AN INTERNSHIP REPORT

ON

"Cash Management of Mercantile Bank Limited"

This report is submitted to the faculty of Business Studies, Hajee Mohammad Danesh Science and Technology University, Dinajpur as a partial requirement for the fulfillment of degree of Masters of Business Administration (Evening) program.

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FACULTY OF BUSINESS STUDIES
HAJEE MOHAMMAD DANESH SCIENCE AND TECHNOLOGY UNIVERSITY, DINAJPUR-5200.

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Introduction of the Study:

Prelude:

This report has been prepared as a practical requirement of MBA (Evening).Program After completing the academic courses a student has to complete a 45-days organizational attachment. So, after completion of 45-days organizational attachment at Mercantile Bank Limited, this report has been prepared.

This report on "**Cash Management of Mercantile Bank Limited"**, was initiated as a part of Internship Program, which is a MBA (Evening) degree requirement of the Business Administration of Hajee Mohd. Danesh Science & Technology University (HSTU), Dinajpur. Since the MBA (Evening) Program is an integrated, practical, theoretical method of learning, the student of this program are required to have practical exposure in any kind of business organization.

Objective of the Study:

The intention to prepare this report are stated below:

i. Briefly observe the banking environment of Bangladesh and look at Mercantile Bank Limited as an Organization at some length.
ii. To know about the overall banking activity.
iii. To know about the management style and organizational structure of Mercantile Bank Limited.
iv. To assess the scenerio of Cash Management of Mercantile Bank Limited.
v. To identify the problems and weakness of the banking systems of Mercantile Bank Limited.
vi. Market scenario of banking sector and the current position of Mercantile Bank Limited.
vii. To know the product and services of Mercantile Bank Limited.
viii. To identify the major strength of the bank's customer service division.
ix. To provide probable suggestions for the improvement of the customer service quality, Cash Management improvement and the overall development of the bank.

Methodology:

In the organization part, much information has been collected from different published articles, brochures, web site and previous internship report. All the information incorporated in this report has been collected from the following sources:

i. Observation from the total internship period.
ii. Operational process.
iii. Discussion with the officials.

iv. Data from company documents and bank's computerized information system.
v. Statement of Affaires of the Bank.
vi. Periodic bulletins published by the bank.
vii. Bank's other published documents.
viii. Some textbooks.
ix. Internet.

Scope:

The scope of the report is limited to the overall description of the bank,, its services, its position in the industry and its competitive advantages. The scope is also defined by the organizational set-up, functions and performances. Here, Mercantile Bank Limited is compared with the internal different branch of the bank and other local banks as well.

Limitations:

The limitations, in preparing this repost, are given below:

i. I had no pervious experience to direct a survey program that's why this report might not bring the same result what the authority expect.
ii. The people, to whom I made my survey, most of them were not cordial to give their recommendation.
iii. Within the short period of time, it is not possible for me to study every thing about the Mercantile Bank Limited.
iv. The management people and the responsible officers of the bank are passing very busy time. So that, they could not give me enough time for collection information.

“Mercantile Bank Limited” – at a Glance.

History:

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 is a scheduled Bank under the private sector in Bangladesh formed with the bank company act 1991, the rules and regulation issued by the Bangladesh Bank, the company Act1994, the securities and exchange rules 1987 and other applicable laws and regulations in 1999. The Bank commenced its operation on June 2, 1999. The first branch was opened at 61, Dilkusha Commercial Area in Dhaka on the inauguration day of the Bank. The number of branches of the bank stood at 109 at the end of 2015 of which 22 AD branches are located at major trade centres of the country, 05 branches are SME Branches & others are rural and urban commercial branches with more than 2000 employees. During this short span of time, the Bank has been successful in positioning itself as a progressive and dynamic institution in our country.

The authorized capital of the bank was BDT 1,200.00 million of 12,000,000 ordinary share of BDT 100 each as of June 2006. The shares of the bank have been listed both in Dhaka Stoke Exchange and Chittagong Stoke Exchange and being treated at price higher than the book value.

As per guideline of Bangladesh Bank, the Bank adopted BIS (Bank for International Settlement) risk adjusted capital standards of measure capital adequacy. The Bank’s capital adequacy ratio stood at 10.39% 2005 as against 10.24% in 2004.

The bank has acquired 150000 shares of International Development and Leasing Company of Bangladesh Limited (IDLC) from International Finance Corporation

(IFC), sponsor of IDLC. This shareholding represents 10% of IDLC's share capital, The Bank acquired each share at BDT 863.00 against the face value of BDT 100.00, Market price per share of IDLC stood at BDT 1007.25 as of December 2005.

The Bank provides a board range of financial services to its customers and corporate clients. About 30 famous and renowned Industrialists came forward to establish this bank. The Board of Directors consists of eminent personalities from the realm of commerce and industries of the country.

The Bank is manned and managed by qualified and efficient professionals. **Md. Abdul Jalil** selected, as a founder Chairman of the bank who passed away. **Mr. Al-Haj Akram Hossain (Humayun)** presently elected Chairman of the board of directors and **Mr. Kazi Masihur Rahman** is the Managing Director and CEO of the bank. He brings with him a wealth of experience of managing private sector banks in the country. The board of directors consists of 14 members.

Vision: "Would make finest corporate citizen".

Mission:

Will become most caring, focused for equitable growth based on diversified development of resources and nevertheless would remain health and gainfully profitable Bank.

Objective

Strategic objective:

i. To achieve positive Economic Value Added (EVA) each year.

ii. To be market leader in product innovation.

iii. To be one of the top three Financial Institution in Bangladesh in terms of cost efficiency.

iv. To be one of the top three Financial Institution in Bangladesh in terms of market share in all significant market segments we serve.

Financial objectives:

i. To achieve a return on shareholders' equity of 20% or more, on average.

Core Values

For the customers:

i. Providing with caring service by being innovative in the development of new banking product and services.

For the shareholders:

i. Maximize wealth of the bank.

For the employees:

i. Respecting worth and dignity of individual employees devoting their energies for the progress of the bank.

For the community:

i. Strengthening the corporate values and taking environment and social risks and reward into account.

Registered Office

The registered office the Mercantile Bank Limited is its Head Office that is-

Mercantile Bank Limited

61, Dilkusha Commercial Area,

Dhaka-1000, Bangladesh.

PABX: +880-2-9559333, 9553892, 9561140..

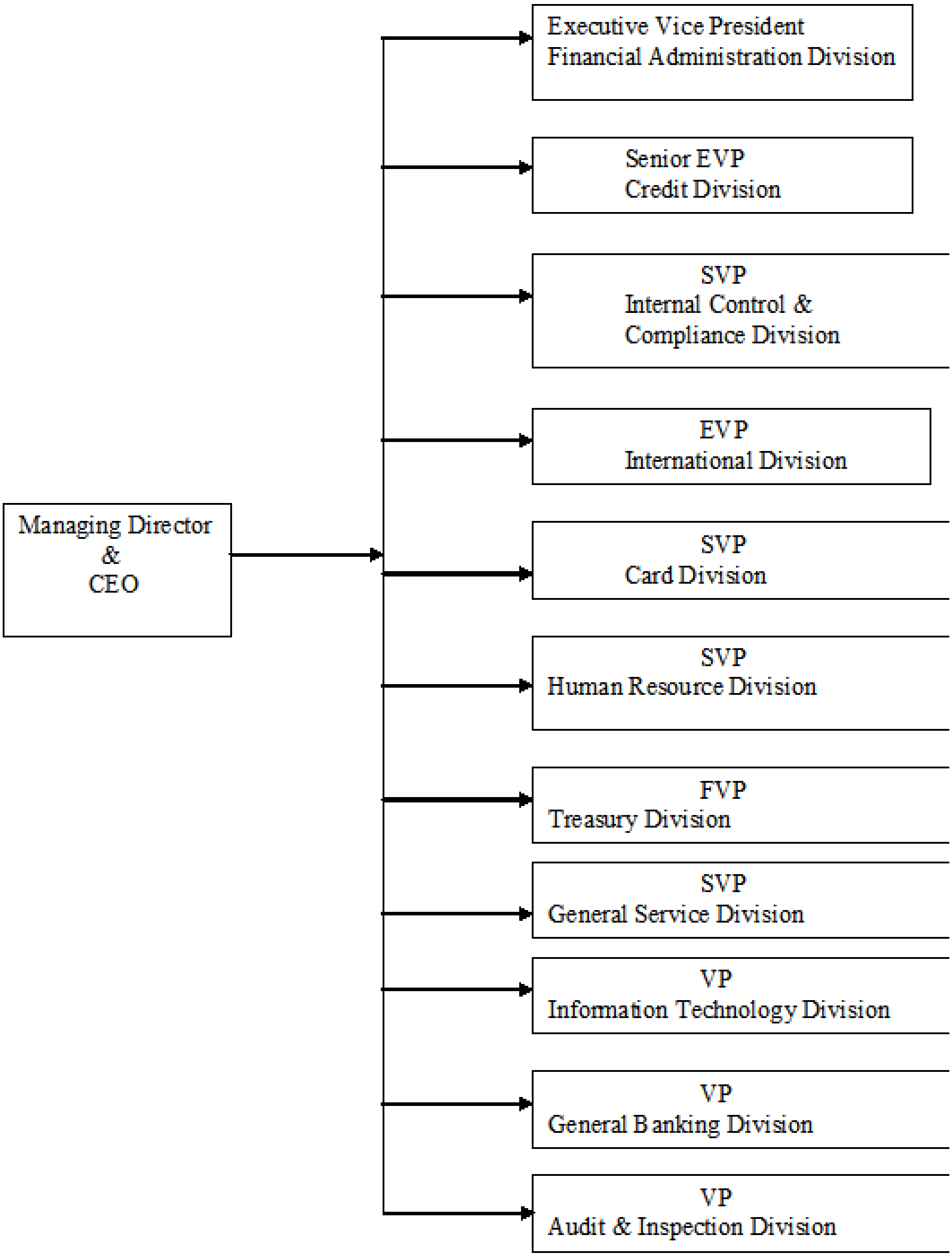
Fax: +880-2-9561213.

Telex: 642509 MBL ID BJ.

December 28, 2015.	Opening of 109th branch at Subarnachar Branch (Noakhali).
December 26, 2015.	Opening of 100th branch at Bazra Bazar Branch (Noakhali).
	Opening of 75th branch at A. K. Khan More Branch (Chittaagong)
	Opening of 50th branch at Narayanganj Branch
May 15, 2005.	Retirement of 5 sponsors Director of the bank after 6 consecutive years.
December 29, 2004.	Opening of 25th branch.
February 26, 2004.	Listed in Chittagong Stock Exchange.
February 16, 2004.	Listed in Dhaka Stock Exchange.
December 24, 2003.	Opening of 20th branch.
October 21-22, 2003.	Subscription of Share.
June 30, 2003.	Publication of Prospectus for IPO.
June 03, 2002.	Opening of 15th branch.
March 27, 2001.	Get permission to start business at Dinajpur.
October 29, 2000.	Opening of 10th branch.
June 02, 1999.	Commencement of Business.
May 20, 1999.	Incorporation of the Bank.

Organogram:

The organ gram of the bank are shown in below:

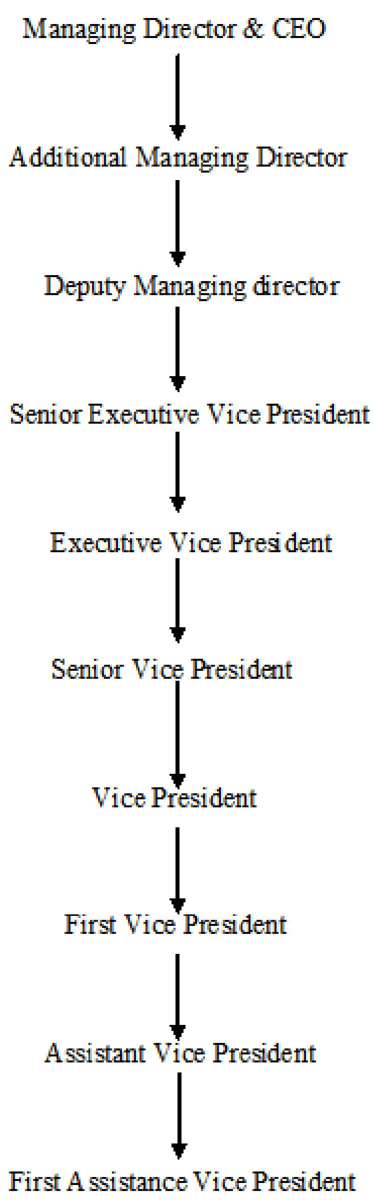


Source: www.mblbd.com

Management Team:

The management of the mercantile Bank Limited is vested on a board of Directors, for overall supervision and directions on policy matters. The power of general supervision and control of the affairs of the bank is exercise by the president and the CEO of the bank who is also the Managing Director of the board.

The hierarchy of The Mercantile Bank Limited is as Follows:



Source: www.mblbd.com

Senior Management :

Kazi Masihur Rahman

Managing Director & CEO

Md. Abdul Jalil Chowdhury

Additional Managing Director & CRO

Monindra Kumar Nath

Additional Managing Director & CFO

Md. Quamrul Islam Chowdhury

Additional Managing Director

Mohammad Masoom

Deputy Managing Director

Mati ul Hasan

Deputy Managing Director

Mohammad Ismail

Deputy Managing Director

Syed Ahmadul Karim

Senior Executive Vice President

Ahmedul Haque

Senior Executive Vice President

Md. Rabiul Islam

Senior Executive Vice President

Md. Mahmood Alam Chowdhury

Senior Executive Vice President

Md. Zakir Hossain

Senior Executive Vice President

Shamim Ahmed

Senior Executive Vice President

Dr. Md. Nurul Islam

Senior Executive Vice President

Abdullah Md. Zaki Hasan

Senior Executive Vice President

Md. Rafiqul Hoque Bhuiyan

Senior Executive Vice President

Board of Directors:

Al-Haj Akram Hossain (Humayun)

Chairman

M. S. Ahsan

Vice Chairman

Md. Abdul Hannan

Vice Chairman

A.K.M. Shaheed Reza

Director

Dr. Mahmood Osman Imam

Independent Director

Md. Shahabuddin Alam

Director

Md. Anwarul Haque

Director

A. S. M. Feroz Alam

Director

M. Amanullah

Director

Mohd. Selim

Director

Morshed Alam, M.P

Director

Al-Haj Mosharref Hossain

Director

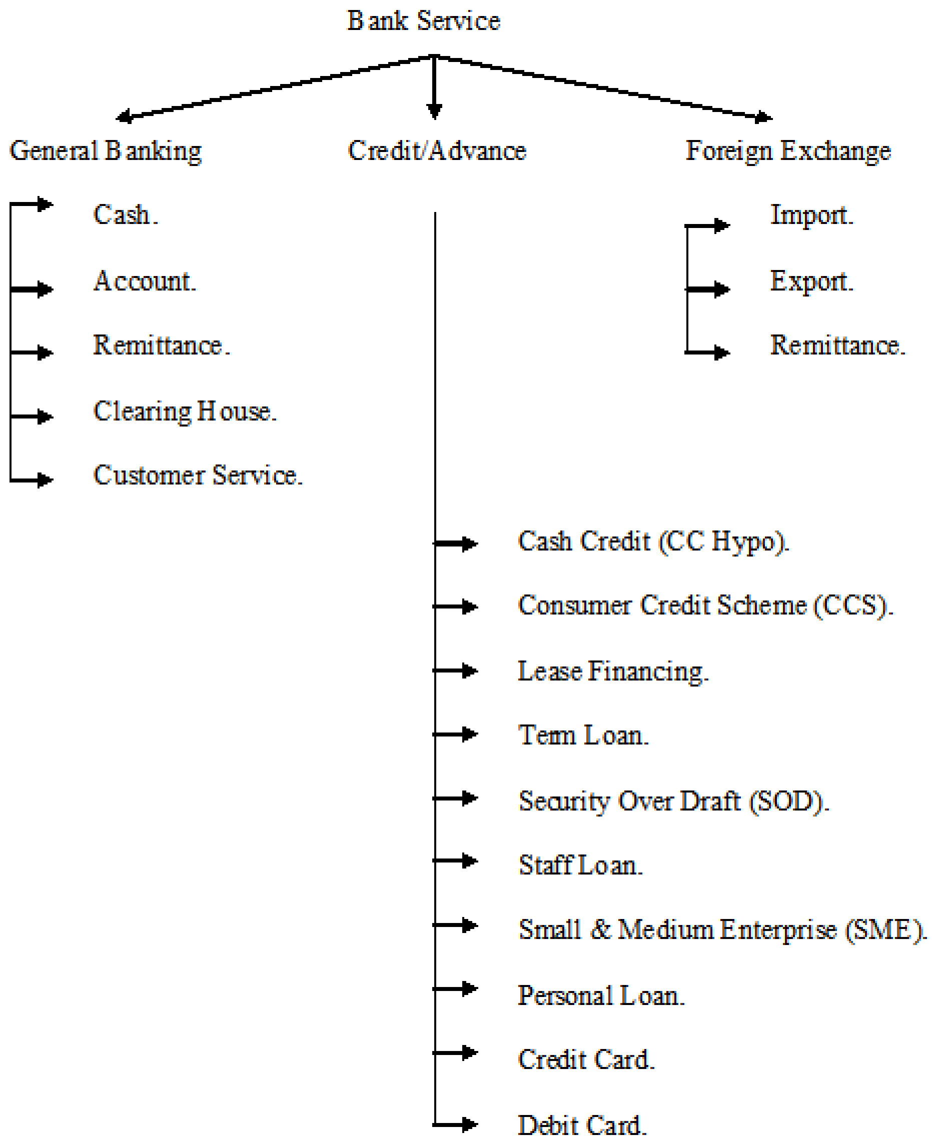
Dr. Md. Rahmat Ullah

Independent Director

Kazi Masihur Rahman

Managing Director & CEO

2.10. Structure of the Banking service:



Source: 1. www.mblbd.com **, 2. Annual Financial Report of MBL**

Major financial product:

Monthly Savings Scheme:

The prime objective of this scheme is to encourage people to build up a habit of saving. Under this scheme, one can save a fixed amount of money every month and get a lucrative amount of money after five, eight or ten years.

Family Maintenance Deposit:

Under this scheme, one can deposit certain amount of money for five years and in return he will receive benefits on monthly basis. Benefits start right from the first month of opening an account under the scheme and continue up to five years.

Double Benefit Deposit scheme:

Under this scheme, depositor’s money will be doubled in a 8.5-year period.

1.5 Times Benefit Deposit scheme:

Under this scheme, depositor’s money will be 1.5 times in a 5.5-year period.

Super Benefit Deposit scheme:

Under this scheme, depositor’s get Tk.1000/ per month against deposit of Tk.1.75 lac for one year (E-Tin needed, without E-TIN, benifit will be Tk.944/- per month).

Pension and Family Support Deposit:

Pension and Family Support Deposit has been evolved especially for old age. Under this scheme one can get life long benefit if he deposits specific amount per month for a period of 10 or 15 years. The scheme can also be opened in the name of minors.

Consumers' Credit Scheme:

Consumers' Credit is relatively new field of collateral-free finance of the bank. People with limited income can avail of this credit facility to buy household goods including computer and other consumer durables.

Small Loan Scheme:

This scheme has been evolved especially for small shopkeepers who need credit facility for their business and cannot provide tangible securities.

Lease Finance:

This scheme has been designed to assist and encourage the genuine and capable entrepreneurs and professionals for acquiring capital machineries, medical equipments, computers and other items. Terms and conditions of this scheme have been made easier in order to help the potential entrepreneurs to acquire equipments of production and services and repay gradually from earnings on the basis of 'Pay as you earn'.

Doctors' Credit Scheme:

Doctors' Credit scheme is designed to facilitate financing to fresh medical graduates and established physicians to acquire medical equipments and set up clinics and hospitals.

Rural Development Scheme:

Rural Development Scheme has been evolved for the rural people of the country to make them self-employed through financing various income-generating projects. This scheme is operated on group basis.

Women Entrepreneurs Development Scheme:

Women Entrepreneurs Development Scheme has been introduced to encourage women in doing business. Under this scheme, the bank finances the small and cottage industry projects sponsored by women.

SME Financing Scheme:

Small and Medium Enterprise (SME) Financing Scheme has been introduced to assist new or experienced entrepreneurs to invest in small and medium scale industries.

Personal Loan Scheme:

Personal Loan Scheme has been introduced to extend credit facilities to cater to the credit needs of low and middle-income group for any purpose. Government and semi-government officials, employees of autonomous bodies, banks and other financial organizations, multinational companies, reputed private organizations and teachers of recognized public and private schools, colleges and universities are eligible for the loan facilities.

Car Loan Scheme:

Car Loan Scheme has been introduced to enable middle-income people to purchase Cars/SUVs/Jeeps. Government and semi-government officials, employees of autonomous bodies, banks and other financial organizations, multinational companies, reputed private organizations, teachers of recognized public and private universities and business men are eligible for the loan facilities.

Key financial information: (BDT in million)

	1999	2001	2003	2005
Authorized Capital	800.00	1200.00	1200.00	1200.00
Paid-up Capital	245.00	276.85	639.53	999.27
Total Capital	261.06	596.44	1235.23	2045.85
Deposit	3104.63	12234.70	16285.19	25727.43
Loans & Advances	871.46	6707.42	10775.95	21857.05
Investment	70.18	882.47	2107.26	3517.68
Fixed Assets	17.97	67.76	81.50	366.80
Total Assets	3411.45	13085.86	18324.73	28890.48
Import	2096.20	12268.00	20380.80	33271.90
Export	1011.00	13085.86	18324.73	24108.57
Remittance	42.60	308.40	474.00	679.10

More information:

Funding Structure: (BDT in million)

Components	Amount	% Of Total
Deposits	25727.43	89.05
Paid-up Capital	999.27	3.46
Reserves	1046.58	3.62
Others	1117.20	3.87
Total	28890.48	100.00

Total Income: (BDT in million)

Components	Amount	% Of Total
Interest Income	2720.38	78.34
Commission	300.61	8.66
Exchange Gains	259.20	7.46
Other Income	192.32	5.54
Total	3472.51	100.00

Total Expenses: (BDT in million)

Components	Amount	% Of Total
Interest Expenses	1987.16	79.32
Salaries & Allowances	282.88	11.29
Rent, Rates, Taxes etc.	69.65	2.78
Stationeries, Printing & Advertisements	33.37	1.33
Depreciation & Repairs	30.33	1.21
Postage, Stamps & Telecommunication	16.22	0.65
Other Expenses	85.67	3.42
Total	2505.28	100.00

Asset Portfolio: (BDT in million)

Components	Amount	% Of Total
Loans & Advance	21857.05	75.65
Investment	35517.68	12.18
Cash	1878.41	6.50
Money at Call & Short Notice	625.00	2.16
Balance with other Bank	118.19	0.41
Other Assets	894.15	3.10
Total	28890.48	100.00

SWOT Analysis:

Strengths	Weaknesses
• Good asset quality. • Satisfactory business growth. • Diversified product line. • Good profitability. • Experienced top management. • Good operating efficiency. • T24 Core Software	• Depends on fixed deposit. • Limited delegation of power. • MIS at primary stage. • Weak in shariah compliances.
Opportunities	**Threats**
• SME business. • Real time online banking. • Large foreign remittance network	• Increased compliance in the market. • Market pressure for Dollar crisis. • Market pressure for increasing the SLR.

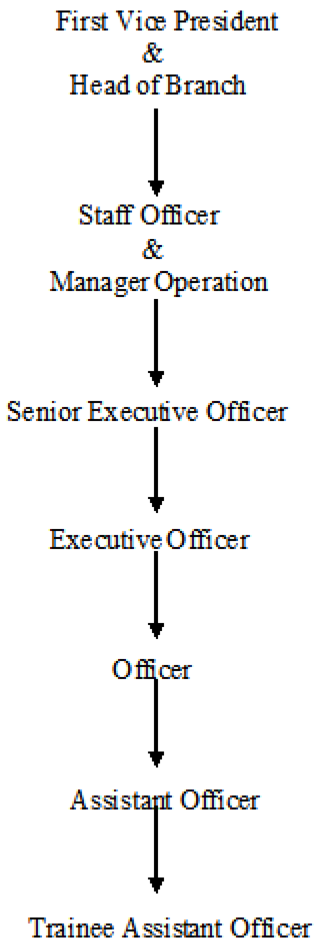
“Mercantile Bank Limited” –Dinajpur Branch

Mercantile Bank Limited – Dinajpur Branch is the 45th branch of the bank. It got permission to start its business on 2009. The then Commerce Minister of The Government of Bangladesh and the Chairman of the Bank inaugurated the Branch on 22th October, 2009. Now the Branch is Headed by the First Vice President Mr. Md. Mamunur Rashid. The Branch consists of 13 officers. It is one of the important Branch in Rangpur Division as well as whole Bangladesh. The Bank provides all the banking services of their customers and clients at their best. Some financial information of Mercantile Bank Limited – Dinajpur Branch are given as below:

As on: 31/12/2015

No.	**Particulars**	**Amount (BDT)**
1.	Total Assets	236,29,73,652.45
2.	Total Deposit	98,43,05,781.53
3.	Total Advance	153,24,39,259.51
4.	Demand Deposit	3,84,28,053.81
5.	Time Deposit	91,29,57,271.39
6.	Total Liabilities	346,81,30,366.24

The hierarchy of the Branch is:



Source:

1. http://www.mblbd.com/

Rate of Interest & Lending :

Savings Deposit Rate

Savings	**4.25%**

Fixed Deposit Rate

Period	**For any Amount**
01 Month	4.50%
3 Months	5.50%
6 Months	5.75%
1 Year	6.00%
2 Year	6.25%
3 Year	6.50%

Special Notice Deposit (SND) Account Rates

BDT 1 Lac to Less than BDT 1 Cr.	**BDT 1 Cr. to less than BDT 25 Cr.**	**BDT 25 Cr. to less than BDT 50 Cr.**	**BDT 50 Cr. to less than BDT 100 Cr.**	**BDT 100 Cr. and above**
3.50%	4.00%	4.50%	5.00%	5.50%

Interest Rate of Loans & Advances

Sectors of Business	**Present Interest Rate (Mid Rate)**
Agricultural Loans:	
Term Loan (Both Short Term & Long Term)	11.50%
Revolving Credit	11.50%
Term Loan:	
Industrial / Manufacturing Project	13.50%
Other Term Loans	13.50%
Working Capital Financing:	
Industrial / Manufacturing Project	13.50%
Work Order / Supply Order	14.50%
Export Loan (PC)	7.00%*

Trade Financing/Business Loans	13.50%
Import financing of rice, wheat, edible oil (refined and crude), pulse, peas, onion, dates and sugar	13.00%
Financing to Small & Medium Enterprise	
With BB refinancing	10.00%*
Without BB refinancing	14.50%
Loans to NBFIs	13.50%
Lease Finance/Hire Purchase (Industrial)	14.00%
Lease Finance/Hire Purchase	14.50%
House Building Loan (HBL)	
Residential	14.00%
Commercial	14.00%
Loans against FDR	FDR Rate + 2.00%*
Loans against Scheme Deposits of the Bank	Scheme Deposit Rate + 2.50%*
Special Credit Schemes	
Loans under schemes	
Doctors' Credit Scheme	
Interest Rate	16.00%
Loan Processing Fee	1.00%
Any Purpose Loan (Personal Loan Scheme)	
Interest Rate	16.00%
Loan Processing Fee	1.00%
Risk Fund	1.00%
Car Loan Scheme	
Interest Rate	16.00%
Loan Processing Fee	1.00%
Home Loan Scheme	
Interest Rate	14.00%
Loan Processing Fee	1.00%
House Furnishing Loan (Consumer Loan Scheme)	
Interest Rate	16.00%

Loan Processing Fee	1.00%
Risk Fund	1.00%
Women Entrepreneurs Development Scheme	10.00%**
Rural Development Scheme	15.00%
Overseas Employment Loan Scheme	15.00%
Financing Solar Energy & Bio-Gas project under BB refinance	
Direct lending to ultimate beneficiary	9.00%**
Lending through NGO linkage	10.00%**
Financing Effluent Treatment Plant (ETP)	9.00%**
Cottage Loan	
Interest Rate	16.00%*
Loan Processing Fee	0.50%
Education Loan	
Interest Rate During Moratorium Period	10.00%*
Interest Rate After Moratorium Period	14.50%*
Other Loans & Advances	14.50%

* Fixed Rate

** Subject to receiving refinance from Bangladesh Bank. Otherwise, interest rate (mid rate) will be 15.00%. Loan under refinance scheme of Bangladesh Bank shall be guided by Bangladesh Bank Circular/Instruction.

Source: http://www.mblbd.com/

Activities of the Bank:

4.1. General Banking Division:

Customer Service:

Mercantile Bank Limited provides their best service to their clients. They are improving their service day by day to their customer. They provide the following services to their customers:

i. Account Opening.
ii. Customer Inquiries.
iii. Account Transfer.
iv. Account Close.
v. Cheque Book Issue.
vi. Issuing of – Demand draft (DD), Pay Order (PO) & Security Deposit Receipt (SDR).

Account Opening: Like all the Bank Mercantile Bank Limited has also two types of deposit e.g. two types of accounts. These are:

a) Demand Deposit.

b) Time Deposit.

a) Demand Deposit:

Demand Deposit are general types of deposit or account which is operate through cheque, accounts holder can deposit his or her money in his account and also he can withdraw money from his account. The Demand Deposit accounts are –

I. Savings Account (SB),

II. Current Account (CD),

III. Short Term Deposit (STD) and

IV. Foreign Currency Account in Dollar (FCAD).

b) Time Deposit:

It is the special scheme account for the customer. In such account customer deposit money for a certain period to gain some profit. The time Deposit Accounts are –

i. Fixed Deposit Receipt (FDR),

ii. Masik Sanchaya Scheme (MSS),

iii. Double Benefit Deposit Scheme (DBDS),

iv. Monthly Benefit Scheme (MBS).

v. Other scheme deposit

Checklist for Accounts Opening:

Before providing the documents, a customer(s) must fill up the prescribed account opening form provide by the Mercantile Bank Limited. A complete account opening form include:

i. Client Information.
ii. Specimen Signature Card.
iii. Cheque Requisition Form.
iv. Nomination Form.
v. Transaction Profile.
vi. Declaration.
vii. KYC (Know Your Customer).

Most important point of a new account holder(s) is that s/he must have an introducer who has an account in the Mercantile Bank Limited. There is a part for introducer in the account opening form and the account holder(s) photograph must be abstract by the introducer. The account holder(s), along with the form, should submit following documents:

Savings Account:

a) Photo – 2 copies of account holder(s).

b) Nationality Certificate or valid Passport or Voter ID card of account holder.

c) Photo – 1 copy of nominee(s).

Current Account:

For Proprietorship Business:

a) Photo – 2 copies of account holder.

b) Nationality Certificate or valid Passport or Voter ID card of account holder.

c) Photo – 1 copy of nominee(s).

d) Trade License.

e) TIN Certificate of Proprietor.

For Partnership Business:

a) Photo – 2 copies of all partners.

b) Nationality Certificate or valid Passport or Voter ID card of account holder.

c) Photo – 1 copy of nominee(s).

d) Partnership deed (Notary Public).

e) Partnership registration certificate.

f) Letter of partnership (Printed form, MF – 06, MF – 07).

g) Resolution.

h) Trade License.

i) TIN Certificate of Partners.

For Private Limited Company:

a) Photo – 2 copies of all Directors.

b) Nationality Certificate or valid Passport or Voter ID card of account holder.

c) Photo – 1 copy of nominee(s).

d) Articles of Association.

e) Memorandum of association.

f) Certificate of incorporation.

g) Resolution of Board of Directors (With all Directors Signature).

h) Trade License.

i) TIN Certificate of Directors.

For Public Limited Company:

a) Photo – 2 copies of all Directors.

b) Nationality Certificate or valid Passport or Voter ID card of account holder.

c) Photo – 1 copy of nominee(s).

d) Articles of Association.

e) Memorandum of association.

f) Certificate of incorporation.

g) Resolution of Board of Directors (With all Directors Signature).

h) Trade License.

i) TIN Certificate of Directors.

j) Certificate of Commencement.

Importance of KYC:

KYC means "**K**now **Y**our **C**ustomer". KYC is become an important part in today's critical structure. It become safeguards for bank collect client information and helps to formulate a customer acceptance on bank's police(s). KYC provide a particular relevance to the safety and security of the financial institutions. A KYC transaction profile include:

i. Occupation or nature of customer's business.
ii. Net worth / sales turnover of the customer.
iii. Reasons for opening the account.
iv. Nature of transaction.
v. Expected value of monthly transactions.
vi. Expected number of monthly transactions.
vii. Expected value of monthly cash transactions.
viii. Expected number of monthly cash transactions.

Customer Inquiries:

The respective officers of the Department are always ready to provide all kinds of information to their customers. Customers can make their quires easily about their desired information.

Account Transfer:

Some times customer change their place due to some unavoidable reason. At that situation customer had to transfer their account to their convenient place. All the process of account transfer is happen through the General Banking Division.

Account Close:

Very few times, customers are facing problem to not to continue their accounts. At that situation the Mercantile Bank Limited are complied to close their client's account. Most of the time this is happen in the case of Masik Sanchaya Scheme (MSS). At the closing of MSS, clients are asking to bring all the deposit books along with an application. The procedures of closing are varies from account to account.

Cheque Book Issue:

In the accounts opening form, there is a page for chequebook requisition, which is signed by the accounts holder. The chequebook does not issue immediately after opening the account. When the authorized officer verifies the accounts holder demand for the chequebook, then his or her signature. And after the signature verification a chequebook is issue for the account holder. There are chequebooks for all types of accounts from 10 leaves to 50 leaves.

Issuing of:

Demand Draft (DD): Demand Draft is issue for the customer of the client who pay their payment to other bank, which are out of clearing house.

Pay Order (PO): Pay Order has been issued for the client for to make the client's payment instead of cash. It has been issued to pay with the range of clearinghouse. To issue a Pay Order, bank charges commission and VAT from their client.

Security Deposit Receipt: It is the similar type of pay Order. But it issue when the amount of cash or cheque is more then Tk. 1,00,000.00. All the function of SDR is as like as Pay Order.

Pay Slip: Pay Slip, Pay Order, SDR, the function of these three instruments is all most same. The basic difference of Pay Slip with the other two instruments is, it is issue just for Bank's own expenses. To issue a Pay Slip, bank does not charge any commission and VAT.

Clearing House:

Mercantile Bank Limited is a Scheduled Bank. According to the Article 37(2) of Bangladesh Bank Order, 1972, the banks, which are the member of the clearinghouse, are called as Scheduled Banks. The Scheduled banks clear the cheque with other banks through the clearinghouse. The clearing cheque means the client of the bank deposit the cheques of other bank to their account. When the bank receives such cheque then the bank put a seal “received for Collection” on the voucher and also put a seal on the cheque on the left corner is called Crossing. These cheques are placed in the clearing house for pass or return. This is an arrangement by the central bank where everyday the representative of the member banks gathers to clear the cheque. The place where the banks meet and settle their dues is called the Clearing-House. The Clearing-House sits for two times in a working day. The morning shift is called 1st House and evening shift is called 2nd House.

Cash Department:

One of the main parts of a bank is Cash Department. Customers and clients deposit and withdraw their money from cash counter. Receiving of cash and payment of cheque is the main task of the cash department.

Account holder has to write a deposit slip to deposit the money in the bank. He should write his bearing account number, name and the amount, he wants to deposit in the bank, carefully. After receiving the cash, the cash officer put his signature and marked “Cash Received” seal on the deposit slip. If the account holder makes any mistake to write his name or account number then the amount is deposited in a special account, which is called “Sundry” and had been informed immediately.

Account holder can place cheque to withdraw cash from his account. He should write the cheque first, which should not be overwrite and sign properly. After submitting the cheque his signature will be verified by an authorized officer and check his account whether the cheque amount is available or not. If the amount is available in the account then the officer cancel the cheque and the cash officer will make payment to the customer and marked “Cash Paid” seal on the cheque.

4.2. Credit Division/Advance:

This is also one of the important divisions of a banking system. The major task of this department is to provide loan/advance facilities to the client. There are difference between loan and advance. Loan means when an advance is made in a lump sum repayable either in fixed monthly instalments or in lump sum and no subsequent debit is ordinarily allowed except by way of interest, incidental charges etc. it is called loan. And when a lump sum amount is sanctioned to a customer for a specific period of time or for a long period is known as advance.

Mercantile Bank Limited makes loan & advance to reputed clients and encourages them in lending to socially desirable, national important and financially viable sector. Mercantile Bank extends its credit facilities to the area, which the branch is located and the ability of its stuff to supervise and monitor the same also considered. The Bank complies with all the laws and act of the country including central banks instruction relating to banks. The credit division tries to actively participate in the growth and expansion of our national economy by providing credit to viable borrowers.

Credit Approval Authority:

The Senior Management of Mercantile Bank Limited delegates authority to individual credit analyst and credit manager. Loan Administration Division also retains copies of all Delegation of Lending Authorities.

Approval Process:

Credit approval should be centralized within the credit function. Regional credit centers may be established, however, the Head of Credit Division, Head Office, Dhaka must approve all large loans. Any credit proposal that does not comply with Lending Guidelines, regardless of amount, should be referred to Head Office for approval.

Credit Administration:

After approval, Credit Team will send/forward application along with the security and other documents to the Credit Administration Division under Operation Unit for processing. The Credit Administration function is critical in ensuring that proper documentation and approvals are in place prior to the disbursement of loan facilities. Under Credit Administration there may be two-sub unit, Documentation & QC and Loan Administration department who will process the document and disburse the loan.

Credit Documentation:

Credit Documentation Department is responsible for:

i. To ensure that all security documents complies with the terms of approval.
ii. To control loan disbursements only after all terms and condition are approval have been met and all security documents as per the checklist are in place.
iii. To maintain control over all security documentation.

iv. To monitor borrower’s compliance with agreed terms and conditions, and general monitoring of account conduct/performance.

Loan Disbursement:

Credit administration Department will disburse the loan amount under the loan facilities only when all security documents are in place. CIB (Credit Information Bauer) report is obtained, as appropriate and clean.

Custodial Duties:

Loan disbursement and the preparation and storage of security documents should be centralized in the regional credit center. Security documents is held under strict dual control, in locked fireproof storage.

Risk Management:

The credit division is full of risk. The Credit & Collection Unit (CCU) manages the risk. The following elements contribute to the management of credit risks:

i. Third Party Risk.
ii. Fraud Risk.
iii. Liquidity and Funding Risk.
iv. Political and Economic Risk.
v. Operational Risk.
vi. Maintenance of Documentations and Securities.
vii. Internal Audit.

Collection & Remedial Management:

Collection of loans and advance are done through the following process:

Monitoring: A banks loan portfolio should be subject to a continuous process of monitoring. This will be achieved by generation of over limit and over due reports, showing where facilities are being exceeded and where payment of interest and payment of principle are late. There should be formal procedures and a system in place to identify potential credit losses and remedial action has to be taken to prevent the losses.

Recovery: The collection process for loans will start when the borrower has failed to meet one or more contractual payment (Installment). It therefore, becomes the duty of the Collection Department to minimize the outstanding delinquent receivable and credit losses.

Collection Objective: The collector's responsibility will commence from the time an account becomes delinquent until it is regularized by means of payment or close with full payment amount collected.

Collection/Monitoring Steps:

To identify and manage arrears, the following again classification is adopted:

Days Past Due (DPD)	Collection Action
1-14	

Letter, Follow up & Persuasion over phone.

1st Reminder letter & Follow up & Persuasion over phone.

45-5932. 3rd Reminder letter.

33. Group visit by team member.

34. Follow up over phone.

35. Letter to Guarantor, Employer & Others.

36. Warning on legal action by next 15 days.60-89

i. Call up Loan.
ii. Final Reminder & Serve legal notice.
iii. Legal proceedings begin.
iv. Repossession starts.

90 and above

v. Telephone calls/Legal proceedings continue.

vi. Collection effort continuous by Officer and Agent.

vii. Letter to different Banks/Associations.

Process Flow Chart of Loan processing:

A Process Flow Chart of Loan and Advance are shown here:

Loans and Advances:

Mercantile Bank Limited, Credit Division provide the following loans and advance facilities to their clients:

i. Secured Over Draft (SOD).
ii. Lease Finance.
iii. Payment Against Documents (PAD) Cash.
iv. Cash Credit (CC Hypo).
v. Personal Loan.
vi. Loan Secured.
vii. Small Loan Scheme.
viii. Consumer Credit Scheme (CCS).
ix. Car Loan.
x. House Building Loan.
xi. Loan Against Trust Receipt (LTR)
xii. Small & Medium Enterprise (SME) Loan.

To enjoy the above loans and advance facilities clients has to provide some documents to the bank according to their purpose. Cause different loans have different documents requirement charge documents. A list of charge documents of some popular loans and advances, provided by the bank, are given below:

Secured Over Draft (SOD):

i. Demand Promissory Note.
ii. Letter of Arrangement.
iii. Letter of Authority.
iv. Letter of Undertaking.
v. Letter of lien for Advance Against Fixed Deposit/Special Deposit Receipt.
vi. Memorandum of deposit of securities.
vii. Letter of Continuity.
viii. Letter of Authority for encashment of DBDS/ MBDS/ SSS/ MSS/ FDR.
ix. Balance Confirmation Slip.

Cash Credit (CC Hypo):

i. Demand Promissory Note.
ii. Letter of Arrangement.
iii. Letter of Authority.
iv. Letter of Undertaking.
v. Letter of Hypothecation.
vi. Supplementary Agreement for Letter of Hypothecation.
vii. Letter of Continuity.
viii. Letter of Revival.
ix. Letter of Guarantee.
x. Balance Confirmation Slip.

Composite Credit Limited:

i. Demand Promissory Note.
ii. Letter of Arrangement.
iii. Letter of Authority.
iv. Letter of Undertaking.
v. Letter of Hypothecation.
vi. Supplementary Agreement for Letter of Hypothecation.
vii. Letter of Continuity.
viii. Letter of Revival.
ix. Letter of Guarantee.
x. Letter of Trust Receipt.
xi. Letter of Indemnity.

Some other information:

Loans and advances of MBL for the year of 2006 & 2007

No.	Types of Loan	Amount in 31.12.2006 (Tk)	% of total loans & advances	Amount in 31.12.2007 (Tk)	% of total loans & advances
1.	Unclassified	131,65,24,777.00	99.95%	131,69,03,517.00	99.95%
2.	Classified:				
a.	SMA	NIL		NIL	
b.	Substandard	3,19,065.31	0.05%	3,25,056.53	0.05%
c.	Doubtful	NIL		NIL	
d.	Bad & Loss	NIL		NIL	
3.	Total Loans & Advances	131,68,43,842.69	100%	131,71,13,431.18	100%

The condition of Loans and Advances of MBL in 2006 & 2007 are shown below:

Particulars	2006	2007
Total Amount Loans & Advances	131,68,43,842.69	131,71,13,431.18
% Of classified Loans & Advances	0.05%	0.05%
Credit Deposit Ratio (in %)	66.46%	66.45%
Amount of Classified Loans & Advances during the year	3,19,065.31	3,11,745.23

4.3. Foreign Exchange:

What is it?

Foreign Exchange means exchange of foreign currency between two countries. If we consider “Foreign Exchange” as a subject, then it means all kinds of transaction related to foreign currency. In other words, foreign exchange deals with foreign financial transaction. Thus foreign exchange means foreign currency and includes: all deposits, credits and balance payable in any foreign currency and any drafts, travelers cheques, letter of credit and bills of exchange expressed or drawn in local currency but payable in foreign currency and any instrument payable at the option of drawee or holder there of or any other party there to, either in local currency or in foreign currency or partly in one and partly in the other.

Fundamentals of foreign exchange:

There are three (3) fundamental aspect of the general mechanism of foreign exchange:

1. Every country has its own currency-legal tender/distinctive unit of account.
2. The conversion of one currency into another is effected by banks by book keeping entry carried out in the two centers concerned.
3. These exchange is effected by means of credit instrument i.e. Draft, Mail Transfer, Tele Graphic Transfer etc.

Administration of Foreign Exchange in Bangladesh:

The statute for administration of foreign currency in Bangladesh is the Foreign Exchange Regulation Act 1947 as adopted in Bangladesh. Under the act, the Government with the Bangladesh Bank, Central Bank of the country vests the responsibility and authority of administration of foreign exchange. Any person who deals with foreign exchange has to abide the direction given by the Bangladesh Bank in that behalf.

In exercise of the powers conferred by the Foreign Exchange Regulation Act 1947 on certain schedule banks, who are authorized to deal in foreign exchange by Bangladesh Bank, the selected branches of the bank can transact such business. They are known as “Authorized Dealer”. Bangladesh Bank does not deal directly with the public; “Authorized Dealer” does the transaction in accordance with the guidelines given by the Bangladesh Bank.

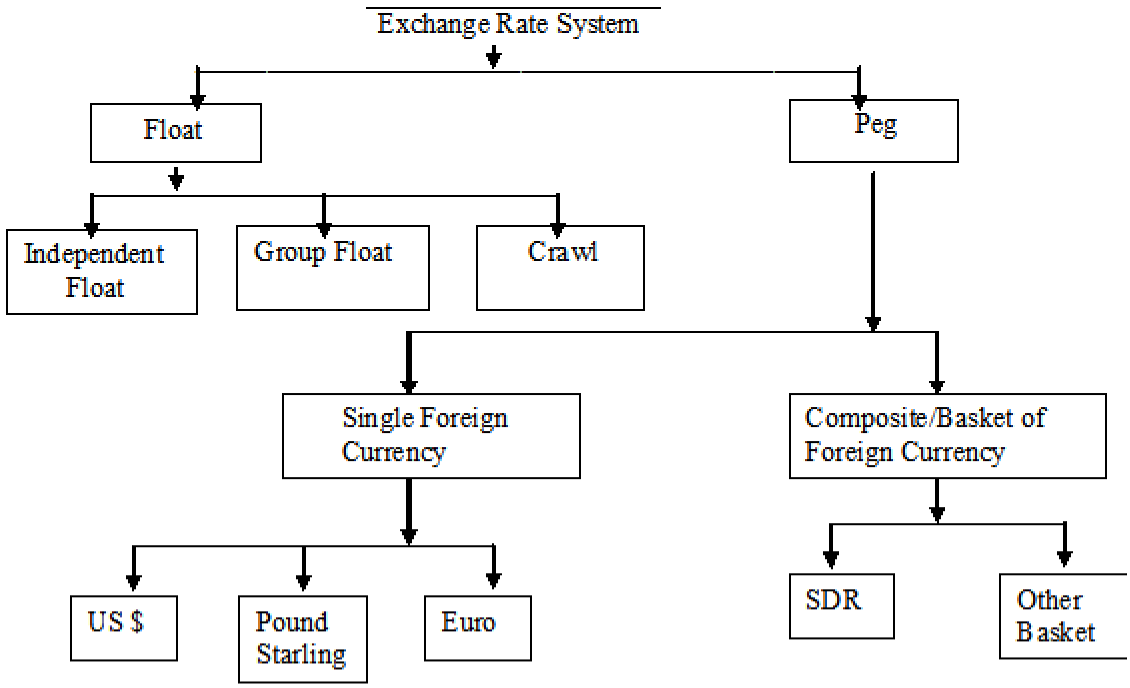
Credit Instruments:

The foreign exchange operations of banks consist primarily purchase and sales of credit instruments. There are many types of credit instruments used in making foreign remittance. They differ chiefly in the speed with which the creditor at the other end can receive money after it has been paid in by the debitor at his end. The credit instruments are:

i. Bills of Exchange.
ii. Letter of Credit.
iii. Banker's Draft.
iv. Telegraphic Transfer.
v. Mail Transfer.
vi. Stock Draft.
vii. Personal Cheque/ Dividend Warrant.
viii. Society for Worldwide Inter bank Financial Telecommunication (SWIFT).

Exchange Rate System:

The rate at which the conversion of one currency into another is effected or the rate at which one currency is exchanged with another is known as Rate of Exchange (ROE). All the dealings of foreign exchange market are carried out at specified rate of exchange. The choice of exchange rate system is given in the following:



Source :

1. http://www.mblbd.com/

2. Annually Report of Bangladesh Statistical Bureau.

<u>Letter of Credit (L/C):</u>

The main and the most important task of the foreign exchange department are to deals with the **letter of credit** (L/C). L/C can be defined as a 'Credit Contract' whereby the buyer's bank is committed (on behalf of the buyer) to place an agreed amount of money of seller's disposal under some agreed conditions. Since the agreed conditions include, amongst other things, the presentation of some specified documents, this letter is called Documentary Letter of Credit. The Uniform Customs & Practice for Documentary Credit (UCPDC) published by the International Chamber of Commerce (1993) revision, Publication No 500 maintain the rules and regulation of Documentary

Letter of Credit. Now UCPDC 600 has been published which will be affected from July 2007. There are different types of Letter of Credits.

These are:

i. Revocable Credit.
ii. Irrevocable Credit.
iii. Revolving Credit.
iv. Transferable Credit.
v. Back-to-Back Credit.

A short description of these types are given below:

Revocable Credit:

This type of credit can be cancelled or amended at any time by the issuing bank without prior notice to the seller. In the present time, it is not in use.

Irrevocable Credit:

This type of credit can't be cancelled or amended by the issuing bank without the arrangement of parties concerned thereto. The entire credit instruments issued in our country are of irrevocable nature.

Revolving Credit:

This provides for restoring the credit to the original amount after it has been utilized.

Transferable Credit:

If the word "transferable" incorporate in an L/C, then the L/C is transferable. The first beneficiary can transfer "Transferable L/C" to the second beneficiary. But second beneficiary cannot transfer it further to another beneficiary.

Back-to-Back Credit:

The Back-to-Back is a new credit opened on the base of an original credit in favor of other beneficiary, under this concept the first credit offers it as security to the advising bank for the assurance of second credit. The beneficiary of the Back-to-Back credit may be located inside or outside the original beneficiary's country.

Parties related to L/C:

The following parties are related with a Documentary Letter of Credit:

Importer/Buyer.

Exporter/Seller Beneficiary.

4.3.7.4. Advising/Notifying Bank.

Negotiating Bank.

Paying/Reimbursing Bank.

Documents needed to open a L/C:

To open a L/C, an Importer must have an account in the respective bank. Then he needs the following documents.

These are:

i. Import Registration Certificate (IRC).
ii. Membership Certificate.
iii. Insurance Cover Note and Receipt of Premium Payment.
iv. TIN Certificate.
v. Trade License.
vi. VAT Certificate.

Accept these, Importer has to full fill some papers provided by the bank.

These are:

i. L/C form
ii. LCA form means Letter of Authorization Application form.
iii. Import Permission
iv. Deed.
v. Charge Documents.
vi. Guaranty form.

Some financial information:

(Amount in Million)

Particulars	July-November 2006	% During the year	July-November 2007	% During the year
Board Money	Tk. 1,17,795.00	6.50%	Tk. 1,45,529.00	7.27%
Domestic Credit	Tk. 1,25,997.00	7.09%	Tk. 1,32,155.00	8.25%
Import Payment	$ 6,818.30	20.71%	$ 7,514.20	22.11%
Export Exhibit	$ 5,045.72	25.81%	$ 6,019.28	26.14%
Foreign Remittance	$ 2,178.87	31.38%	$ 2,297.57	32.31%

In the backdrop of changing national and global economics, the bank did well in 2007. In the period review a substantial growth has been achieved in the areas of business and revenues. Gross revenues grew by 33.37% to reach at BDT 4631.41 million in 2007. Interest income increased by 28.61% to reach at BDT 3498.67 million during the period under review. Interest expenses grew by 33.99% to reach at BDT 2662.58 million in the year. As a result net interest income stood at BDT 836.09 million in 2007, registering a growth of 14.03% over the previous year. Fee income grew by 50.60% in 2007 over the previous year resulting a net addition of BDT 342.67 million in 2007 in the operating revenue of the bank. Due to excellent growth in net interest income and fee income, the bank posted operating revenue of BDT 1178.76 million in 2007 registering a growth of 21.87% over the previous year.

Comparative Analysis of Export Import Business of Mercantile Bank Limited, Dinajpur Branch:

IMPORT

(BDT in Crore)

No.	Name of L/C	2007		2006		2005	
		No.	Amount Of L/C	No.	Amount Of L/C	No.	Amount Of L/C
1.	Cash (Foreign)	245	124.08	174	109.48	114	95.13
2.	Back-To-Back (Foreign)	6	0.52	NIL	NIL	4	0.30
3.	Back-To-Back (Local)	27	1.29	NIL	NIL	20	1.13
	Total	278	125.89	174	109.48	138	96.56

EXPORT:

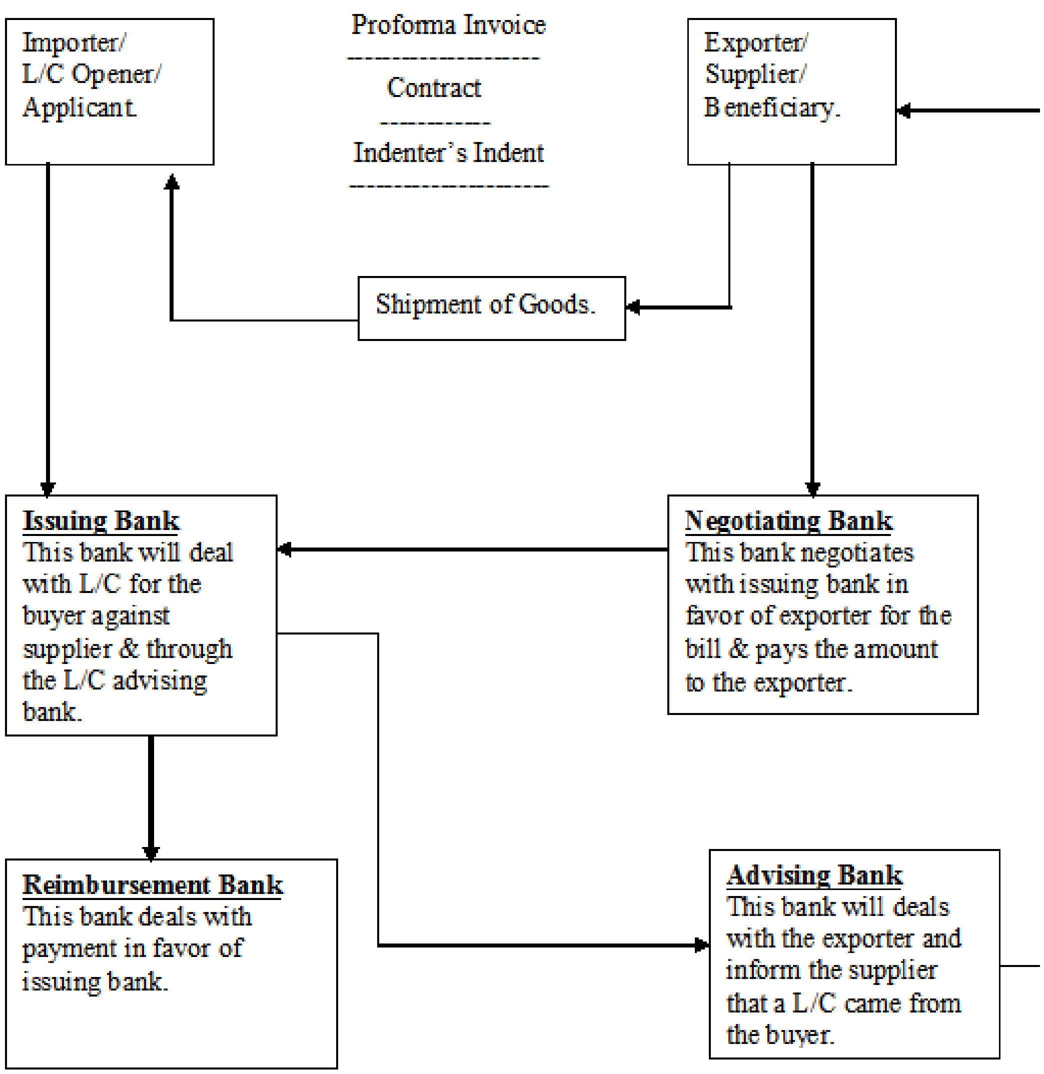
(BDT in Crore)

2007		2006		2005	
No. of L/C	Amount	No. of L/C	Amount	No. of L/C.	Amount
259	3.81	25	3.00	23	3.91

FOREIGN REMITTANCE: (BDT in Crore)

2006		2005		2004	
Inward	Outward	Inward	Outward	Inward	Outward
0.05	NIL	0.04	NIL	0.01	0.01

Operational Procedure of L/C in Export & Import Business:



Source :

1. http:// www.mblbd.com/

2. Annually Report of Bangladesh Statistical Bureau

3. Annual Financial Report of MBL.

Cash Management:

Cash management refers to a broad area of finance involving the collection, handling, and usage of cash. It involves assessing market liquidity, cash flow, and investments.

In banking, **cash management**, or **treasury management**, is a marketing term for certain services related to cash flow offered primarily to larger business customers. It may be used to describe all bank accounts (such as checking accounts) provided to businesses of a certain size, but it is more often used to describe specific services such as cash concentration, zero balance accounting, and automated clearing house facilities. Sometimes, private banking customers are given cash management services.

Financial instruments involved in cash management include money market funds, treasury bills, and certificates of deposit.

Common services:

The following is a list of services generally offered by banks and utilized by larger businesses and corporations for cash management:

Account reconciliation :

Balancing a chequebook can be a difficult process for a very large business, since it issues so many cheques it can take a lot of human monitoring to understand which cheques have not cleared and therefore what the company's true balance is. To address this, banks have developed a system which allows companies to upload a list of all the checks that they issue on a daily basis, so that at the end of the month the bank statement will show not only which checks have cleared, but also which have not. More recently, banks have used this system to prevent checks from being fraudulently cashed if they are not on the list, a process known as *positive pay*.

Advanced web services :

Most banks have an Internet-based system which is more advanced than the one available to consumers. This enables managers to create and authorize special internal logon credentials, allowing employees to send wires and access other cash management features normally not found on the consumer web site.

Armored car services/cash collection :

Large retailers who collect a great deal of cash may have the bank pick this cash up via an armored car company, instead of asking its employees to deposit the cash.

Automated clearing house :

Usually offered by the cash management division of a bank. The automated clearing house is an electronic system used to transfer funds between banks. Companies use this to pay others, especially employees (this is how direct deposit works). Certain companies also use it to collect funds from customers (this is generally how automatic payment plans work). This system is criticized by some consumer advocacy groups, because under this system banks assume that the company initiating the debit is correct until proven otherwise.

Balance reporting :

Corporate clients who actively manage their cash balances usually subscribe to secure web-based reporting of their account and transaction information at their lead bank. These sophisticated compilations of banking activity may include balances in foreign currencies, as well as those at other banks. They include information on cash positions as well as 'float' (e.g., checks in the process of collection). Finally, they offer transaction-specific details on all forms of payment activity, including deposits, checks, wire transfers in and out, ACH (automated clearinghouse debits and credits), investments, etc.

Cash concentration services :

Large or national chain retailers often are in areas where their primary bank does not have branches. Therefore, they open bank accounts at various local banks in the area. To prevent funds in these accounts from being idle and not earning sufficient interest, many of these companies have an agreement set with their primary bank, whereby their primary bank uses the automated clearing house to electronically "pull" the money from these banks into a single interest-bearing bank account.

Controlled disbursement :

This is another product offered by banks under Cash Management Services. The bank provides a daily report, typically early in the day, that provides the amount of disbursements that will be charged to the customer's account. This early knowledge of daily funds requirement allows the customer to invest any surplus in intraday investment opportunities, typically money market investments. This is different from delayed disbursements, where payments are issued through a remote branch of a bank and customer is able to delay the payment due to increased float time.

Lockbox—wholesale services :

Often companies (such as utilities) which receive a large number of payments via checks in the mail have the bank set up a post office box for them, open their mail, and deposit any checks found. This is referred to as a "lockbox" service.

Lockbox—retail services:

are for companies with small numbers of payments, sometimes with detailed requirements for processing. This might be a company like a dentist's office or small manufacturing company.

Positive pay :

Positive pay is a service whereby the company electronically shares its check register of all written checks with the bank. The bank therefore will only pay checks listed in that register, with exactly the same specifications as listed in the register (amount, payee, serial number, etc.). This system dramatically reduces check fraud.

Reverse positive pay :

Reverse positive pay is similar to positive pay, but the process is reversed, with the company, not the bank, maintaining the list of checks issued. When checks are presented for payment and clear through the Federal Reserve System, the Federal Reserve prepares a file of the checks' account numbers, serial numbers, and dollar amounts and sends the file to the bank. In reverse positive pay, the bank sends that file to the company, where the company compares the information to its internal records. The company lets the bank know which checks match its internal information, and the bank pays those items. The bank then researches the checks that do not match, corrects any misreads or encoding errors, and determines if any items are fraudulent. The bank pays only "true" exceptions, that is, those that can be reconciled with the company's files.

Sweep accounts :

Sweep accounts are typically offered by the cash management division of a bank. Under this system, excess funds from a company's bank accounts are automatically moved into a money market mutual fund overnight, and then moved back the next morning. This allows them to earn interest overnight. This is the primary use of money market mutual funds.

Zero balance account :

A Zero balance account can be thought of as somewhat of a *hack*. Companies with large numbers of stores or locations can very often be confused if all those stores are depositing into a single bank account. Traditionally, it would be impossible to know which deposits were from which stores without seeking to view images of those deposits. To help correct this problem, banks developed a system where each store is given their own bank account, but all the money deposited into the individual store accounts are automatically moved or swept into the company's main bank account. This allows the company to look at individual statements for each store. U.S. banks are almost all converting their systems so that companies *can* tell which store made a particular deposit, even if these deposits are all deposited into a single account. Therefore, zero balance accounting is being used less frequently.

Wire transfer :

A wire transfer is an electronic transfer of funds. Wire transfers can be done by a simple bank account transfer, or by a transfer of cash at a cash office. Bank wire transfers are often the most expedient method for transferring funds between bank accounts. A bank wire transfer is a message to the receiving bank requesting them to effect payment in accordance with the instructions given. The message also includes settlement instructions. The actual wire transfer itself is virtually instantaneous, requiring no longer for transmission than a telephone call.

In the past, other services have been offered the usefulness of which has diminished with the rise of the Internet. For example, companies could have daily faxes of their most recent transactions or be sent CD-ROMs of images of their cashed checks.

A survey on Cash management non-financial institutions survey

Cash management non-financial institutions survey 2013: Which ICMs do you use most globally?

Rank by overall volume, published October 2013

2013 ranking	2012 ranking	Name	Score
1	1	HSBC	12,225
2	2	Citi	8,170
3	3	Deutsche Bank	4,960
4	5	BNP Paribas	3,649
5	4	Bank of America Merrill Lynch	3,534
6	6	Royal Bank of Scotland	2,447
7	7	UniCredit	2,174
8	8	Commerzbank	1,739
9	9	JPMorgan	1,319
10	10	Standard Chartered	1,307

Sources: Wikipedia

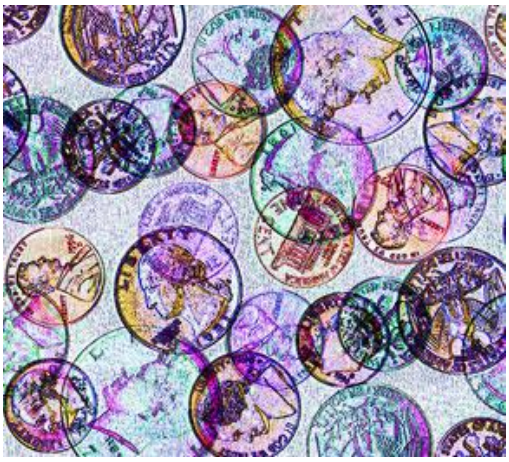
Cash management services can be costly but usually the cost to a company is outweighed by the benefits: cost savings, accuracy, efficiencies, etc.

Concluding Part

Recommendation:

Mercantile Bank Limited is one of the prominent banks in the country. But the system followed by the bank for marketing their product is not moderate. Their marketing activities are also not satisfactory. Form the study; I tried to recommend some probable solution to the bank.

i. Customized treasury management services
ii. Alternative choices to improve cash flow
iii. Streamlined process through automation
iv. Real-time information reporting
v. Safeguards against fraud
vi. Streamlined check deposits from a remote location
vii. Electronic and paper based disbursement solutions
viii. Increased employee efficiency and reduced labor costs



Conclusion:

Mercantile Bank Limited is one of the most renowned private banks in the country. Within this short Internship Period, it was not possible for me to learn every thing of a banking system. But I tried my level best to learn some thing within this short period. In spite of shortcomings, I tried to find out problems, give possible solution, which is not up to the expectation of the authority. I apologize for making errors in the report.

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