

Service Gaps in the General Banking Department of Mercantile Bank Limited, Mohakhali Branch





Submitted to

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Sub: Submission of Internship Report on “Service Gaps in the General Banking Department of Mercantile Bank Limited, Mohakhali Branch.”

Dear Madam,

As per the requirements for the completion of the course, BUS400: Internship, this term paper has been prepared by me on “Customer Service Gap in the General Banking Sector of Mercantile Bank Limited.”

The term paper focuses on the implementations of some of the key elements in marketing.

During this internship period, I was able to relate the theories that we were taught in class in Mercantile Bank Ltd and understand how these theories are practiced in real life situations.

I thank you for giving us this opportunity.

Sincerely yours,

Aif Ali Khan

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ACKNOWLEDGEMENT

I would like to take this opportunity to express my deepest appreciation to all those who provided me the possibilities to complete this. A special gratitude we give to the course instructor, Ummul Wara Adrita, whose constant help mattered a lot regarding certain aspects of this report, and also for giving us the opportunity to learn how the theories in the book actually are implemented in real life situations.

I would also like to thank Mr. Md Atiqur Rahman (First Vice President & Manager Operation), Sajeeda Ahmed (First Assistant Vice President) and Md. Mahabub Alam (Officer, SME Finance) and also Mr. Anisuzzaman Khan (Trainee Assistant Officer) of Mercantile Bank Limited for sparing their valuable time in giving me the information and the opportunity to work with them. I gathered practical knowledge that was needed in order to make this internship program successful. Furthermore, I would also like to acknowledge with much appreciation the crucial role of the customers who are using Mercantile Bank Limited's service. They gave me the permission to use their personal information in order to complete the task. I would like to thank everyone for filling out the customer questionnaire prepared by us.

DECLARATION

This is to certify that the Internship report has been thoroughly and carefully prepared by me. The report is my original work and not plagiarized. In order to prepare and completed the report I have taken help from the employees Bank Asia Limited. In addition I have used annual report, organization's website and other supportive activities for the completion of my report.

I also confirm that the sole purpose of the report is for my academic requirement for the completion of my graduation. The report is not submitted to any public or private Universities or any other place before.

EXECUTIVE SUMMARY

Banks are most active financial intermediary in today's world. As a financial institution bank mainly operate to communicate among persons and effectively works as safeguard among them in this age globalization. In recent years this sector is becoming competitive day by day as the number of banks is increasing. So retaining customers and banks position every bank is in need to provide improved quality customer service nowadays and this report tries to identify banks service role provided to the customers through evaluating general banking of MBL, Mohakhali branch. I examined different aspects of customer services with regards to their satisfaction level identify its impact and usefulness in general banking procedures. The report provides a general view on Mercantile Bank Limited, theoretical aspects related to general banking as well as gives an idea about customer services provided and its gaps in Bangladeshi banks to retain its customers. This study also tries to clarify the operating procedures of general banking department of MBL as a commercial bank and also tries to identify some aspects of further improvement in operations. I have included various points inside the report to highlight the general banking sector's performance of Mercantile Bank Limited. I have started with the history of the banking sector in Bangladesh and development of this sector and the overview of banking industry. Then I have discussed about the Mercantile Bank's overview, its company chronicle, its mission, vision, goal, objectives as well as its organ gram, time line of MBL-at a glance, its organizational structure and structural of management, also the products and services launched by this bank. And then I came to the main point of my report which is Service gaps in the general banking sector of mercantile bank ltd. In this sector, I wanted to highlight the provided service functions of this bank, how they are provided to the customers through general banking activities and how they are retaining their customers through the help of SERVQUAL. Finally, I have found some problems in order to operate their business also recommended how to remove these problems to operate its business smoothly in the upcoming years.

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INTRODUCTION

Introduction

Consumers all over the world have become more quality conscious, consequently there has been an increased customer demands for higher service quality. The objective of this report is to find the effects of service quality on customer satisfaction in the Bangladeshi Private Banking sector using Mercantile Bank Limited as a study area. The Study focused on MBL, Mohakhali Branch with 35 customers constituting the sample size. Purposive sampling and liker scale were used for collecting and analyzing the data. The expectation and perception of customers were assessed under the five dimension of SERVQUAL model and found out that the entire five dimensions contributed to quality of service delivery in MBL. Rating the scopes based on expectation and perceptions of service delivery needs to be improved. It has revealed that, MBL should work towards enhancing on reliability, responsiveness, empathy, assurance and tangibility dimensions respectively. The customers are the business and thus excellent service should be rendered all the time.

Background of the Study

Mercantile Bank Limited is a specialized financial institution that performs most of the standard banking services and investment activities on the basis not only profit sharing but also social partnership. This study attempts to analyze the nature of modern banking activities and performance of Mercantile Bank Limited. All through the internship program, close observation was made on different banking activities of Mercantile Bank Limited. Its performance was reviewed and analyzed through the annual reports, and internal records of the bank. I have tried my best to use this opportunity to enrich my knowledge on banking system. After observing thoroughly, I have prepared this report on the basis of my findings and observation relating to the topic.

Objective of the Study

The general objective of this report is to complete my internship course and also to obtain an understanding of the practical banking activities and relate them with theoretical knowledge that I gained through the theoretical learning in the university and from various documents of the bank. Beside this, the followings are the General and Specific objectives which I will try to cover in my report:

General Objective:

- To assess the effect of service quality on customer satisfaction in the banking industry.

Specific Objective:

- To get an overview of the private Banking in our country
- Examine the effect of service quality dimensions on customer satisfaction
- To rate in order of importance the customer service issues that need to be improved to increase customer satisfaction

Scope of the Study

I was sent to Mercantile Bank Limited, Mohakhali Branch for completion of the internship, the scope of the study is only limited to this branch. I got the opportunity to learn different part of banking system. The onsite supervisor divided the whole banking system in three parts; as a result I got the opportunity to work in all the three divisions (General Banking Division, Credit Division and Foreign Exchange Division). My main concern was to identify the service gaps in general banking of Mercantile Bank Limited. From the practical experience of this three month's internship period I had the opportunity to gather information about the relevant topic.

Methodology

The methodology upon which I will undertake the proposed assignment comprises with information collected through different published articles, brochures, web sites and through customer interviews and also filling out a questionnaire by a sample size of 30 customers and are affected by research designs.

Research Design

1. Exploratory Research
2. Descriptive Research

1. Exploratory Research: We will use exploratory research for having rich quality of information that will help identify the main issues that should be addressed in our surveys and significantly reduce a research project's level of bias and also for setting the structure of the questionnaire.

2. Descriptive Research: A research defining the uniqueness of a population that has been chosen for the study. However questions such as how/when/why cannot be answered through this study.

Data Collection

All the information incorporated in this report has been collected from the following sources:

1. Primary sources-
 - Discussion with the customers.
 - Observation from the total internship period.
 - Questionnaire.

2. Secondary sources –

- Data from company documents.
- Statement of Affairs of the Bank.
- Periodic bulletins published by the bank.
- Bank's other published documents.
- Some textbooks.
- Internet.

Primary data are collected through various means of observation of the service provided by the officers of the front desk of general banking section of the bank, filling out questionnaires and discussion of open ended questions with the customers. The report is an exploratory research and for qualitative survey open ended question was ask to the bank's customers. After collecting the secondary data, those data were needed to be classified, analyzed, interpreted and presented in the report. Some arithmetic and graphical tools are used in this report for analyzing the collected data and to classifying those to interpret them clearly. The collected data were scrutinized very well and were pointed out and shown as findings. Few recommendations are also made for improvement of the current situation. On the basis of the suggestions of honorable faculty advisor some corrections were made to present the paper in this form.

Limitations of the Study

The report is presented on the basis of face to face conversation with the customers and the practical experience in the bank. Though, Mercantile Bank Limited organizational environment was very helpful,

Still I had faced some limitations such as:

- Too much paper work was practiced.
- A time constraint was there.
- Vast areas of tasks operated by the bank.
- Due to some risky monetary transaction information was not provided.
- The secondary data that have been observe was in a form, which was not very helpful for this study.
- Due to the safety and security reasons, access to all the confidential data was not obtained.

ORGANIZATIONAL OVERVIEW

Overview on the Banking Industry of Bangladesh

The Banking Industry in Bangladesh is one characterized by strict regulations and monitoring from the central governing body, the Bangladesh Bank. The principal concern is that currently there are far too many banks in the market to sustain. As a result, the market will only accommodate only those banks that can emerge as the most competitive and profitable ones.

Currently, the major financial institutions under the banking system include:

- Bangladesh Bank
- Commercial Banks
- Islamic Banks
- Leasing Companies
- Finance Companies

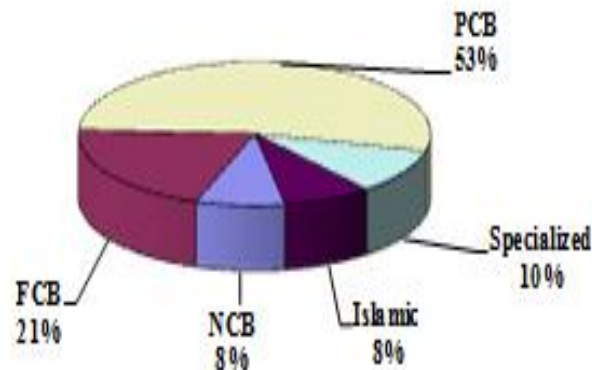


Figure: Scheduled Banks in Bangladesh

Among these banks, four are state-owned commercial banks (NCB), five specialized banks, eleven foreign banks, twenty six domestic private banks and four are Islamic Banks currently operating in Bangladesh. All local banks must maintain a 4% Cash Reserve Requirement (CRR), which is non-interest bearing and a 16% Secondary Liquidity Requirement (SLR). With the liberalization of markets, competition among the banking products and financial services seems to be growing more intense each day.

Mercantile Bank Limited

Mercantile Bank Limited was incorporated in Bangladesh as a Public Limited Company with limited liability under the Bank Companies Act, 1991 on 20 May 1999 and commenced commercial operations on 2nd June 1999. The Bank went for public issue of shares on in 2003 and its shares are listed with Dhaka Stock Exchange and Chittagong Stock Exchange. Mercantile Bank Limited emerged as a new commercial bank to provide efficient banking services and to contribute socio-economic development of the country.

Mercantile Bank Limited has gained firm confidence in the minds of its clients within a short period of its operation. The success is primarily attributed to prompt and courageous decision-making, efficient and cordial services, economic use of resources and introduction of new financial products and technologies. The continued accomplishments of the Management Staff of the Bank under prudent guidance and timely support of the Board of Directors have significantly contributed to success of the Bank. The Board of Directors takes this opportunity of expressing its heart-full appreciation and gratitude to the Government of the People's Republic of Bangladesh, Bangladesh Bank, Securities and Exchange Commission (SEC), Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE), and Registrar of Joint Stock Companies and Firms for their help and assistance, valuable guidance and advice extended to the Bank from time to time.

The Board of Directors also expresses profound appreciation to the management and all members of staff for their commendable and sincere services and also to the clients, the sponsors, the shareholders/stakeholders, patrons and well-wishers, whose continued support and aid have made the results possible.

Vision

“Would make finest corporate citizen”

Mission

“Will become most caring, focused for equitable growth based on diversified deployment of resources and nevertheless would remain healthy and gainfully profitable bank”

Core Values

- Customer delight: Customer satisfaction pervades all our activities. We appreciate that Customer’s satisfaction is critical for our success.
- Innovation: Spurring innovation for reinforcement of our business. Origination and materialization of change management for attainment of perfection and we believe change is always constant.
- Ethical Values: We continue to be responsible, ethical, sincere and transparent in our thoughts and actions.
- Caring for Human Resources: Realization of latent potentialities of employees, respecting individual worth and dignity to ensure smooth career progression as well as welfare orientation in Human Resources management policy and practices.
- Commitment: We always keep high on the agenda our commitment towards valued depositors as their trustworthy custodian and to maintain the same spirit for all other stakeholders.
- Socially Responsible: Constant endeavor to act and respond in a socially responsible manner keeping in mind society and our country. To care for our environment.
- Shareholders Value: Creation and Maximization of values for our shareholders.

Objectives of MBL

Two objectives, strategic and financial objectives of Mercantile Bank Limited is given bellow -

- **Strategic objectives**

- To achieve positive Economic Value Added (EVA) each year.
- To be market leader in product innovation.
- To be one of the top three Financial Institutions in Bangladesh in terms of cost efficiency.
- To be one of the top five Financial Institutions in Bangladesh in terms of market share in all significant market segments we serve.
 - **Financial objectives**
- To achieve 20% return on shareholders' equity or more, on average.

Corporate Structure of MBL

Board of directors, the apex body of the bank, is responsible for formulation of policy, providing plans and supervising the performance of the management as well as accountable to its customers and shareholders. The board is assisted by the executive and audit committee.

Board of Directors

❖ **Chairman:** Morshed Alam, M.P

❖ **Vice Chairman:**

- S. M. Feroz Alam
- M. S. Ahsan

❖ **Directors:**

- Alhaj Akram Hossain
- Dr. Mahmood Osman Imam
- Md. Shahabuddin Alam
- Md. Anwarul Haque
- M. Amanullah
- Md. Abdul Hannan
- Mohd. Selim

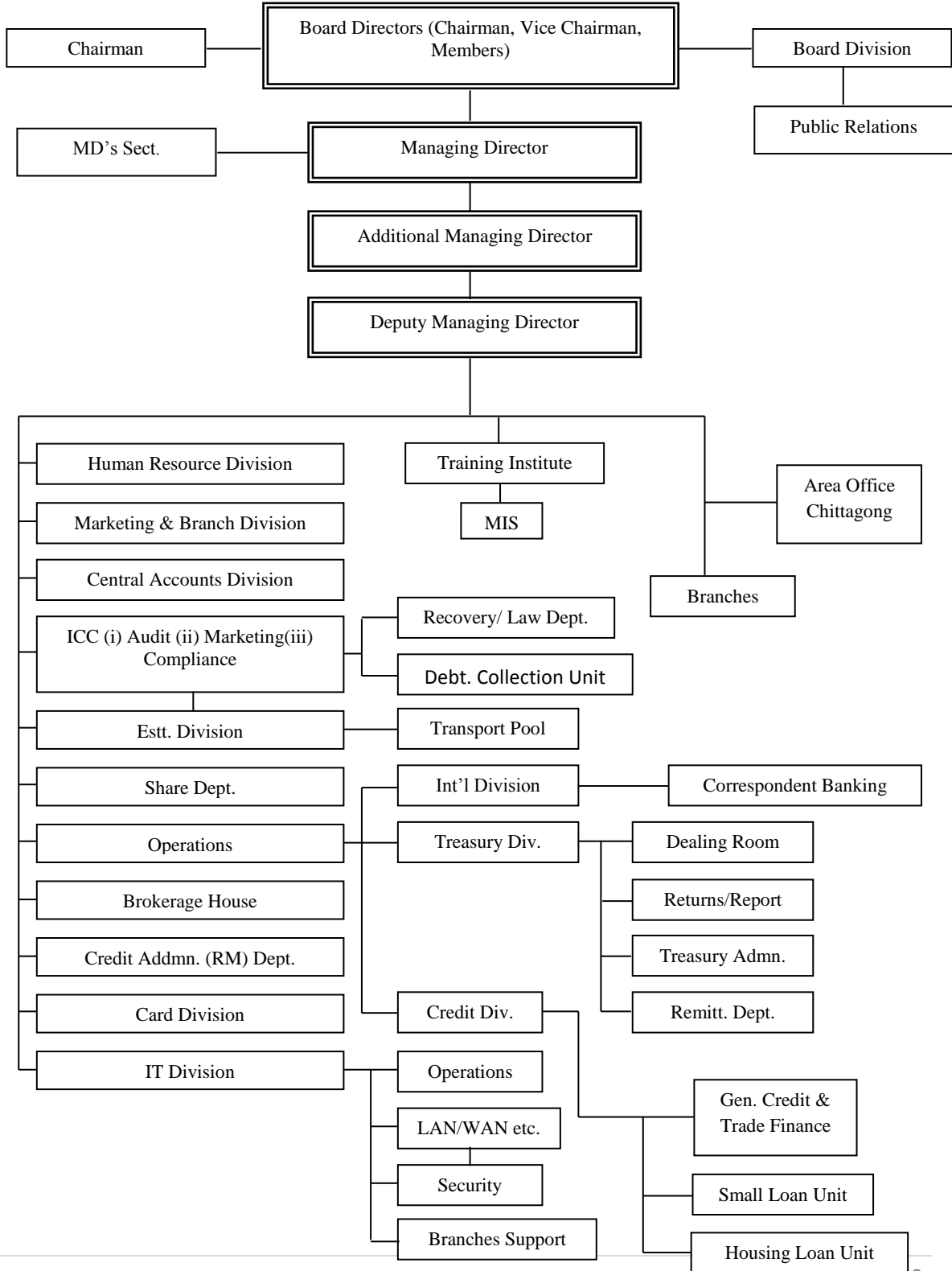
- A.K.M. Shaheed Reza
- Al-Haj Mosharref Hossain
- Dr. Md. Rahmat Ullah
- M Ehsanul Haque

❖ **Managing Director & CEO**

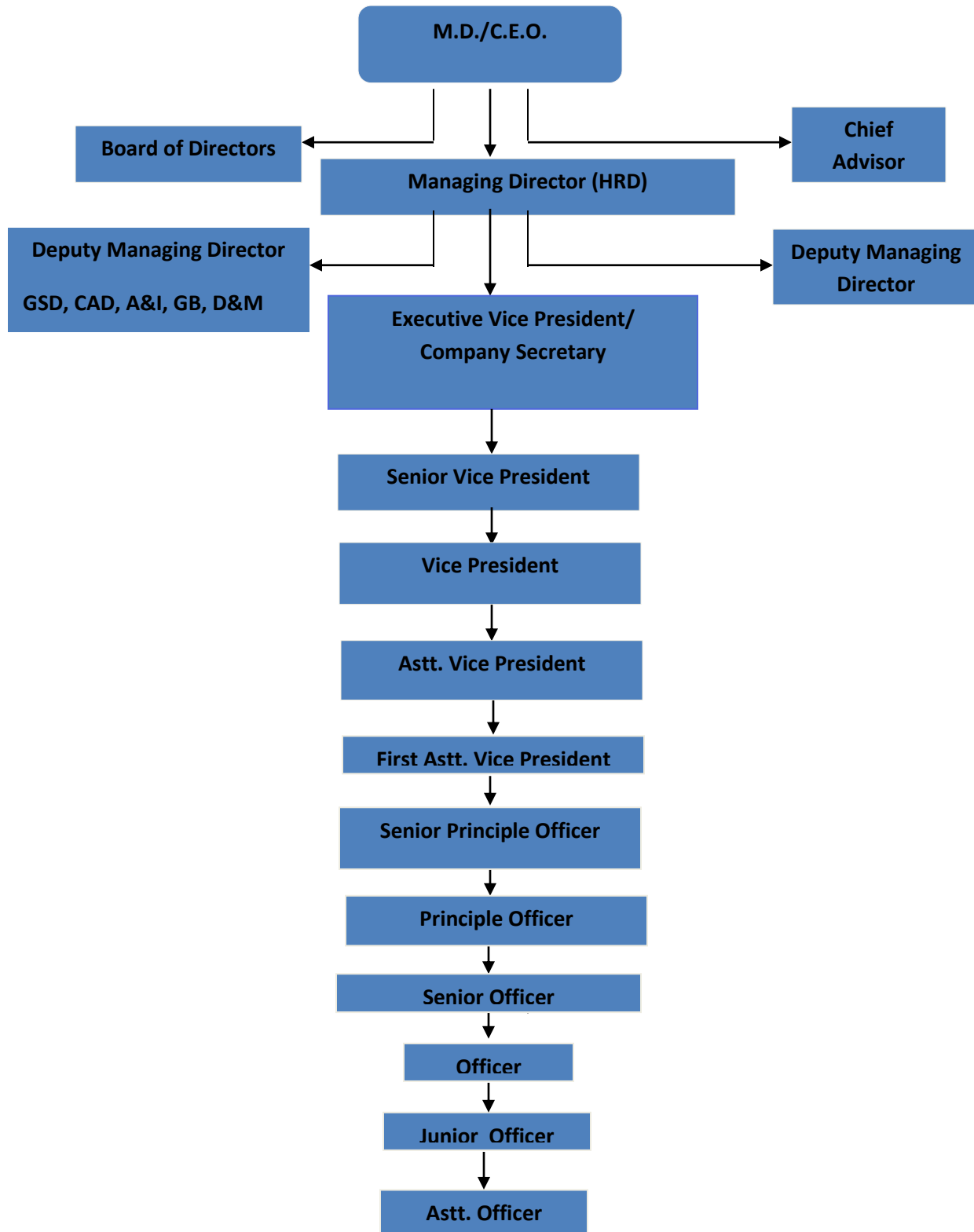
- A.K.M Shahidul Haque

Organogram of MBL (Hierarchy)

- Organizational Structure of Mercantile Bank Limited



- **Management Structure**



Products and Services

General Banking & Deposit Management

1. Account opening and KYC procedures.
2. Issuance of DD/TT/PO/FDR.
3. Inter Bank Transaction, OBC/IBC.
4. Account section.
5. Clearing Section.
6. IT Section.

Credit Department

1. Credit Proposals Processing Procedures.
2. Documentation and Loan Disbursement Procedures.
3. Overview on all returns.

Foreign Exchange Department

I. Cash L/C

1. Opening of L/C.
2. Lodgment of Import Bill.
3. Payment against Import Bill.
4. B/E Matching.
5. IMP Reporting.

II. BTB L/C

1. Export L/C Checking.
2. Opening of BTB L/C (Local/ Foreign/ EDF/ EPZ).
3. Lodgment and confirmation of maturity date.
4. Allowing of PC.
5. Payment against realization of Export Proceeds/ Forced Loan.
6. B/E Matching.
7. Reporting.

III. Export

1. Scrutinizing/ Negotiation/ Send on Collection.
2. Follow-up.

3. Realization.
4. Reporting.

IV. Foreign Remittance

- Inward
 1. FDD.
 2. FTT.
 3. Others.
- Outward
 1. Endorsement of Traveling.
 2. Education/ Treatment/ Others.
 3. Cash Rebate.
 4. FC issuing.
 5. FDD/ FTT

SWOT Analysis

STRENGTH	WEAKNESSES
<p>A good profitability and escalation through internal capital generation.</p> <p>One of the highest numbers of Branches including rural areas.</p> <p>Healthy CAMEL rating by Bangladesh Bank.</p> <p>Passionate and experienced top level management.</p> <p>Steady growth.</p> <p>One of the highest Interest payers on deposits</p>	<p>Giving higher attention on Fixed Deposits: high cost.</p> <p>Undiversified Portfolio</p> <p>Central based Decision-Making</p> <p>Technological Updates</p> <p>Less Promotional Activities</p> <p>Less Concentration on Customer Service due to incompetent CRM</p>
OPPORTUNITIES	THREATS
<p>Market Penetrations through diversified products.</p> <p>Business exposition through opening branches in the remote areas of the country</p> <p>Online banking activities.</p> <p>Expanding its ATM's reach to the customers.</p>	<p>Amplified competition in the same market.</p> <p>Forcibly lowering of Lending Rate because of the market structure.</p> <p>Government rules and economic changes</p> <p>Political unrests and associated concerns.</p>

INTERNSHIP EXPERIENCE

General Banking Department of Mercantile Bank Limited

Presently the function of a bank is not only to act as a financial institution that collects deposits from one and disburses loans to others. It requires providing various services to entities to facilitate their business operations. Mercantile Bank Limited (MBL) has started its operation from 2nd June, 1999. It has emerged a third-generation bank that has progresses in every year.

The bank offers the following products and services in this department:

7. Account opening and KYC procedures.
8. Issuance of DD/TT/PO/FDR.
9. Inter Bank Transaction, OBC/IBC.
10. Account section.
11. Clearing Section.
12. IT Section.

The customers are attracted to open account in this bank because it gives higher interest rate on deposits and other savings accounts. I have shown the deposit rates of both MBL and Prime Bank Limited to show the difference:

Interest Rates

Fixed Deposit Rate

Period	Below BDT 1 Crore	BDT 1 Crore & Above
01 Month	6.00%	6.00%
3 Months	8.00%	8.25%
6 Months	8.00%	8.25%
12 Months	8.00%	8.25%

Special Notice Deposit (SND) Account Rates

Less than BDT 1 Cr.	BRT 1Cr. to less than BDT 25 Cr.	BRT 25 Cr. to less than BDT 50 Cr.	BDT 50 Cr. to less than BDT 100 Cr.	BDT 100 Cr. and above
4.00%	5.00%	5.50%	5.50%	6.00%

Figure: Interest Rate on Deposits of MBL

SL #	Particulars	Revised Rate of Interest
01	Special Notice Deposit (For Customer)	
	a) Below Tk. 1.00 crore	3.00%
	b) Tk.1.00 crore and above but below Tk.25.00 crore	5.50%
	c) Tk.25.00 crore and above but below Tk.50.00 crore	7.00%
	d) Tk.50.00 crore and above but below Tk.100.00 crore	7.00%
	e) Tk.100.00 crore and above	7.50%
02	Savings Deposit	5.25%
03	Fixed Deposit	
	A) 1 (One) month	
	a) Below Tk.50.00 lac	7.00%
	b) Tk.50.00 lac and above but below Tk.1.00 crore	7.00%
	c) Tk.1.00 crore and above but below Tk.3.00 crore	7.00%
	d) Tk.3.00 crore and above	7.00%
	B) 3 (Three) months	
	a) Below Tk.50.00 lac	8.25%
	b) Tk.50.00 lac and above but below Tk.1.00 crore	8.25%
	c) Tk.1.00 crore and above but below Tk.3.00 crore	8.25%
	d) Tk.3.00 crore and above	8.25%
	C) 6 (Six) months	
	a) Below Tk.50.00 lac	8.25%
	b) Tk.50.00 lac and above but below Tk.1.00 crore	8.25%
	c) Tk.1.00 crore and above but below Tk.3.00 crore	8.25%
	d) Tk.3.00 crore and above	8.25%
	D) 1 (One) year & above	
	a) Below Tk.50.00 lac	8.75%

	b) Tk.50.00 lac and above but below Tk.1.00 crore	7.00%
	c) Tk.1.00 crore and above but below Tk.3.00 crore	7.00%
	d) Tk.3.00 crore and above	7.00%
	B) 3 (Three) months	
	a) Below Tk.50.00 lac	8.25%
	b) Tk.50.00 lac and above but below Tk.1.00 crore	8.25%
	c) Tk.1.00 crore and above but below Tk.3.00 crore	8.25%
	d) Tk.3.00 crore and above	8.25%
	C) 6 (Six) months	
	a) Below Tk.50.00 lac	8.25%
	b) Tk.50.00 lac and above but below Tk.1.00 crore	8.25%
	c) Tk.1.00 crore and above but below Tk.3.00 crore	8.25%
	d) Tk.3.00 crore and above	8.25%
	D) 1 (One) year & above	
	a) Below Tk.50.00 lac	8.75%
	b) Tk.50.00 lac and above but below Tk.1.00 crore	8.75%
	c) Tk.1.00 crore and above but below Tk.3.00 crore	8.75%
	d) Tk.3.00 crore and above	8.75%
	E) Special Term Deposit (for Corporate Customer)	
	Size of Deposit (Bundle allowed):	8.75%
	a) Minimum Tk.10.00 Crore but below Tk.50.00 Crore	
	b) Tk.50.00 crore & above	9.00%
	c) Tenor: Minimum 03 (three) months	

Figure: Interest Rate on Deposits of Prime Bank Limited

Over the years, the number of deposit account has increased in MBL. Even in the tough times the bank managed to attract customers to open deposit accounts. The increase in deposits of the bank is shown below:

Annexure -G

Highlights of Mercantile Bank Limited

Particulars	31.12.2013	31.12.2012	31.12.2011	31.12.10	31.12.09
Paid-up Capital	659,96	611,08	496,809	407,22	215,84
Total Capital Fund	1370,97	1207,87	1,070,09	868,43	488,54
Capital Surplus/deficit	85,23	75,34	60,57	12,00	22,69
Total Assets	14,484,19	15,265,85	11,665,53	8,714,01	6,616,65
Total Deposits	12,085,79	11,810,89	9,405,42	7,582,91	5,803,35
Total Loans and Advances	9,766,85	9,361,09	7,972,80	6,637,77	4,829,56
Total Contingent Liabilities and Commitments	5,175,36	4,998,14	4,194,84	3,798,95	2,175,72
Credit Deposit Ratio (in %)	80.83%	79.26%	81.68%	87.77%	83.22%
Percentage of Classified Loans against Total Loans and Advances (in %)	4.77%	4.37%	2.61%	1.77%	2.59%
Profit after Tax and Provision	197,87	138,15	175,57	142,53	80,75
Amount of Classified Loans during the year	465,58	409,09	89,68	(7,25)	26,12
Provision kept against classified Loans	233,01	93,29	71,82	61,75	62,97
Provision Surplus	5,91	0,99	0,75	0,83	0,11
Cost of Fund (in %)	8,93%	10,02%	9,63%	7,94%	8,81%
Interest Earning Assets	11,883,34	12,593,67	10,307,69	7,869,45	5,747,13
Non-interest Earning Assets	2,500,87	2,672,18	1,357,84	925,30	869,52
Return on Investment (ROI) (in %)	2.36%	1.31%	0.93%	0.84%	0.88%
Return on Assets (ROA) (in %)	2.23%	1.76%	1.72%	1.64%	1.22%
Income from Investment	326,69	166,88	167,13	91,95	69,67
Earning Per Share (Tk)	3.00	2.09	2.84	2.87	3.06
Net Income Per Share (Tk)	3.00	2.09	2.84	2.87	3.06
Price Earning Ratio (approximate)	6 Times	9 Times	10 Times	14 Times	11 Times

In addition the customer service department and the card division are incorporated within the general banking division.

Function of General Banking

The bank's basic or foremost service is to help with the daily financial transactions of the customers. The operations of general banking are discussed below:

- **Account Opening:** When the customer wants to open an account he/she requires collecting the form from the bank. The account opening officer in the general banking verifies the information provided by the customer and the documents. Once the customer has fulfilled all the criteria, the officer opens the account.
- **KYC Procedure:** The bank ceils the amount of transaction that can be made by a customer. This is called KYC, i.e., customer transaction profile.
- **Customer Service:** The officer of the customer service department needs to answer to all the queries made by the customers. For example, account statement, cheque book, etc. are provided by the customer service division.
- **Card Division:** The personnel of the card division require providing information regarding credit cards and other cards to the customers. For example, he/she needs to contact the customer when the card is ready and also when the bank offers discounts or other benefits for using the card.

Job Responsibilities

Offline Workings

❖ **Updating The Database:**

Sometimes the customer database changes as per their TIN no, Address Changes etc. and all those things needs to be changed and updated respectively to their account information. I also needed to update the database about the debit card requisitions and also check requisitions.

❖ **Filling Out The customer Information form:**

Each and every customer needs to provide information of the account holder, its nominee and fill out the account information form. I helped them to fill out the form properly. This account opening form contains information such as -

- Personal Information: Name, Address, Date of Birth etc
- Date.
- Deposit Amount

- TIN Number
- Residency Information
- Passport No.
- Nominee Information etc.

Online Workings

I posted the IPO information update in Temenos to make a database of the following months IPO. Moreover I needed to sort out the DPS deposits and post them afterwards in Temenos. I also gave service to the customers for any account statement or checked their account balance in Temenos.

PROJECT PART

SERVQUAL Model

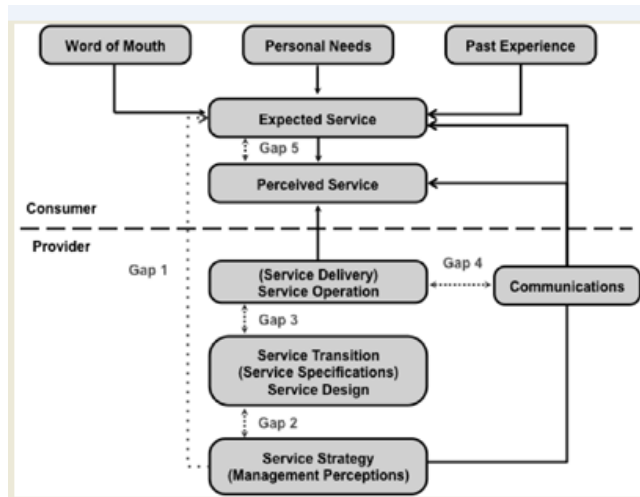


Figure: SERVQUAL Model

At present service is an important factor for an organization. Service not only influence the perception towards a company, but also affects its sales and profitability. In order to measure the service quality Zeitham I, Parasuraman and Berry developed the SERVQUAL model during the eighties. Previously it measured ten features of service quality. However it reduced to five features in the later period. These features are reliability, assurance, tangibles, empathy and responsiveness.

- Reliability
- Assurance
- Tangibles
- Empathy
- Responsiveness

The model not only measures the quality of service but also helps to manage the quality. An organization can develop a questionnaire to assess the gap between the expectations and perceptions of its customers.

There are three key basis of the model:

- The gap
- Reasons for the gap and its solutions
- The most important aspects of the service(the five features mentioned earlier)

A company can identify five gaps using this framework. They are:

Gap 1: The Gap between Consumer Expectations and What Management Perceives

Sometimes the management's perception of customers' needs and demands is incorrect. For example, the management of Mercantile Bank Ltd. perceives that their card service is extremely good. However, the

most of the customers of the bank admitted that the bank deducts charges without notification and the customer service of the card department does not provide service promptly.

The reasons for this gap are:

- lack of adequate market knowledge
- misinterpretation of the customers' expectations
- miscommunication within the different levels of employees of the organization

Gap 2: The Gap between management perception and service quality specification

There are times when the management has perceived the demands of the customers accurately. However, while designing the service and its specifications the management fails to incorporate the actions and the service standards that are necessary to provide that particular service. The reasons behind Gap 2 are:

- The service actions developed are inadequate
- The dedication of the management is not enough
- The service design is vague or poor
- The procedure for developing a new service is disorganized

Gap 3: The Gap between service quality specifications and service delivery

At times the frontline employees fall short to meet the service standards set up by the management. In addition the gap may arise when any other systems to deliver the service fails, such as the technology or processes specified in the service design stop working. The reasons behind the gap are:

- Insufficient training of the employees
- Incompetent or reluctant to ensure whether the service provided has met the standards
- Failure of the management to conduct research on customer experience of its services
- Miscommunication between the employees and management

Gap 4: The Gap between service delivery and external communications to Consumers

Sometimes the employees of the organization persuade the expectations of consumers with their proclamations or advertisements in all the media. These elevate the expectations of the consumers. However at the time of service delivery the representatives fall short to provide the service as promised.

The reasons for this gap are:

- False proclamations through advertisements
- Unsuccessful to handle the expectations of the customers
- Unsuccessful to provide the service in accordance with the standards and requirements

Gap 5: The Gap between expected service and Perceived service

Gap 5 incorporates all the Gaps from 1 to 4. The expectations of consumer are influenced by both internal and external factors. However when the consumers encounter the service and the experience does not match with the expectations, the gap arises. Therefore, primarily this gap must be reduced by the organizations to improve their profitability and ensure customers' trustworthiness and loyalty.

The Gaps of Mercantile Bank Limited

The success of a company in the modern business not only depends on how much profit you earn but also on quality service which determines how satisfied your customers are. Therefore, the way in which the company provides its service or the quality of service you provide may be the key factor towards its success in the long run.

Mercantile Bank Limited may have captured a part of the Bangladeshi banking market by bringing banking facilities to all class of customers. Nonetheless, during the past few years they have not been able to grow to its expected level in the market. The reason behind this failure may be due to the gaps in the service that they provide to their customers. Some of the reasons behind the gaps in Mercantile Bank Limited can be identified as follows

Gap 1-Technology: At times, the service gets stuck in the middle as the bank uses both PC bank and Temonos software in their branches and if a customer is having a service which requires PC Bank to complete then he/she or the transaction has to wait for a long time which is time consuming and at the same time irritating to some extent.

Gap 2-Providing wrong information for getting a service: Normally a checkbook should take four working days to reach its customer after the requisition placed but the front desk officer told him that it will take more than 10 days.

Gap 3- Service Delay: A customer once approached the front desk and placed a requisition for a Debit card and it should take 10 working days to reach that customer but it did not even reach him/her even after 20 working days of the Bank.

Gap 4- Activating services through Card Division: Normally it takes 24 hours to activate a card but sometimes it requires more than 48 hours.

Gap 5-Wrong A/C number placement: Sometimes the customers are provided with wrong Account number (liquidation number) rather than the actual customer A/C number.

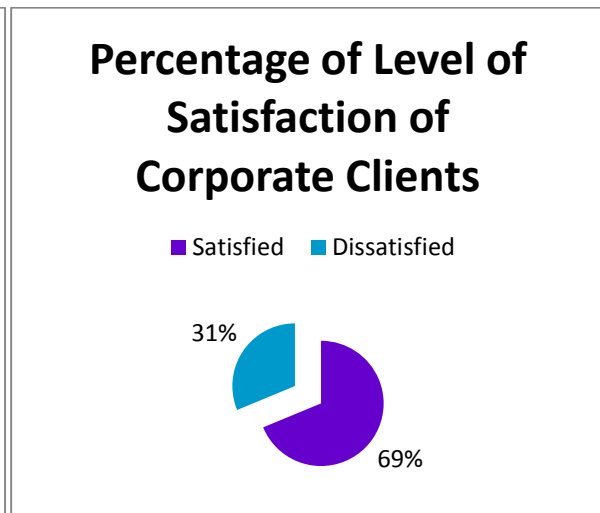
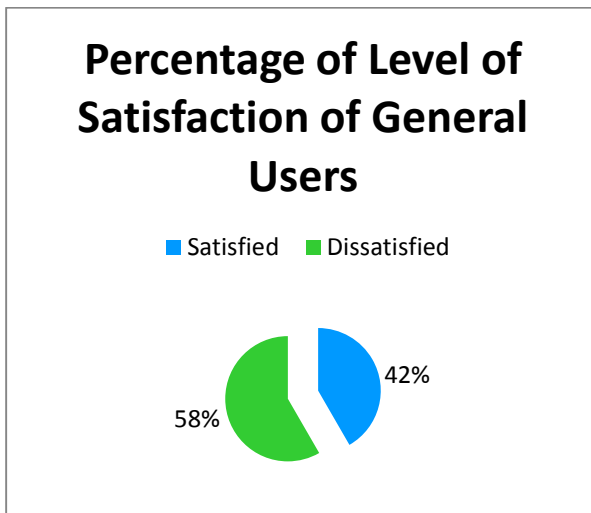
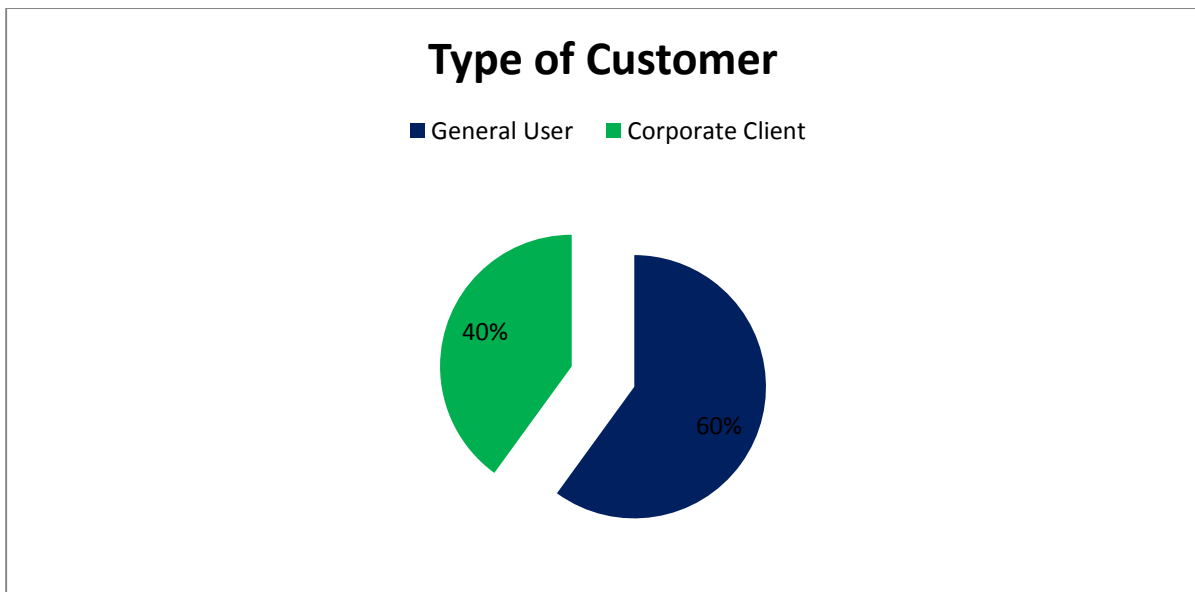
Gaps 6-MBL Card Service: A customer once faced a problem where he did not used his debit card to purchase anything but the card division charged him an amount mistakenly.

Gap 7-Mobile Banking: Most customers' find it hard operate with the mobile banking section of the bank as they do not really educate the customers about the service.

Gap 8-Promotional Activities: MBL does not really promote their products or services that much other than the policies of Bangladesh Bank or Mcash service of the Bank. Thus it gets very difficult to attract the new and potential customers to enjoy the services of the bank.

Result Analysis

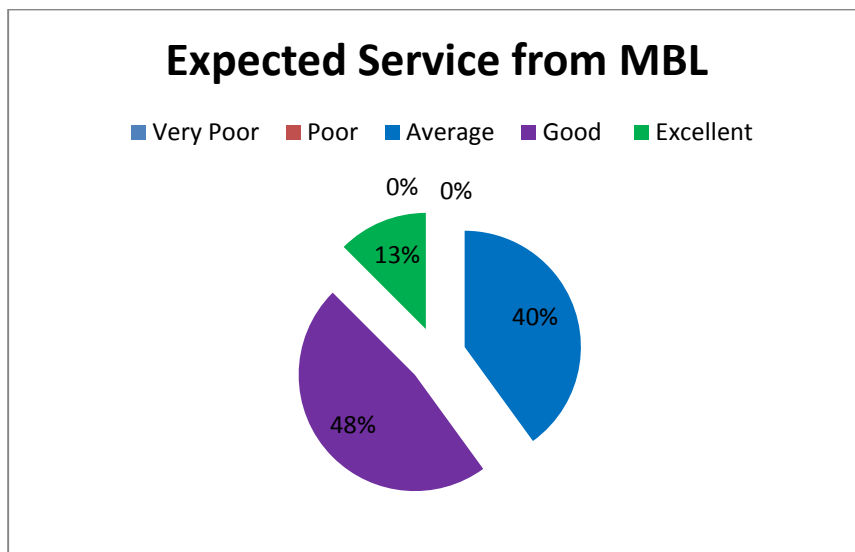
I conducted a research among 40 people, from which 60% are general users and others are corporate clients. The findings show 10 general customers were satisfied with MBL and 14 were not for various reasons which will be discussed below and out of the 40% people who were from corporate sector, 5 of them were dissatisfied and want to switch to other brands. The results are displayed in the pie charts below:



Expected Service from MBL

The survey revealed that the customers expect better services than what the bank is delivering to them presently. The table below along with a pie chart demonstrates the result:

1	2	3	4	5
0.00%	0.00%	40.00%	47.50%	12.50%



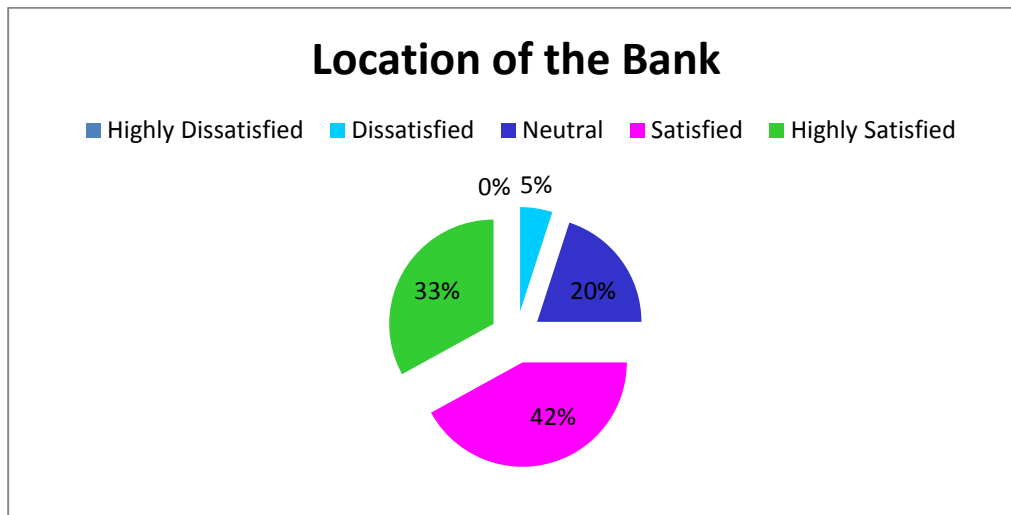
Therefore it can be concluded that majority of the customers of MBL expect the service of MBL to be 4 on a scale of 5.

The factors that have to be considered in banking industry today are location, security, interest rate on different packages, helpline, different products and services, etc. In this section, I have calculated the gap (expectation-perception) for MBL. The organization that has a negative gap is considered to be doing well since the customers' perceptions are higher than what they expected. A positive gap implies that customers' expectations are higher than what they perceived. It is necessary for an organization to reduce the gap if it wants to survive and sustain in the industry.

Location of the Bank: MBL has numerous branches all over Bangladesh. Thus it can be found easily in comparison to other banks. For example, Prime Bank has only 58 branches in

Bangladesh. The customers of MBL are satisfied with the location of the bank as shown in the table followed by a pie chart:

1	2	3	4	5
0.00%	5.00%	20.00%	42.00%	33.00%



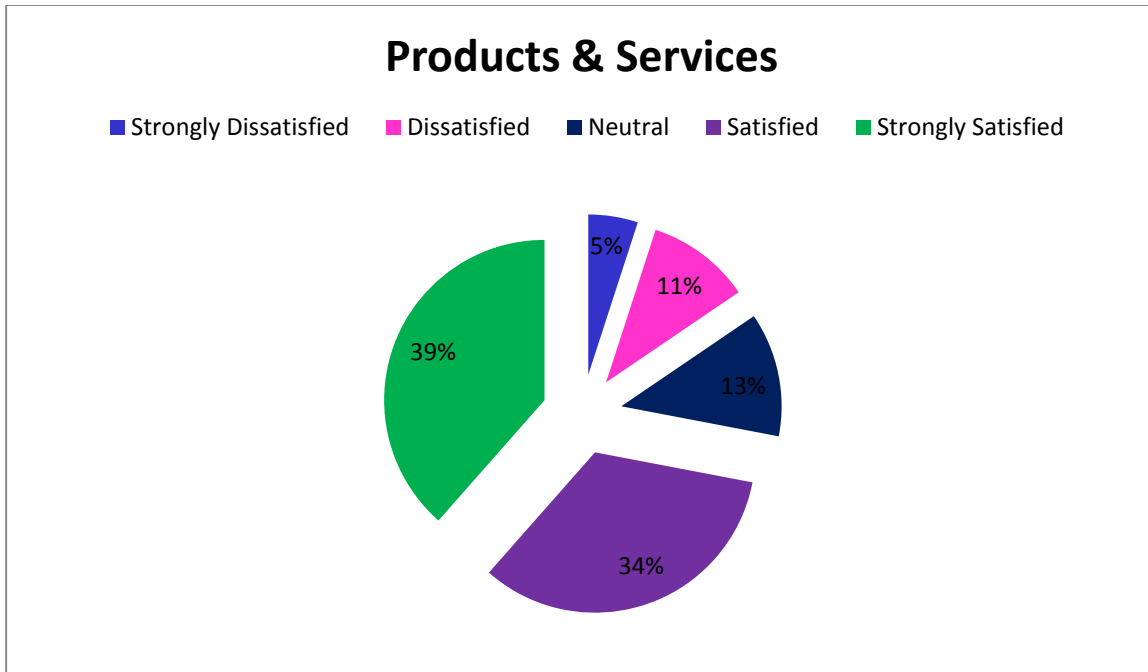
Therefore the location gap can be identified as,

$$1-4=-3$$

The negative value implies that the customers' perceived service is higher than their expectations from the bank.

Product and Services: Almost all the banks in this country offer similar products and services, making it difficult to measure the gap. Therefore the customer satisfaction varies on the basis of the services provided on these products. The customers have experienced better service than what they have expected. The table followed by a pie chart is given below demonstrating the results:

1	2	3	4	5
5.00%	10.50%	12.50%	33.50%	38.50%



Therefore the products and services gap can be identified as,

$$1-5=-4$$

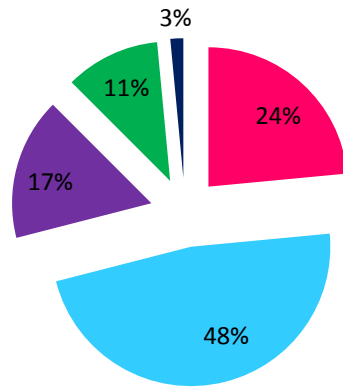
The gap is negative showing that the customers' perceived service is higher than their expectations from the bank.

Helpline/Customer Service: Customer service has become the crucial factor to attract customers to choose a bank. MBL's customer service has failed to meet customers' perception and give them the experience they expected. The results are displayed in the table below followed by a pie chart:

1	2	3	4	5
23.5%	47.50%	16.50%	11.00%	1.50%

Helpline/Customer Service

■ Strongly Dissatisfied ■ Dissatisfied ■ Neutral ■ Satisfied ■ Strongly Satisfied



Therefore the Customer Care gap can be identified as,

$$5-2=3$$

The gap is positive implying that the customers' expected service is higher than their perceptions.

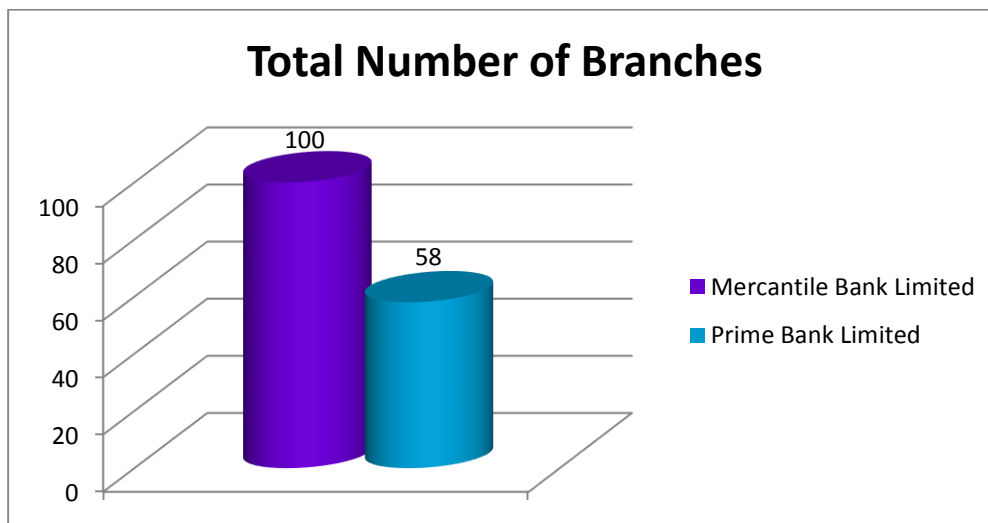
FINDINGS & RECOMMENDATIONS

Research Findings

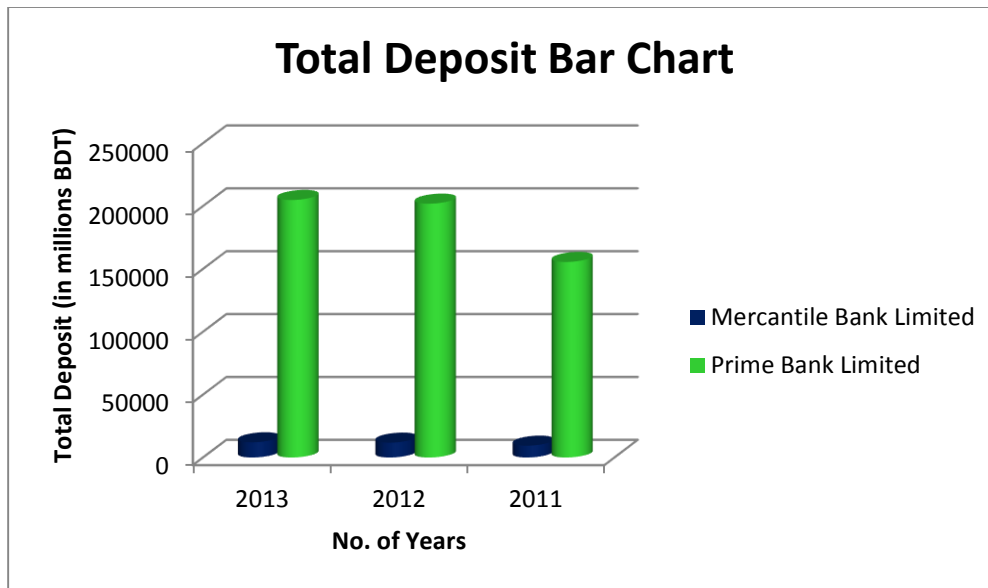
Marketing research is the process or set of processes that links the consumers, customers, and end users to the marketer through information. In competing with the largest banking companies like Prime Bank, Mercantile Bank is facing their biggest threat in acquiring, satisfying and retaining their customers. Therefore research is the best way to know about their present customers and most importantly the customers they have lost.

I made a questionnaire for Mercantile Bank Limited's (MBL) customers to know about what they actually want from MBL and how their expectations are being fulfilled. (Please refer to Appendix A)

Moreover while researching on and comparing MBL to Prime Bank Limited, it has been observed that MBL has numerous branches. This implies that MBL wants to have maximum exposure and therefore has chosen expansion. MBL has also thought of its customer's feasibility to access its support from his/her nearby places. On the other hand, even though Prime Bank Limited is performing well, they have only 58 branches that limit the access of their customers from his/her close proximity. The bar chart below shows the number of branches of both the banks.



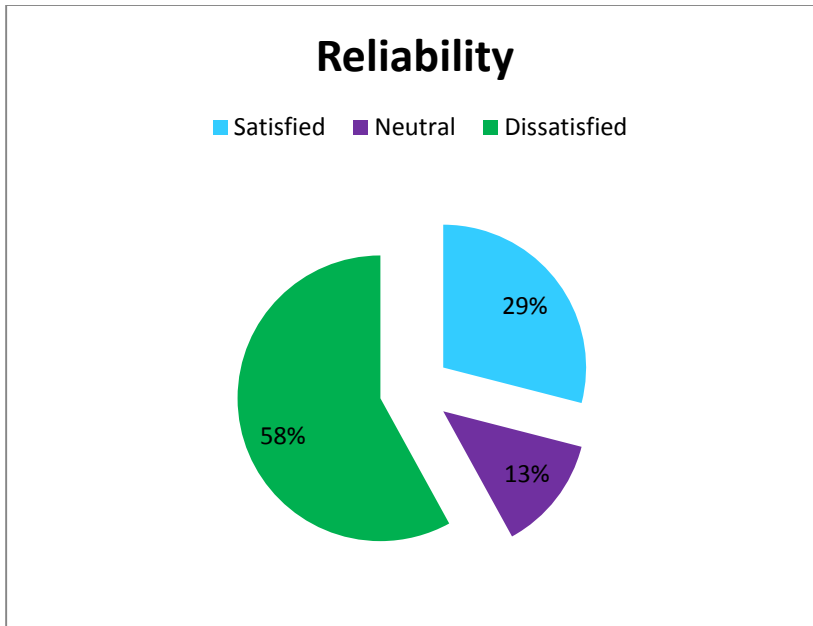
In addition the interest rate paid to customers of deposits is lower in MBL. It only offers 6-8.25% interest rate on different deposit schemes. On the contrary Prime Bank Limited offers 7-8.25% interest rate on the same schemes. Therefore Prime Bank Limited is far more attractive to customers in comparison to MBL. This why the total deposit of Prime Bank Limited is a lot higher than that of MBL as shown in the bar chart below:



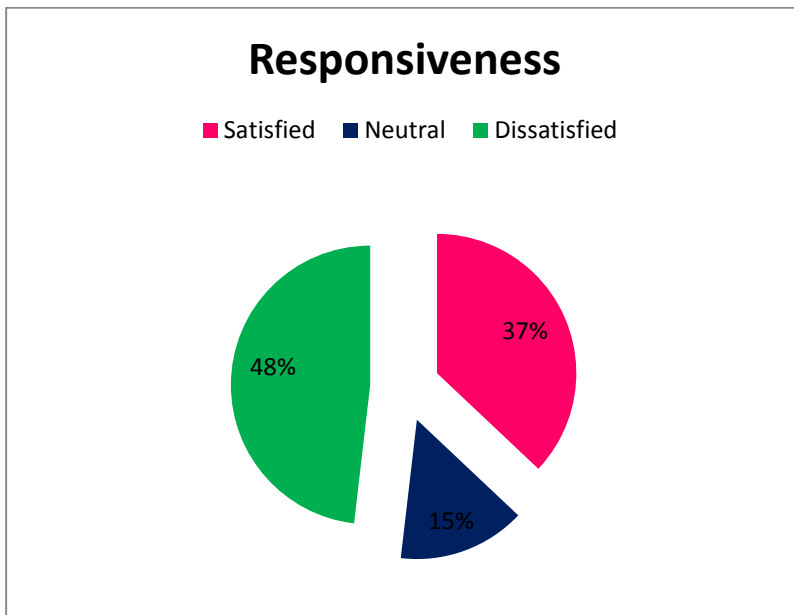
Additionally, MBL’s manpower is insufficient to manage the large volume of customers. Therefore the service gets delayed increasing the level of dissatisfaction amongst customers. Lastly the training sessions are not properly scheduled for the employees of the bank. Some employees may have no or little knowledge about the banking sector. Therefore the basic trainings to teach banking skills should be scheduled when they start fresh. Moreover, develop trainings should be planned after periodical intervals to widen the knowledge of the employees. An employee can only serve a customer appropriately when he/she has adequate knowledge.

According to the survey conducted, the findings are given below:

Reliability: It refers to the ability of the employee to provide the service reliably and correctly. The survey showed that the 58% of the customers felt the employees were not reliable. This is because the employees made a number of mistakes such as incorrect account number, misplace of important documents, etc., which resulted as a hassle for the customers.

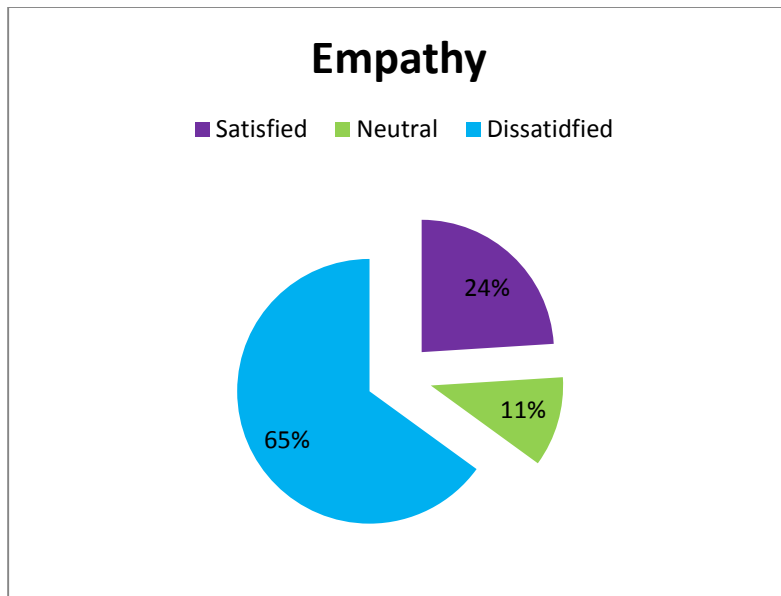


Responsiveness: It is the readiness of the employees to provide the service to the customers on time. In this the employees could not provide the service quickly. For instance, the cheque books or credit cards are often delivered to the customers on a later date than the lead time. Therefore 52% of the customers feel that the bank should be more responsive and ensure faster service.

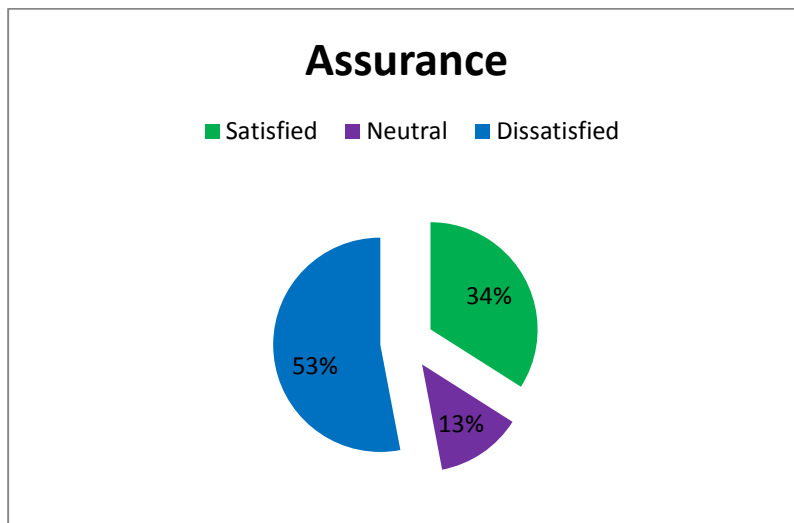


Empathy: It is the special consideration and care the employees of the bank provide to their customers. This dimension has received the worst evaluation of all the five dimensions. The employees of the bank are often rude to the customers. The employees are least helpful and cooperative when the customers face

any problems. Therefore 65% of the customers feel that the employees should be more empathetic to solving their problems.

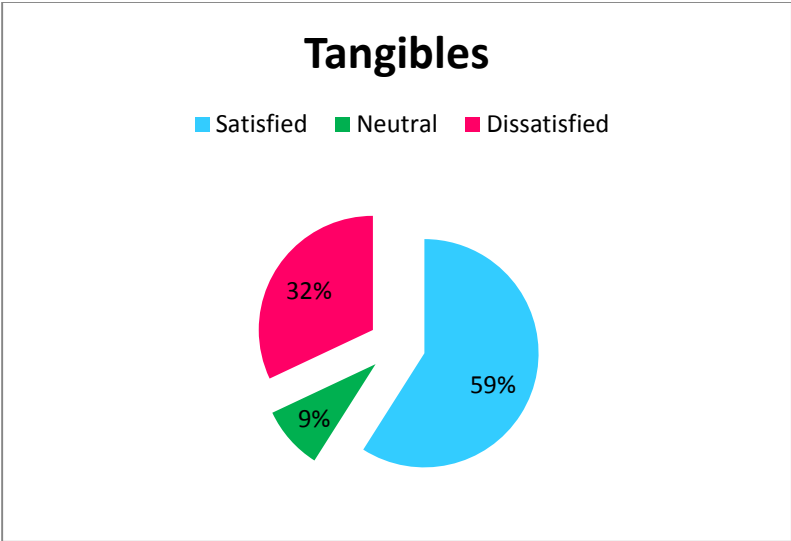


Assurance: It is the employees' understanding and courteousness along with their ability to put across trust and confidence. In this case, 53% of the customers feel that the employees do not have adequate knowledge to solve the problems and they are not courteous enough to communicate the customers.



Tangibles: It is the physical appearance of the bank's facilities, such as, equipments, personnel and communication materials. In this case MBL is one of the few banks in Bangladesh to use the latest technology, such as Temenos. Moreover the office itself is decorated nicely. Thus 59% the customers

agree that even though the employees of the bank are not polite, the physical structure including equipments and other communication materials are good.



Recommendations

Every organization in the world may have some sort of problems or complications in its path of operation and MBL, Mohakhali branch is also not an exception. For every setback there are also way outs and for MBL the following recommendations can be suggested:

- MBL Staffs should be more empathetic to its customers.
- They need more education on Temenos.
- Technological updates such as hi-speed network and software should be implanted.
- General Banking expertise should be recruited.
- MBL should ensure smooth operation of day to day activities of General banking.
- More branches should be given access to do general banking on Temenos.
- Card Division should be more prompt to serve the customers.
- General Banking Officers needs to do more training to provide their respective service more efficiently.
- Database of the customers should be also kept in the software along with the hard copy.
- MBL should focus on increasing the interest rate on deposits to attract more customers, rather than expanding only through opening new branches.

CONCLUSION

The economic development of Bangladesh indicates the importance of the financial institutions of this country. Mercantile Bank Limited is a third generation bank that has been contributing to the socioeconomic development of the country. Every organization has faced issues throughout the journey. Mercantile Bank Limited is no different and therefore has problems that have to be solved. If the issues and problems are resolved, the progression rate of the bank will grow faster.

The prerequisite to complete graduation is the completion of internship. The internship allows a student to relate his/her theoretical knowledge to the practical situations. By the grace of Almighty Allah I completed my internship at Mercantile Bank Limited, Mohakhali Branch. I got the opportunity to work in the general banking department of the bank. The length of the internship is only three months which is insufficient to gather in-depth understanding of any organization. Mercantile Bank Limited has become one of the leading bank in Bangladesh due to their hard work and dedication. The introduction of new technologies is a key to their success. If only they improve the customer services quality it will give them the opportunity to attract new and bigger clients.

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APPENDIX

APPENDIX A

Dear respondent, thank you for taking time to help us conduct this survey. As students of BRAC University, we are doing this survey on **customer perception and satisfaction** on the service of **Mercantile Bank Limited, Mohakhali Branch**. Please answer the following questions. We promise it will not take more than 10 minutes.

Questionnaire

Please answer the following questions:

- 1) Gender

M	F
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- 2) Age
 - a. 15-20 years
 - b. 21-30 years
 - c. 31-40 year
 - d. Above 40
- 3) Average monthly income _____TAKA(approx.)
- 4) On an average the number of times you recharge your account(If applicable)_____times
- 5) Please rate your satisfaction of this service on the following:

Please tick the appropriate box

RELIABILITY	Highly Dissatisfied		Highly Satisfied		
	1	2	3	4	5
	Bank performs my service as I want				
Service is done right from the beginning					
I trust the Bank to solve any problem if occurred					
Bank completes the service at the right time					
My records always come free of errors					

Please tick your answer for the following questions.

RESPONSIVENESS	Highly Dissatisfied		Highly Satisfied		
	1	2	3	4	5
	Employees serve me without delay or hesitation				
I trust Bank's employee who serves me					
I am confident that my transactions are complete and safe					

6) How did you approach MBL, in order to get your problem solved

- a. Customer Care Service
- b. Online
- c. Other

The following questions pertain to the customers service representatives you spoke with most recently. Please indicate whether you agree or disagree with the following statements.

Please tick the following questions.

EMPATHY	Strongly Disagree		Strongly Agree		
	1	2	3	4	5
	Bank's employees always give me special attention				
Bank's employees offer advice and guidance to me					
Bank's employees are always polite when talking to me					

The following questions pertain to the process by which your most recent service contract was handled. Please indicate whether you agree or disagree with the following statements. ***Please tick the following questions.***

ASSURANCE	Strongly Disagree		Strongly Agree		
	1	2	3	4	5
	The waiting time for having my questions answered was satisfying				
Bank's employees have enough knowledge to answer my questions					

Please tick the following questions.

TANGIBLES	Highly Dissatisfied		Highly Satisfied		
	1	2	3	4	5
	Bank's equipments are modern				
Bank's layout is nicely done					
Bank is generally clean					
Bank's accounting system is good					
Bank's employees are nice					

7) Please rate your service expectations of MBL from a scale of 1 to 5. (Consider the total package offered by the service provider including customer service; MBL benefits, and the cost, how satisfied are you?)

Very Average Excellent
Poor

1	2	3	4	5
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