in Bangladesh. In this regard DBH Finance Limited has been taken as the sample organization, its, services, rules and regulation, corporate governance is also taken into consideration.

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Chapter 1

The organization



Introduction:

The development of financial market has been receiving heightened attention from the policy-makers in recent years. One explanation lies in the fundamental shift of development strategy reflected in the nearly universal squeeze of the private sector as an engine of economic growth. The governments in both developed and developing countries, the international financial institutions which exert tremendous influence on the policy-making apparatus of developing countries and, to a great extent, the intelligentsia have all joined together as ardent advocates of private entrepreneurship.

DBH Finance Co. Ltd, a leading financial institution of the country achieved significant growth in all areas of business in recent times. DBH began its operation in 1997 as a leasing company in Bangladesh.

The company also strengthened its presence in the country's growing stock market with launching a subsidiary-DBH Securities Limited-which is offering full-fledged brokerage Service for retail and institutional clients.

CORPORATE PROFILE

Delta Brac Housing Finance Corporation Ltd. (DBH) is the pioneer, largest and specialist in Housing Finance institution in the private sector of the country. After commencing operation in the early 1997 the company has registered commendable growth in creating home ownership in Dhaka and other major cities of the country. At the same time, the company has been playing an active role in promoting the real-estate sector to the large cross sections of prospective clients who had but yet unfulfilled dream of owning a home. Among all Banks and Financial Institutions of Bangladesh only DBH has been rated the highest 'AAA' credit rating for seven consecutive years. The level of credit rating provides a very important indication of the financial safety, security and strength of the concerned Bank or Financial Institution and is particularly relevant to its depositors and other investors such as shareholders and lenders.

VISION

To be the leading financial institution in the country with satisfied customers and employees and to generate value for our shareholders while contributing to the wellbeing of the society.

MISSION

To strengthen the society of the country by continually expanding home ownership.

STRATEGIC OBJECTIVES

- Focus on building deep and long-standing relationships with our clients, customers as well as Real-estate developers, and constantly look to improve the quality of our products and services.

- Focus on developing our human resource talents.
- Ensure balanced growth with a disciplined approach to the management of risks and costs.
- Ensure adequate capital and liquidity to sustain our business over the long term.

CORPORATE RESPONSIBILITY

DBH is recognized as a responsible corporate citizen for its continuous effort to promote ownership of housing, wealth creation and also towards the improvement of the underprivileged and weaker sections of the society. DBH is committed to participate in ventures for improvement of our society by taking development initiatives towards our rich cultural heritage.

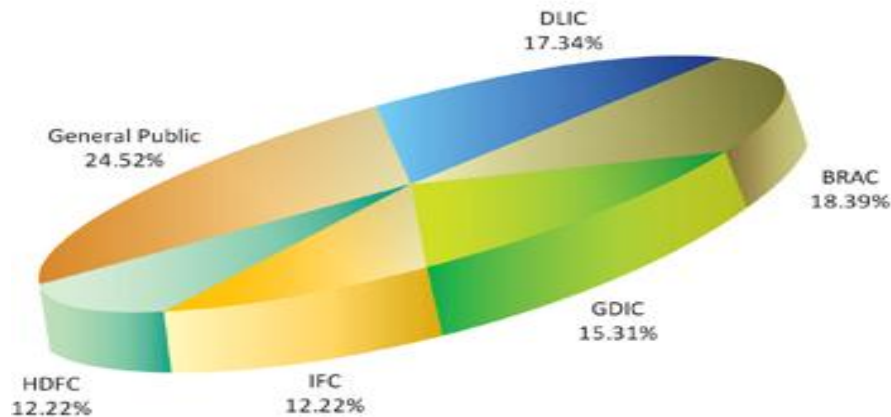
Formation of DBH

DBH is an international joint venture organization promoted by five institutions: three local shareholder organizations and two international partners.

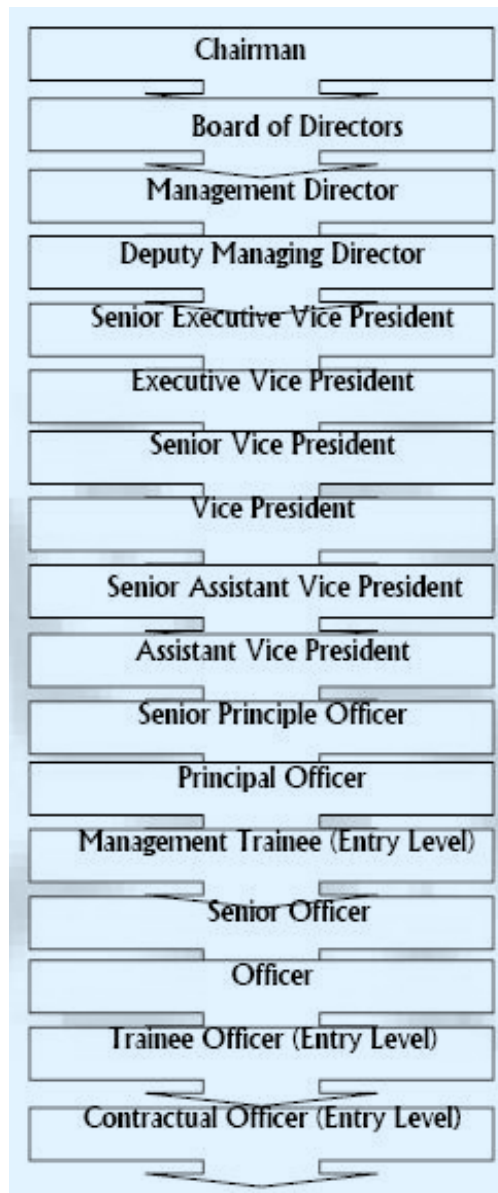
The company floated its shares to the general public through IPO in the year 2008.

The local promoters are:

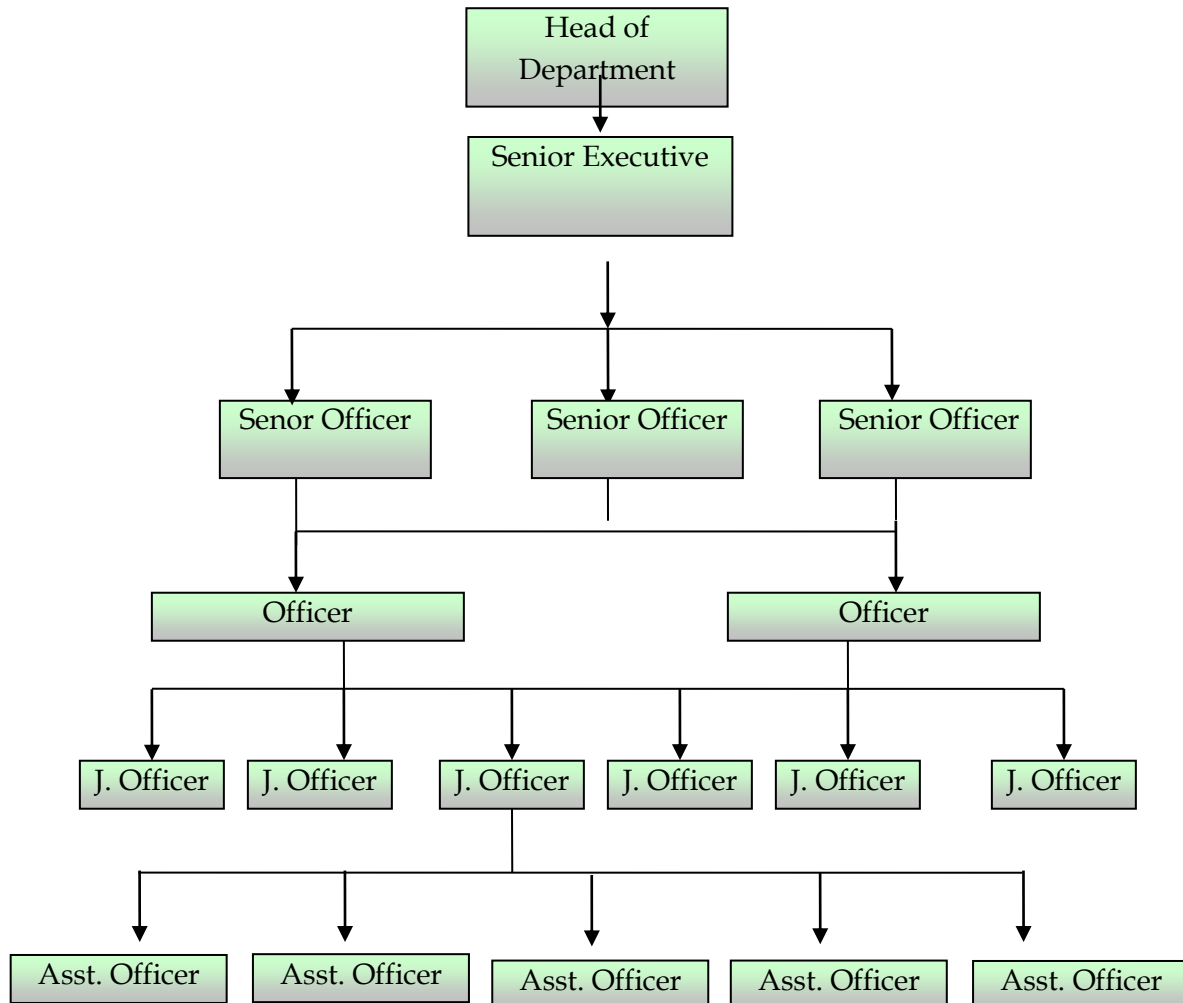
- Delta Life Insurance Company Limited: The leading life insurance company in the private sector of the country.
- BRAC: The largest national NGO of the world, having deep presence in the country and contributing in the socio-economic development of the country.
- Green Delta Insurance Company Limited: The leading and pioneer general insurance company in the private sector of the country.



Organogram of DBH:



Organogram of DBH Gulshan Branch:



Chapter 2

Individual Job Responsibility:



Nature of the Job:

DBH is the one of the rapidly growing financial institutes in the Bangladesh. I have worked on the DBH's Gulshan branch, which is the head office of that organization. Loans Unit, Deposit unit and other departments operation goes on in their own way. Besides the overall organizations synchronization is done here. My responsibility was to update information, scanning the required information and match them, reporting any mismatch or unauthentic information and at the end of the day reporting to the supervisor about the daily progress and the overall progress.

Specific Task:

As I was appointed in Deposit unit of DBH, I was working with deposit management team from September 17th to December 17th. My prime job was

- Maintaining customer's data of deposit: Customer database management is one of the crucial parts of deposit management. DBH has its in-house information system completely based on Oracle.
- Information Update: Overall customer's information like name, address, contact number, deposit scheme, maturity date, loan amount and other necessary details are registered there. For verification photo, signature, NID, TIN is also updated there. There are more than 12000 active customers.

Different aspect of job performance:

Besides performing in customer's information management I had to do some additional work at the same time. These are:

- Printing
- Photocopy
- Files Arrangement
- Ongoing customers management
- Documents error checking etc.

Curtil observation:

Customer's information maintained due to various reasons these are:

- ✓ Keeping track of interest expense
- ✓ Managing outflow of cheque disbursement
- ✓ Contacts works as reference
- ✓ This sort of information tracking available for loan customers also that reduces the probability of NPL

Chapter 3

The Project



Summary of the report:

Fund management is the most vital task of any financial organization. In this report I have discussed about how the organization is managing the asset, liability and credit and synchronization of all three and where they can improve their self and what are the advantages that they are having.

Origin of the report:

Since practical orientation is an integral part of the BBA degree requirement, I was deputed by the BRAC Business School (BBS), BRAC University to DBH Finance Limited to take real life exposure of the activities of the organization as a financial institution.

During my internship at DBH Finance Limited I have come across with different functions of the company. From them I have decided to work in the field of Deposit Management and giving special emphasis on Liabilities Management and asset management at the same time.

This report has been originated as the course requirement of the BBA program. I hope the report will give a clear idea about Fund Management and asset, liabilities and credit management is making impact on it.

Methodology of study:

Analysis has been made on the basis of the objectives mentioned before in the context of “**Fund management at DBH**”

The paper will be written on the basis of information collected from primary and secondary sources.

- (i) Primary Data; Discussion with the respective organization's officials.
- (ii) For the completion of the present study, secondary data has been collected. The main sources of secondary data are:
 - ✓ Annual Report of DBH Finance Co. Limited.
 - ✓ Website of DBH Finance Co. Limited.
 - ✓ Data from published reports of SEC, DSE

Objective of the report:

The main objective of the study is to get a definite idea about how Fund management plays a vital role for a financial organization. Though the title “**Fund Management**” is a very lengthy area, the specific objectives are as follows:

1. To know the necessity of Asset Management
2. To know the necessity of liability Management.
3. To know the necessity of Credit Risk Management.

Limitation of study:

To make a report various aspects and experiences are needed. But I have faced some barriers for making a complete and perfect report. These barriers or limitations, which hinder my work, are as follows:

- Difficulty in accessing data of its internal operations.
- Non-Availability of some preceding and latest data.
- Some information was withheld to retain the confidentiality of the organization.

I was placed for only around 3 months of time & working like a regular employee hindered the opportunity to put the effort for the study. The time spent was not sufficient enough to learn all the activities of the organization properly. Therefore, it was very difficult to carry out the whole analysis.

Chapter: 4

Literature review



Definition of fund management:

The management of the cash flow of a financial institution. The fund's manager ensures that the maturity schedules of the deposits coincide with the demand for loans. To do this, the manager looks at both the liabilities and the assets which influence the bank's ability to issue credit.

A fund manager must also pay close attention to cost and risk in order to really capitalize on the cash flow opportunities. A financial institution runs on the ability to offer credit to customers. Ensuring the proper liquidity of the funds is a crucial aspect of the fund manager's position. Funds management can also refer to the management of fund assets.

Management of net funds available for investment and external funds purchased from other banks. Funds management attempts to match the cash flow needs of a bank against maturity schedules of its deposits as loan demand increases or decreases. Funds management is more of a Treasury function than Asset-Liability Management, which deals mainly with control of interest rate risk and liquidity risk, and the pricing of loans in specific time periods.

Funds management examines the mix of funds raised by a bank, including large dollar deposits, non-deposit borrowings, and credit advances from a Federal Reserve Bank or Federal Home Loan Bank. Its aim is supplying funds sufficient to meet the bank's asset growth objectives at the lowest funding cost, and at acceptable levels of risk (credit risk, liquidity risk, and interest rate risk).

On the asset side of the balance sheet, funds management deals with the control of discretionary portfolios by the corporate treasurer, including the investment securities portfolio and trading account assets. On the liability side, it focuses on wholesale sources of funds, including credit advances from a Federal Reserve Bank or Federal Home Loan Bank, and hedging techniques, such as interest rate futures and interest rate swaps to control these balance sheet exposures, Also called balance sheet management.

Chapter: 5

Fund Management Analysis



Sources of funds and its utilization:

The main sources of fund of DBH are shareholders equity and savings of the public which the organization mobilizes as deposits and uses as short and long term loans and advances as well as invest in different financial institutions including the Bangladesh Bank to earn profit.

Funding Operations:

This year the financial sector was up against a difference set of challenges stemming from healthy foreign remittance and export growth along with sluggish import growth leading to a sharp growth of Net Foreign Assets (NFA) and concerns over slowdown in growth. Faced with excess liquidity mainly due to slack growth in private sector credit, Banks were seen lowering one year term deposit rates to the level of 9.50 to 12.50 percent. However, most Financial Institutions were slow to respond to this market shift and at year end the average level of term deposit rates offered by NBFIs range from 13.00 to 16.00 percent. The funding composition of the Company has remained significantly reliant on the deposit portfolio. The deposit portfolio of the Company has stood at Taka 19,540 million. Long-term loan portfolio of DBH consists of funds received under Housing Loan Refinance Scheme of Bangladesh Bank worth Taka 3748 mn, long term loans received from international lenders like FMO & Triodos Custody B.V. worth Taka 1900 mn and loans sourced from local markets for Taka 1570 mn. Apart from that, the shareholder's contribution in the funding mix is around 9.00 percent at the close of financial year. The Company is continuously striving to source diversified avenues of funding to minimize its cost as well as asset-liability maturity mismatch in the balance sheet.

Capital:

The term capital refers to funds contributed by the organization's owner, consisting of stock reserves and those earning that are retained in the bank.

Importance of capital: Like any other financial institute, DBH requires capital for the following reasons:

- a. For building public confidence.
- b. To provide the normal hazard and unforeseen contingencies.
- c. To act as a caution in times of restricted monetary policy.
- d. To raise awareness that bank owners have state along with the depositors in the supply loan able fund.
- e. To obtain permission for opening new branches.
- f. To avoid punitive measures for reason of capital adequacy.

Asset Management:

Home loans: Providing home loans is DBH's prime business. They have various products for home loans these are: Apartment Loan Home, Construction Loan, Housing Plot Loan, Home Extension Loan, Home Improvement Loan, Home Owner's Loan, Flexi Plus Home Loan.

Home loan procedure: DBH maintains a structured procedure for Home loan. If anyone wants to take loan to buy apartment they need to provide some formal documents. These documents are:

→ **If Employed**

- Employment Certificate
- Latest Salary Slip/Salary Certificate showing all documents.
- Bio-Data/C.V.
- Bank statements for last 12 months.

→ **If Self-Employed:**

- Trade License of the business
- Copies of individual income-tax returns and assessment orders for the last three years along with the statement of income.
- Profit and Loss Account and Balance Sheet of your business for last three years.
- A note giving information on the nature of your business/profession, form of organization, clients, suppliers etc.
- Bank statements for last 12 months.

→ **Other Documents:**

- Copies of Ownership Document & Rental Agreement, if you have rental income
- Copies of Savings Instrument (if any)
- Similar proof of other income.

They provide 50% loan on total asset value. They make an authentic asset valuation before providing loans against any asset. They have governing body who verifies all the information given by the customers. If all customers' information and all the documents are verified then they make a contract with the customer where all the terms and conditions of loans are written.

Maintenance of loans: Customer's information's are recorded and updated continuously. A soft contact is maintained with the customers so the organization can keep track of that loan. It significantly reduces NPL (non-performing loans).

Credit control Unit: The objective of credit control unit is to manage risk inherited to the credit or loans given to the customer. This risk is known as credit risk.

The functions of credit department are:

1. **Assessment of credit risk:** Most important task of the credit control unit is to assess the credit risk of the loans that is given. It tries to control high risk opportunities as well.
2. **Establishment of credit terms:** what should be the terms of credit, like interest rate for some particular time and it changes how will it vary along with the market interest rate is being decided by the credit control unit. Terms and condition also varies considering the types of customer or other influential factors.
3. **Monitoring and control of loans:** It is ensured that all the high risk customers are kept under control and actions are taken promptly to resolve any question or disputes.
4. **Maintaining ledger:** Ensuring customer's master file is up to date and accurate, payments and other documents are applied promptly.
5. **Collection of payment:** The main purpose of collection of payment is to maintain the optimum cash flow.

To achieve optimum result the credit department does some routine works these are:

- ✓ **Risk assessment**
- ✓ **Credit rating**
- ✓ **Credit risk categories**
- ✓ **Customers account supervision**
- ✓ **Over-limit situations**
- ✓ **Credit insurance**
- ✓ **Bad debts and insolvencies**
- ✓ **Legal action**
- ✓ **Customer meetings**
- ✓ **Support for marketing information**
- ✓ **Cash collection**
- ✓ **Planning levels of Debtor**
- ✓ **Planning departmental expense**
- ✓ **Reporting, Departmental and corporate**

As at and for the year ended

Operational Highlights					
Particulars	30-Jun-09	30-Jun-10	30-Jun-11	30-Jun-12	30-Jun-13
Loan approved	5,197	7,006	6,128	5,757	5,405
Loan disbursed	5,327	7,158	6,460	5,904	5,357
Cumulative loan disbursed	21,379	28,537	34,997	40,901	46,258
Cumulative sanctioned	23,057	30,063	36,161	41,948	47,353

Figures are in million TK

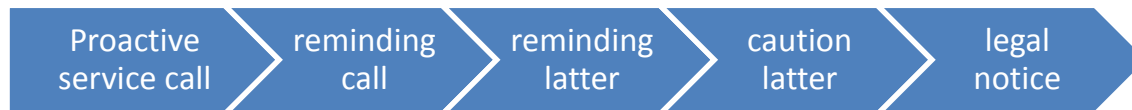
Recovery:

The challenges regarding controlling the growth of nonperforming loans have been a major setback for most of the banks and financial institutions this year. The situation has further worsened due to detection of major financial fraudulent activities in the nationalized as well as privately owned banks and introduction of conservative classification policy by the Central Bank. DBH has seen a slight increase in its nonperforming loan (NPL) portfolio. According to DBH's provisioning policy of maintaining 100 percent provision for any loan overdue for more than 180 days, NPL stood at 0.26 percent at close of FY 2012-13 compared to 0.20 percent at the end of preceding year. Although there has been an increase in NPL compared to the previous years, still these are the finest numbers in the industry. Till date, asset quality has been the foundation of the success story of DBH.

Collection process: Collection process is such a vital step for mitigating Non performing loans or NPL. DBH's collection process has some goes through a set of strategy. These are:

- Customer contact timing
- Customer contact Methods
- Preparation for customer contact
- Execution of the customer contact
- Negotiation
- Payment Plan
- Dealing with problem customer

Step by step process: Step by step process is shown below



Deposit Management:

Meaning of deposit management:

Deposits are the main part of a bank fund. It is almost impossible to think a bank without deposit. So every bank try to maximize its profit, try to secure it and try to maintain an easy flow deposit. Money market and capital market transactions make deposit collection process for bank. Notice that few years ago current deposit was higher than term deposit. But at present depositors like to keep their fund as term deposit. These deposits have an impact on the banks investment and lending policy. So, banks try to increase their deposits by offering attractive package to the depositors. Depositors have their own choice that is changing with time. With this change the banks introduce new deposit collection policy. These activities of bank related with deposit are known as deposit management.

Terms & Conditions » Deposit:

Mode of Acceptance:

Deposit shall be made by 'Account Payee' cheque drawn in favor of "Delta Brac Housing Finance Corporation Ltd." with duly filled application form. Deposit cheque should be made from the depositor's bank account and repayment will also be made on that account through BEFTN (Bangladesh Electronic Fund Transfer Network).

Mode of Repayment:

The depositor(s) have to return the deposit certificate duly discharged to DBH office to get the repayment amount. All payment will transfer to customer's bank's account anywhere in Bangladesh through BEFTN (Bangladesh Electronic Fund Transfer Network).

Period:

Deposits will be accepted from six months onwards as per the schemes. Deposit cannot be en-cashed before completion of six months as per rules of the Bangladesh Bank.

Required Documents:

The following documents are required to make FDR with DBH:

- Completed Deposit Application and Customer Registration form.
- Passport size photograph of all the depositors

- A photocopy of valid identification like passport, National ID card, or driving license of all the depositors.
- Passport size photograph of the nominees (must be attested by the depositors)
- Passport size photograph and photocopy of valid identification of guardian if depositor is minor

Deposits of minors:

Deposits can be made in the name of minors through their guardians. The guardian has to submit his/her passport size photograph along with the photocopy of identification card like National ID, passport or driving license. The guardian can also avail loan against deposits.

Transfer: Deposits with DBH are not transferable.

Premature Withdrawal: Premature encashment may be allowed only after the completion of 6 months subject to management approval. In such cases, return will be calculated at 5% lower than the contact rate, which was applicable for the period completed.

Deposit Rate Chart of Delta Brac Housing Finance Corporation Ltd (DBH)

Deposit Scheme	Tenor	ROI (below 20 lacs)	ROI (Above 20 lacs)
Annual Income Deposit (AID)	06 Months	14.00%	14.50%
Annual Income Deposit (AID)	12 Months	13.75%	14.00%
Annual Plus Income Deposit (AID+)	13 months	15.00%	
Monthly Income Deposit (MID)	1 year	13.20%	13.40%
Quarterly Income Deposit (QID)	1 year	13.40%	13.50%
Profit first Deposit (PFD)	1 year	11.50%	
Flexible Fixed Deposit (FFD)	6/12 Months	13.00%	
Cumulative Deposit/Double Money	7 year		

*There is no additional charge of the Deposit except Govt. Tax

* Option to take Loan up to 95% against Deposit with a minimum spread.

Types of Deposit:

1. Annual Income Deposit

Deposit in “DBH Annual Income Deposit scheme” could be a good choice for you to maintain a regular flow of yearly income while keeping your saving intact & safe.

- Profit will be paid annually
- Minimum Deposit Tk 10,000
- Tenure from 6 (six) months to 5 (five) years
- Lucrative rate of return at fixed or variable rate
- Up to 95% quick loan facility
- Auto renewal option
- Profit or “Profit with principal” will be transferred automatically to the customer’s Bank account on maturity.
- Quick service at your doorstep.

2. Annual Plus Income Deposit

Now with a little more waiting you can earn even more. In a deposit for 13 months only you can earn attractive return on your savings. Our “Annual plus Income Deposit” brings you that opportunity to earn that extra profit.

- Deposit tenure is 13 months.
- Profit will be paid at maturity.
- Minimum Deposit Tk 10,000.
- Lucrative rate of return.
- Up to 95% quick loan facility.
- Auto renewal option.
- Profit or Profit with principal will be transferred automatically to the customer’s Bank account on maturity.
- Quick service at your doorstep.

3. Quarterly Income Deposit

Everyone looks for some additional source of income to support various needs that may come up from time to time. DBH presents “Quarterly Income Deposit”, which can be your source of definite quarterly income. With this deposit you can earn profit every three months. This product is specially designed for pension holder & housewife but can be a good source of additional income for anyone.

- Profit will be paid quarterly.
- Minimum Deposit Tk 50,000
- Lucrative rate of return
- Tenure from 6 (six) months to 5 (five) years
- Fixed and variable rate option

- Up to 85% quick loan facility
- Auto renewal option
- Quarterly profit will be transferred automatically to the customer's Bank account on last day of each quarter.
- Quick service at your doorstep

4. Monthly Income Deposit

"DBH Monthly Income Deposit" is an ideal product for anyone who wants to create a Safe & Stable source of monthly income at competitive Interest Rate.

- Profit will be paid monthly
- Minimum Deposit Tk 50,000
- Lucrative rate of return
- Tenure from 6 (six) months to 5 (five) years
- Fixed and variable rate option
- Up to 80% quick loan facility
- Auto renewal option
- Monthly profit will be transferred automatically to the customer's Bank account on last day of each month.
- Quick service at your doorstep.

5. Cumulative Deposit

Deposit in DBH Cumulative Deposit fulfills your wishes to meet substantial future requirements by giving a higher average rate of return at maturity. So, if you want to keep your deposit growing in a safe, secured and convenient way, DBH Cumulative Deposit could be the best place for you.

- Profit will be compounded at the end of each year.
- Option to make Double/Triple your saving within a short period
- Minimum Deposit Tk 10,000
- Lucrative rate of return at maturity
- Tenure from 2 (Two) to 12 (Twelve) years
- Fixed and variable rate option
- Up to 95% quick loan facility
- Auto renewal option
- Profit or "Profit with principal" will be transferred automatically to the customer's Bank account on maturity.
- Quick service at your doorstep.

6. Flexible Fixed Deposit

You will get instant quick loan facility up to 95 % of your Deposit with a lower rate. This is an ideal product for short term savers, jobholder, businessman etc.

- Minimum Deposit Tk 10,000
- Your required amount will be transferred automatically to your Bank account.
- Tenure from 6 (six) to 12 (Twelve) months.
- Up to 95% quick loan facility at a lower rate.
- Auto renewal option.
- Quick service at your doorstep.

7. Profit First Deposit

It is a magic deposit that gives you instant profit. Now you don't have to wait till maturity. You can celebrate your present keeping your future safe and ensured. You can get instant return with even the minimum amount of Tk. 50,000. Profit first deposit gives you instant profit. You don't have to wait for it to mature.

- Instant Profit on your fixed Deposit
- Deposit amount minimum Tk 50,000
- Tenure 12 months.
- Lucrative rate of return
- Up to 80% quick loan facility
- Quick service at your doorstep

8. Easy Way Deposit

Easy Way gives you a hassle free chance to accumulate your small savings into a large pool for an attractive return. The choice of how much you want to save and for how long is entirely yours. It is truly easy!

- Monthly installment minimum Tk 2,500
- Attractive profit and Maximum compound amount at maturity
- Option to pay your installment on any day of the month and profit will be count from the date of installment.
- Option to multiple installments in a month.
- No penalty or extra charges for missing installment.
- Tenure from 3 (Three) to 12 (Twelve) years.
- Auto renewal option.
- Matured amount will be transferred automatically to the customer's Bank account on maturity.
- Quick service at your doorstep.

Forms of Deposit:

There are four types of forms these are:

- Individual Deposit Application Form
- Individual Deposit Registration Form
- Corporate Application Form
- Corporate Registration Form

Home Loan Operations Performance:

Home loan performance of DBH is reasonably moderate considering the situations prevailing in the real estate sector also in the overall economy. Challenging macroeconomic conditions like, a disappointing year in the capital market; political uncertainty, lack of investment appetite in the business community has created a depressing scenario in the financial sector. On top of that, high price of real estate is still deterring the growth of the real-estate industry. The downward lending rates on housing loans from Banks and FIs also have not helped to boost the prevailing low level of consumer confidence. Being a housing finance specialist DBH has analyzed the situation cautiously and focused on maintaining the health of its existing portfolio while maximizing the return from these investments. The Company's loan book in housing finance grew at a very moderate pace of 5.52 percent to Taka 24.90 billion during the financial year while keeping gross NPL (non-performing loan) ratio at the level of 0.26 percent only. During the year, the gross interest income from the housing finance portfolio grew at 20.53 percent to Taka 3,772 million. As mentioned earlier the disbursement figures continued to slow down significantly compared to last year but company has retained its position as the financial institution with the largest market share. Total disbursement at the end of FY 2012-13 was Taka 5,357 million as against Taka 5,904 millions of preceding financial year. During the year under review, a total of Taka 4,052 million was received by way of repayment of principal on loans through monthly installments and redemption ahead of schedule. Gross non-performing loans as of June 30, 2013 have been fully provided for and additionally, as required by Bangladesh Bank, DBH has a loan loss reserve amounting to 1% of outstanding loans.

Reasons of lower NPL are:

- Proper loan assessment
- Regular contact with the customer
- A structured process of credit management
- Strict documentation process

Performance of Deposit Portfolio:

DBH's deposit portfolio remains the core focus of the Company's funding operations. Over 65 percent of funding for DBH's home loan operation is sourced through the deposit products. At present the Company offers a diverse deposit product line comprising of annual income deposit, annual plus income deposit, monthly income deposit, quarterly income deposit, flexible fixed deposit, cumulative deposit, profit first deposit, easy way deposit, children's deposit and easy home deposit. In compliance to the regulations of Bangladesh Bank the minimum tenure of the deposits is six months. These products are targeted towards various customer segments comprising of retail and corporate clientele. At the close of June 30, 2013 the deposit portfolio of DBH stands at Taka 19,540 million with an interest payable worth another Taka 1,407 million. As the market shifts downward the rate of interest on the DBH deposit products have also gradually decreased this year. DBH also provides loan against deposits (LAD) to cater to its customers' urgent financial need. As of June 30, 2013, the LAD portfolio of DBH stands at Taka 357 million.

"SOWT" Analysis of DBH:

DBH has many Strength, weakness, opportunities and threats. These are described below:

Strength:

- **Goodwill:** DBH is an "AAA" rated credit organization for last 7 years. This is the biggest strength of DBH. It has maintained lower NPL to keep that reputation and they are being very cautious of maintaining goodwill.
- **Diversification:** Through product differentiation it has brought up a diversification in the business. It has various kinds of loans and deposit schemes that very few financial organization has.
- **Availability of sufficient funds:** As a result of being "AAA" rated organization consistently, customers feel safe to keep money in DBH. That results in availability of sufficient funds.
- **Efficient Human Resource:** Employees are the biggest strength of DBH. The performance and effort that the employees put upon is the key factor DBH's continuous success.

Opportunities:

- **Expansion:** DBH is currently doing there business only in Dhaka, Chittagong and Sylhet. So they have an opportunity to spread in the entire country. That will increase the probability of getting more customers.

- **Affiliation increase:** Currently DBH is affiliated with HSBC and Standard Chartered Bank. So they can increase the affiliation with some other banks as well. The advantage of being affiliated is that, the transaction happens instantly.

Weakness:

- **Manual work:** Still DBH keeps many crucial documents manually. Their IT department is not quite established yet.
- **Lack of specialized worker:** DBH prefers multi-tasking. They intend to do many jobs with one person for example a loans officer works as credit control officer at the same time. Again a deposit officer works as information system development officer at the same time.

Threat:

- **Banks:** Common people have a soft corner for banks. No matter what they prefer a bank than any other NBFIs. Even though the deposit interest rate is higher than a bank people do not get interested in any NBFIs.
- **Emerging Competition:** Like DBH there are other NBFIs. These companies are making this industry even more competitive. IDLC, Lankabangla FIN has been their prime competitor for quite a long time.

Chapter: 6

Recommendation:



Even though the company is doing just right still there are scope of improvement and areas to concern. If we look at the asset managing system and liability managing system we will see asset management is stricter than liability management. Because they are trying to keep the image of being AAA rated company so they feel they need to be strict in giving loans. As a result they are making fewer loans and bringing more deposit. So the supply of loanable fund is increasing but demand of loanable fund is not met. So, their liability is increasing but the asset is not increasing as much. They could be a bit relaxed and willing to provide loan so that they can keep the balance between asset and liability.

Their information system has some lacking's, especially in terms of privacy. They need setup more secure information system in organized way. Their information verification system also has some lacking's. They need to introduce national ID card verification system.

In terms credit management they can arrange an automated notification sending system to notify the customers. Within a low cost they can improve efficiency and make it more effective.

Conclusion:



To conclude the report, it is imperative to mention that default clients have been a major problem for the banking or Non-Banking Financial Institutions for long however DBH is maintaining it significantly low. The central bank of Bangladesh has been striving to assist the financial institutions to get out of the default problem and formulating policies for that purpose. As a continuance to this, Bangladesh Bank has been providing directives when and where it seems to be necessary.

In Bangladesh many business organizations are still facing problems in the functioning of smooth business operations. Consequently, fall into loss and sometimes get liquidated. The consequence of this is that NBFIs do not get their due amount in time which is a big and foremost risk to the organizations. To overcome this, a very important factor to which risk weights have to be raised is the past default behavior of the borrowers. From interviews with the higher management of DBH, who are much knowledgeable in this area have opined that one the most important factors that can be used to predict the future payment performance of the borrower is his character regarding repayment of his borrowed fund.

Another critical matter is that the financial statements of the business organization in fact contain manipulated data. So the analysis of such statements leads to wrong and faulty conclusion. This problem can be solved by judging the financial statement by individual amount specially which will provide information for the beneficiary of the NBFIs.

In the end, it can be remarked that the central financial authority as well as all the financial institutions have to continuously analyze the overall environment, economic, social, business, cultural and so on. Depending on this, they have to improve their risk evaluating procedure.

Appendix



DBH's DPS schemes are as follows:

Monthly Installment (Tk): 2,500			
ROI: 11.00%			
Period (Year)	Total Deposit	Profit	Maturity value
1	30,000	1,560	31,560
2	60,000	6,771	66,771
3	90,000	17,030	107,030
4	120,000	31,264	151,264
5	150,000	50,617	200,617
6	180,000	75,682	255,682
7	210,000	107,118	317,118
8	240,000	145,663	385,663
9	270,000	192,141	462,141
10	300,000	247,468	547,468

Monthly Installment (Tk): 3,000			
ROI: 11.00%			
Period (Year)	Total Deposit	Profit	Maturity value
1	36,000	1,872	37,872
2	72,000	8,126	80,126
3	108,000	20,436	128,436
4	144,000	37,517	181,517
5	180,000	60,741	240,741
6	216,000	90,818	306,818
7	252,000	128,541	380,541
8	288,000	174,796	462,796
9	324,000	230,569	554,569
10	360,000	296,962	656,962

Monthly Installment (Tk): 3,500			
ROI: 11.00%			
Period (Year)	Total Deposit	Profit	Maturity value
1	42,000	2,184	44,184
2	84,000	9,480	93,480
3	126,000	23,842	149,842
4	168,000	43,770	211,770
5	210,000	70,864	280,864
6	252,000	105,954	357,954
7	294,000	149,965	443,965
8	336,000	203,929	539,929
9	378,000	268,997	646,997
10	420,000	346,456	766,456

Monthly Installment (Tk): 4,000			
ROI: 11.00%			
Period (Year)	Total Deposit	Profit	Maturity value
1	48,000	2,495	50,495
2	96,000	10,834	106,834
3	144,000	27,248	171,248
4	192,000	50,023	242,023
5	240,000	80,988	320,988
6	288,000	121,091	409,091
7	336,000	171,389	507,389
8	384,000	233,061	617,061
9	432,000	307,425	739,425
10	480,000	395,949	875,949
Monthly Installment (Tk): 4,500			
ROI: 11.00%			
Period (Year)	Total Deposit	Profit	Maturity value
1	54,000	2,807	56,807
2	108,000	12,189	120,189
3	162,000	30,654	192,654
4	216,000	56,276	272,276
5	270,000	91,111	361,111
6	324,000	136,227	460,227
7	378,000	192,812	570,812
8	432,000	262,194	694,194
9	486,000	345,854	831,854
10	540,000	445,443	985,443

Monthly Installment (Tk): 5,000			
ROI: 11.00%			
Period (Year)	Total Deposit	Profit	Maturity value
1	60,000	3,119	63,119
2	120,000	13,543	133,543
3	180,000	34,060	214,060
4	240,000	62,529	302,529
5	300,000	101,235	401,235
6	360,000	151,363	511,363
7	420,000	214,236	634,236
8	480,000	291,327	771,327
9	540,000	384,282	924,282
10	600,000	494,936	1,094,936

Monthly Installment (Tk): 5,500			
ROI: 11.00%			
Period (Year)	Total Deposit	Profit	Maturity value
1	66,000	3,431	69,431
2	132,000	14,897	146,897
3	198,000	37,466	235,466
4	264,000	68,782	332,782
5	330,000	111,358	441,358
6	396,000	166,500	562,500
7	462,000	235,659	697,659
8	528,000	320,459	848,459
9	594,000	422,710	1,016,710
10	660,000	544,430	1,204,430

Monthly Installment (Tk): 6,000			
ROI: 11.00%			
Period (Year)	Total Deposit	Profit	Maturity value
1	72,000	3,743	75,743
2	144,000	16,251	160,251
3	216,000	40,872	256,872
4	288,000	75,034	363,034
5	360,000	121,482	481,482
6	432,000	181,636	613,636
7	504,000	257,083	761,083
8	576,000	349,592	925,592
9	648,000	461,138	1,109,138
10	720,000	593,924	1,313,924

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