



CHAPTER 1

COMPANY ORIENTATION

## 1.1 COMPANY PROFILE

Until the beginning of the eighties, the banking business in Bangladesh was only restricted to the nationalized sector in addition to two or three foreign banks. It is only in 1983 that the Government changed its policy on the banking sector paving the way for setting up new banks with private sector. In fact, 1983 saw the emergence of a bevy of local banks with private entrepreneurship of which the City Bank Limited stands out prominently. It came on stream on the 27<sup>th</sup> March.

City Bank Limited is one of the first private Banks in Bangladesh. The Bank has been operating since 1983 with an authorized capital of TK. 1.75 Billion under the entrepreneurship of twelve prominent and leading businessman of the country. The noble intention behind starting this Bank was to bring about qualitative changes in the sphere of Banking and Financial management. Today City Bank Limited serves its customers at home and abroad with 83 branches spread over the country and about three hundred oversea correspondences covering all the major cities and business centers of the world.

City Bank is one of the oldest private Commercial Banks operating in Bangladesh. It is a top bank among the oldest five Commercial Banks in the country which started their operations in 1983. The Bank started its journey on 27th March 1983 through opening its first branch at B. B. Avenue Branch in the capital, Dhaka city. It was the visionary entrepreneurship of around 13 local businessmen who braved the immense uncertainties and risks with courage and zeal that made the establishment & forward march of the bank possible. Those sponsor directors commenced the journey with only Taka 3.4 core worth of Capital, which now is a respectable Taka 330.77 core as capital & reserve.

City Bank is among the very few local banks which do not follow the traditional, decentralized, geographically managed, branch based business or profit model. Instead the bank manages its business and operation vertically from the head office through 4 distinct business divisions namely

- Corporate & Investment Banking;
- Retail Banking (including Cards);
- SME Banking; &
- Treasury & Market Risks.

Under a real-time online banking platform, these 4 business divisions are supported at the back by a robust service delivery or operations setup and also a smart IT Backbone. Such centralized business segment based business & operating model ensure specialized treatment and services to the bank's different customer segments.

The bank currently has 84 online branches and 5 SME centers spread across the length & breadth of the country that include a full fledged Islami Banking branch. Besides these traditional delivery points, the bank is also very active in the alternative delivery area. It currently has 25 ATMs of its own; and ATM sharing arrangement with a partner bank that has 225 ATMs in place; SMS Banking; Interest Banking and so on. Soon its Customer Call Center is going to start operation. The bank has a plan to end the current year with 50 own ATMs.

City Bank is the first bank in Bangladesh to have issued Dual Currency Credit Card. The bank is a principal member of VISA international and it issues both Local Currency (Taka) & Foreign Currency (US Dollar) card limits in a single plastic. VISA Debit Card is another popular product which the bank is pushing hard in order to ease out the queues at the branch created by its astounding base of some 400,000 retail customers. The launch of VISA Prepaid Card for the travel sector is currently underway.

City Bank prides itself in offering a very personalized and friendly customer service. It has in place a customized service excellence model called GAP (Graceful-Appropriate-Pleasing) that focuses on ensuring happy customers through setting benchmarks for the bank's employees' attitude, behavior, readiness level, accuracy and timelines of service quality.

City Bank is one of the largest corporate banks in the country with a current business model that heavily encourages and supports the growth of the bank in Retail and SME Banking. The bank is very much on its way to opening many independent SME centers across the country within a short time. The bank is also very active in the workers' foreign remittance business. It has strong tie-ups with major exchange companies in the Middle East, Europe, Far East & USA, from where thousands of individual remittances come to the country every month for disbursements through the bank's large network of 84 online branches.

The current senior management leaders of the bank consist of mostly people from the multinational banks with superior management skills and knowledge in their respective "specialized" areas. The bank this year, is celebrating its 25th year of journey with the clear ambition of becoming the no.1 private commercial bank in the country in 3 years time. The newly launched logo and the pay-off line of the bank are just one initial step towards reaching that point.

## 1.2 PHILOSOPHY BEHIND NEW LOGO

The City Bank Limited changed its logo along with a brand philosophy line or pay-off line with a ceremony held at Radisson Water Garden Hotel, Dhaka on 5 July 2008. Honorable Advisor to the Ministry of Finance and Planning, Dr. A. B. Mirza Azizul Islam did this honor to the bank by launching it. The philosophy that went behind the creation of this logo is given below.

- It is a simple logo. Its beauty is in its simplicity of arrangement which is also bold. As it is simple, it connects with people easily.
- The shape may mean a chess board. Chessboard stands for wisdom and vision. Since the bank is 25 years old, it is expert, wise and experienced. Chess is the game of the smart people who knows all the moves. The game of the bank is to deal with people's money matters and as wise and experienced, the bank is expert in that.
- It may also mean something dynamic. It may mean the checkered flag of Formula One Racing. Then it Signifies speed, agility and pace.
- The red and silver shape may also mean a kite. It's a beautiful colorful kite. Nose up, going to reach for the sky. In the case, it means the bank is soaring high into the skies of many possibilities in order to make customers' financial dreams come true.
- The red and silver shape may also mean it's a flying chessboard. It's a chess-board that has taken wings and is flying. In that case it indicates to what extent this bank can go to serve customers better. The logo has a dynamic shape. Such dynamism stands for modernity, the 21 century. That signifies a techno-savvy bank, a state-of-the-art tech-powered modern bank. The color 'red' stands for emotion, passion, strength, vitality, action, confidence and courage. The color silver symbolizes riches, just as gold does. Silver is glamorous and distinguished.

Silver is the traditional 25 anniversary color or Silver jubilee color. Another thing is that the “Pieces of silver” means money or coin.

Now the **pay- off line** is “Making Sense of Money.”

No money, no bank. Money is important for all. Money is a need all by itself. It is the most precious thing. Money is the port key to any destination. It is everything between a person and his or her dreams and hopes. So, the money, which is almost synonymous of life, must make sense. For people’s money to make sense, it must be handled by an expert. That is where The City Bank Limited came in. The bank states, it makes sense of money, because, it has wise men of banking. With 25 years of experience, it knows how to make people’s money more meaningful for them, how to lend them money in times of their needs or how to grow their money safely for them.

### **1.3 VISION, MISSION AND OBJECTIVES**

#### CORPORATE VISION

To be the leading bank in the country with best practices and highest social commitment.

#### CORPORATE MISSION

- To contribute to the socio economic development of the country.
- To attain highest level of customer satisfaction through extension of services by dedicated and motivated team of professional team of professionals.
- To maintain continuous growth of market share ensuring quality.
- To maximize bank’s profits by ensuring its steady growth.
- To maintain the high moral and ethical standards.
- To ensure participative management system and empowerment of Human Resources.
- To nurture and enabling environment where innovativeness and performance is rewarded.

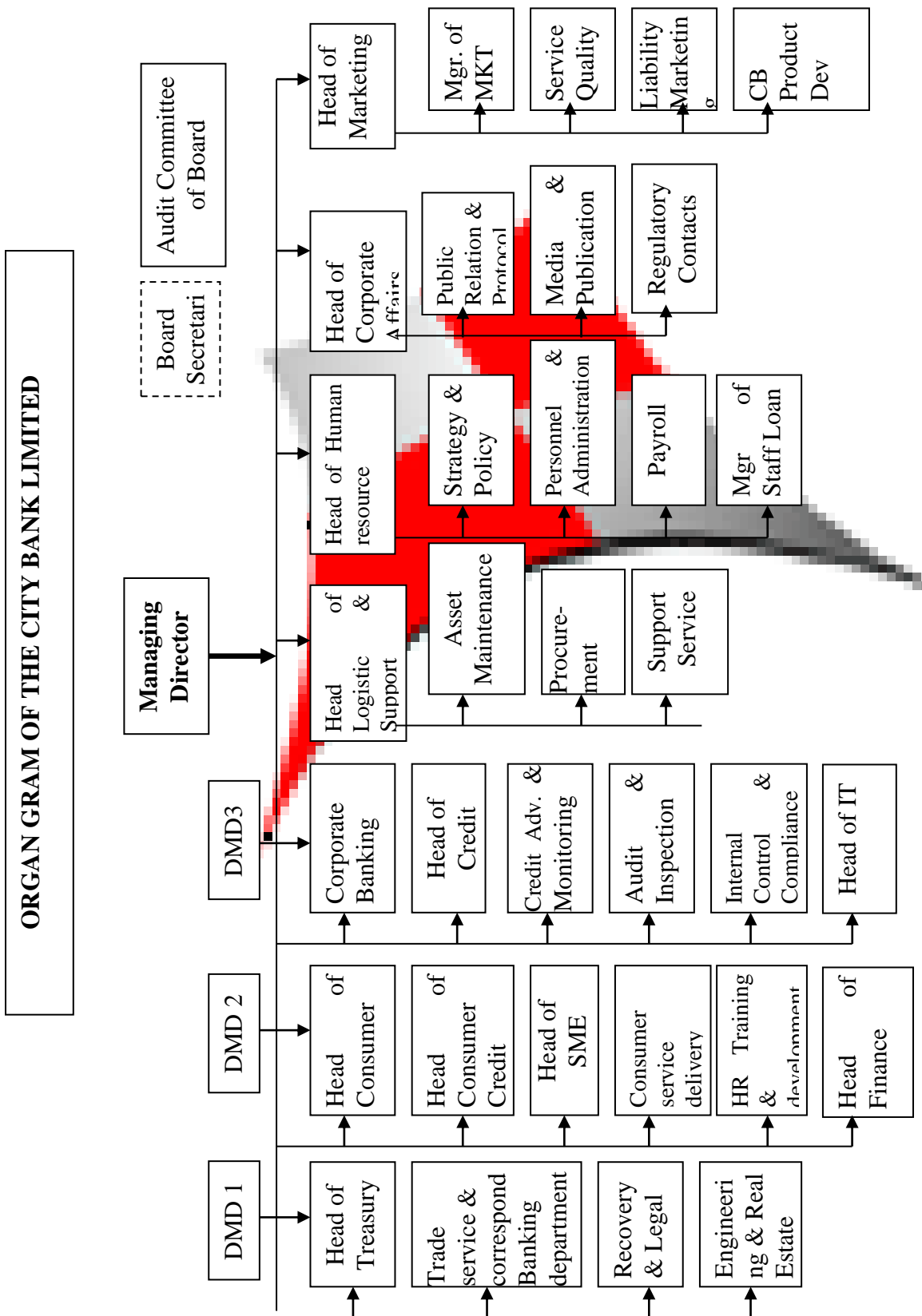
## CORPORATE OBJECTIVES

The City Bank's objectives are reflected in the following areas:

- Highly personalized service.
- Customer-driven focus.
- Total commitment to quality.
- Contribute in the economy.
- Quality of human resources.
- Commitment to its clients at each level.

The company believes that communication with, and feedbacks from its clients help it achieve its goal of providing world-class products and services. The City Bank Ltd regularly conducts client satisfaction surveys and make immediate accommodations and adjustments where needed. It also constantly monitors its standards, and strives to meet clients' requirements.

# 1.4 OPERATIONAL NETWORK





## 1.5 FUNCTION AND OPERATION

The bank has by now a network of 83 branches strategically located in different cities. All the branches are functioning in computerized environment and integrated through Wide Area Network (WAN). This interconnected system is functionalized with Oracle based software called **Finical**. The branches are full-fledged units and can provide all commercial and investment banking services ranging from small and medium enterprises to big business conglomerates and houses.

The bank always tries to reduce its dependence on interest earnings by giving more emphasis on the fee-based income through introduction of capital market operation and Leasing. The Capital Market operation includes Portfolio Management, Investors Account, Underwriting, Mutual Fund Management etc.

The bank introduced modern system of Leasing Operation as in practice with Banks in all other countries of the world. The Lease Finance portfolio of the bank is the first of its kind in a Commercial Bank in Bangladesh. Entrepreneurship Development Training is arranged to impart operational skill and modern technique of management to introduce new entrepreneurs in the field of industrialization on the basis of participatory finance.

City Bank Limited is one of first few Bangladeshi Banks who have become member of SWIFT (Society for Worldwide Inter-Bank Financial Telecommunication). SWIFT is a member owned co-operative, which provides a fast and accurate communication network for financial transactions such as letter of Credit, Fund transfer etc.

City Bank Limited is operating branches on both interest based Banking and Islamic Sariah based Banking. The Islamic Sariah based Banking is completely different from the conventional one. The bank is Maintaining separate set of accounts for Islamic Banking branch (1 branch which is situated beside the Dhaka Stock Exchange) according to the standard adopted by Financial Accounting and Auditing organization for Islamic Financial Institution.

## 1.6 MANAGEMENT OF CITY BANK LIMITED

Boards of directors are the sole authority to take decision about the affairs of the business. Now there are 13 directors in the management of the bank. All the directors have good academic background and have huge experience in business. Mr. Aziz Al-Kaiser is the chairman of the bank. The board of directors holds meetings on a regular basis. There are different committees in the bank for the efficient management of the bank.

- Board of Directors
- Policy Committee: This committee deals with any policy matters related to the banks new products, new business development and any sort of policy related to City Bank Limited. It seats fortnightly.
- Executive Committee: It seats on monthly basis.
- Credit Committee. All these committees meet on a regular basis for discussing various issues and proposals submitted for decisions.

## 1.7 DEPARTMENTS OF CITY BANK LIMITED

The bank organizes all the jobs considering their interrelationship and they are allocated in a particular department to control the system effectively. The departments are fitted for the particular works and the performance of a particular department is measured perfectly. City Bank Limited has following departments

<input checked="" type="checkbox"/> Human Resources Division	<input checked="" type="checkbox"/> Logistic and Support
<input checked="" type="checkbox"/> Finance Division	<input checked="" type="checkbox"/> Information Technology
<input checked="" type="checkbox"/> Audit and Inspection Division	<input checked="" type="checkbox"/> Retail Finance Center
<input checked="" type="checkbox"/> Internal Control and Compliance	<input checked="" type="checkbox"/> Credit Division
<input checked="" type="checkbox"/> Marketing Division	<input checked="" type="checkbox"/> SME
<input checked="" type="checkbox"/> Corporate Banking	<input checked="" type="checkbox"/> Credit Admin and Monitoring
<input checked="" type="checkbox"/> Consumer Banking	<input checked="" type="checkbox"/> Corporate Affairs
<input checked="" type="checkbox"/> Treasury	<input checked="" type="checkbox"/> Card Division
<input checked="" type="checkbox"/> Service and Correspondent Banking	<input checked="" type="checkbox"/> Recovery and Legal

## 1.8 SWOT ANALYSIS OF CITY BANK LIMITED

Every organization is composed of some internal strengths and weaknesses and also has some external opportunities and threats in its whole life cycle. This following will briefly introduce the customer to City Bank Limited's internal strengths and weaknesses, and external opportunities and threats.

### **Strength**

01. CBL has nation wide image of providing quality service. It provides affordable and easy loan facilities with higher degree of secrecy to consumer and mass level of customers.
02. It has an excellent management term and disciplined workforce, highest business graduates concentration like MBA, skilled sales team (group leaders) by giving continuous training or on the job training.
03. CBL abides by a set of core value that reflects high commitment to customer:
  - Responsible to customer needs.
  - Flexible in approach.
  - Professional in matter.
  - Strive for service excellence.

### **Weakness**

01. Service charge in some areas of banking operation is a little bit higher than that of the nationalized banks, which discourage middle class customers.
02. CBL faces shortage of manpower in some department. Most of the customer expects personalized service, which they cannot provide due to shortage of staff and excessive pressure during the business hour.

03. Some jobs in CBL have a little growth or career advancement opportunity. Therefore lack of motivation exists in many levels of organization structure

### **Opportunities**

01. The investment potential of Bangladesh is foreign investors. So CBL has opportunity to expand in business banking.
02. Increase of the standard of living of the people would lead the bank to expand in retail banking.
03. There is an opportunity to launch Credit Card in Bangladesh by CBL. Beside this, CBL can acquire services for cards like AMEX, VISA, MASTER CARD etc. So that they can enhance the market based card service.

### **Threats**

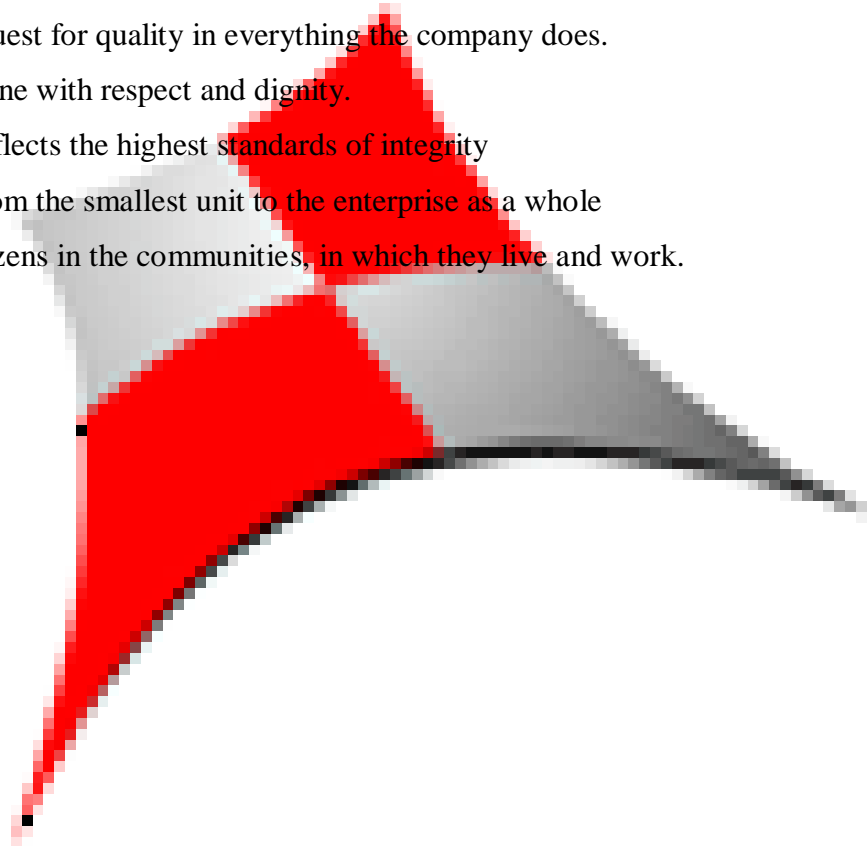
01. Some foreign banks and private banks are becoming threat to CBL. At present retail banking in Standard Cratered, and in business banking, HSBC, CITI NA are archrival of CBL. Also some private banks like Prime, Dutch-Bangla Bank, Dhaka Bank are becoming the new competitors for the bank and will creating a competitive pressure on CBL.
02. Now-a-days different foreign and private banks are also offering similar type of retrial lending products like CBL. So, if all competitors' fight with the same weapons, the natural result is declining profit.

Bangladesh bank provides some rules and regulations for all banking institutions. Whether the rules and regulations suit the organization or not, it must obey these that sometimes impose berries on daily normal operation

## 1.9 VALUES CONSIDERED AS GUIDING FACTORS

All the activities and decisions of The City Bank Limited are based on, and guided by, these values:

- ⊙ Placing the interesting of clients and customers first.
- ⊙ A continuous quest for quality in everything the company does.
- ⊙ Treating everyone with respect and dignity.
- ⊙ Conduct that reflects the highest standards of integrity
- ⊙ Teamwork – from the smallest unit to the enterprise as a whole
- ⊙ Being good citizens in the communities, in which they live and work.



## 1.10 THE PRODUCTS AND SERVICES

The City Bank Limited launched several financial products and services since it's inception.

Liability Product	Asset Product
<ul style="list-style-type: none"> <li>• Contributory saving scheme</li> <li>• Monitory Benefit Scheme</li> <li>• Special Deposit Scheme</li> <li>• Education Saving Scheme</li> <li>• Marriage Saving Scheme</li> <li>• Fixed Deposit</li> <li>• Saving Deposit Account</li> <li>• STD Account</li> <li>• Current Deposit Account</li> <li>• CITY BANK LIMITED-Insured Fixed Deposit</li> <li>• Monthly Savings Account</li> <li>• Multi Currency Account</li> <li>• Foreign Currency Deposit Account</li> <li>• Non Resident Taka Account</li> <li>• Non Resident Foreign Currency Account</li> <li>• Non Residents Investors Account</li> </ul>	<ul style="list-style-type: none"> <li>• Consumer Credit scheme</li> <li>• Lease Finance</li> <li>• Cash Credit (Hypo)</li> <li>• Cash Credit (Pledge)</li> <li>• Team Loan</li> <li>• House Building Finance</li> <li>• SOD (FO)</li> <li>• SOD (WO)</li> <li>• Transport Loan</li> <li>• PAD</li> <li>• LIM</li> <li>• LTR</li> <li>• Adv. Against Cash Incentive</li> <li>• Demand Loan</li> <li>• Export Development Fund</li> <li>• Small and Medium Enterprise</li> </ul>

01. Monthly Saving Scheme (DG+): The prime objective of this scheme is to encourage people to build up a habit of saving. On this scheme, one can save a fixed amount of money every month and receive substantial lump sum of money after three or five years.
02. Monthly Benefit Scheme (MB+): MB+ is a five (05) years scheme that lets Deposits earn monthly benefit of Tk. 850 or its multiple by minimum initial deposit of Tk. 100,000 or its multiple and after maturity depositors will get refund of his/her principle amount.
03. Bounce Saving Scheme: A Saving Account with a minimum balance of Tk. 50,000 will attract not only the usual savings interest but a further 10% bonus on interest.
04. Education Saving Scheme: It is a service oriented saving scheme. Monthly Tk. 200/-, 1000/-, 1500/-, 2000/-, and 2500/- can be deposited under this scheme for 7 (seven) years. Any 25-50 years old Bangladeshi citizen of sound health is eligible for opening such account for the benefit of his/her children / dependent. Under this scheme the total amount payable at maturity is covered under insurance. The insured amount will be payable after opening the account in case of accidental death and after six months of account opening in case of death for any other reason. The beneficiary will have the options of withdrawal of payable amount at maturity either at a time or on monthly installment basis.
05. Marriage Saving Scheme: Marriage saving scheme is a social welfare oriented savings scheme. Under this scheme the total amount payable at maturity is covered under insurance like Education savings scheme. Tk. 250/-, 500/-, 1000/-, 1500/-, 2000/-, and 2500/- can be deposited monthly under this scheme for twelve years.

06. Education Credit Scheme: Education credit scheme facilitates poor but brilliant students to bear their educational expenses. Every student will have the opportunity to enjoy monthly Tk. 1000/- or Tk. 1500/- as credit facility for 4 years. Repayment period of loan is 4 years with 1 year grace period. The interest rate for this scheme is 12 percent.
07. Consumer Credit: Personal credit is a relatively new field of collateral-free finance of the Bank. People with fixed income can avail of these credit facilities to buy household goods, consumer items, or to renovate/expand existing house, etc.
08. Credit Loan: If customers are in possession of BSP (Bangladesh Sanchay Patra) which will mature within the next 05 years but they are in dire need of funds now, this scheme can come to their rescue.
09. 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 activities. This scheme is operated through the rural branches of the Bank.
10. E-Cash Banking Facility: the E-cash card is an ATM card. It can be used as a combination of debit facility. The E-cash card network offers all banking requirements without ever setting foot in a bank. It's more than just an ATM service for quick cash withdrawals or account enquiries.. E-cash card provides round the clock banking.



## 1.11 CORRESPONDENCE RELATIONSHIP

City Bank Limited established local correspondent arrangements with Uttara Bank's sixty four branches, thus covering almost the entire country and facilitating the ability to meet taka transaction requirement for the customers. The bank established correspondent relationships with a number of foreign banks, namely CITI Bank N.A, Bank of Tokyo, and Standard Chartered Bank, in New York, Tokyo, Calcutta and London. During this period the Bank has set up letter reimbursing banks. The bank maintains a need based correspondents as advising and reimbursing banks. The bank maintains a need corresponding relationship policy, which is gradually expanding.

## 1.12 OTHER SERVICE

Consistent with the modern edge and competing in the competitive market, City Bank Limited has introduced some innovative banking services that are remarkable in a country like Bangladesh. The services offered by the bank are as follows:

**On-line Banking:** The bank has set up Wide Area Network (WAN) across the country within its branches to provide on-line branch banking facility to its valued customers. The service named "Financial Core" has opened up several possibilities of improved customer services. Under this facility client of one branch are able to do banking transaction at any other branch of the bank. The bank hosted its Web Site ([www.thecitybank.com](http://www.thecitybank.com)) to facilitate dissemination of information about the banking services and facilities of The City Bank Limited all over the world.

**Information Technology:** in Banking Operation City Bank Limited has adopted automation in banking operation from few months ago. The main objective of this automation is to provide efficient and prompt service to its valued clients. At present all the branches of the bank are computerized under 37 branches are operated through Financial Core operating system to provide best security to the information. City Bank Limited is providing comprehensive range of banking services with utmost care and efficient to its customers. Auto Teller Machine is used to count money properly to save

client's valuable time as well. The customer can draw money/ cash from their account within a minute. SWIFT Service City Bank Limited is one of the first few Bangladesh Banks to obtain membership of SWIFT (Society for Worldwide Inter-bank Telecommunication). SWIFT is a members' owned cooperative which provide a first and accurate communication network for financial transaction such as Letter of Credit, Fund Transfer etc.





CHAPTER 2

THE PROJECT

## 2 INTRODUCTION TO THE PROJECT

Credit is an arrangement whereby bank acting at the request and on the instructions of a customer or on its own behalf to make a payment to or to the order of a third party or is to accept and pay bills of exchange drawn by the beneficiary. In an economy banks play the role of an intermediary that channel funds from the surplus economic units to the deficit economic units. So obviously the fundamental and most important task of any commercial bank is to sanction credit facility to its customers as per requirement. City Bank's mission is to actively participate in the growth and expansion of our national economy by providing credit to variable borrowers in most efficient way of delivery and at a competitive price.

Bank can lend up to 84% of the total amount of its total time and demand liabilities. The rest 16% is kept as Statutory Liquidity Reserve (SLR) with Bangladesh Bank. But in practice banks do not lend the whole 84% and a certain portion is set aside to meet up the day to day banking operations and also meet up the liquidity requirement of the depositors. Bank can lend up to 15% of its core capital without the approval of Bangladesh Bank but above that level approval from Bangladesh Bank is required.

City Bank, recently has started its journey in Retail Banking. Retail Finance Center is a part of the Retail Banking. Giving the unsecured loans is one of the activities of the RFC. City Bank offers two types of unsecured loans.

### **a. City Solution      b. City Drive**

I selected my topic on the Customer Satisfaction Level, which was suggested by our honorable Credit Manager, Mr. Mohammed Shakil and approved by my academic supervisor Mustafa Mushfiqul Haque.

## 2.1 OBJECTIVES OF THE REPORT

Before any work, setting up of objectives is half of completing the job. The reason behind this study is clear; I am motivated enough towards achieving my goal. My objective is to give special emphasis on achieving and gathering knowledge about Retail Lending of Retail Finance Center in detail. The objectives of the study are highlighted below

### ○ **Broad Objective:**

Without objective any mission will not be successful. The objective of the study may be spelled out as follows:

- i. To fulfill the requirements of BBA program.
- ii. To know about the roll of Retail Finance Center of CBL.
- iii. To gather comprehensive knowledge on overall banking activities of CBL.
- iv. To know how to deal with Loan Products and maintain good relationship banking.
- v. To find out the problems of Retail Lending from RFC of City Bank Limited.

### ○ **Specific Objectives**

- To observe the very latest statistically analysed data regarding Customer Satisfaction of Retail Finance Center, CBL.
- To identify the vital issues those are hampering in the service of City Bank Ltd.
- To find out the very best solution that may improve the service quality of Retail Finance Center in favour of Retail Lending.
- To make recommendations and corresponding implementations regarding the Bank's credit management activities.

## 2.2 SCOPE OF THE PROJECT

This report covers the details of City Bank's practices about information system in the Retail Finance Center emphasizing the data entry and system monitoring process. This report consists of the writer's observations and on the job experiences in the RFC department of Head Office, City Bank Limited. This report mainly emphasizes on the customer satisfaction level and their attitude toward City Bank Limited. The report also focuses on the daily activities that involve officials from sales and branch with the managers and officers of RFC. Finally, the report incorporates an evaluation of the Customer Satisfaction Level and makes a few fundamental recommendations.

## 2.3 METHODOLOGY OF THE PROJECT WORK

**Study design:** The survey method used in this study is primary data collection tool. Each respondent is given a questionnaire to fill in. Through the questionnaire the respondents will be asked about the personal views of the client's satisfaction on the Retail Lending of City Bank Limited. Certain objective will be examined using secondary data. A structured questionnaire is used in this research to collect data from the valued clients. The method of data collection is communication study. The questionnaire survey method is useful method to collect data.

- **Data collection method:** The report contains information gathered from both primary and secondary sources of CBL. These two sources are given stated below.
    - **Primary Sources:** Primary sources of data were collected from face to face conversation with bank officers and questionnaire survey with the customer will be made at CBL.
      - Questionnaire Design: Questionnaire design on the basis of observation and expletory research and not based on literature review
- Sample size: I have selected the sample size of 30.

- **Secondary Sources:** The secondary sources of data collected from the following sources.
  - Annual report of City Bank Limited.
  - Product Program Guidelines.
  - Different Finance and Marketing related Books.
  - Memorandum, articles, brochures and handbook.
  - Work experience in the Bank helped to accumulate diverse information.
  - Home page of CBL.
  - Website of the CBL.

## 2.4 LIMITATION OF THE STUDY

From the beginning to end the study has been completed sincerely & honestly with the most recent data available. Nevertheless some problems aroused while conducting the study. Some limitations are stated below:

- Time was limited to an effective research.
- Bank secrecy posed a major problem since disclosure of some information has been restricted.
- The officers at the Retail Finance Center are very much busy with their activities. Even though they were interested to help me, but they could hardly do that because of time shortage.
- Sufficient records, Publication, facts & figures were not available as per requirements for preparing this report.
- If job switching was available, I could have learned additional banking issues from other departments like Credit Risk Management, Foreign Exchange, Merchant Banking and so forth. Thus, extra information could be added in this report to make it further informative.



CHAPTER 3

TOPIC ANALYSIS AND DISCUSSION



### 3 TOPIC ANALYSIS AND DISCUSSION

Retail lending has been zooming ahead, driving a banking-sector boom since the beginning of the decade. Retail lending has changed dramatically in the last couple of decades, moving from a largely intuitive process to an increasingly automated one. Managing a retail loan portfolio successfully depends on properly developing, deploying, and integrating a wide range of risk management and operation models. These modeling activities need to be coordinated across a range of loan products and across marketing, credit, collections, operations, and MIS. Retail loan is offered to individuals for some prearranged purposes and is to be repaid by equated monthly installments.

Retail finance is one of key business pillar of retail banking which can assist retail bank to boost the lending business. City Bank is stepping in the realm of retail lending. Before offering the retail loans, City Bank needs to roll out credit process manual for Retail Finance Center (RFC), centralized retail risk management body. To ensure streamlined credit process for retail loan products, proposed credit process manual will play a significant role. Therefore, they are also introducing new sort of retail loan products to maximize banks profitability and ensure a brand identity.

To support business goal, capacity building is essential. Proposed credit process manual discourses the different credit and credit operation process to ensure capacity bridling, asset quality and ensure business growth.

My topic is “An Exploratory Study on Retail Lending and Customer Satisfaction Level of Retail Finance Center, City Bank Limited”. From this report we will be able to get current information regarding the satisfaction level of CBL’s existing customer. We could also gain some knowledge about how the bank’s clients feel about them and how should the employees change the way of treating a client if needs be. Moreover, we will be acquainted with the customer’s expectations from the Bank as well. In the RFC, I found City bank offering two types of product. Like retail loan, credit card. Retail Loans are of

1. CITY SOLUTION

2. CITY DRIVE

## 3.1 INTRODUCTION TO TWO TYPES OF LOAN

### 3.1.1 CITY SOLUTION

#### 3.1.1.1 Back ground:

Over the last few years, there has been a sea change in the mindset our consumers. Retail Credit, once considered unreachable, is today a means of fulfilling the growing aspirations of Bangladeshi middle class, especially the growing population of the 25-44 age groups. The decline in corporate credit off take forced banks to increase their presence in the retail finance market. The rise in income levels, together with fall in interest rates and growing competition, has increased the affordability of loans for borrowers. Today, some in the country are emerging as leaders in the retail finance market. Moreover, retail Banking it has now- at a very rapid pace – become the major revenue line for most of the top banks in the country. At City Bank, we want to offer the best-in-class services, innovative lending products and financial solutions for customers to meet their personal financial requirement. To meet personal needs of any credit worthy individuals, we are launching City Solution, any purpose unsecured personal loan. Customers like to enjoy personal loan to accommodate the personal financial requirement. Consequently, personal loan got substantial momentum in the market. Most of the banks are focusing this product for increasing core retail lending base of the bank. This product will be a one of most vital lending products for retail lending.

#### 3.1.1.2 Market Situation:

Major Key players of an any purpose unsecured loans are SCB, HSBC, BRAC Bank and Eastern Bank. They are offering personal loan facility under the following criteria:

Category	SCB	HSBC	Eastern Bank	BRAC Bank
<b>Loan Amount</b>	Minimum Tk 50k and Maximum Tk 10 lac or 10 times of gross monthly income whichever is lower	Minimum Tk 50k and Maximum Tk 10 lac or 6 times of gross monthly income whichever is lower	Minimum Tk 50k and Maximum Tk 10 lac or 12 times of gross monthly income whichever is lower.	Minimum Tk 50k and Maximum Tk 10 lac or 12 times of gross monthly income whichever is lower.
<b>Rate of Interest</b>	19%-20%	18%	18%-19%	18.50%
<b>Processing Fee</b>	2%	1%	1.5%	1.5%

**Table 3.1:** Comparisons of market situation among some banks unsecured loans

### 3.1.1.3 Why CITY Solution?

Personal loan occupies major share in the retail loan portfolio in the SCB, HSBC and EBL. Personal loan serves the multiple life style purpose of customers. With City Solution, we can accommodate personal financial needs of customers.

- With City Solution we are introducing personal loan takeover option first time in the country which will ensure first mover's advantage for us.
- Presently, we have a Consumer Credit Scheme offering maximum loan amount of Tk 1.25 lac. Nature of consumer credit scheme and loan amount cannot serve the loan purpose of customer. We are focusing retail bank products in the Bank. To create market buzz and substantial retail loan portfolio growth, City Solution will play the vital role. With launch of, City Solution, new booking of Consumer Credit will be stopped.

### 3.1.1.4 What is CITY Solution?

CITY Solution is an any purpose unsecured and terminating loan facility (EMI based) for any legitimate purpose. Bank would finance against gross monthly income of the any credit worthy individual. To meet life style needs of the credit worthy individuals and to capitalize the vast market gap, this is a suitable unsecured retail loan product.

### 3.1.1.5 Preferred Corporate Organizations (PCO):

Permanent employees of following organizations may enjoy City Solution up to Tk 3 lac without any personal guarantee. For above Tk 3 lac, personal guarantee will be required. This PCO list will be updated time to time upon getting recommendations from sourcing channels with justifications.

SL NO	NAME OF THE CONCERN	TYPE OF CONCERN
1.	AKTEL (TMIB)	MNC/LLC
2.	ALICO (Head Office)	MNC
3.	All Foreign Embassies (Only local staffs)	Embassies
4.	All UN Agencies (Only local staffs)	UN Agencies
5.	Asian Paints	MNC
6.	Aventis	MNC
7.	Bangla Link (Orascom)	Telecom Operator
8.	Bangladesh Oxygen Limited (BOL)	MNC
9.	Bata	MNC
10.	Berger Paints	MNC
11.	British American Tobacco BD Ltd	MNC
12.	Cairn Energy	MNC
13.	Cemex	MNC
14.	Chevron	MNC
15.	City Cell (PBTL)	Telecom Operator
16.	Coats Bangladesh	MNC
17.	Daewoo (BD) Co. Ltd	MNC
18.	DHL Worldwide	MNC
19.	Fedex	MNC
20.	Glaxo Smith Klein Bd Limited	MNC
21.	Grameen Phone	Telecom Operator
22.	Hartz	MNC
23.	Heidelberg Cement (Scan and Ruby cement)	MNC
24.	Holcim	MNC
25.	IDLC /IPDC/United Leasing/DBH/NHL/ILC/IDCOL/HDFCL	Financial Institution
26.	International NGOs, and development partners WB, ADB, IMF, IDB etc. acceptable to CBL	NGO
27.	KAFCO	MNC
28.	LM Ericsson	MNC
29.	Major International Airlines , acceptable to CBL	Airlines
30.	Maersk Shipping Line/ NYK shipping line/ P & O NedLloyd	MNC
31.	Mobil	MNC
32.	Nestle	MNC
33.	Novartis	MNC
34.	Private and Foreign Commercial Banks with good rating	Banks
35.	Reckit Benckiser BD LTD	MNC
36.	Shell	MNC
37.	Siemens BD Limited	MNC
38.	Sing Tel (Motorola)	MNC
39.	Singer Bangladesh Ltd	MNC
40.	Surma- Lafarge	MNC
41.	Unilever BD Ltd	MNC
42.	Unocal	MNC
43.	UPS	MNC
44.	Warid Telecom	Telecom Operator
45.	Young one Bd	MNC

**Table 3.2:** Preferred Corporate Organizational (PCO)

## 3.1.2 CITY DRIVE

### 3.1.2.1 Background:

Retail Banking it has now- at a very rapid pace – become the major revenue line for most of the top banks in the country. At City Bank, we want to provide the best-in-class services, innovative products and financial solutions from smart outlets – all with a big smile that conveys and generate happiness all the way. To meet personal needs of any credit worthy individuals, we need to introduce some contemporary asset product line like City Drive.

Customers like to enjoy personal auto loan to accommodate the transportation needs. Consequently, Auto Loan got substantial momentum in the market. Most of the banks are focusing this product for increasing core lending base of the bank. This product will be a one of most vital lending products for retail lending.

### 3.1.2.2 Industry Comparison:

Major Key players of Auto loan are SCB, HSBC, BRAC Bank and Eastern Bank. They are offering the loan facility under the following criteria:

Category	SCB	HSBC	Eastern Bank	Brac Bank
Loan Amount	Minimum Tk 2 lac Maximum Tk 20 lac or maximum 20 times gross monthly income whichever is lower.	Minimum Tk 1 lac and maximum Tk 20 lac or 8 times of gross monthly income whichever is lower	Minimum Tk 3.5 lac and maximum Tk 20 lac or 15 times of gross monthly income whichever is lower	Minimum Tk 2 lac and maximum Tk 20 lac or 15 times of gross monthly income whichever is lower
Minimum Monthly Income	Tk. 25,000	Tk. 20,000	Tk. 30,000	Tk. 30,000
Rate of Interest	15% to 17%	11% to 16%	14.50% to 16.50%	14% to 18%
Processing Fee	1%	1%	1.5%	1.5%
Personal Guarantee Req.	Yes	No	Yes	Yes

**Table 3.3:** Industries comparison of Auto Loan among some Banks

### 3.1.2.3 Why CBL Drive?

Auto loan is one of key retail lending products. Auto Loan occupies significant share in the retail loan portfolio in the SCB, HSBC and BRAC. Auto loan serves the purpose of obtaining individual personal vehicle need. With City Drive we can accommodate financial need of customers to procure vehicle.

Presently, we have an Auto Loan Scheme under retail loan offering maximum loan amount of Tk 15 lac. We are offering auto loans very small in number with lower the amount allowed by the Bangladesh Bank. So loan amount cannot serve the loan purpose of customer. We are focusing retail bank products in the Bank.

### 3.1.2.4 What is CITY DRIVE?

**City Drive** is a terminating loan facility (EMI based) for the purpose of financing purchase of brand new and reconditioned but unregistered automobiles for personal use only, under an Equated Monthly installment based repayment plan.

## 3.2 CREDIT PROCEDURE OF RETAIL FINANCE CENTER

### 3.2.1 OVERVIEW

Retail lending has been zooming ahead, driving a banking-sector boom since the beginning of the decade. Retail lending has changed dramatically in the last couple of decades, moving from a largely intuitive process to an increasingly automated one. Managing a retail loan portfolio successfully depends on properly developing, deploying, and integrating a wide range of risk management and operation models. These modeling activities need to be coordinated across a range of loan products and across marketing, credit, collections, operations, and MIS. Retail loan is offered to individuals for some prearranged purposes and is to be repaid by equated monthly installments. Retail finance is one of key business pillar of retail banking which can assist retail bank to boost the lending business. City Bank is stepping in the realm of retail lending. Before offering the retail loans, City Bank needs to roll out credit process manual for Retail Finance Center (RFC), centralized retail risk management body. To ensure streamlined credit process for retail loan products, proposed credit process manual will play a significant role. Therefore, we are also introducing new sort of retail loan products to maximize banks profitability and ensure a brand identity. To support business goal, capacity building is essential. Proposed credit process manual discourses the different credit and credit operation process to ensure capacity bridling, asset quality and ensure business growth.

## **3.2.2 TARGET CUSTOMER AND MARKET**

**3.2.2.1 Target Customer:** The name list of the target market includes:

**2.1 Salaried Executive:** Corporate executives of Multinationals, UN bodies, Large Local corporate, Medium & Small corporate bodies, diplomatic houses, government bodies, Private entities etc.

**2.2 Businessperson:** Applicants may be proprietor of sole proprietorship firm, partner of partnership firm and/or director of a private & public limited company.

**2.3 Self Employed:** Individuals making a living from their technical expertise, i.e. medical practitioner, engineers, architects etc and free lancers like consultants, landlords etc, who have an established source of income.

### **3.2.2.2 Non Target Customer**

- CBL Negative listed individuals.
- Journalist of reasonably lower level & non reputed publications.
- Lawyers
- Employees of the firm which has a poor repayment history in business loan with The City Bank.
- Employees of non-reputed Proprietorship Firms & Partnership Firms.
- Officials of law enforcing agencies.
- Individuals with known criminal records.
- Politicians & Individuals having politically affinity.
- Travel agents and C & F agents of lower level.
- Defense officials below Major level.
- Mariners
- Individuals whose personal and business loan performance is poor.
- Public Figures and media personality.

**Note: 1. Except for 100% cash covered facility, financing to the above non target individuals will require the approval from level 2 authority holders.**

**2. Inclusion or exclusion of any segment in non target market may be done upon decision of higher management.**



### 3.2.2.3 Out of Area Customer:

Loans are offered only to applicant's whose office or residence is located at cities where we have branch representation. However, this may be waived for salaried executives whose salary a/c is with us, but office and residence is located outside cities with our branch representation.

**Note: However, this is not applicable for 100% cash covered Auto Loan.**

### 3.2.2.4 Non Resident Customer:

Loans to nonresident Bangladeshi (i.e. wage earners) are allowed for 100% cash covered facilities only.

## 3.2.3 DISTRIBUTION CHANNEL AND SOURCING METHOD

### 3.2.3.1 Distribution Channel:

All loan applications are mainly sourced through following distribution channels:

- Directs Sales Team
- Branches/Kiosk

### 3.2.3.2 Methodology for Sourcing the Customer:

**Direct Sales Team:** Customers in this segment are tracked by DSE themselves. DSE source the loan/finance application in ways:

a) Sales Officer/Manager obtain list of local corporate and multinational corporate bodies and hand over to DSEs. DSEs set up appointments in these companies and visit the appropriate department from where a list of employees is obtained. Potential Customers are tracked down from the obtained list of employees and they are contacted either through phone calls or when the DSE visits the organization. DSEs reach the customers by making phone calls or by random visits to various shops, factories, trading agencies, business firms, consulting firms etc. Those customers are located by DSEs, when they visit various individual professionals at their chambers. Many customers are located through references from existing customers in this segment's reach the customer by making cold calls, through references from existing customer or by random selection.

**Branch:** Customer visits the Branch and approach for the loan/finance. Customer is contacted by CSO/RM/SSM over phone and approached for the loan/finance. Later customer visits the branch and performs necessary formalities to take the loan/finance.

### **3.2.4 APPLICATION PROCESS FLOW**

#### **3.2.4.1 Application Process by Branch and Sales:**

a Customer completely fills-up the loan application pack (LAP) and drops it to the sources who forward the same to RFC. Respective Managers of sourcing channels will take extra measures to check whether the application form is fully filled up and there is no overwriting or amendment without customer signature.

b .Managers of sourcing channel will verify customer signature in the application form , mark “original seen” in the photocopied documents before sending the LAP to RFC and will fulfill the documentation checklist attached in the LAP (Loan Application Pack) through branch.

#### **3.2.4.2 Application Process by Retail Finance Center (RFC) MIS:**

- a. RFC MIS Officer will receive the applications and give input in the daily MIS.
- b. MIS officer will put unique serial or tracking number on the application and hand over the applications to CPV agents for verification.
- c. MIS officer will distribute the LAPs among the analysts.
- d. Send daily status report to sourcing channels via e-mail.
- e. MIS officer will receive loan applications from sources and distribute the LAPs to credit analyst.
- f. MIS officer will hand over the copy of LAPs to the CPV agent for verification purpose and will receive the same from CPV agents.
- g. MIS officer will send back the LAPs to the source as and when advised by credit analyst.
- h. Application Assessment

- i. Analyst will pre-screen the LAP and if any discrepancy is found will send back to source for further review.
- j. Credit Analyst will analyze whether application meets PPG criteria, documents requirement and prudential regulations of Bangladesh Bank and will recommend for approval of the applications on appropriate cases otherwise recommend for decline.
- k. Credit analyst will perform de-duplication and negative check list, prepare approval sheet.
- l. Credit analyst can return the LAP back to source for any document deficiency and credit analyst can send any query or ask for any clarification from source
- m. Manager RFC/HORFC/HORB/DMD/MD will provide final approval decision as per their DLA.
- n. Manager RFC/Head of RFC/HORB/DMD/MD will approve or decline the applications as per delegation of lending authority (DLA).

#### **3.2.4.4 Approval Status and MIS:**

MIS will update the status of LAPs if any loan is approved or declined by the appropriate DLA and MIS will inform the branches accordingly via daily status. MIS will inform the branches application approval status along with loan amount, tenor, approval conditions to sources on daily basis.

#### **3.2.4.5 At Asset Operations:**

Once any credit facility is approved, sourcing channels and asset operation will get through disbursement process as mentioned below:

##### **Documentation Check and Disbursement Process**

- Sources will arrange to meet approval conditions and send all aforesaid disbursement to Asset OPS for disbursement.
- Officer, loan documentation will receive loan documents from the Branch.
- Officer loan documentation is authorized to review documents to ensure that all documents and sign are in order.

## 3.2.5 CREDIT ASSESSMENT PROCESS

### 3.2.5.1 Credit Decision:

The Credit Analysts will assess the income of the applicant based on the income assessment guideline provided in Annexure-III. However a Credit Analyst may also decide to defer an application back to the source or hold prior to make any approve/decline decision. So, in effect a credit analyst can recommend any one of three decisions:

- Approval
- Decline
- Return to Source/Hold

#### **A. Approval:**

- After assessment if it is found that a loan application meets all the PPG criteria, no default history and complied with BB guide line, Credit Analyst will prepare approval sheet considering all the product parameters as detailed in PPG.
- MIS officer will receive the LAP from the approval authority and update the MIS and preserve the LAP in vault.
- As soon as Auto Loan is approved, officer loan documentation will prepare four sets of “Purchase Order” (facility confirmation letters) following the approved loan amount and will get the same signed by concern credit analyst. , addressed to customer, vendor and BRTA, and forwards it to the source by maintaining tracker sheet. One office copy of the same will be kept in the LAP. The letters are later received by the vendors or authorized representatives through the Branch.

#### **a) Decline**

- Credit Analyst may decline the loan application on the ground of non compliance with PPG criteria, poor repayment history of loan/credit card, presence in negative list and de-duplication, providing fraudulent documents or negative information.

#### **b) Return to source/Hold/Deferral:**

- A. If an application is sent to RFC without all necessary documents credit analyst can return the LAP back to source or can hold the LAP by sending mail to the respective manager (RM/STM) of sources informing the query or discrepancy

B. The source contacts the customer to collect the required documents or for the query. If the defer reasons are addressed, the source will re-send the document back to RFC for further processing. After fulfillment of the query and address of discrepancy, credit analyst will further process the lap for credit decision

### **3.2.5.2 Multiple Exposures and Top up Criteria:**

**Multiple Exposures:** Aggression of multiples retail loan exposures is regarded as multiple exposures. For example, customer enjoying a Car Loan of Tk 15 Lac, applied for a personal of Tk 5 lac. Multiple exposures will be Tk 20 lac.

**Top Up:** A top-up loan is an additional loan extended to the borrower under same product nature. For example, a customer availed personal loan of Tk 5 lac and now he/she applied for another Tk 3 lac. This additional amount will be treated as top up loan. All unsecured loan will be treated as similar product excepting Auto Loan.

When applying for a multiple exposure and top up, the following criteria will apply:

Customer must pay minimum 6 installments of existing loan to avail top up loan.

- i. For multiple exposures, customer availing car loan may apply for personal loan (life style loan, salary loan, professional loan) regardless of time frame of existing facility.
- ii. No credit facility is delinquent (30 DPD and above) at the time of application of top up or multiple exposure.
- iii. Maximum 60+ DPD in last 6 months.

**Note:** Any deviation from the above should be approved by through L-2 exception

**3.2.5.3 Aggregation of Exposure:** Loan exposure (existing plus proposed) must not cross the maximum product ceiling. Product wise DLA must be considered while sanctioning new exposure to the customer under similar products. For example, if customer has been enjoying Tk 6 lac personal loan which was approved by Head of RFC (DLA Tk 7 lac) and applies for additional top up to Tk 3 lac will require the approval of Head of Retail Banking/DMD (Business)/MD (DLA up to Tk 10 lac) since both facility constitute loan amount of Tk 9 lac under single product which is beyond the DLA of Head of RFC.

Policy in respect to Aggregation of Exposure:

- All exposure in personal name should be aggregated; under no circumstances will the aggregate unsecured personal unsecured loan limit cross Tk 10 lac.
- Guarantee amount will be aggregated with guarantor's personal exposure.
- Spouse's exposure will be aggregated in case of joint application with spouse or if exceeding exposure is being availed jointly with spouse.

**3.2.5.4 Reassessment:** Re-assessment request of sourcing channels of declined file only be conducted upon providing memorandum of reassessment (MOR) by the RO/RM/STM with strong justification in favor of reassessment and MOR should be recommended by SSM/ Cluster Manager/ Head of Sales. After re- assessment the LAP can be Approved/Declined as per DLA.

- No re-assessment will be conducted if the LAP is declined on integrity ground of the applicant, adverse CPV and CIB.

### **3.2.6 LOAN BALANCE TRANSFER OR TAKE OVER PROCESS**

Customers enjoying EMI based personal loan may enjoy the facility of Loan Balance Transfer. Regular loan application process will be followed in this case.

Features and eligibility of balance transfer are as follows:

#### **Eligibility Criteria**

- Minimum 6 loan EMI repayment with existing bank.
- Existing loan status must be regular and account status never went to 30 DPD+ during last 6 months.
- Approved loan amount may be higher than take over loan amount.
- Take over amount will be equivalent to existing loan outstanding with other bank and is to be transferred by respective branch through issuance of banker's cheque/ pay order in favor of customer's existing bank.
- All income and DBR criteria as per guideline mentioned at later section.

#### **Required document from the Applicant**

- ◀ Income and identification documents as applicable as per guideline.
- ◀ Bank statement or loan statement showing last 6 EMI payments with loan outstanding status.
- ◀ Loan settlement letter issued by other bank is to be sent to RFC by branches.

### 3.2.7 LOAN KYC

Loan KYC (Know Your Customer) will be required for any unsecured retail loan. Purpose of loan KYC is to focus on the following key areas:

- Background (family/ parents/ educated or ‘experienced- wise’ person).
- Job/Business Standing (Job Position & job history /nature of business in details- trader/producer, major items, annual sales, stock/receivables etc.).
- Life Style (marriage record/children/travel record/quality of life/taste of car/dress/residence).
- Loan Behavior & Willingness to repay (loan repayment record & seriousness/commitment to repay proposed loan).
- Net worth of the Applicant (cash/deposit/shop ownership/vacant land/investment in business etc. i.e. total assets less liability).
- Guarantor’s Status (Social standing, willingness & ability to stand as guarantor- where applicable).

Loan KYC will be prepared by RM/STM and to be recommended by SSM/Cluster Sales Manager /NSM/Head of Sales. KYC rating or performance of customer will have following segments.

- Excellent
- Satisfactory
- Average
- Low

Applicants should get minimum average rating in all key areas of KYC. Any low rating will be treated as exception and will require approval on exception.

## 3.2.8 INCOME ASSESSMENT

### 3.2.8.1 **Gross Monthly Income:**

Gross Monthly Income (GMI) is defined as the total income of an applicant including all legitimate earning sources which have reflection on the bank statement on a regular basis or supported by income documents. Requirement for minimum gross monthly is determined based on the eligibility criteria of individual products.

### 3.2.8.2 **Debt Burden Ratio (DBR)**

#### **Formula for Establishing Capacity to Pay (Debt Burden Ratio)**

DBR = (Summation of all EMI payable towards loans + Monthly personal OD interest + 3% of Credit Card Limit) / Gross Monthly Income)

<b>Income Wise DBR Slabs</b>	
Income 15,000-29,999:	DBR 35%
Income 30,000-49,999:	DBR 40%
Income 50,000-99,999:	DBR 50%
Income 100,000+:	DBR 55%

**Table 4.4:** Debt Burden ratio (DBR).

### 3.2.8.3 **Average Balance:**

EMI percentage to average balance ratio must not cross 33%.

### 3.2.8.4 **Credit card limit:**

3% of the Credit Card limit will go into DBR calculation if the applicant owns a credit card.

## 3.2.9 GUARANTOR

1 Personal Guarantee will be required for any unsecured CBL retail Loan

### 3.2.9.1 **Eligibility of guarantor:**

Any salaried executive deemed acceptable to CBL or;

Professionals (Doctors, Chartered Accountants, and Engineers etc) or;

Reputed Businessman acceptable to CBL.

A guarantor can provide personal guarantee up to TK 10 lac for unsecured loan



(excepting car loan) including his her own exposure.

CBL staff cannot give guarantee against any retail loan.

For Auto Loan, spouse or immediate relatives will be preferred.

### **3.2.9.2 Required guarantor's Documents**

- TIN
- Photograph and business card
- In case immediate relative, TIN related document will not be required

### **3.2.9.3 Location of the guarantor:**

Guarantor's residence or office must be located in cities where we have branch representation. However, out of area guarantor is acceptable, if he/she has an account relationship with us.

### **3.2.9.4 Assessment of credit worthiness of guarantor:**

Since Personal Loans are approved based on applicant's credit worthiness and guarantee is taken only as a secondary recourse, assessment of guarantor's credit worthiness is not assessed. However, it is our assumption that the criteria we have set out to become eligible to be a guarantor are reflective of their credit worthiness.

### **3.2.8.5 Waiver of guarantor:**

Guarantor will not be required for the following segments

- CBL staff
- Employees of POL list and intended to loan amount not exceeding BDT 3 lacs 100% cash secured loan facility.

### **3.2.10 EXCEPTIONS MANAGEMENT**

Exceptions are defined as the permissible deviation defined in PPG. Source receives the application from the customer and checks to see whether there is enough justification to recommend the loan under exception level. If satisfied, source forwards the loan application to RFC. One person should recommend and a Manager should support the loan application that falls under exception level criteria. In absence of any Manager’s support, Credit Analyst may send back the application or recommend to decline. It is possible that source may send applications to RFC without recommending and supporting for the exception level. In that case, RFC based on the strength of the proposal, may underwrite the loan as per individual’s DLA and exception waiver authority. Approval/deferral/decline process will continue for any decision.

### **3.2.11 DELEGATION OF LENDING AUTHORITY AND REVIEW PROCESS**

**For City Solution:** Like all other unsecured Retail Loan of City Bank, City Solution applications will be scrutinized, verified, processed and disbursed by the Retail Finance Center. Approval authority will remain with Credit Manager, Manager RFC, Head of Retail Finance Center, Head of Policy and Analysis, Head of Retail Banking, Deputy Managing Director (Business) and the Managing Director.

Approval authority at every stage will be guided by the “Permissible Exceptions” grid given in the previous section. Once a loan is approved, it will remain valid for disbursement until next 30 days, from the date of approval.

**Loan Limit Approval Authority for CITY Solution is as follows:**

<b>Loan Amount</b>	<b>Approval Authority</b>
Up to Tk 3 lac	Credit Manager
Up to Tk 5 lac	Senior Manager/Manager– RFC
Up to Tk 7 lac	Head of RFC/ Head of Policy and Analysis
Up to Tk 10 lac	Head of Retail Banking /Deputy Managing Director(Business)/ Managing Director

**Table 3.4:** Loan limit approval authority for City Solution

**Loan Limit Approval Authority for City Drive is as follows:**

<b>Loan Amount</b>	<b>Approval Authority</b>
Up to Tk 5 lac	Credit Manager
Up to Tk 10 lac	Senior Manager/Manager– RFC
Up to Tk 15 lac	Head of RFC/ Head of Policy and Analysis
Up to Tk 20 lac	Head of Retail Banking /Deputy Managing Director(Business)/ Managing Director

**Table 3.5:** Loan limit approval authority for City Solution

**Note:**

1. DMD (Business)/MD is authorized to cancel the approving authority of the down level officials at any time to be decided by them.
2. DMD (Business) /MD reserves the right to exclude any official from above approval chain or include any new official depending upon incumbent's credit experience and level of comfort that the DMD (Business)/MD draw over the incumbent.
3. Approval authority of assistant/associate credit manager or credit manager (personal and auto loan) will come into effect upon getting instruction from Head of Retail Finance/ Head of Retail Banking depending upon incumbent's credit skill and experience. Only one credit manager of personal and auto loan analyst team will have approval authority.
4. Head of Policy and Analysis can exercise the approval authority in absence of Head of RFC.

**3.2.12 TURN AROUND TIME (TAT)**

RFC will ensure approval decision of personal loan within 72 hours and auto loan for 48 hours. However, this will not be applicable if CPV of bank statement cannot be done, and in case authentication is unreasonably withheld by the statement issuing Bank. TAT will be counted from the receiving time of applications at RFC end. TAT for application received after 11:30 a.m will be counted from the next working day.

Disbursement TAT will be considered 24 hours from the time of receiving all required documents from source end. If any document deficiency found at asset ops end, this TAT will not be applicable. TAT for document received after 11:30 a.m will be counted from the next working day.

### **3.2.13 CIB PROCESS**

- A Source obtains undertaking from applicant to request for CIB report from the Central Bank and submits the same to Credit Administration CIB section.
- B Credit Administration forwards the requests to the Central Bank.
- C Upon receiving a reply from the Central Bank, Credit Administration forwards a copy of CIB reports to sources or RFC.
- D Officer at Asset OPS after receiving the CIB report from the source, get the clearance from the respective credit analyst. If found clean or nil and all other documents are in order, loan is disbursed as per the disbursement process.

#### **3.2.13.1 Negative CIB report:**

As a part of Credit Approval Condition, if the CIB status is anything other than 'Clean' or 'Nil' (e.g. Bad Loss, Doubtful, etc.) the credit analyst will subsequently declined the application and ask the MIS to black-list the customer depending on the severity of report.

#### **3.2.13.2 CIB Report-Dispute Resolution:**

##### **Dispute**

Sometimes customer may challenge CIB report which may not be related to him due to different reasons. The reasons for dispute may be inclusive (but not exhaustive) of the following:

- Different persons in the same name.
- CIB report is related to customer's previous organization which was not updated in Central Bank's record etc.
- Loan was regular but reported as irregular.

### **3.2.14 CONTACT POINT VERIFICATION (CPV)**

While considering proposals for any exposure, banks should give due weight age to the CPV report of the borrower's personal, work or business details and same as the guarantor's. This CPV will be conducted by market tested and reliable third partly agents.

To organize and streamline the CPV report following six types of verification guidelines details the process for CPV report. CPV Policy and Process Guideline describe the whole process.

- Contact Point Verification
- Bank Statement Authentication
- Credit Report
- Rent Verification
- Guarantor's Information
- Car Value Verification

Total CPV process will be based on CPV Policy and Process Guideline of CBL.

### **3.2.15 NEGATIVE LIST CHECKING AND WITHDRAWAL**

#### **Employer negative list:**

To withdraw from employer negative list, SSM/HO Sales recommendation is required with proper justification if the negative listing was due to some employee related problem. After proper investigation, if it is found to be genuine, HORFC may withdraw the employer from negative list with proper stapes to mitigate risks i.e. Provide loans against EOSB, lower tenor, lower loan size, high security ratio, low LTV etc.

#### **Individual Negative List**

Customer may be withdrawn from negative list for different reasons

- B. wrong bank statement verification report
- C. wrong of negative CIB report
- D. wrong CPV report or
- E. The previous poor borrowing history which is not related to customer's willingness, etc.

### **Automobile Dealer negative list**

Automobile Dealer may be withdrawn from the negative list. The process will be as follows:

- Owner(s) of Automobile Dealer will send an apology letter to HO Sales/SSM describing the position and confirm that they will not do the bad practice in future.
- HO Sales/SSM if satisfied will recommend withdrawing from negative list with detailed justification and forward to HORFC.
- HORFC may withdraw the dealer from negative list based on the recommendation from HO Sales/SSM.
- Activities of that dealer (withdrawn from negative list) will be closely monitored. If any further instance is found in future, the dealer will again be black-listed permanently.



CHAPTER 4

**CUSTOMER SATISFACTION LEVEL OF  
RETAIL FINANCE CENTER**

## 4 CUSTOMER SATISFACTION LEVEL OF RETAIL FINANCE CENTER

It is not very long RFC has come into operation as a separate division of CBL. This department basically deals with City Solution, City Card and City Express. By studying the following sessions, we will be able to get a comprehensive knowledge whether the existing customers of RFC are satisfied or not.

### **4.1 SURVEY:**

A survey has been conducted on 50 consumers who are already City Solution customers. The survey mostly taken by phone and some are taken by face to face interview.

### **Sample Questionnaire:**

A sample questionnaire of the survey is given in the appendix A-VII.

### **4.2 HYPOTHESIS:**

City Solution is relatively new in the market. It should be found out that whether customers are happy and comfortable with the policy the bank has. It is thought that the customers may be happy with the product and service. The hypothesis for the research is given below.

Null Hypothesis: City Solution customers are satisfied with the product.

Alternative Hypothesis: City Solution customers are not satisfied.



## 4.3 SPSS ANALYSIS

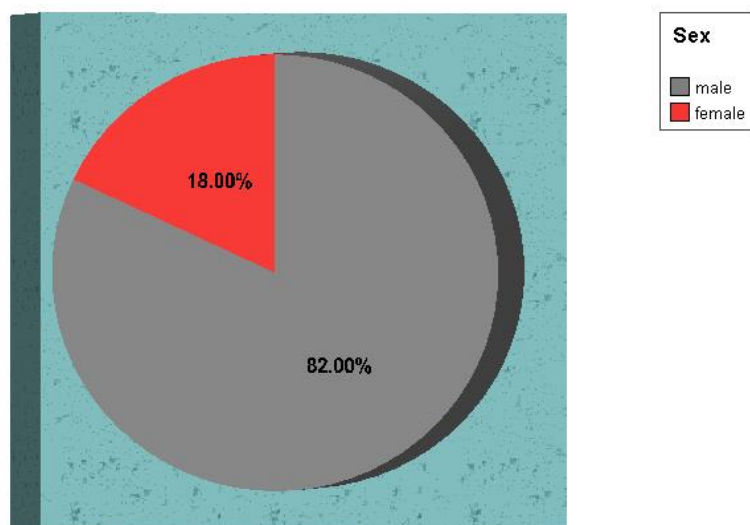
### 4.3.1 APPLICANTS

The City Bank Limited has come up with new marketing strategy to attract more customers like changing policy, changing logo etc. From the survey it is found out that male and female customers are equally attracted or not.

#### Data Analysis

From the 50 people surveyed, 9 female customers are found and rests of them are male customers. That means 82% applicants are male and 18% applicants are female.

**Sex**



**Graph 01: Applicant sex**

#### Findings

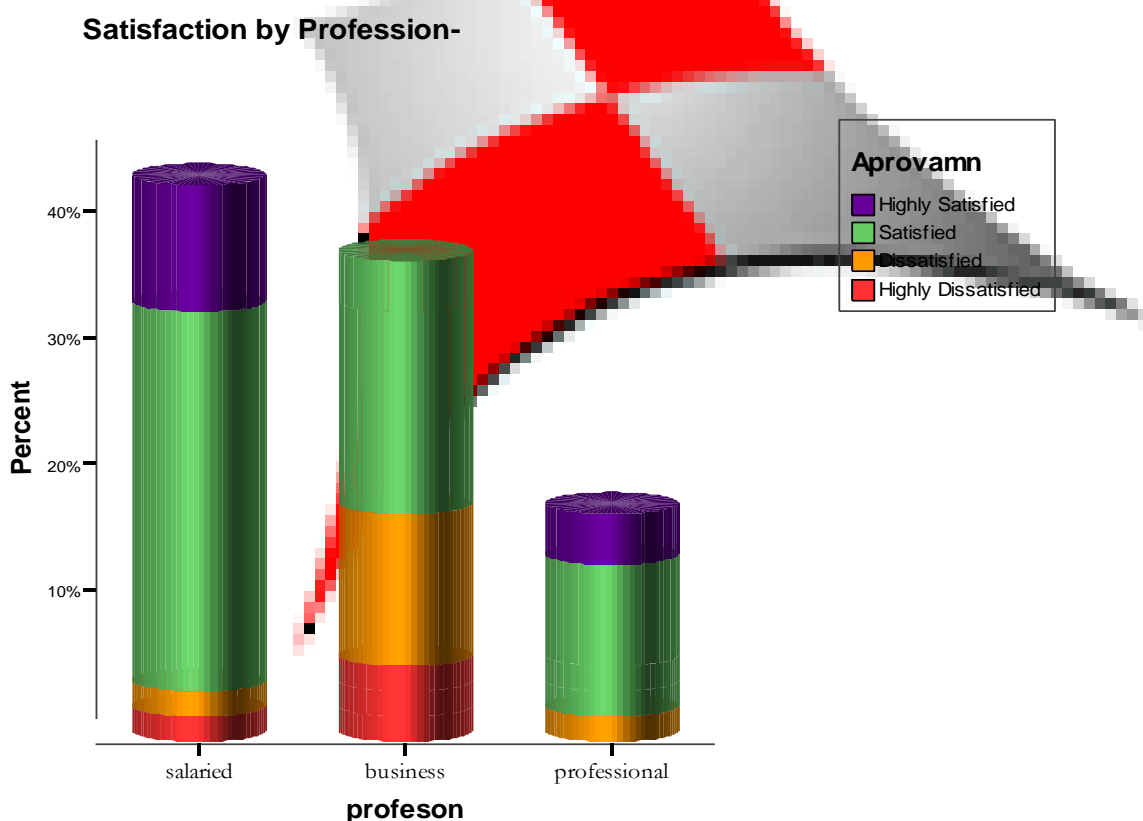
In case of taking loans, females are not yet attracted with retail products.

### 4.3.2 OVERALL SATISFACTION

Overall satisfaction of the customers is the main issue which is going to be found out through the research. The bank has different customers with different professions. Here who are more satisfied is going to be found out as the policy is not same for the applicants with different profession.

#### Data Analysis

In the sample, 22 applicants are salaried persons, 19 applicants are business persons and 9 applicants are professionals.



**Graph 02: Satisfaction by Profession**

#### Findings:

From the sample, it is found that the customers who are businessmen in profession are not satisfied that much with the product. Others comparatively more satisfied than the businessmen.

On the other hand, 40% of the customers are satisfied salaried clients.

### 4.3.3 SATISFACTION INFLUENCING VARIABLES

Dependent variable:

Overall Satisfaction

Independent variable:

1. Approved loan amount
2. EMI
3. Ease of getting loan
4. Difficulties
5. Information
6. Helpfulness
7. Efficiency
8. Loan processing time

### 4.3.4 Regression

The Hypothesis for the regression analysis is given below.

Null Hypothesis: The independent variables, "EASE", "DIFICLTY", "INFORMTV", "HELPFUL", "The time limit", "HELPFUL," "EFICINCY" and "TIMTAKEN" significantly influence the dependent variable.

From the ANOVA table we can see that:

$F(df1, df2) = \text{Value}$

$F(34.543, 31.637) = 66.180, P \text{ value} = .000 < .05;$

That indicates that the regression is valid. And we can reject the alternative hypothesis and

Accept the null hypothesis that the dependable variable is affected by the independent Variables with which we have run the regression.

Strength of association

R-square = 52.20%

This regression model expresses 52.20% of the variability of our dependent variable and the

Other 48.8% can be expressed by the ERROR factor.

### 4.3.5 Satisfaction Depending on EMI

Applicant's satisfaction can be dependent on the approved loan amount to individual applicants. Here, paired sample T-test is run to find out this issue. To run the test Overall satisfaction and Loan amount approved is chosen as a pair.

We can see that there is a significant positive correlation between Loan Amount Approved and Overall Satisfaction ( $r = 0.844$ ,  $p = 0.000 < 0.05$ ) which indicates that with the increase of loan amount approved to the consumer, his or her satisfaction level increases.

The Loan Amount Approved and EMI have a significant mean difference (.24). The standard deviation of the difference scores (.625) and the standard error of the mean (0.088). The 95% Confidence Interval presents the lower and upper limits of the mean difference. We can be 95% confident that the difference between the means falls somewhere between .06 and .42.

### 4.3.6 FREQUENCIES

It can be seen that 66% of customers found it either difficult or very difficult to obtain the loan. Therefore, it can be suggested that CBL should take necessary attempts to make the process easier.

This vital information regarding difficulties faced by the customers reveals that 12% customers faced difficulties twice, 24% faced thrice and 34% faced more than thrice. The more difficulties faced by a customer the less is the satisfaction level.

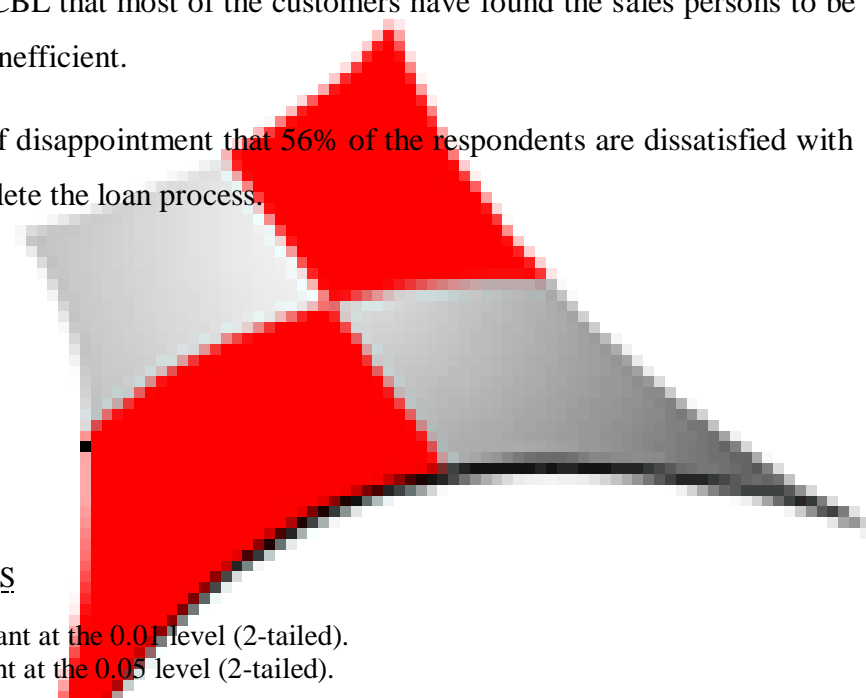
This is a positive opinion about the RFC officials that they are informative enough to serve the customers. 12% of the respondents think that they are very informative, 42%

thinks they are informative and 28% thinks they are less informative most of which are dissatisfied customers.

It has revealed that RFC officials are helpful. 16% of the respondents found them very helpful, 56% found them helpful whereas 28% found either less helpful or not helpful.

Its alarming news for CBL that most of the customers have found the sales persons to be either less efficient or inefficient.

This is a major issue of disappointment that 56% of the respondents are dissatisfied with the time taken to complete the loan process.



### 4.3.7 CORRELATIONS

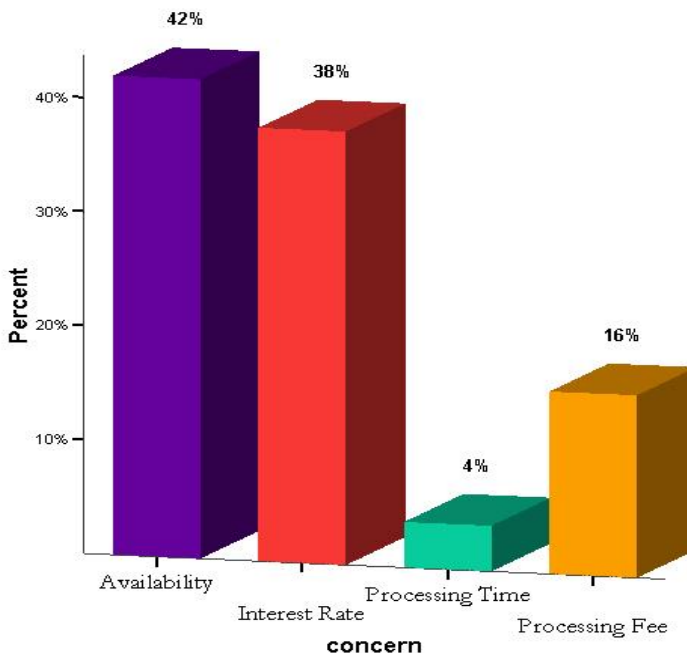
\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).

Which one is prior concern to you while choosing the bank for Personal Loan?

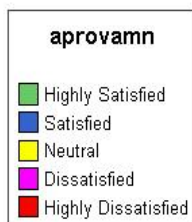
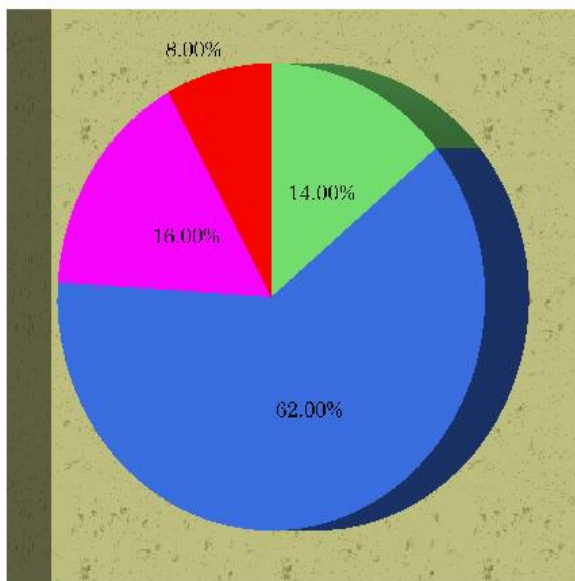
Which bank comes first in your mind when you think about Personal Loan?

When this question was asked, most of the clients talked about other banks. It implies that CBL should find out which bank offers



personal loan with the best features a customer can get. That's how CBL should move ahead by following other competitors.

### Satisfaction on Approved Amount

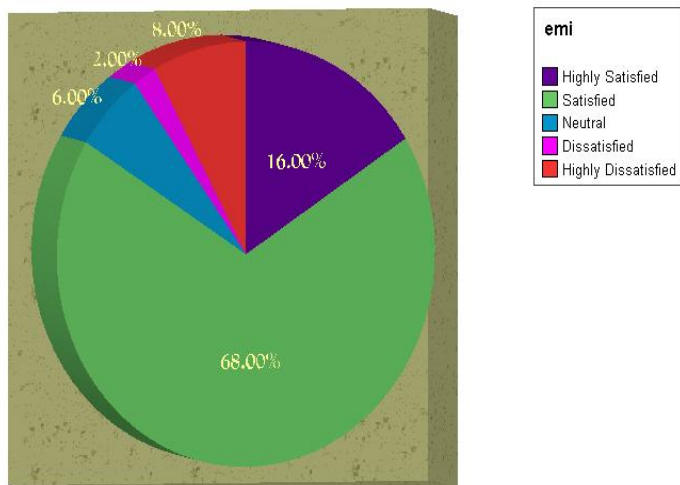


By asking this question, we have successfully Revealed that 42% of our clients are Concerned about interest rate and 30% are concerned about the Availability of the loan.

Graph 05: Satisfaction on Approved amount



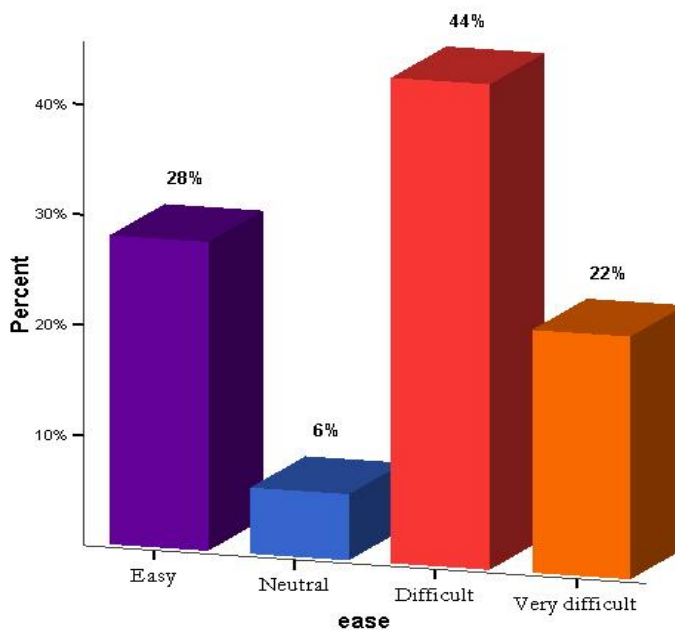
**Satisfaction on EMI**



**Graph 06: Satisfaction of EMI**

84% of the respondents are satisfied with the EMI set by RFC which implies that the EMI calculation is appropriate.

**How easy it was to obtain the loan?**

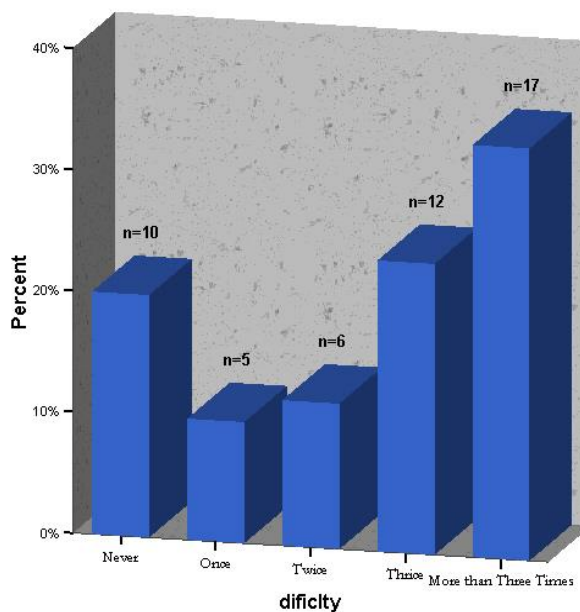


**Graph 07: Ease of getting loan**

66% of the respondents found it difficult to obtain the loan. So, the loan approval and disbursement process should be easier to have a greater satisfaction level.

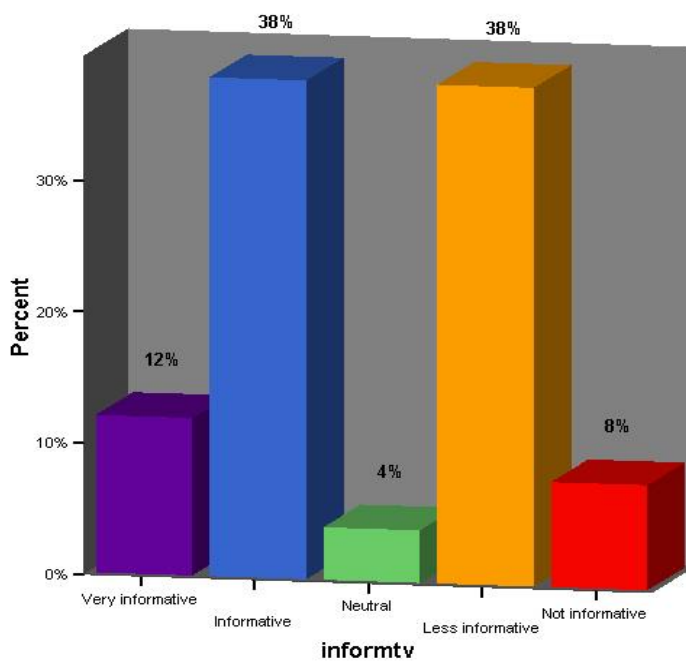
**How many times have you experienced difficulties during the processing period?**

40 respondents have faced Difficulties for at least once Which implies that the satisfaction Level could have higher value if These customers have face no Difficulties:



Graph 08: Difficulties faced by

**How informative was RFC during the loan process?**



Graph 09: Informative officials

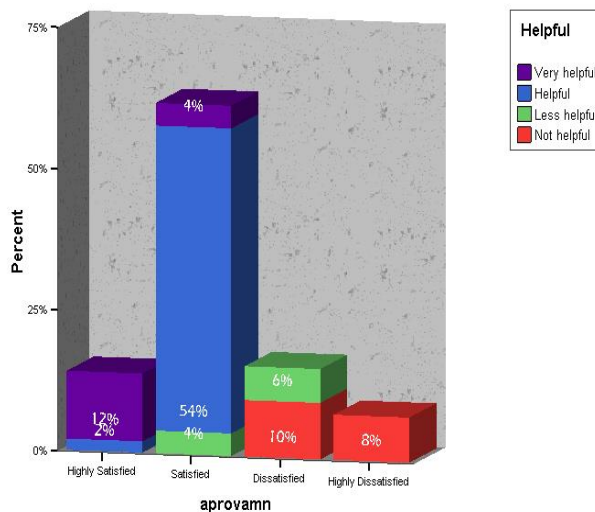


Even though the graph seems to be a bit confusing, it reveals very important issue of RFC. 38% respondents found RFC officials to be informative and another 38% found them less informative. To make improvement in this bank, HR managers should focus in this issue and take necessary measures.

### Helpfulness

Among the satisfied customers, 70% of the respondents said RFC was helpful during the loan processing and even after the disbursement.

How helpful were the people of RFC even after disbursement?

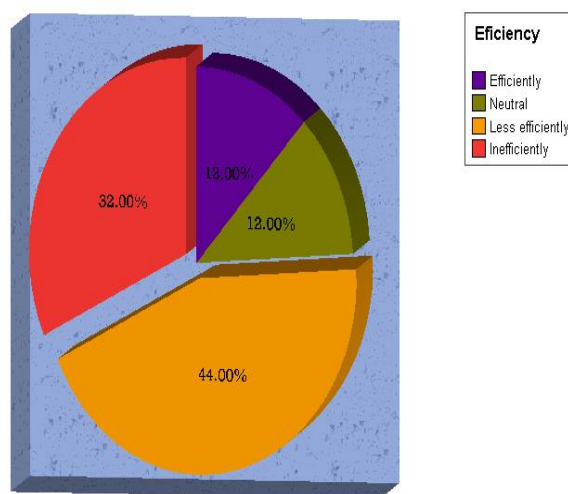


Graph 10:

### **Efficiency of RM or Sales Manager:**

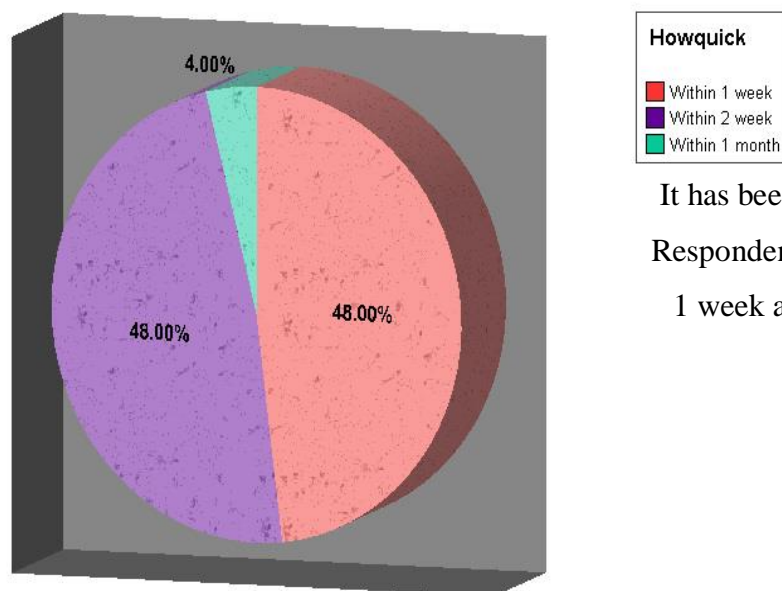
To describe about this graph it can be said that 32% of the respondents found the RM or Sales Managers to be less efficient and 44% found them inefficient that places a negative impact on the source of CBL.

How efficiently the RM or Sales Person handled your case?



Graph 11: Efficiency

**How quickly do you want the loan?**

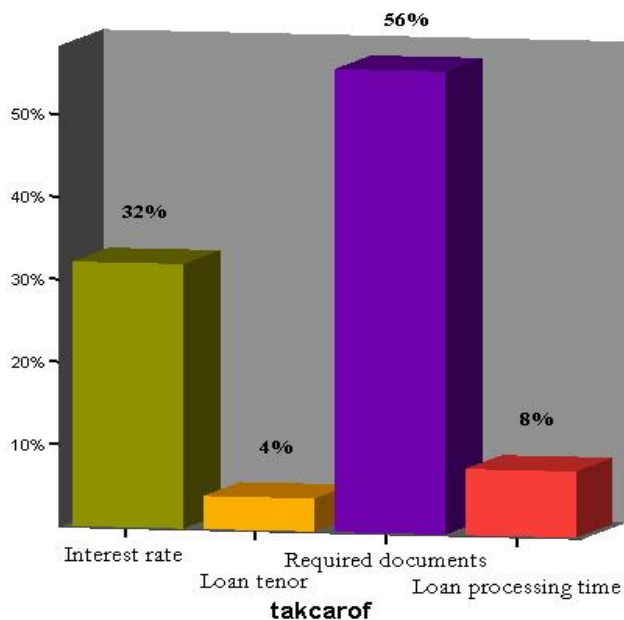


It has been found that 48% of the Respondents want the loan within 1 week and another 48% want it Within 2 weeks

Graph 13: Customer expectation

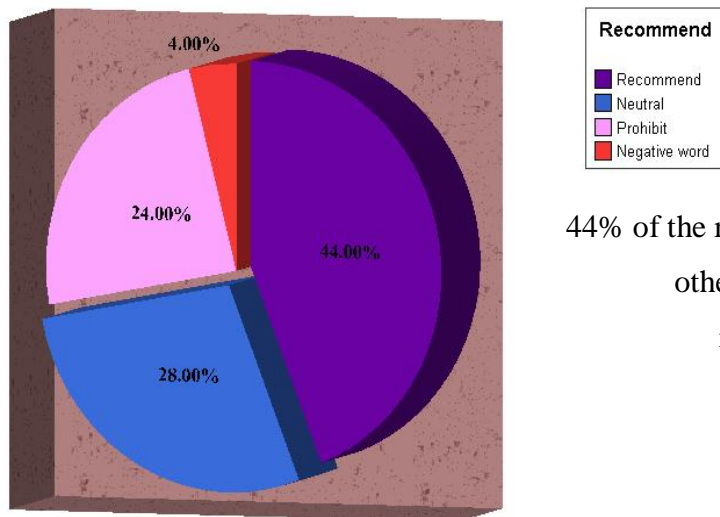
Customers have suggested that CBL should be more careful about Documentation (56%) and Interest Rate (32%).

**In which area(s) do you want that they should take care of?**



Graph 14: Customer suggestion

**Would you suggest CBL to others for Personal Loan?**

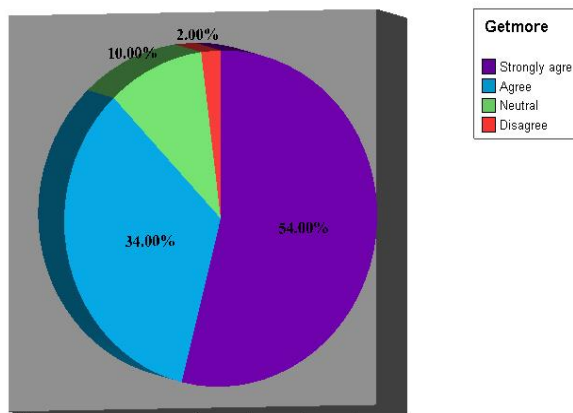


44% of the respondents will recommend others about CBL, 28% will not recommend and the rest was neutral about this question during the survey.

Graph 15: Customer recommend

54% of the respondents strongly agree with the statement and 34% simply agree with it. So most of them think that they deserve to get more loan from RFC. Thus, RFC should approve as much loan as possible following the PPG.

**According to your background, you should get more money as a retail loan-**



Graph 16: Deserve More

#### **4.4 FINDINGS FROM THE DATA ANALYSIS:**

All of the SPSS tests are found significant from the research. So, it is concluded that the null hypothesis is established rejecting alternative hypothesis which means consumers are satisfied with the product, City Solution. Besides this, there are some issues found which are given below.

Consumers are happy with the product and they think it is a good opportunity to fulfill their purpose. But the interest rate and processing time taken by the bank is higher than that of other banks. So, the EMI is high as well. Some key information has been revealed through this study regarding the RFC officials and the source. Customers think that RFC officials are helpful but they are not informative enough.

Conversely, they have found the RM and DSEs less efficient and some times inefficient which is a critical issue to be solved. The application processing time is slow sometimes. Consumers are happy with the time limit for repayment the loan which is one of the key factors which lead the success of City Solution. Business persons are not that happy with the product. But salaried persons and professionals are satisfied with the product.

## 5 CONCLUSION

It is revealed from the above presentation that in 2008, the bank has achieved remarkable success in various financial activities as well as in bank's business. During the year under report the bank has earned commendable operating profit and also attained capital adequacy. Substantial amount has been recovered from classified loan because of appropriate action in this regard.

For significant performance, the bank has earned national and international recognition. The City Bank Limited was one of the twelve Bangladeshi banks among the five hundred banks in Asia for its assets, deposit and profit as evaluated by "Asia Week" in the year 2000. Besides that bank received "Top Ten Company Award" from the Prime Minister of the Peoples Republic of Bangladesh in the year 1992-1993 which was declared by Securities and Exchange Commission.

Needless to mention that continuous support and extended by our valued clients, shareholders, sponsors, business associates and well wishes played a vital role behind these operating results and the Board of Directors express felicitation to them in this regard. Early in 2008, new CEO has joined to existing team and in 25th silver jubilee celebration a new logo with utterly new concept is introduced. Consequently, the directors acknowledge with gratitude the valuable guidance and co-operation received from the Ministry of Finance, Bangladesh Bank and Securities and Exchanges Commissions. The directors place on record their deprecation for the dedicated services rendered by the executives, officers and staff members of the bank.

As borrower selection is the key to successful retail lending, City Bank Limited should focus on the selection of true borrower. At the same time it must be taken into account that right borrower selection does not mean that City Bank Limited has to adopt conservative lending policy but rather it means that compliance with the KYC or Know Your Customer to ascertain the true purpose of the loan.

## 6 RECOMMENDATION

- The interest rate in City Bank Limited is now 18%, which is very high for the customers. Interest rate should be reduced to attract more customers and raise the satisfaction level significantly.
- The employees of RFC especially the MIS division should be more cooperative with the customers over phone when applicants are looking for the necessary information.
- A new internal division can be opened for information deliver in RFC.
- HR should be more concerned about to train the sales team.
- The disburse time in the City Bank Limited is very lengthy. It should be reduced and the customers should get their service at a shortest possible time.
- The application process time is very lengthy. The time required for the applications should be reduced as well.
- Debt burden ratio should be relaxed especially in case of highly potential and successful business personnel.
- The loan processing fee should be reduced.

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