

2.1 HISTORICAL BACKGROUND

The commercial banking system dominates Bangladesh's financial sector. Bangladesh Bank is the Central Bank of Bangladesh and the chief regulatory authority in the sector. The number of banks in all now stands at 52 in Bangladesh. Out of the 52 banks, 4 are Nationalized Commercial Banks (NCB's), 29 local Private Commercial Banks, 10 Foreign Banks and the rest 8 are Development Financial Institutions (DFI's) or Specialized Banks. Mercantile Bank Limited is categorized as Private Commercial Bank.

Mercantile Bank Limited has started functioning from 2nd June; 1999. The bank has within a period of nine years of its operation, achieved a remarkable success and has always met up capital adequacy requirement set by Bangladesh Bank. The Authorized Capital of the Bank as of 2008 is Tk.3, 000 million and the paid-up Capital is Tk.1798.68 million.

The bank has set up a new standard in financing in the industrial trade and foreign exchange business. Its various deposits and credit products have also attracted the clients both corporate and individuals who feel comfort in doing business with the bank.

2.2 MISSION

The mission is to focus for equitable growth based on diversified development of resources, and nevertheless would remain healthy and gainfully profitable Bank.



2.3 VISION

The vision to the bank is to make finest corporate citizen.

2.4 OBJECTIVES

Strategic Objectives

- To achieve positive Economic Value Added (EVA) each year.
- To be market leader in product innovation.
- To be one of the top three Financial Institutions in Bangladesh in terms of cost efficiency.
- To be one of the top five Financial Institutions in Bangladesh in terms of market share in all significant market segments they serve.

Financial objective

- To achieve 20% return on shareholders' equity or more, on average.

Core Values

- **For the customers**

Providing with caring services by being innovative in the development of new banking products and services.

- **For the shareholders**

Maximizing wealth of the Bank.

- **For the employees**

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

- **For the community**

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

- **Corporate Slogan**

Efficiency is our strength.

2.5 BOARD OF DIRECTORS

Headed by the Chairman, the Mercantile Bank Limited has 17 (Seventeen) members in its board of directors position with one President & Managing Director and one Company Secretary.

Names and Positions of the Members of Board of Directors of the Mercantile Bank Limited are given in [Appendix A](#)

Corporate structure and Management team of the Mercantile Bank Ltd. are given in [Appendix B](#) & [Appendix C](#)

2.6 FUNCTIONS OF MBL

1. General Banking Department: Banking operation starts with general banking. This department provides day-to –day service to the customers. Everyday it receives deposits from the customers and meets their demand for cash by honoring cheques. It opens new account, remit funds, issue bank draft and pay orders etc. Since bank is confined to provide the service everyday, general banking is also known as ‘retail banking’.

Sections of General Banking:

- i. Accounts opening section
- ii. FDR and ancillary service section
- iii. Local remittance section
- iv. Clearing section

- v. Cash section
- vi. Accounts section

i. Accounts Opening Section

➤ A/C Opening process:

Step 1: The account opening officer receive a filled up application (that was given previously) from the client in the bank's Prescribed form.

Step 2: Receives all the documents needed for opening a particular A/C with photographs and introduction by any previous A/C Holder and have the specimen signature.

Step 3: Verifies the documents, signatures, and receives the minimum balance from the client.

Step 4: Give entry to the A/C opening Registrar and give a number to that A/C

Step 5: Give posting to the computer and give a CRM number given by the computer and preserves in the specific file.

➤ Issue Cheque Book:

After opening an account the A/C holder can get Cheque Book. Through this book money can be withdrawn. Before giving this book, requisition is needed and it must be verified by any officer of the branch. The issuing officer then issue the check book after checking the thanks letter which provide by bank after open an account.

ii. FDR Section

Fixed Deposit Receipt (FDR) is repayable after the expiring of a specific period that is fixed by customer. Customers may open the account for the period of 1 month, 2 month, 3 month, 6 month and 1 year and the interest is given after the account is mature. Interest may vary from time to time. Without maturity of account no interest is provided to the account holder.

FDR Interest Rate of MBL is given below:

SL #	Types of deposit	Amount
01	Saving Deposit (interest paid monthly)	6%
02	Short Term Deposit (interest paid monthly)	6%
03	Term Deposit-1 month ▪ Below 1 Crore ▪ 1 Crore & above	7% 7.50%
04	Term Deposit-2 months ▪ Below 1 crore ▪ 1 Crore & above	8% 8.50%
05	Term Deposit- 3 months ▪ Below 1 crore ▪ 1 Crore & above	12.50% 12.75%
06	Term Deposit- 6 months ▪ Below 1 Crore ▪ 1 Crore & above	12.50% 12.75%
07	Term Deposit- 1 year ▪ Below 1 Crore ▪ 1 Crore & above	12.75% 13.00%

iii. Local Remittance Section

Cash remittance from one place to another place is risky. So banks remit funds on behalf of the customers to save them from any awkward happenings through network of their branches. There are three modes of remitting funds. They are as follows,

- Demand draft (DD)
- Pay order (PO)
- Telegraphic Transfer (TT)

iv. Clearing Section

In Bangladesh bank, there is a clearing house that sits twice in the bank working day. This is an agreement under which members agree to meet through their representatives at an appointed time to delivery instruments drawn on the other bank and in exchange to receive instrument drawn on them. The net amount payable or receivable the case may be is settled through an account kept with the controlled bank.

There are two types clearing:

- Outward clearing
- Inward clearing

v. Cash Section

Cash section is a very sensitive organ of the branch and it deals with all types of cash transaction including vault, used as the store of cash. Operation of this section begins when the banking hours starts. Cash officer begins the transaction with taking money from the vault, known as the opening cash balance. The main functions of this section are,

- Cash Receipt
- Cash Payment

vi. Account Section

Accounts department maintains all records of transactions and all types of statement. At the end of transaction hour all concerned sends vouchers of transactions to this department. Its activities are given below,

- Record all transaction in the cashbook
- Prepare daily, weekly, monthly, half-yearly and yearly fund position
- Prepare all kinds of statement related to Bangladesh bank, head office.

2. Foreign Exchange Department: Foreign Exchange means exchange foreign currency between two countries that is all kind of transactions related to foreign currency. In other words foreign exchange deals with foreign financial transactions. Foreign currency and it includes any instrument drawn, accepted, made or issued under clause (13), Article 16 of the Bangladesh Bank Order, 1972. Bangladesh Bank issues Authorized Dealer (AD) license by observing the bank's performance and also the customers associated with the bank for conducting foreign dealings. So, Mercantile Bank Limited (MBL), Nayabazar Branch is an authorized dealer.

This department contains two sections,

- Import section
- Export section

3. Loan & advance Department: Mercantile Bank Limited is committed to provide high quality services to its constituents through different financial products and profitable utilization of funds and contribute to the growth of GDP of the country by financing trade and commerce, helping industrialization, boosting export, creating employment opportunities for the educated youth and encouraging micro credit leading to poverty alleviation and improving the quality of life of the people and thereby contributing to the overall socio-economic development of the country.

2.7 FINANCIAL PRODUCT & SERVICES OF MBL

The Bank has launched a number of financial products and services since its inception. Among these, Monthly Savings Scheme, Family Maintenance Scheme, Double Benefit Deposit Scheme, Quarterly Benefit Deposit Scheme, 1.5 Times Benefit Deposit Scheme, Advance Benefit Deposit Scheme, Consumer Credit Scheme, Small Loan Scheme, Lease Finance Scheme, Overseas Employment Loan Scheme, Car Loan Scheme, Home Loan Scheme and SME Loan have received wide acceptance among the people.

2.7.1 Deposit Products

❖ Double Benefit Deposit Scheme (DBDS)

Objectives:

- Give maximum benefit.
- Help in meeting specific needs like education, marriage etc.
- Deposit becomes double in seven and half years.

Mode:

- Tenure of the deposit is 7.5 years.

Amount of Deposit	Period	Amount Payable
1,00,000	7.5 Years	2,00,000

Other Features:

- The Minimum amount of deposit is BDT 50,000.00(Fifty thousand) or its multiples.
- All taxes/duty/levy and /or any other surcharges presently in force or that may be imposed by the Government of Bangladesh (GOB) from time to time will be deducted/ recovered from the deposit account under this scheme.
- In case of premature encashment interest will be paid on Saving A/C Rate.
- Loan may be granted up to maximum 80% of the deposited amount but minimum principle amount must be BDT 20,000.00.
- Loan processing fee be realized BDT 50.00 only and usual stamp costs also be realized.

❖ Family Maintenance Deposit (FMD)

Objectives:

- Help the retired persons for investing their retirement benefits.
- Create investment opportunities for Non-Resident Bangladeshi.
- Explore investment opportunities for school, college, university etc.
- Give investment opportunities for Trust; Foundation etc.

Mode:

- Deposit a fixed amount of money for 05 (Five) years.
- Depositor will get a certain sum of money in each month proportion to his/her deposit during the entire tenure.

Benefits:

- Tenure of deposit is 05 (Five) years.
- Minimum amount of required deposit is TK.50,000.00 or its multiple

Deposit	Monthly Benefit (Amount in TK.)
1,00,000	800
2,00,000	1,600
3,00,000	2,400

Other Features:

- The Minimum amount of deposit is BDT 50,000.00 (Fifty thousand) or its multiples.
- All taxes/duty/levy and /or any other surcharges presently in force or that may be imposed by the Government of Bangladesh (GOB) from time to time will be deducted/ recovered from the deposit account under this scheme.
- In case of premature encashment interest will be paid on Saving A/C Rate.
- A saving account will be needed to be maintained to receive quarterly benefit payment.
- Loan may be granted up to maximum 80% of the forced encashment value on the date of loan processing. During the period of continuation of loan, monthly benefits of FMD account will be credited only to loan account.
- Loan processing fee be realized BDT 50.00 only and stamp costs also be realized.

❖ Monthly Saving Scheme (MSS)

Objectives:

- Build up habit of savings.
- Attract small savers.

- Saving for rainy days.

Mode:

- Monthly installments of various sizes.

Benefits:

(Amount in TK.)

Period	Monthly Installment		
	250	500	1,000
Benefits			
5 Years	19,125	38,250	76,500
8 Years	35,750	71,500	1,43,500
10 Years	50,000	1,00,000	2,00,000

Period	Monthly Installment		
	1500	2500	5,000
Benefits			
5 Years	1,14,750	1,91,250	3,82,500
8 Years	2,14,500	3,57,500	7,15,000
10 Years	3,00,000	5,00,000	10,00,000

Other Features:

- All taxes/duty/levy and /or any other surcharges presently in force or that may be imposed by the Government of Bangladesh (GOB) from time to time will be deducted/ recovered from the deposit account under this scheme.
- In case of premature encashment interest will be paid on Saving A/C Rate.
- Upon deposit of installment for at least 01 year (minimum deposit amount must be BDT 12,000.00) under this scheme, loan may be granted up to maximum 82% of the deposited amount.
- Loan processing fee be realized BDT 50.00 only and stamp costs also be realized.

❖ Quarterly Benefit Deposit Scheme (QBDS)

The 'Quarterly Benefit Deposit Scheme' will be maintained for a period of 3 (three) years and the minimum amount of deposit is BDT 50,000.00 (fifty thousand) or its multiples. Interest will be paid on quarterly basis as per example given below. On maturity the principal amount will be paid back.

Example

Initial Deposit (BDT)	Term	Quarterly Benefit Payable (BDT)
50,000	3 Years	1,200
100,000	3 Years	2,400
200,000	3 Years	3,600

Other Features:

- All taxes/duty/levy and /or any other surcharges presently in force or that may be imposed by the Government of Bangladesh (GOB) from time to time will be deducted/ recovered from the deposit account under this scheme.
- Loan may be granted up to maximum 80% of the forced encashment value on the date of loan processing. During the period of continuation of loan, quarterly benefits will be credited only to loan account.
- Loan processing fee be realized BDT 50.00 only and usual stamp costs also be realized.

❖ 1.5 Times Benefit Deposit Scheme

Under the '1.5 Times Benefit Deposit Scheme' a deposit of minimum BDT 50,000.00 (fifty thousand) or its multiples will be received for a period of 4.2 years. On maturity, 1.5 times of the deposited amount will be paid back to the account holder as per example given below:

Example

Initial Deposit (BDT)	50,000.00	1,00,000.00	5,00,000.00
Return after 4.2 years (BDT) with benefits	75,000.00	1,50,000.00	7,50,000.00

Other Features:

- All taxes/duty/levy and /or any other surcharges presently in force or that may be imposed by the Government of Bangladesh (GOB) from time to time will be deducted/ recovered from the deposit account under this scheme.
- In case of premature encashment interest will be paid on Saving A/C Rate. However, no interest shall be paid if premature encashment take place before expiry of 1 (one) year.
- In the event of death of the depositor before the maturity, the deposit account may be encased (premature) as per rule or may be continued up to maturity on written approach by the nominee(s).
- Loan may be granted up to maximum 80% of the deposited amount but minimum principle amount must be BDT 20,000.00.
- Loan processing fee be realized BDT 50.00 only and usual stamp costs also be realized.

❖ Advanced Benefit Deposit Scheme (ABDS)

Objectives:

- Get Extra benefit from Minimum Deposit.

Mode:

- Maintained for a period of 2 (Two) years.
- Minimum deposit amount 1, 00,000(One Lac) only.

Other Features:

- All taxes/duty/levy and/or any other surcharges presently in force or that may be imposed by the government of Bangladesh from time to time in Deposit Accounts will also be applicable for the account for the account opened under this scheme and such taxes/duty/levy and/or any other surcharges shall be deducted/ recovered from the deposit account under this schemes.
- Loan may be granted up to maximum 70% of deposit.

2.7.2 Loan Products

❖ Consumers Credit Schemes (CCS)

Objectives:

- Help fixed-income people for buying house hold durable.
- For the amount up to Tk. 1, 00,000 the period is two years.
- Interest rate will be charged quarterly rest.

Terms & Conditions:

- Interest Rate 16.00%
- Risk Fund 1.00%
- Supervision Charge (per year on outstanding balances) 0.25%
- Application Fee BDT 200.00

Special Feature:

- The loan amount is directly credited to the customer's account.

❖ Doctors' Credit Scheme

Objectives:

- Help new F.C.P.S. or post-graduate doctors for setting up chambers and buying medical equipment.
- Help experienced doctors for refurbishing chambers and buying medical equipment.
- Assist private clinics for acquiring modern medical equipment.
- Interest rate will be charged at quarterly rest.

Terms & Conditions:

- ***Equity***

- » For new doctor 10%
- » For experienced doctor 15%
- » For Hospital, Clinic and Diagnostic Center 20%

- Interest Rate 16.00%
- Risk Found Tk. 1.00%
- **Repayment period 5 years**
- **Credit Limit**

- » For new doctor 5.00 Lac.
- » For experienced doctor 15.00 Lac.
- » For Hospital, Clinic and Diagnostic Center 50.00 Lac.
- Application Fee BDT 200.00
- Service Charge / Ledger Fee 0.25% per year on outstanding balances.

- ❖ **Rural Development Scheme**

Objectives:

- Raise the standard of living of rural people.
- Initiative to break the vicious cycle of poverty.
- Enhance the purchasing power of rural people.

Terms & Conditions:

- **Group Formation**
 - » 30 person in a group
 - » 1 group leader
 - » 6 sub-groups consisting 5 person each in a group
 - » 1 sub-group leader in each sub-group
 - **Credit Limit**
 - » Maximum Tk. 5,000 per person.
 - » Gradually enhance able up to Tk. 10,000.
 - Interest Rate 14.00%.
 - Risk Fund 1.00.
 - Service Charge 0.25% per year on outstanding balances.
 - Repayment period 1 year.
 - Security: Group guarantee, no collateral
- ❖ **Lease Financing**

Objectives:

- Assist and encourage entrepreneurs for acquiring capital machinery, medical equipment, automobiles etc.

Terms & Conditions:

- Lease period 3 to 7 years
- Lease rent @ 16.00%
- Risk Fund 1.00%
- Service Charge 0.25% per year on outstanding balances.

Security:

- Primary: Ownership of fixed items.
- Collateral: Landed property, Bank Guarantee, ICB Unit Certificate etc.

❖ Personal Loan Scheme

Objectives:

- Help fixed-income people for buying house hold Durable
- For the amount up to Tk. 3, 00,000 the period is 03 (Three) years.
- Interest rate will be charged quarterly res

Mode:

- Interest Rate 16.00%
- Risk Fund 1.00%
- Supervision Charge
(per year on outstanding balances) 1.00%
- Application Fee BDT 200

Special Feature:

- The loan amount is directly credited to the customer's account.
- Loan limits BDT 3.00 Lac or 8 times of monthly evidenced income, whichever is lower.
- Repayment period Maximum 3 years that is 36 monthly installments.

2.8 HIERARCHY OF MBL

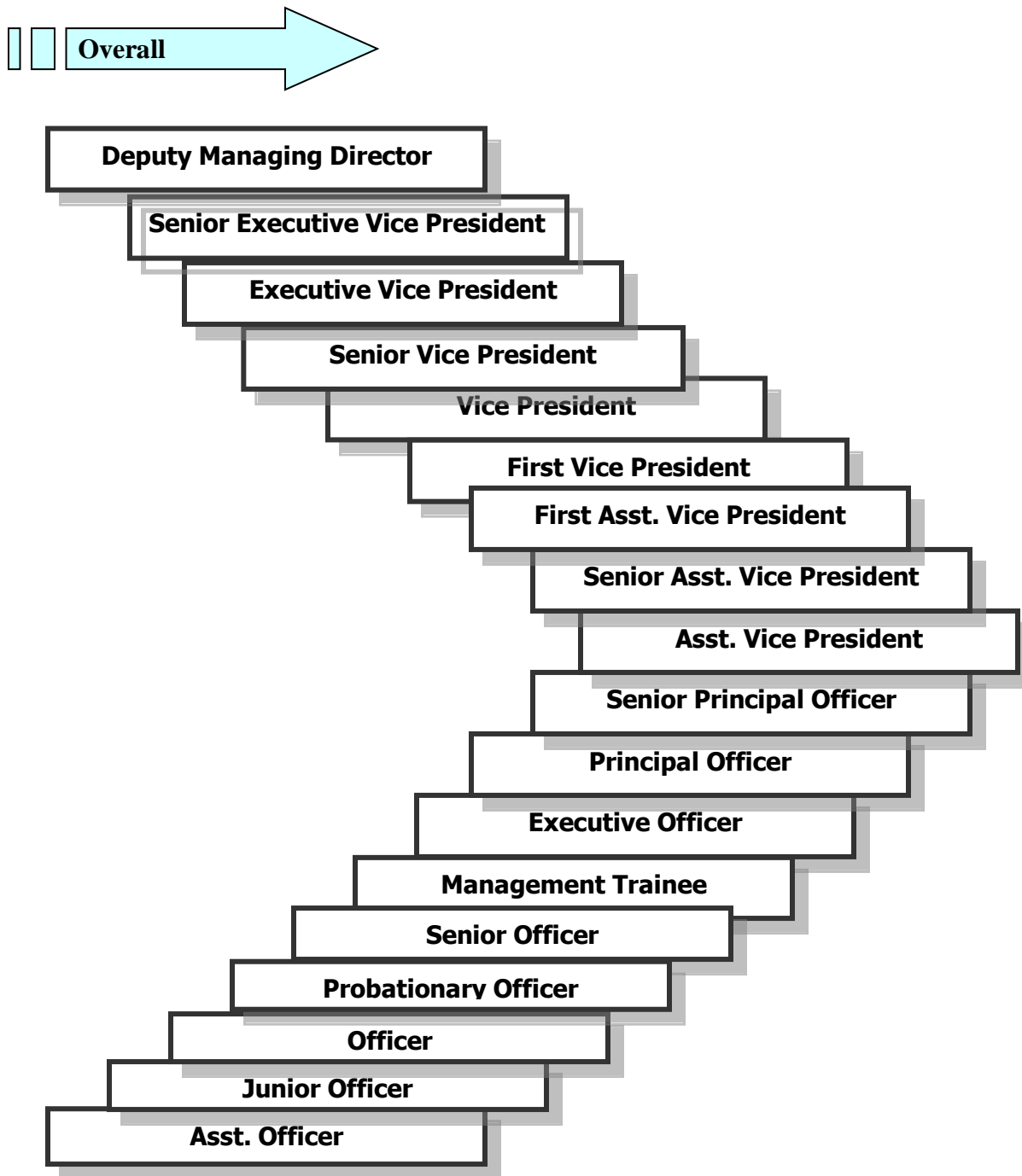
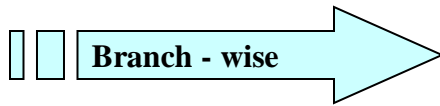


Figure 2-1: Hierarchy of MBL



Here, department wise hierarchy of Nayabazar Branch of MBL is given below:

General Banking

Serial Number	Abbreviation	Elaboration
01	S.O.	Senior Officer
02	O.	Officer
03	J.O.	Junior Officer
04	C.O.	Cash Officer
05	T.C.O.	Trainee Cash officer

Accounts

Serial Number	Abbreviation	Elaboration
01	S.O.	Senior Officer
02	O.	Officer
03	J.O.	Junior Officer
04	T.O.	Trainee Officer

Foreign Exchange (Import)

Serial Number	Abbreviation	Elaboration
01	S.O.	Senior Officer
02	S.P.O.	Probationary Officer
03	O.	Officer
04	S.O.	Senior Officer

Foreign Exchange (Export)

Serial Number	Abbreviation	Elaboration
01	A.V.P.	Assistant Vice-President
02	S.P.O.	Senior Principal Officer
03	E.O.	Executive Officer
04	S.O.	Senior Officer
05	T.O.	Trainee Officer

Credit

Serial Number	Abbreviation	Elaboration
01	S.P.O.	Senior Principal Officer
02	E.O.	Executive Officer
03	S.O.	Senior Officer
04	O.	Officer

2.9 FINANCIAL HIGHLIGHTS OF MBL

Highlights for the year 2009 and 2008 (BDT in million)

SL NO.	PARTICULARS	2009	2008
1	Paid-up Capital	2,158.42	1,798.68
2	Total Capital Fund	4,995.43	3,387.17
3	Capital Surplus/Deficit	226.86	120.41
4	Total Assets	66,166.52	55,928.72
5	Total Deposits	58,033.47	49,538.35
6	Total Loans and Advances	48,295.55	43,419.36
7	Total Contingent Liabilities and Commitments	21,757.17	19,917.86
8	Credit Deposit Ratio (in %)	83.22	87.65
9	Percentage of Classified Loans against Total Loans and Advances (in %)	2.59	2.96
10	Profit after Tax and Provision	807.52	615.88
11	Amount of Classified Loans during the year	261.24	348.47
12	Provision kept against Classified Loans	629.70	578.20
13	Provision Surplus	1.09	-
14	Cost of Fund (in %)	8.81	9.19
15	Interest Earning Assets	57,471.28	49,941.85
16	Non-interest Earning Assets	8,695.24	5,986.87
17	Return on Investments (ROI) (in %)	8.75	10.46
18	Return on Assets (ROA) (in %)	1.22	1.10
19	Income from Investments	696.66	520.33
20	Earning Per Share (BDT)	37.41	28.53
21	Net Income Per Share (BDT)	37.41	28.53
22	Price Earning Ratio (approximate)	11 Times	12 Times