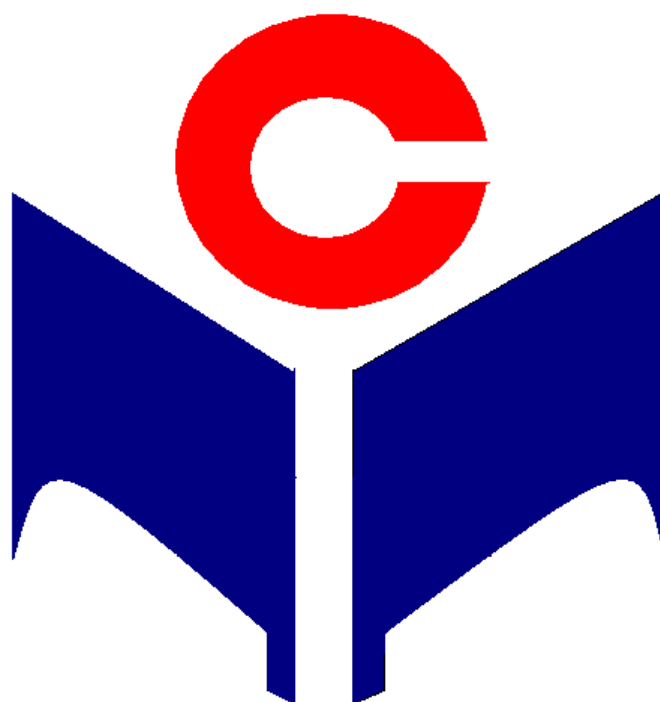




# ***CHAPTER – 01***

## **INTRODUCTION**



**National Credit and Commerce Bank Ltd.**

### **1.01. Background of the study**

After completing my graduation as a student of BBA from Stamford University Bangladesh, I wanted to do Internship in a reputed Bank, which would be helpful for my future professional career. I got the opportunity to perform my internship in the NCC Bank Ltd. I was sent to Jatrabari Branch. It was a three months long practical orientation program.

So I am very much grateful for assigning the Internship topic by bank as **“Banking Law and Practice: Special focus on Foreign Remittance- A NCC Bank View.”**

Bachelor of Business Administration (BBA) is a professional course. The course is designed with an excellent combination of practical and theoretical aspects. They intend to ensure the trust and confidence of the customers through focused customer orientation, quality of service and state-of-the-art technology, transparency in dealing and adopting the best practices of Corporate Governance, achieving excellence in all the endeavors to create value for all the stakeholders. The significant challenge posed before them is the maintenance of the quality of business simultaneously with its information and business consolidation processes topic. Due to this practice the remittance department of NCC Bank has been growing to provide a good participation in the profitability of the Bank.

Basically, this report is highlighted on overview of NCC Bank Ltd, Structure, Analysis, Present status, Performance of NCCBL, Deposit Mobilization, Utilization of Fund, Foreign Exchange, Own Experience Recommendation and conclusion.

This report is originated as the requirement of NCC Bank Ltd.

### **1.02 Rational of the study:**

With the rapid growing competition (due to free market economy) among nationalized, foreign and private commercial banks as to how the banks operates its banking operation and how customer service can be made more attractive, the expectation of the customers has immensely increased. Reciprocating the sentiment, commercial/private banks are trying to elevate their traditional banking service to a better standard, to meet the

challenging needs, demands. Side by side these banks have now concentrated their attention towards diversification of their products for better performances and existence. For the above circumstances, it has become necessary for NCC Bank Ltd, one of the leading commercial banks, to focus its attention towards the improvement of the customer service. That's why it is quite justified to make an in-depth study about its operation and evaluate the service provided by this bank and scope for its improvement. The study may help formulating policy regarding the ideas relating to the feelings of the customers and bankers.

Further more, NCC Bank Ltd executives who are actually executing the policies undertaken by the top management will have a chance to communicate their feelings and will have the feedback about their dealing from the customers.

Basically, this report is highlighted on overview of NCC Bank Ltd, Structure, Analysis, Present status, Performance of NCCBL, Deposit Mobilization, Utilization of Fund, Foreign Exchange, Own Experience Recommendation and conclusion.

This report basically deals with the foreign remittance of National Credit and Commerce Bank Limited (NCCBL) covering the areas like General Banking, Loan and Advance, Foreign Exchange, Financial Performance, Online Banking, etc.

### ***1.3. Origin of the Report***

The report entitled "Performance Evaluation of NCC Bank Ltd" has been prepared as a partial fulfillment of BBA program authorized by the Register, Stamford University Bangladesh. The internship program is required for the student of BBA. It is a program with duration of three months. Students who have completed all the required courses are eligible for this internship program. For any business school student only curriculum activities are not enough for handling the real business situation. So it is an important opportunity the students to know about the field of business through the internship program. Internship program is a perfect blend of the theoretical and practical knowledge. This report is originated to fulfill the requirement of the assign project

internship report on “**Banking Law and Practice: Special focus on Foreign Remittance – A NCC Bank view**” which has been assigned by my honorable supervisor, Ms. Shyamali Biswas. Assistant Professor Course Instructor, Stamford University Bangladesh. In this regard, I have been working as an internee in NCC Bank Limited, Jatrabari Branch, Dhaka from 1<sup>st</sup> Jun, 2010 to 31<sup>st</sup> August 2010. During this period I learned how the host organization works with the help of the internal supervisor. On the basis of working experience for this period I have prepared this report and I have tried my best to relate the theoretical knowledge with the practical work situation.

#### ***1.4. Objective of the study***

The primary objective of this report is to comply with the requirement of the NCC Bank Ltd. However, the objective behind this study is something broader. Though the main objective is to prepare myself in such a manner as though I can equip myself with the practical field as well as I will be able to know the different aspect of the banking sector and to evaluate how a bank is performing in Foreign Remittance & other sectors also.

Objectives of the study are summarized in the following manner:

- \* To apply theoretical knowledge in the practical field.
- \* To make a bridge between the theories and practical procedures of banking day-to-day operations
- \* The main objective of this report is to find out as “Banking Law and Practice: Special focus on Foreign Remittance- A NCC Bank View.”
- \* To study existing banker-customer relationship
- \* To know the organizational framework of the bank
- \* To observe the working environment in commercial banks
- \* To see how the loans and advances are provided to the borrowers
- \* To acquire knowledge about the foreign exchange system of the bank
- \* To analyze the growth of deposits in the bank
- \* To analyze the growth of investments in the bank

- \* To find out the sector in which NCC bank provides Investment

## ***1.5 METHODOLOGY***

The methodology of the report is stated below, which was appropriately exercised in achieving the above stated objective. This report has been prepared on the basis of experience gathered during the period of internship from 1<sup>st</sup> Jun, 2010 to 31<sup>st</sup> August 2010. For preparing this report, I have undergone group discussion, collected data, sent some questionnaires to the selected Officers, and interviewed with some of them. I also studied different circulars and files of the bank.

In collecting the necessary data, a special care has been taken so that all the variables may not affect the objectives of the study. Data needed for conducting the study have been collected from the following sources.

- A Primary source and
- B Secondary source

### **A. Primary source:**

The primary data in this report mainly includes surveying the different departments of the Bank. It includes-

1. Face-to-face conversation with the respective officer and staff of the Branch
2. Scheduled survey
3. Practical work exposures from the different desks of the departments of the Branch covered
4. Informal conversation with the clients
5. Relevant file study as provided by the officers concerned.



## **B. Secondary source:**

Secondary sources are the permanent and printed sources of information.

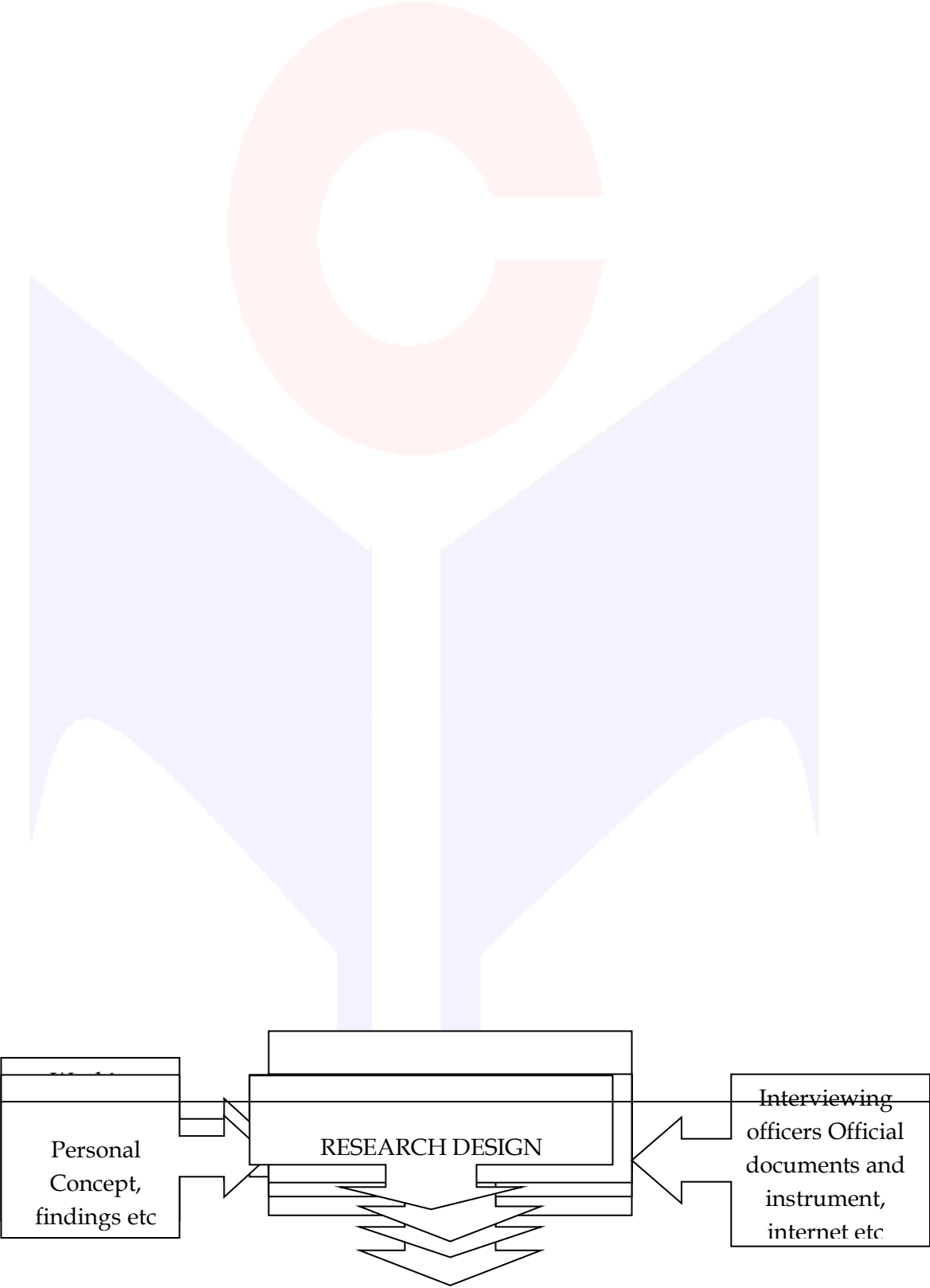
These-

1. Annual reports of NCC Bank Ltd.
2. Various books, articles, compilations etc. regarding general banking functions, Foreign Remittance operations and credit policies.
3. Desk report of related department
4. Brochures of National Credit and Commerce Bank limited
5. Different circular sent by Head Office of NCC Bank Ltd. and Bangladesh Bank.
6. Different 'Procedure Manual', published by NCC Bank Ltd.

I hope these criteria will be enough to find out different picture of financial performance of the selected bank (NCC Bank Ltd.)



# The Process of Preparing the Report



## ***1.6 Scope of Study***

As I was sent to NCC Bank, Jatrabari Branch, the scope of the study is only limited to this branch. The internship program gives me a great scope or opportunity for gather experience and knowledge in several areas of banking by which I can evaluate or expose myself.

During:-e first few week of my internship period, I was able to communicate most of the employees of the bank. During the first month I was able to accustom and adapted myself with the working environment of NCC Bank Limited.

While preparing this report, I had a great opportunity to have an in depth knowledge of all the banking activities practices by the “NCC Bank Ltd”. It also helps me to acquire perspective of a leading private banking in Bangladesh. In term of Bank we can easily understand that the financial institution deals with money. National Credit and Commerce Bank Limited (NCCBL) is operating widely with 68 branches all over Bangladesh.

The report covers its overall department wise function, structure and performance of NCC Bank, Jatrabari Branch. The report also covers details about NCC Bank Ltd.

### **Internship Duration in department wise**

<b>Departments</b>	<b>Duration</b>
General Banking	From Jun 1to 30.
Foreign Remittance	From July 1to August10.
Advances	From August11 to 31.



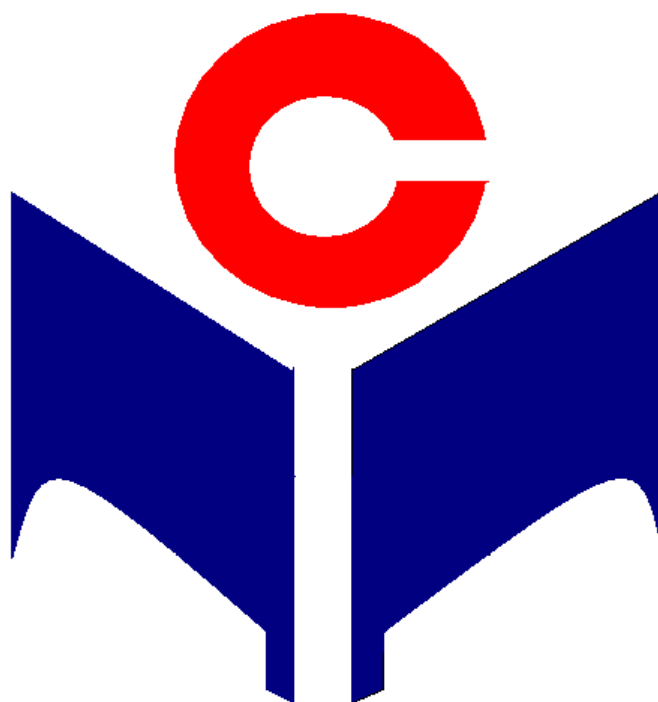
### 1.7. Limitations of the Study

1. The time, 62 working days, is insufficient to know all activities of the branch and prepare the report.
2. It was very difficult to collect the information from various personnel for their job constraint.
3. As some of the fields of banking are still not covered by our courses, there was difficulty in understanding some activities.
4. Another limitation of this report is Bank's policy of not disclosing some data and information for obvious reason, which could be very much useful.
5. Because of the limitation of information, some assumption was made. So there may be some personal mistake in the report
6. I carried out such a study for the first time, so inexperience is one of the main constraints of the study.
7. Sufficient books, publications, facts and figures are not available in the topic of Foreign Remittance. This constraint narrowed the scope of accurate analysis. If these limitations were not been there, the report would have been more useful and attractive.



# CHAPTER – 02

## Background of the Organization



**National Credit and Commerce Bank Ltd.**

## ***Brief Scenario of Banking Sector in Bangladesh:***

The Jews in Jerusalem introduced a kind of banking in the form of money lending before the birth of Christ. The word 'bank' was probably derived from the word 'bench' as during ancient time Jews used to do money -lending business sitting on long benches.

Generally, by the word “Bank” we can easily understand that the financial institution deals with money. But there are different types of banks like; Central Banks, Commercial Banks, Savings Banks, Investment Banks, Industrial Banks, Co-operative Banks etc. However, when we use the term “Bank” without any prefix, or qualification, it refers to the ‘Commercial banks’. Commercial banks are the primary contributors to the economy of a country. So we can say Commercial banks are profit-making institutions that hold the deposits of individuals & business in checking & savings accounts and then use these funds to make loans. For these people and the government is very much dependent on these banks as the financial intermediary.

As, Banks are profit-earning concern; they collect deposit at the lowest possible cost and provide loans and advances at higher cost. The differences between two are the profit for the bank.

First modern banking was introduced in 1668 in Stockholm as 'Savings Pies Bank', which opened up a new era of banking activities throughout the European Mainland.

In the South Asian region, early banking system was introduced by the Afghan traders popularly known as Kabuliwallas. Muslim businessmen from Kabul, Afghanistan came to India and started money-lending business in exchange of interest sometime in 1312 A.D. They were known as 'Kabuliawallas'.

Banking sector is expanding its hand in different financial events every day. At the same time the banking, process is becoming faster, easier and the banking arena is becoming wider. As the demand for better service increases day by day, they are coming with different innovative ideas & products. In order to survive in the competitive field of the banking sector, all banking organizations are looking for better service opportunities to

provide their fellow clients. As a result, it has become essential for every person to have some idea on the bank and banking procedure.

The financial system of Bangladesh consists of Bangladesh Bank (**BB**) as the central bank, 4 nationalized commercial banks (**NCB**), and 5 government owned specialized banks, 30 domestic private banks, 10 foreign banks and 28 non-bank financial institutions. The financial system also embraces insurance companies, stock exchanges and co-operative banks

One important challenge that the banking sector is facing is the introduction of information technology in the banking system in an aggressive manner. This is required to improve management efficiency, reduce operational cost, improve customer services, and increase transparency.

Hence, the banking sector would play a vital role in the development of the country and efficient and sound banking management would led the country to reach at the highest peak of success.

## **2.1 History of NCCBL**

National Credit and Commerce Bank limited came to reality through the “National Credit limited”. Prior to conversion into a scheduled commercial bank, National Credit Limited (NCL) was incorporated as an investment company on 18th November 1985. It made its January on 25th November 1985 at its registered office and first branch at 7-8 Motijheel Commercial Area, Dhaka-1000 with initial authorized capital of 1 lac 30 crores.

It was mostly involved in collecting suitable resources and making profitable investments. But within a very short period of time this investment company turned into a scheduled commercial bank. It was turned into a bank because it faced many restrictions both collection and disbursement of funds while it was operating as an investment company. While this turnover was going on all types of transactions were

closed for about fourteen months from April 22”, 1992. After that, with the permission from the government and Bangladesh Bank, NCL was converted in a full fledged commercial bank and started its banking operation on 17thMay 1993, in the name of National Credit and Commerce Bank Limited. It has been registered under the company act-1913, as a private commercial bank with paid up capital of Tk.39 crores to serve the nation along with 16 branches.

However, NCCBL runs as per company rule, free from government intervention. Year 1994 & 1995 were the full operation year of the bank. During this period gave emphasis on considering the affairs of the institution as well as expansion of business work. During last 13 years if its operation NCCBL has acquired commendable reputation by providing sincere personalized service to its customers through a technology based environment.

## **Corporate Mission and Vision of NCC Bank Ltd:**

### **2.2 Vision:**

Formal Sector- Commercial banking with latest technology; Non-formal Sector- Family empowerment Micro-credit & Micro enterprise program and Voluntary Sector-Social Capital mobilization through CASH WAQF and others. Bank of The purpose of the bank is to become “The Choice” we serve. in the communities. To become the Bank of choice in serving the Nation as a progressive and Socially Responsible financial institution by bringing credit & commerce together for profit and sustainable growth

Finally, ‘Reduction of Poverty Level’ is our vision, which is a prime object as stated in Memorandum of Association of the Bank with the commitment ‘Working Together for a Caring Society’

## 2.3 Mission

Industry & Socio-economic development of the country and to play a catalytic role in the country. Moreover the bank follows the followings as its mission:

- High quality financial services with the latest technology.
- Fast, accurate and satisfactory customer service.
- Balanced & sustainable growth strategy.
- Optimum return on shareholders' equity.
- Attract and retain high quality human resource.
- Empowering real poor families and create local income opportunities.
- Providing support for social benefit organizations- by way of mobilizing funds and social services
- Maximize the profit within the shortest possible time.
- Establish NCCBL as the best performing bank in the country.

## 2.3 Capital Structure

The bank has a strong capital base. Its authorized capital is TK. 3000.00 million in the year 2009 while it's paid up capital is TK. 2284.90 million. The share price of the bank is par value TK.100.00.

### Paid Up Capital:

Authorized Capital (TK) In Million	Year	Paid Up Capital (TK) In Million
1000.00	2009	2284.90
1000.00	2008	1757.62
1000.00	2007	1352.01
1000.00	2006	1201.79
1000.00	2005	1975.04

**Table 2-1: Paid Up Capital**

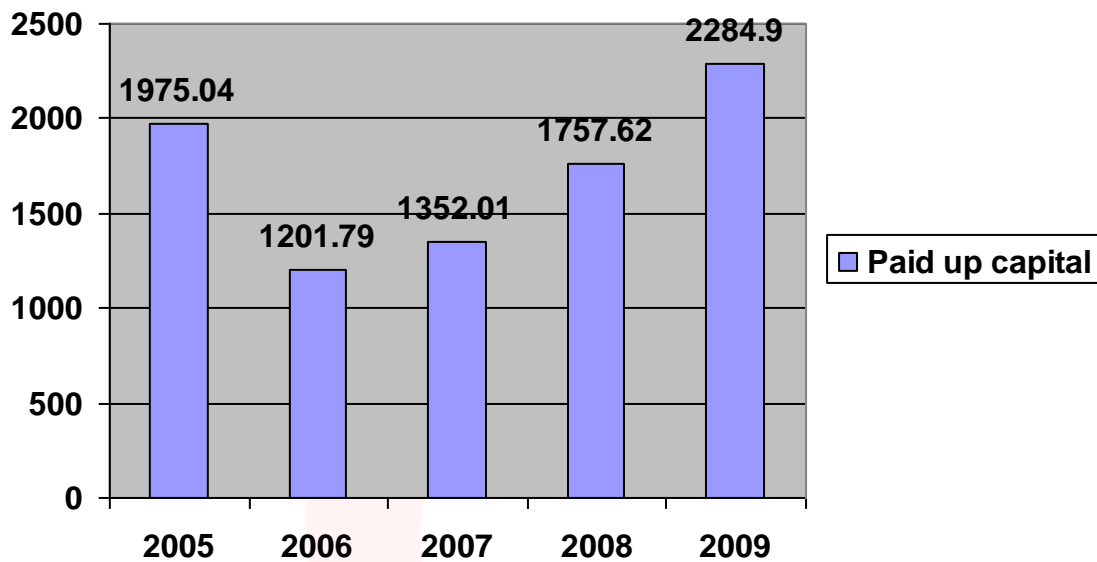


figure 2-1: Paid Up Capital

### Deposit:

NCC bank Ltd make a particular rate of deposit. In 2005 there deposit is 21478.22 million taka. NCC Bank tries to maintain good facilities. In that case in 2009 deposit is comes to 53900.15 million taka.

<i>Year</i>	<i>Amount Of Deposit (Tk In Million)</i>
<i>2009</i>	53,900.15
<i>2008</i>	46,904.66
<i>2007</i>	34,901.77
<i>2006</i>	28,147.34
<i>2005</i>	21,478.22

Table 2-2: Deposits

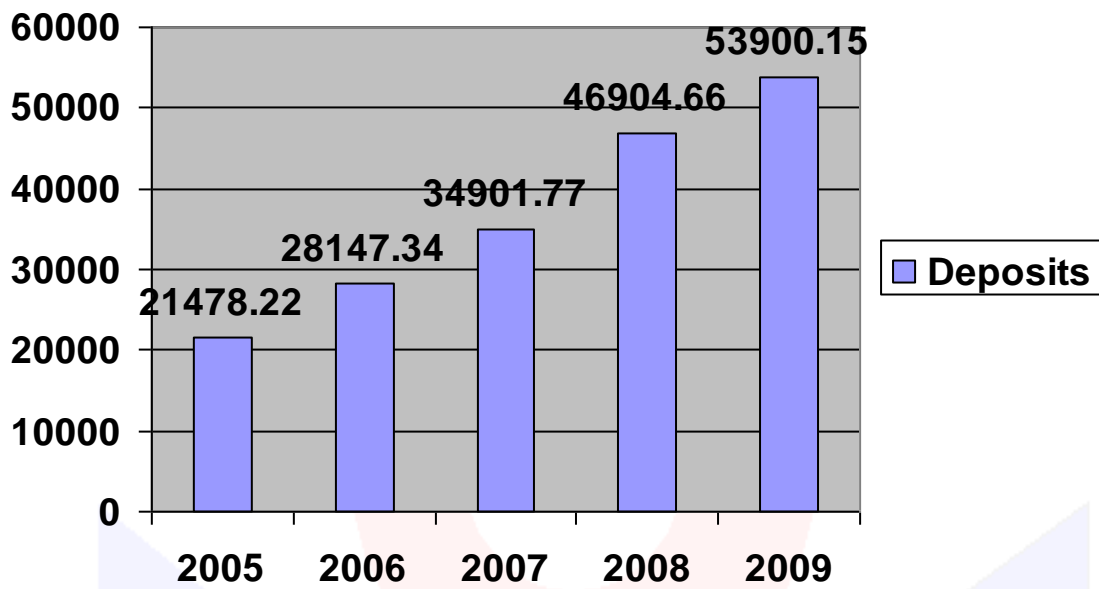


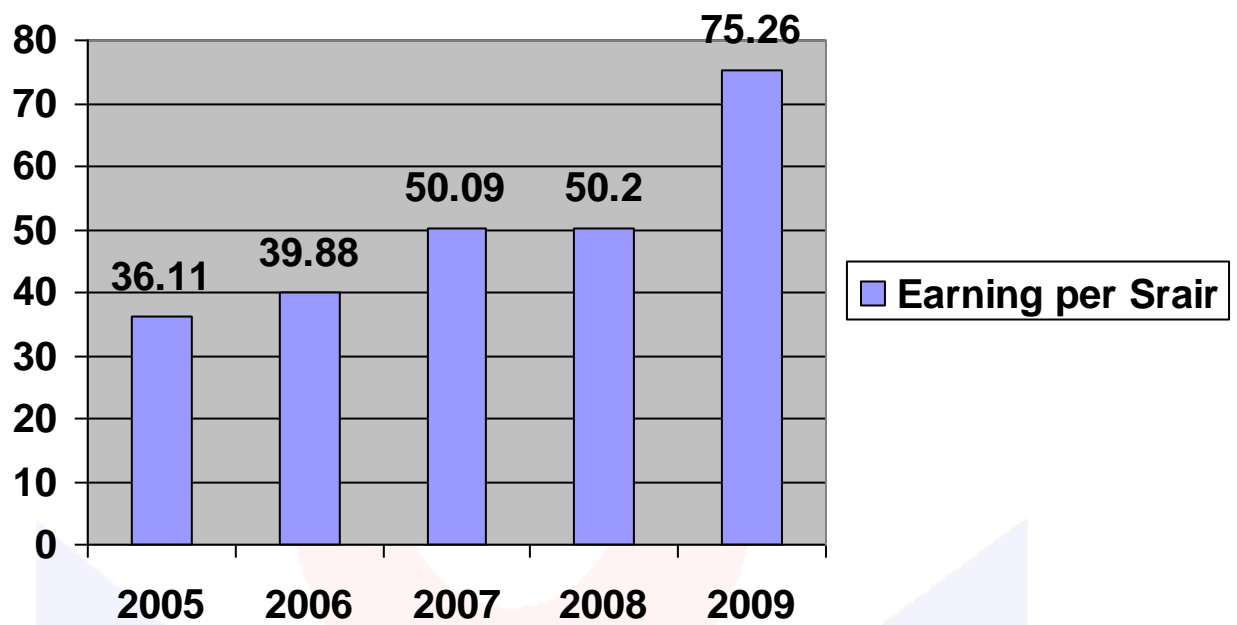
figure 2-2: Deposits

**Earning per Share:**

<i>Year</i>	<b>Earning per Share (TK in hundred )</b>
<i>2009</i>	75.26
<i>2008</i>	50.20
<i>2007</i>	50.09
<i>2006</i>	39.88
<i>2005</i>	36.11

**Table 2-3: Earning per Share**





**Figure 2-3: Earning per Share**

Here we see the NCC bank earning per share in increasing smoothly. All share holder get profit .The company maximization their profit. The earning per share in 2005 is 36.11% and 2009 the rate is increase 75.26%.the growth rate is very impressive. the share holder is try to invest in this bank.

## 2.4 Products & Services

The Bank has wide range of product line to suit the need of the strata. In addition to convention product both Asset and liabilities sides the Bank offers special credit products for its customer. These are-

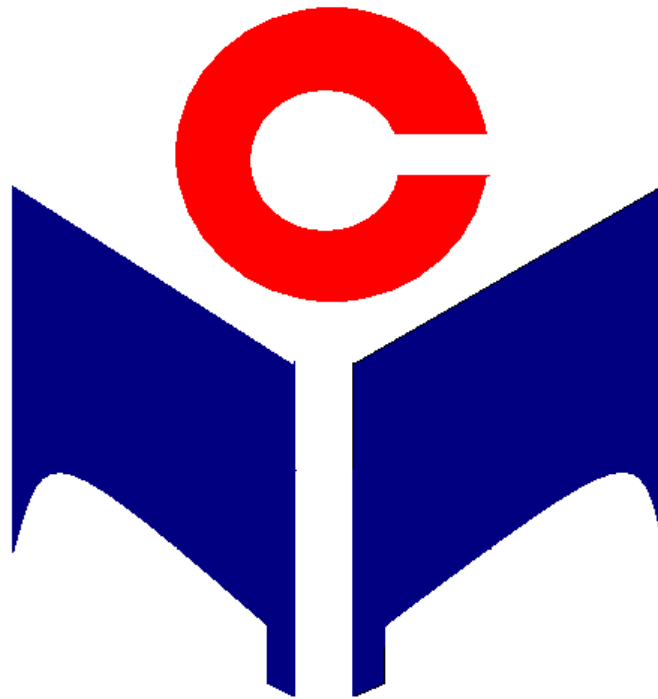
2. Consumer Financing
3. Lease Financing
4. Small loan
5. Festival loan
6. Housing loan
7. Long-term & short term loan financing
8. Syndication
9. Real Estate & Civil construction
10. SME & Agro based.

## 2.5 Branch Network of NCCBL

The bank which started with 16 branches in 1993, has at present 68 branches and 06 booths are located in prime commercial areas of Dhaka, Chittagong, Sylhet, Feni, Khulna, Jessore, and Rangpur district head quarters, out of which as many as 17 are authorized dealer branches, fully equipped for dealing in direct foreign exchange business. NCC Bank is now positioned to best suit the best financial needs of its customers and makes them partner of progress

# CHAPTER – 03

## **General activities of National Credit & Commerce Bank Limited (NCCBL)**



**National Credit and Commerce Bank Ltd.**

## 3.1 General Banking

General banking department is the heart of all banking activities, especially to mobilize the deposits. All other departments are linked with this department. It plays a vital role in deposit mobilization of the branch. National Bank Limited provides different types of Accounts, locker facilities, special types of saving scheme and flexibilities of remittance under general banking.

This department performs the general function of banking. In National Bank Ltd. For performing the operation of this department a good number of people are allotted for the purpose of Deposit Mobilization. The general banking department of National Bank (Foreign Exchange Branch) consists of the following section:

1. Dispatch section
2. Accounts opening section
3. Cash Management section
4. Remittance section
5. Deposit section
6. Clearing section
7. Credit Card section

### 3.1.1. Dispatch section

Dispatch division operates the function of dispatching the intimation letter to the client, IBCA, IBDA, and OBC to the other banks for internal transaction with bank. The officer engaged in the dispatch division maintains two types of register books to entries for record of these documents particulars. These two types of register books are:

1. **Inward mail registers.**
2. **Outward mail registers**

**1. Inward mail registers:** Inward mail registers are those where recorded all of the documents transaction within organization that means one branch to another branch of NCC bank.

**2. Outward mail registers:** Outward mail registers are those where recorded all of the documents transaction outside the organization that means NCC bank to other bank.

### 3.1.2. Accounts opening section

A bank receives and pays through an account. So, account opening is the fundamental important thing.

#### Opening Different Types of Accounts

Account opening is the very first and preliminary job for a bank. As NCCBL does not make any business contract unless having an account on their bank, so account opening is the most important work of the general banking division.

**(I)Current Deposit (CD) Account (A/C):** Any businessman, firm, limited companies, local bodies, corporate bodies, etc. can open a current A/C with NCCBL. Current deposit is 100% demand deposit and account holder can deposit/withdraw his/her deposits frequently without any limit. Requirements for opening CD A/C: Requirements may vary from types of the organization, such as:

#### Individual

- Personal ID
- Copy of a Passport or ward commissioner certificate
- Any introducer of that respective bank
- Fill up Know Your Customer (KYC) form.

**Joint Owner**

- Trade license
- Proprietor's ID
- Any introducer of that respective bank
- Fill up Know Your Customer (KYC) form.

**Limited Company**

- Memorandum of Articles (MOA)
- Association of Articles (AOA)
- Certificate of Incorporations

**Features of CD A/C: CD accounts have the following features:**

1. Submitting Tk.5000 to open a current account.
2. It is understood that the balances at credit will not less than Tk.5000. A minimum charge Tk. 100 must be paid on all operative accounts.
3. Only the form of cheque book supplied by the bank should be used. Cheques materially altered will not be paid unless such alteration bears the signature of the drawer in full.
4. The account holders must give the same signature for withdraw money that deposited in the bank previously.

**(ii) Saving Bank Deposit (SB) Account :** Any individual person, local bodies, club, society, association house wife, student, non-profitable organization, etc. can open a saving bank deposit account with NCCBL. Savings bank deposit is both time and demand deposit, of which 10% is demand and 90% is time deposit and the account holder can withdraw his/her deposits twice in a week up to a certain limit.

Requirements for opening SB A/C: Requirements may vary from types of the organization, such as

**Individual :**

- Personal ID
- Copy of a Passport or ward commissioner certificate
- Any introducer of that respective bank
- Nominee's photograph

- Fill up Know Your Customer (KYC) form.
- Joint Owner
- Trade license
- Proprietor's ID
- Any introducer of that respective bank
- Fill up Know Your Customer (KYC) form.

**Limited Company :**

- Memorandum of Articles (MOA)
- Association of Articles (AOA)
- Certificate of Incorporation

***Features of SB A/C: SB accounts have the following features:***

- 1) Any matured but not unsound mind can open a savings account.
- 2) One account holder can transfer his or her account in the branch to another branch without any cost if he or she interested.
- 3) Minimum deposit Tk 2,000 to open an A/C
- 4) SB A/C offers 6% interest charges semi-annually to the depositor's account.
- 5) One time at least within 6 months an A/C holder must transaction with the bank to continue the A/C.
- 6) Charges Tk.250 for close

***(iii) Fixed Deposit Account (FDR):***

Any individual person, businessman, firm, limited companies, local bodies, corporation, corporate bodies, etc. can open Fixed Deposit A/C with NCCBL. FDR is 100% time deposit and A/C holder can usually withdraw his/her deposits after maturity of the fixed deposit. However, depositors of FDR can withdraw their deposits before maturity if they desire.

FDR is also known as time liabilities or term deposits. Higher rate of interest is given on this type of deposit. Fixed deposits generally constitute more than half of the total deposits with the bank.

**Requirements for opening FDR:**

Minimum requirement Tk.50,000 to make a FDR

Above Tk.5, 00,000 in case of FDR, a report regarding FDR must be sent to Bangladesh.

Interests & other charges:

Time	Interest Rate
1 month	8% p.a.
3 months	11.50% p.a.
6 months	11.75% p.a.
2 months	12% p.a.

Government tax: Government will charge 1 0% income tax on the amount of income from interest.

**(iv) Short Term deposit (STD):** Any individual person, businessman, firm, limited companies, local bodies, corporation, corporate bodies, etc. can open a short term deposit account with NCCBL. STD is 100% time deposit and an account holder can withdraw his/her deposits with prior notice to the bank. For that reason STD is also called a Special Notice Deposit A/C.

**(v) Special savings Scheme (SSS):** Any individual person can open a special savings scheme deposit account with NCCBL for a tenure of 5/10 years with monthly deposit of Tk.500 and multiple of Tk.500 up to Tk.10000. SSS A/C is 100% term deposit and account holder can withdraw his/her deposits after maturity of SSS/A/C.

**(vi) Special deposit Scheme (SDS):**

Any individual person, businessman, firm, limited companies, local bodies, corporation, corporate bodies, etc. can open a SDS A/C with NCCBL. SSS is a term deposit with payment of interest is payable on monthly basis. An account Holder can withdraw his/her deposits after maturity of SDS A/C.



### 3.1.3. Cash management section:

Cash management section of any bank plays vital role in general banking department because it deals with the most liquid assets. The proper management of this section entails overall effectiveness of any bank. NCCBL has a very equipped cash section.

This section is responsible for the following function:

1. Receipt of deposit.
2. Making payment to the customers.
3. Management of vault of the branch.

#### 1. Receipt of deposit:

- This section receives deposit or funds from the customer and the collection procedure as follows: At first the amount is counted and if ok then verified the purity of the note paid if there is any confusion of the teller.
- Word over the deposit slip.
- At last the receiving officer/ teller signed the deposit slip and by the sign of the authorized officer the deposit of fund finished in favor of a customer.
- In case of received of clearing cheque, the cheque is scrutinized at first whether the cheque is authenticated as per the NI Act. If satisfied then a crossing is marked so that this cheque never been encashed over the cash counter
- Then the amount is kept apparently deposited in the customer's account and the cheque proceeds to the clearing house accordingly.

#### 11. Making payment to the customer:

The payment is made to the customer only against a valued authentic cheque. the teller has to follow the following steps in making such payment:

- Receiving the cheque from the customer.
- Examining the cheque.

In case of examining the cheque, the teller is predated then the date is to be sure about the following questions:

Amount is written in word and in figure and both is valued same;

Signature is installed and it is as it is the signature kept in the bank;sssss

There is sufficient amount in the customer's accounts for making payment.

- Finally the “cash paid” seal is marked over the cheque leaf for the collection of the cheque after making the payment to the customers.

### **3. Management of the vault:**

The cash section also manages the vault of the branch. The manager of cash section is the in charge of the necessary liquid money in the vault for the payment of the customer.

#### **3.1.4. Remittance:**

Remittance means transferring of fund through different instruments other than cheque.

It may within a country Or outside the country.

Types of remittance : Remittance is basically two types:

3.1.4.1. Local remittance.

3.1.4.2. Foreign remittance.

##### **3.1.4.1. Local remittance:**

Remittance is significant part of the general banking. The bank receives and transfers Various types of bills through the remittance within the country, it is referred to as Local remittance. Obviously the bank charges commission on the basis of bills amount NCCBL remittances are safe, swift, inexpensive and simple.

Types of local Remittance of NCCBL:

The local remittance includes the following:

- a) Pay Order(PO)
- b) Demand Draft(DD)
- c) Telegraphic Transfer(TT)
- d) Mail Transfer(MT)

**(a) Pay Order (PO):**

Pay Order is an instrument that contains an order for payment to the payee only in case of local payment whether on behalf of the bank or its constitution. Unlike cheque there is possibility of dishonoring Pay Order. NCCBL charge different amount of commission on the basis of Pay Order amount.

**(b) Demand Draft:**

By DD any person can send money from one branch to another branch of NCCBL. To send the money he/she must fill up the NCCBL's prescribed form of DD and paid charge/commission and receives DD block.

The following information are included in the DD block:

- Name of the sender branch
- Name and account of the party who receives the money.
- For security purposes a confidential test number are included in the DD block
- Amount of money to be transferred
- Name of receiver branch
- 

**(C) Telegraphic Transfer:**

To send money urgently NCCBL may be requested for TT on payment of a nominal charge and telegram charge. Any person urgently sends money from one branch to another branch within NCCBL through TT. When a message of TT sends through phone from one branch to another branch in that time the message received by the authorized officer who has a right of power of attorney. After that, he/she fills up the TT form. Following things are include ding the TT form:

- i). TT number
- ii). IT test number
- iii). Name and account number of the payee
- iv). Power of attorney number of the sender and receiver of TT.
- v). The amount to be transferred.

vi) After fill up the TT form, he tests the test number of TT. If he ensures throughli testing the test number then he credits the account of the payee. On the other hand, if the test number is not proved then he calls back to the sending branch of TT and request to send a new TT.

**(d) Mail Transfer:**

Money can be sent through mail transfer to any body who has an account in any other branch of the same bank for this purpose the sender shall have to furnish the details like:

- The name of the beneficiary and his account number
- The amount to be transferred
- The name of the branch where the account is maintained

**3.1.4.2. Foreign remittance:**

Foreign remittance is a vital part for any bank to maximize the profit. Here the bank receives and transfers various types of bills through the remittance outside the country, it is referred to as foreign remittance. It may various types. The different types of foreign remittance will describe in the main topic part.

**3.1.5. Deposit Section**

Deposit is the lifeblood of a bank. From the history and origin of the banking system, deposit collection is the main function of a bank.

**3.1.5.1. Accepting deposits:**

The deposits that are accepted by NBL like other banks may be classified in to,-

- a) Demand Deposits
- b) Time Deposits

**a) Demand deposits:** These deposits are withdrawn able without notice, e.g. current deposits. National Bank Limited accepts demand deposits through the opening of, -

Current account

Savings account

Call deposits from the fellow bankers

**(b) Time deposits:** A deposit which is payable at a fixed date or after a period of notice is a time deposit. National Bank Limited accepts time deposits through Fixed Deposit Receipt (FDR), Short Term Deposit (STD) and Bearded Certificate Deposit (BCD) etc. While accepting these deposits, a contract is done between the bank and the customer. When the banker opens an account in the name of a customer, a contract arises between them. This contract will be valid one only when both the parties are competent to enter into contract. As account opening initiates the fundamental relationship & since the banker has to deal with different kinds of persons with different legal status, National Bank Limited officials remain very much careful about the competency of the customers. Term deposits are included all those deposits which are deposited with the bank for a fixed period specified in advance such deposits are therefore called Fixed deposits or Term deposits. Deposits are accepted by the bank against acknowledgement in the form of receipts for the specified amount and fixed period. High rates of Interest graded on the basis of the period deposited.

**Premium Term Deposit A/C:** It is also interest bearing depository service. The current rate for Premium term deposit is 13% per annum.

**Instant Earning Term Deposit:** It is also interest bearing depository service. The current rate for Instant Earning Term Deposit is 13% per annum.

**Special Savings Scheme:** Two types of account can be opened under this scheme 5 years and 10 years .Rules is same for both. Monthly installment of deposit will be TK.500 and its multiple up to TK.10000 only as mentioned below to be deposited every month during entire period of the scheme as fixed at the time of opening the account.

**The depositors will be paid a fixed amount after expiry of the term as follows:**

The new rate of D.P.S started from May, 2009

(In TK). Monthly	5 years	10 years
1000	81000	221500
1500	121500	332250
2000	162000	443000
2500	202500	553750
3000	243000	664500
3500	283000	775250
4000	324000	886000
4500	364500	996750
5000	405000	1107500
10000	810000	2215000

**Table 3-1: The new rate of D.P.S**

### 3.1.6. Clearing:

Clearing is a system by which a bank can collect customers fund from one bank to another through clearing house.

**(A) Outward Clearing:** When the branches of a bank receive cheque form its customers drawn on the other banks within the local clearing zone for collection through Clearing House, it is Outward Clearing.

**(B) Inward Clearing:** When the branches of a bank receive cheque drawn on them from other banks in the Clearing House, it is Inward Clearing.

#### 3.1.6.1. Clearing House:

Clearing House is a place where the representatives of different banks get together to receive and deliver cheque with another banks.

#### *Types of clearing house*

There are two type of clearing house:

Those are

- A) Normal clearing house
- B) Same day clearing house

**(A) Normal clearing house:**

- 1) 1st house: 1st house normally stands at 10 am to 11 am
- 2) 2nd house: 2nd house normally stands after 3 p.m. and it is known as return house.

**(B) Same day clearing house:**

- 1) 1<sup>st</sup> house: 1st house normally stands at 11 am. to 12 p.a
- 2) 2nd house: 2<sup>nd</sup> house normally after 2 p.m. and it is known as return

**3.1.6.2. Return house**

Return House means 2nd house where the representatives of the Bank meet after 3 p.m. to receive and deliver dishonored cheque, which place in the 1 g Clearing House. Cheque may be dishonored for any one of the following reasons:

- a) Insufficient fund.
- b) Amount in figure and word differs.
- c) Cheque out of date/ post- dated.
- d) Payment stopped by the drawer.
- e) Payee's endorsement irregular/illegible / required.
- f) Drawer's signature differ / required.
- g) Crossed cheque to be presented through a bank.
- h) Other specific reasons not mentioned above.

**3.1.6.3. Bills Collection**

In modern banking the mechanism has become complex as far as smooth transaction and safety is concerned. Customer does pay and receive bill from their counterpart as a result of transaction. Commercial bank's duty is to collect bills on be half of their customer. Types of Bills for Collection of Clearing.

- a) Outward Bills for Collection (OBC)
- b) Inward Bills for Collection (IBC)

### **Outward Bills for Collection (OBC)**

OBC means Outward Bills for Collection. OBC exists with different branches of different banks outside the local clearinghouse. Normally two types of OBC:

- 1) OBC with different branches of other banks
- 2) OBC with different branches of the same bank

#### ***Procedure of OBC:***

- 1) Entry in the OBC register.
- 2) Put OBC number in the cheque.
- 3) “Crossing seal” on the left corner of the cheque & “payees account will be credited on realization” seal on the back of the cheque with signature of the concerned officer.
- 4) Dispatch the OBC cheque with forwarding.

### **Inward Bills for Collection (IBC)**

When the banks collect bills as an agent of the collecting branch, the system is known as IBC. In this case the bank will work as an agent of the collection bank. The branch receives a forwarding letter and the bill.

#### ***Procedure of IBC:***

- 1) IBC against OBC: To receive the OBC cheque first we have to give entry in the IBC Register. The IBC number should put on the forwarding of the OBC with date.
- 2) Deposit of OBC amount: OBC cheque amount is put into the “sundry deposit sundry Creditors account”, prepare debit & credit vouch of it. If the OBC cheque is honored, send credit advice (IBCA) with signature & advice number of the concern branch for the OBC amount.
- 3) If the OBC cheque is dishonored, the concerned branch is informed about it. Again place in the clearing house or send the OBC cheque with Return Memo to the issuing branch according to their information.

Others Activities



### 3.1.7. Credit Card and cash Section

#### **Credit Section**

It is a card (usually plastic) that assures a seller that the person using it has a satisfactory credit rating and that the issuer will see to it that the seller receives payment for the merchandise delivered.

#### **Types of Credit Card**

National credit and commerce Bank Limited offers mainly two type of credit card according to the geographical area. These are Local credit card and International credit card. According to the level of income the local and international credit cards are divided into two categories viz. Gold card and Silver card. These types of credit cards are described below:

##### **(a)Local credit card:**

Local credit card is valid only in Bangladesh. Out side Bangladesh, the card is invalid. Local card are two types. They are Gold local card and Silver local card. The card limit of gold local card is Tk.50000 to Tk. 100000 and silver local card is below Tk.5

##### **(b) International Credit Card:**

International credit card is valid mainly outside Bangladesh. But for the payment of roaming facilities for Grameen phone, cardholders can use international credit card in Bangladesh. International credit cards are of two types. These are gold international credit card and silver international credit card. The card limit of gold international credit card is \$2000 to \$4000 and silver international credit card below \$2000.

#### ***Yearly Charges on credit card***

National credit and commerce Bank Limited receive card fee for new card and renew card from the cardholder. The rate of card fee for new card and renew card are the same. In case of new card the bank receives the card fee with the next month's bill. The rate of card fee are given in below:

Table: Yearly charges on credit card

Type of card Card fee

International Gold Card US\$70.00

International Silver card US\$ 35.00

Local Gold card Tk.2000.00

Local Silver Card Tk.1200.00

### **Cash Section**

Another important part of a bank is the cash section. It maintains a reserve to satisfy the daily transaction. This section maintains also some books such as Receipts Register, Payment Register, Cash Balance Book, Value Book etc. Bank receive money in various forms as cheque cash etc. and pay in various forms as cash cheque, D.D., T.T, etc.

## **3.2. LOAN AND ADVANCE DEPARTMENT**

National Credit and Commerce Bank Limited is a new generation Bank. Like every other business activity Banks are profit oriented and profit is the central point on which the entire business activity rotates. A Bank invests its funds in many ways to earn income. The bulk of its income is derived from investment. Since major part of Bank's income is derived from credit and since the money credited by Bank is customer's fund, Banks should follow a cautious policy and sound lending principles in the matter of lending.

### ***Credit Categories***

As initiated by Bangladesh Bank Vide BCD Circular No. 33 dated 16-11-89 different kinds of lending were subdivided into 11 categories w.e.f. 01-01-90, which was subsequently reduced to 9 vide BCD circular No. 23 dated 09-10-93 and again to 7 prime sectors vide BCD Circular No. 8 dated 25-04-94 for fixation for rates of profit by the individual banks on competitive basis depending on the cost of Funds, prevailing market condition and monetary policy of the country.

Loans have primarily been divided into two major groups:

#### **i. Term Loan:**

These are the loans made by the Bank with fixed repayment schedules. The term of investment are defined as follows:

Short Term : Up to 12 months

Medium Term: More than 12 and up to 36 months

Long term : More than 36 months Contemporary status of interest rate spread in the banking sector of Bangladesh: the case of NCC bank 34

## **ii. Continuing Loans:**

These are the loans and advances having no fixed repayment schedule, but have an expiry date at which it is renewable on satisfactory performance.

### **Types of Loans and Advances**

Depending on the various nature of financing, all the lending activities have been brought under the following major heads

#### ***1. SOD (FO)***

Advance is granted to a client against financial obligations. The security of advance is granted to the person to whom the instrument belongs. The discharged instrument is surrendered to the bank along with a letter signed by holder/holders. The bank's lien is prominently noted on the face of the instrument under the signature of an authorized bank official. Interest rate is 14% to 16%.

#### ***2. SOD (G)***

Granted against the work order of government departments, corporation's autonomous bodies and reported multinational private organization. To arrive at logical decision, the client's managerial capability, equity strength, nature of scheduled work is to be judged. Disbursement is made after completion of documentation formalities, besides usual charge, documents like a notarized irrevocable power of attorney to collect the bills from the concerned authority and a letter from the concerned authority confirming direct payment to the bank is also obtained. The work is strictly monitored to review the progress at each interval. Interest rate is 14% to 16%

#### ***3. Cash credit (Hypothecation)***

The mortgage of movable property for securing loan is called hypothecation. Hypothecation is a legal transaction whereby goods are made available to the lending banker as security for a debt without transferring either the property in the goods or either possessing. The banker has only equitable charge on stocks, which practically means nothing. Since the goods

always remain in the physical possession of the borrower, there is much risk to the bank. So, it is granted to parties of undoubted means with highest integrity. Interest rate is 16% .

#### ***4. Cash Credit (Pledge)***

Transfer of possession in the judicial sense of essential in the valid pledge. In case of pledge, the bank acquire the possession of the goods or a right to hold goods until the repayment for credit with a special right to sell after due notice to the borrower in the event of non-repayment. Interest rate is 16% .

#### ***5. Consumer Credit Scheme***

This scheme is aimed to attract consumers from the middle and upper middle class population with limited income. The borrower should have saving or current deposit account with the bank. Minimum 25% of the purchase cost of the product is to be deposited by the borrower with the bank is equity before the disbursement of the loan. The rest 75% is to be kept as cash collateral (FOR, Shanchay Patra etc.) with the bank.

The purchased items are hypothecated with the bank. The disbursement of the loan is effected by debiting loan (general) account to the opened in the name of the borrower. Loan amount is disbursed through a/c payee pay order/demand draft directly to the seller after submission of the indent, deposit of client equity and completion of documentation formalities. The bank obtains post dated a/c payee cheques drawn in favor of the bank for the monthly installments covering the lending period from the borrower and the loan amount is adjusted on the due date of installments

#### ***6. Loan(General)***

NCCBL considers the loans, which are sanctioned for more than one year as loan (g). Under this facility, an enterprise is financed from the starting to its finishing, i.e. from installment to its production. NCCBL offers this facility only to big industries.

#### ***7. Working Credit***

Loans allowed to the manufacturing unit to meet their working capital requirement, irrespective of their size big, medium or large fall under the category.

### **8. Staff Loan**

Bank official from senior officer and above is eligible for this loan. The maximum amount disbursed is tk. 50,000/- for a period of 2 years.

### **9. House Building Loan**

This loan is provided against 100% cash collateral, besides; the land & building are also mortgaged with the bank. Interest rate is 17%.

### **10. Small Loan Scheme**

NCCBL introduced three new small loan scheme are:

- a) House Renovation Loan
- b) Personal Loan
- c) Small Business Loan Contemporary status of interest rate spread in the banking sector of Bangladesh: the case of NCC bank 37

#### **a) House Renovation Loan**

This loan is offered for renovation and modernization of the house/building/flat which are acquired by inheritably or purchasing and other ways to make the properties liable and durable. Interest rate is 16%

#### **b) Personal Loan for Salaried Person**

This loan is provided to fixed salaried persons in various organizations to meet any emergency cash needs at various events- treatment/operations of critical disease, matrimonial, maternity expenditure etc.

Interest rate is 17% and maximum credit ceiling is Tk,1, 00,000/-

#### **c) Small Business Loan Scheme**

This loan is offered to the small and promising entrepreneurs to meet their capital requirement and enable them to operate and expand the business purposely.

Maximum credit ceiling is Tk 5.00 lac with interest rate is 16%

### **11. Loan against Imported Merchandise (LIM)**

Advances allowed for retirement of shipping documents and release of goods imported through L/C taking effective control over the goods by pledge fall under this type of advance, when the importer failed to pay the amount payable to the exporter against import L/C, than NCCBL gives loan against imported merchandise to the importer. The importer

will bear all the expenses i.e. the godown charge, insurance fees, etc. and the ownership of the goods is retain to the bank. This is also a temporary advance connected with import, which is known as post import finance. Interest rate is 16% Contemporary status of interest rate spread in the banking sector of Bangladesh: the case of NCC bank 38

## **12. Loan against Trust Receipt (LTR)**

Investment allowed for retirement of shipping documents and release of goods imported through L/C fall under this heard. The goods are handed over to the importer under trust with the arrangement that sale proceeds should be deposited to liquidate the investments within a given period. These are also a temporary investment connected with import and know as post-import finance and falls under the category "Commercial Lending". Interest rate is 16%

## **13. Loan documentary Bill Purchase (LDBP)**

Payment made against documents representing sell of goods to local export oriented industries, which are deemed as exports, and which are deemed as exports, and which are dominated in local currency/foreign currency falls under this head. The bill of exchange is held as the primary security. The client submits the license bill and the bank discounts it. This temporarily liability is adjustable from the proceeds off the bill. Interest rate is 16%

## **14. Loan against Other Securities (LAOS)**

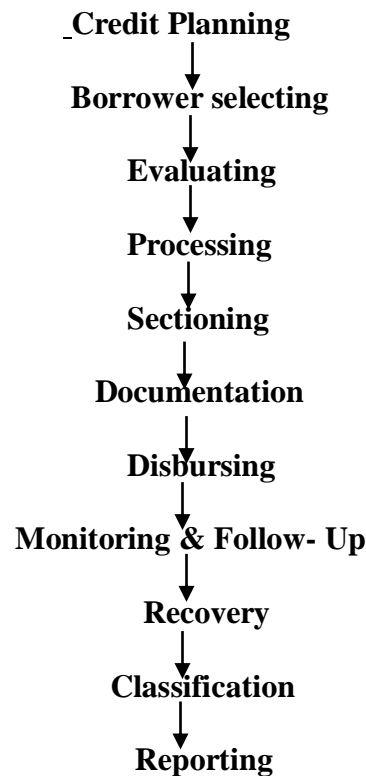
Loan against other securities is a 100% secured advance, which requires no sanction from the Head Officer. It is sanctioned by marketing lien of FOR, ICB Unit Certificate. Interest rate is 16% Contemporary status of interest rate spread in the banking sector of Bangladesh: the case of NCC bank 39 .

## **15. Foreign Bill Purchase (FBP)**

Payment made to customer through Purchase of Foreign Currency Cheques/Drafts fall under this head. This temporary investment is adjustable from the proceeds of the cheque/draft.

## Hierarchy of the:

(LOAN /ADVANCE)



**Figure 3-1 Step of Loan & Advance**

### **3.3. Introduction of Foreign Exchange**

Foreign Exchange refers to the process or mechanism by which the currency of one country is converted into the currency of another country. **Dr. Paul Einzing** defines “Foreign Exchange as the system of process of converting one national currency into another & of transferring money from one country to another”. The Foreign Exchange Regulation Act 1947 as adopted in Bangladesh defines Foreign Exchange as Foreign currency including any investment draws accepted.

Made or issued as per clause 13 of article 16 of Bangladesh Bank order 1972 & all deposits, credits & balances payable in any foreign currency, any drafts, travelers

cheques, L/C & bill of exchange express or drawn in currency but payable in foreign currency.

According to Bangladesh bank order 1972. FE means foreign currency & includes any instrument drawn, accepted made or issued under clause 13 of section 16 of the Bangladesh bank order 1972. all deposits & credit & balance payable in any foreign currency, any drafts, travelers cheques, L/C & bill of exchange express or drawn in Bangladeshi currency but payable in foreign currency. All branches of a bank cannot practice the foreign Exchange. To practice the foreign Exchange it must be Authorized Dealer (AD). To become AD, the bank must show that the branch is capable & has sufficient manpower to practice FE business.

### **3.3.1. Foreign Trade**

The foreign trade of a country refers to its imports & exports of merchandize from & to Other countries under control of sale. No country in the world produces all the commodities it requires. On the contrary, a country may produce more of those commodities in the production which it has a greater or comparative advantage & May or may not produce smaller quantities of those in the production of which it has a greater or comparative disadvantage. The commodities which country can economically produce it exports, which those in it has greater disadvantage if imports. Foreign trade constitutes a sizeable position of international transaction of a country.

### **3.3.2. Letter of Credit (L/C):**

Letter of Credit can be defined as a 'credit contract' whereby the buyer's Bank is committed (on behalf of the buyer) to place an agreed amount of money at the seller's disposal under some agreed conditions. L/C is also known as documentary credit. A documentary credit may either be revocable or irrevocable. Before open any Letter of credit officer must know the following Rules and Regulation which Govern International Trade Finance and Documentary Credit.

#### **Local Rules:**

Exchange Control Regulations on Import.



Import policy for the year.

The Import Export Act-1950.

Customs Duty, VAT, SRO, Tariff.

Rate of exchange and its application.

FE/FD Circulars FD Circulars letter (Public notice). Instruction Circulars Issued from Head Office.

List of Agency Arrangement of NCC Bank.

The Importer, Exporter and Intender Registration Act-1981.

### **Uniform Rules:**

Uniform Customers and Practice for Documentary Credit (UCPDC).

Uniform rules for Collection (URC).

Uniform rules for Bank to Bank Reimbursement (URR).

International Commercial Terms (INCOTERM).

Harmonized Commodity Description and Coding System.

### **Steps for Opening Letter of Credit:**

**Step 1: Customer Application for open L/C with Intend/ Pro-forma Invoice.**

**Step 2: Proposal Preparation as per Inst, Circular Security of papers submitted by the**

Importer (List of papers)

Credit Appraisal.

Review/ Assessment outstanding.

Risk Assessment of L/C (LRA).

Recommendation.

**Step 3: Sanction of Proposal – Terms and Conditions.**

**Step 4: Fill up the Forms /Formats supplied by NCC Bank**

LCAF: Letter of Credit Authorization Form (Licensing if required)

LCA: Letter of Credit Application Form

IMP: Form IMP

L/C Advice

Reimbursement Authority

**Step 5: Security of LCAF, LCA, IMP, L/C Advice copy.**

**Step 6: Realization of Margin, Commission, Postage, Charges.**

Register entry Numbering, Passing of vouchers.

**Step 7: Transmission of L/C**

By Airmail, By Cable Tele transmission/TELEX, By SWIFTS.

**Step 8: Opening of L/C File (Marking/Preserving).**

**Step 9: Amendment of L/C (if required).**

**Step 10: Extra Precaution (Including Fund for Import).**

Parties to a Letter of Credit

**Source: Training manual of NCCBL**

The letter of credit signifies a commitment on behalf of the buyer (importer) by NCC Bank to reflect payment to the seller (exporter) subject to fulfillment of certain conditions by the seller. According to terms and conditions of the L/C, the letter is required to be routed through some intermediary banks in order to get his claim. So I see that there are a number of parties involved in a L/C and the rights and obligations of the different involved parties will also differ from each other. The involved parties to a L/C are named below:-

- i. Importer/Buyer
- ii. Opening/Issuing Bank
- iii. Exporter/ Seller/Beneficiary
- iv. Advising
- v. Confirming Bank

vi. Negotiating Bank

vii. Paying/Reimbursing Bank

i ***The Buyer/ The Opener (The Applicant of the credit):*** The buyer or importer requests his bank to issue a documentary credit on his behalf to supplier along with requisite documents/papers as current import policy and Exchange Regulation of Bangladesh Bank.

ii. ***The Beneficiary:*** The seller or the exporter is the beneficiary of the credit. The credit is opened on his favor is addressed to him. The credit is opened on his favor and is addressed to him. The credit is written undertaking issued by NCC Bank.

iii. ***The Issuing Bank (NCC Bank):*** The issuing bank is the buyer's bank and it issues the credit instrument. In the case of an irrevocable credit, NCC bank undertakes a definite liability.

iv. ***The Advising Bank (The notifying bank):*** Generally, credits are advised by NCC bank (issuing bank) to the beneficiary through as correspondent bank operating in the same center as the seller. The advising bank has the only responsibility of passing on the authenticated cable or the airmail credit; the case may be to the beneficiary. The notification of the credit by itself does not commit to the advising bank to the liabilities under the credit.

v. ***The Negotiating bank:*** The bank which negotiates the drafts under the credit is called the negotiating bank. The negotiating bank (i.e. Standard Chartered Bank) must negotiate the documents under a documentary credit only if the documents confirm strictly with the terms and conditions of the credit.

vi. ***The Confirming Banks:*** When a bank (i.e. HSBC) in the seller's country confirms a credit, that bank is called a confirming bank. Often the beneficiary of the credit stipulates that a bank in his own country must confirm the credit so that he is assured of payment

as soon as the documents are presented to it. Once the credit is confirmed by the bank, it is legally liable to honor its commitment provided the beneficiary fulfils the terms and conditions of the credit. For undertaking this liability the confirming bank receives a confirming commission either from the NCC bank or from the beneficiary.

**vii. The Paying Bank (The Reimbursement Bank):** The bank on which the drafts or the bill of exchange is to be drawn under the credit is called the paying bank. Generally, the paying bank maintains the account of the issuing bank and honors the reimbursement claim of the negotiating bank by debiting the issuing banks account. At present a separate reimbursement authority is being sent to the paying bank by the issuing bank (NCC Bank) at time of issuance of the credit provided that the advising and paying banks are the same.

### 3.4. Export Trade Financing:

Export L/C operation is just reverse of the import L/C operation. For exporting goods by the local exporter, Bank may act as advising bank and negotiating for the exporter. As a negotiating Bank, it receives documents from the foreign importer and hand it over to the exporter. Sometimes it adds confirmation on the L/C on request from the opening Bank. By adding confirmation it assumes the responsibility to make payment to the exporter. As negotiating Bank, it negotiates the bills and other shipping documents in favor of the exporter. That is, it collects proceed of the export-bill from the drawer and credits the exporter's account for the same. Sometimes the banks purchase the bills at discount from the local exporter and waits till maturity of the bill. When the bill matures, Bank presents it to the drawer to An cash.

In our country, export and import operations of Bank is very much related with one Another because of use on Back to Back L/C. Most of the L/C opened is Back to Back L/C and maturity of payment for Back to Back L/C is set in such that it can be paid our of export proceeds. So export and import sections works as one unit. These two operations can hardly be separated from one another in the branch. Exporters need finance in the following manner:

Pre-shipment Finance.

Post-shipment Finance.

### 3.4.1. Pre-shipment Finance:

The exporter may avail of facilities during pre-shipment stage in the following ways:

- Back-to-Back Credit.
- Packing Credit.

*i. **Back-to-Back Credit:***

Under this arrangement NCC Bank finances an export by opening a letter of credit on behalf of the exporter who has received a letter of credit form the overseas buyer but is not the actual manufactures or producers of the exportable goods. The letter of credit is opened in favor of the actual producer or supplier within or outside the country. Since the second letter of credit is opened on the strength of, and backed by, another letter of credit it is called “Back- to-Back Credit”. The need for a back-to-back credit arises because the beneficiary or the original letter of credit may have to procure the goods from the actual producer who may not supply the goods unless its payment is guaranteed by NCC Bank in the form of a letter of credit. The supplier is generally paid after negotiation of the documents. Since this type of financing is somewhat risky, NCC Bank sometimes asks for collateral security before opening letter of credit. The back-to back letter of credit must confirm to the terms and conditions of the original letter of credit.

Back-to-Back L/C condition:

#### **Security**

Lien and physical possession of export L/C in favor of the Bank (affixing lien mark on it).

Imported items will be stored in a bonded warehouse under joint and effective control of Bank and customs authority after clearing through the approval C& F agent.

#### **Other conditions**

Drawing to draft clause

Import of raw materials in proportion to the working capacity and convenience of the factory Treatment of interest Undertaking must be given by the party in case of any failure to export the goods Time of opening L/C and negotiation within specific period Back-to-Back L/C shall be opened only in the currency in which export L/C would be received to avoid loss due to exchange fluctuation.

ii. **Packing Credit:**

Packing Credit covers the credits extended by NCC Banks to the exporters prior to the shipment of the goods. Such credit is granted to the exporter for procurement and processing of raw materials, manufacturing of finished products, packing and transporting goods meant for export to foreign countries. Such facility is allowed to an exporter just at a time when he has the foreign buyers order by the way of confirmed export letter of credit or a firm contract. When the order is executed, the packing credit gets paid out of the proceeds of the bill drawn on the foreign buyer.

**3.4.2. Post Shipment Finance:**

Post shipment credit is given to the exporters by banks after the actual shipment of the goods. The necessity for post shipment credit arises because the exporters who have shipped goods have to wait for a long time for receiving payment from the overseas buyers; the period of waiting depends on the terms of payment. The exporters need funds to carry on his normal export activities. NCCBL are the natural source to seek the finance for these activities. NCCBL generally finance the exporters at post shipment stage on verification of the credit worthiness and financial soundness of both the buyers and the sellers.

*Source: Training manual of NCCBL*

The volumes of Exports are shown below (From 2003 to 2008):

Year	Export (in Millions)
2003	4967.33
2004	5771.65
2005	7776.30
2006	8557.00
2007	9577.92
2008	12522.04

Table 3-2: volumes of Exports

Export (2003-2008) figure (in millions):

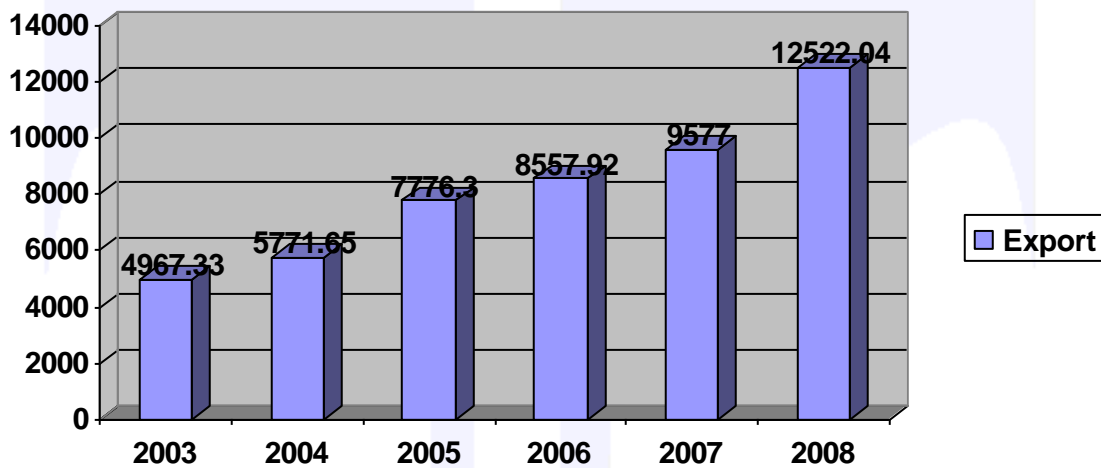


Figure 3-2 : Export Trade Financing

### 3.5. Import Finance Trade:

International trade takes place between sellers and buyers located in different countries. The parties to a trade transaction are not always known to each other. Even if they are known to each other the seller may not have full confidence in the credit worthiness of the buyer or the buyer may not like to pay before he actually receives the goods. In Letter of Credit worthiness is substitute for the credit worthiness of the importer. Under a banker's Letter of Credit, the issuing bank (NCCBL) gives a written undertaking on behalf of the buyer that the bank will honor the obligation of payment or acceptance as the case may be, on presentation of stipulated documents. Importer bank issue the Letter of Credit at a margin prescribed by the Government. This margin varies to commodities to commodities. According to the Govt. instruction bank does not generally issue the Letter of Credit less than at 50% margin. NCCBL follows this margin prescribed by Government strictly. These are:

The L/C should irrevocable, unrestricted valid and preferably confirmed.

The credit worthiness of the importer and his import performance are to be invariably ascertained. Similarly, credit worthiness and solvency of the buyer and seller also be enquired through foreign correspondence.

In case of pledge "Banks affective Control" should maintained.

The exporter documents should be carefully scrutinized at the time of negotiation to ensure with the terms of the L/C.

#### ***3.5.1. Procedure for sanction of Post-shipment credit under document Negotiation:***

The usual method of providing finance at the post-shipment stage is negotiation under Letter of Credit. In this regard before sanctioning credit of undertaking NCCBL, carefully verified following points for negotiation documents:

The documents should present for negotiation before expiry of the credit. In the period of negotiation before is specially mention in the documents should not be negotiated beyond that period.

The amount of the bill should not exceed the amount authorized in the L/C.

All the documents asked for in the L/C have been submitted and those are prima-facie in order.

Operation Activities for Import Section: Officer in L/C opening desk process L/C application.





**Proposal for opening L/C (Cash) being prepared by the officers:**

**For Internal Approval:** It is made for those importers who are enjoying L/C limit facility for a period of 12 months approval by the Head Office.

**For Head Office Approval:** Proposal made on case to case basis in a detail format for, those importers during their initial 3 to 6 months period. Satisfactory performance in the account during the period upgrade them to avail full fledged credit line on 12 months basis. Obtain charge documents: Negotiating with the importer margin fixation. Negotiate with the importer for fixation for made of retirement of bills/PAD. Obtain information about the market ability and gathering local price level of the commodity to be imported. Next Steps are to open the letter of credit: An L/C number is provided. Opening charge or commission recovered. Charge and Liability vouchers are passed. Preparation and checking of L/C body in accordance with pro-forma invoice (PI) or indent. Sanctioning L/C by two authorized officers and giving go ahead for the transmission of the terms. Prepare credit line proposals for importers: Lodge the documents in P.A.D. Notify the importer to release the original documents. Arrange the retirement of the original documents after recovery of dues in cash against related P.A.D. Issue shipping guarantee against non-negotiable copy documents. Retirements of P.A.D are also made through LIM: If arrangement was made while opening L/C. When importers fail cash retirement commitment and bank considered his or their request. When situation compels so due to total non-cooperation of the importer. This situation usually doesn't occur but at the same time cannot be totally ruled out when importer remain at total detachment with NCCBL.

**Some products of Import Section are:**

- LTR (Loan against Trust Receipt)
- Lim (Loan against Imported Merchandise)
- L/C opening

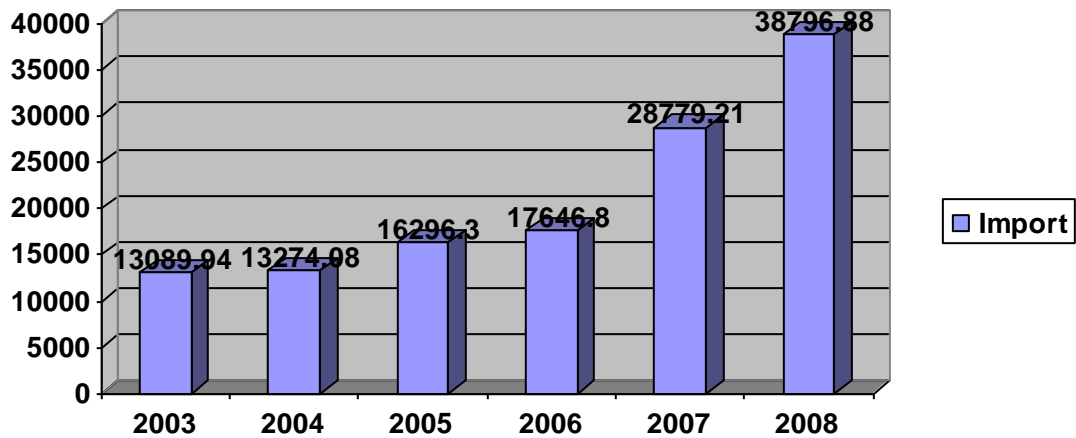
**The volumes of Imports are shown below (From 2003 to 2008):**

Year	Import
------	--------

	(in Millions)
2003	13089.94
2004	13274.08
2005	16296.30
2006	17646.80
2007	28779.21
2008	38796.88

**Table 3-3: volumes of Imports**

**Import (2003-2008) figure (in millions):**

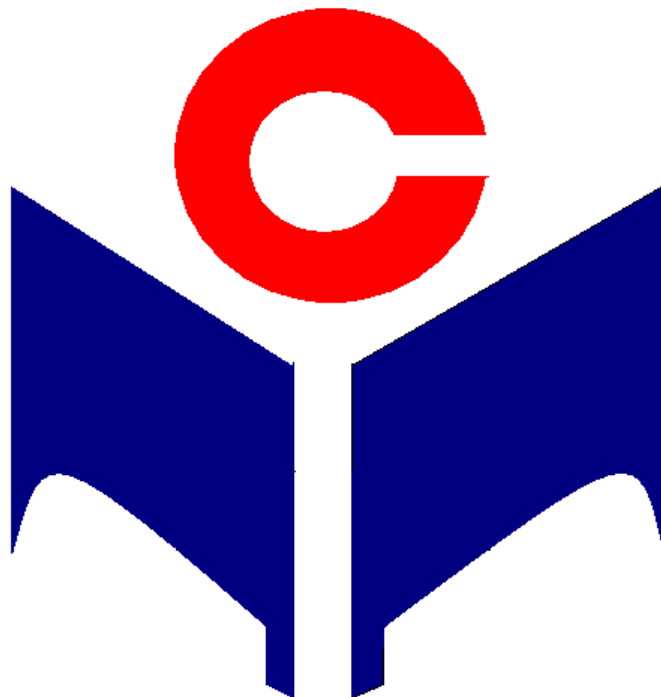


**Figure 3-3: Import Finance Trade**



# CHAPTER – 04

## **Analysis on Banking Law, Practice & Foreign Remittance**



**National Credit and Commerce Bank Ltd.**

## 4.1. An Overview of Banking

According to Black's Dictionary "A bank is an institution, usually incorporated, whose Business is to receive money on deposit, cash checks or drafts, discount commercial papers, make loans and issue promissory notes payable to bearer, known as bank notes."

According to Parking "Bank is a firm that takes deposits from households and firms and makes loan to other households".

Banking Companies Ordinance 1962 defines banking as: "Banking means the accepting, for the purpose of lending or investment, of deposits of money from public; repayable on demand or otherwise, and withdraw able by cheques, drafts, to order or otherwise."

### What Banks Do---A Broader Economic Perspective?

- a) Source of financial intermediation i.e; matching savers & borrowers.
- b) Banking and money supply. Banks play an effective role in:
  - i. Credit Creation
  - ii. Credit Contraction
- d) Source of financial innovations.
- e. Major player in financial integration and mobilization
- f) Banks provide Risk Sharing, liquidity and information service to their customers.

## 4.2. EVOLUTION OF BANKING

Origin of word "Bank"

According to some authors, this word is derived from "bancus" or "banque" which means a bench.

It is believed by these authors that Jews in lombardy who were engaged in the business of money exchange used to carry out their business sitting on benches at the market place.

The other authors claim that this word "bank" is derived from the German

## EVOLUTION OF BANKING

Historical background

The banking has been in practice in one way or the other from the inception of societies. Some authors maintain that banking, not in the present form but in its elementary stages was traced as old as 2000 B.C.

Banking in structured form started in England in 14th century.

In United States, the first bank was organized in 1780 but the Central Bank of U.S.A was set up in 1913.

### 4.3. Key Services Provided By Bank---Functions of Commercial Bank

#### Primary Functions:

- 1) *Accepting Deposits*
- 2) *Making Loans*

#### Secondary Functions:

- a) *Collection of instruments*
- b) *Purchase and sale of securities*
- c) *Funds transfer*
- d) *Foreign exchange operations.*
- e) *Execution of standing instructions*
- f) *Traveler cheques.*
- g) *Issue credit cards/Debit cards.*
- h) *Safe-Custody of valuables (Lockers)*
- i) *Collection of utility bills.*
- j) *Underwriting of loans raised by Govt. or Public bodies.*
- k) *Providing specialized services to customers.*
- l) *Exchange of credit information/Credit report.*

### 4.4. Classification of Banks

#### *Domestic Scenario*

#### **Classification on the basis of functions**

- A) Commercial banks
- B) Saving bank
- c) Industrial banks

D) Agricultural banks

E) Investment banks.

### **Classification on the basis of ownership.**

*A) Public sector banks (NCBs')*

Control of Govt.

Major share of Govt.

*B) Private Sector Banks.*

Owned by share-holders

## **4.5. Remittance**

Remittance is another important sector of the NCCBL from where it earns a lot of foreign exchange every year. Remittance means to send or transfer money or money worth from one place to another. In case the bank as the media to transfer or remit the money. Against the service it charges some commission from the client. Types of Remittance:

- i. Generally the process of remittance can be divided into major categories:
- ii. Inward or Local Remittance
- iii. Outward or Foreign Remittance

### **4.5.1. Local Remittance**

Local Remittance deals with funds from overseas. Here the documents, money or different types bills transfers for the outside of the country. Local remittance may be different like Cash remittance through TT (Telegraphic Transfer)/ DD (Demand Draft) Remittance due to export.

- Pay Order
- Mail Transfer
- All of the local remittances are already described in detailed.

#### 4.5.2. Foreign Remittance

Foreign remittance is funds remitted to overseas on the behalf of the client. It may be in the following form:

- Telegraphic Transfer (TT)
- Demand Draft (DD)
- Mail Transfer

Remittance due to import

NCC Bank is the member of Money Gram and money other SWIFT networks. Using the services of this global network, non-resident Bangladesh nationals can send money from abroad to their home country within a few minutes without any risk.

Different Types of Foreign Remittance :

(i) *Money Gram*

(ii) *Placid Express*

(iii) *X-press money*

(iv) *Al Fardan*

(v) *Habib express:*

(vi) *Dhaka Janata*





**(i) Money Gram:**

Money Gram, one of the innovative products of NCC bank, has been functioning satisfactorily and rendering prompt and efficient services to the wage earners. Money Gram payment System Inc is a non bank provider of electronic money transfer service. Money Gram is providing its customers a service of an unsurpassed quality and superior value. Money Gram has over 25000 Agent locations throughout the world. Persons anywhere require transferring cash quickly, reliably, conveniently and at attractive prices to more than 115 countries can depend on Money Gram agents for the service.

Sender completes a “send” form and gets a receipt. Money Gram Agent gives a Ref: No. Which has to be passed to the receiver. NCC Bank makes an enquiry on the Money Gram computer network to obtain authorization to pay recipient and recipient receives the fund.

Money Gram is one of the fastest ways to transfer money. Customers using Money Gram can send or receive money usually within 10 minutes from any world.

To get the money the recipient need not to have a bank account with NCC Bank Ltd. NCCBL does not levy extra charge. It gives better exchange rate to the recipient.

**Money Gram Policies & Producers:**

- Record keeping Requirements
- Money Transfer Send transaction
- Money Transfer Receive transaction
- Verification of customers identity
- Send & Receive form



- Send transaction approval procedure
- Acceptable Customers Identification
- Photo Identification
- Know Your Customer

**MONEY GRAM PROCESS:**

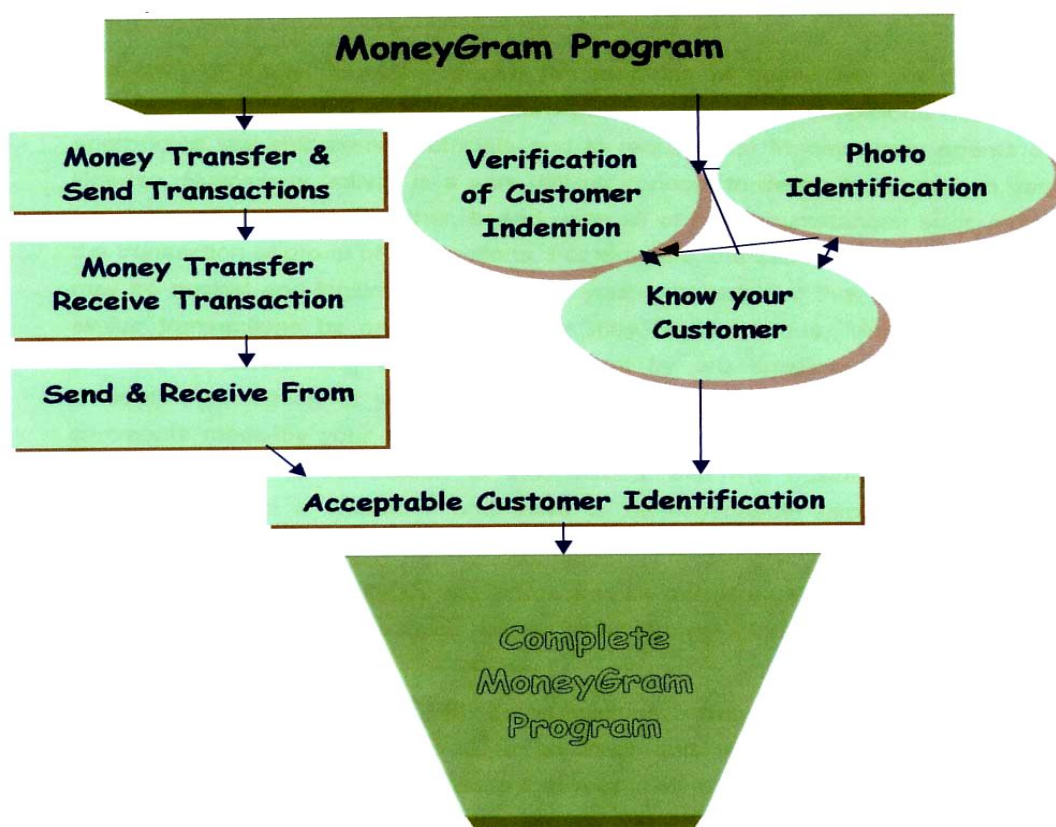


Figure 4-1: Money Gram Process



(ii) **Placid Express:** In March 2002, the bank has entered a Taka drawing arrangement with Placid Express, for home remittances of Bangladeshi expatriates in the United States.



(iii) **X-press money:** The X press Money Services would like to welcome NCCBL to their network. X press Money (XM) is a web-based person-to-person money transfer system that allows an individual to send/receive money through any of our network agents instantly. All transactions are done through secure servers using 128-bit encryption technology so as to provide maximum security



(iv) **Al Fardan:** Al Fardan Exchange, the pioneer in money exchange and worldwide remittance services in the U.A.E., established in 1971, is a trusted name for millions of residents and expatriates. A modern exchange house with advanced infrastructure and Courteous staff, has an extensive network of correspondent banks all over the world to facilitate faster, completely reliable transactions.

(v) **Habib express:** Habib express is another important medium through which wage earner remittance is accepted by NCC Bank. Here head office at first enter in system server and received necessary information about the amount of remittance, beneficiary who will receive the amount and any reference number which work as security for Bank as well as beneficiary. Head office gives information through fax to it respective branch from where receiver will receive money.

(vi) **Dhaka Janata:** Dhaka Janata are introduces to provide remittance facilities to emigrant and other people of Bangladeshi who work as contractual basis in the Italy. Here Dhaka Janata also maintain same procedure of getting information from system server including the name, reference number, amount, Phone number etc. Here head office sends information through fax to all respective branch. All receivers when come to bank, respective branch check his information with information received from head office.

#### 4.6. Performance of NCC Bank in Foreign Remittance Business

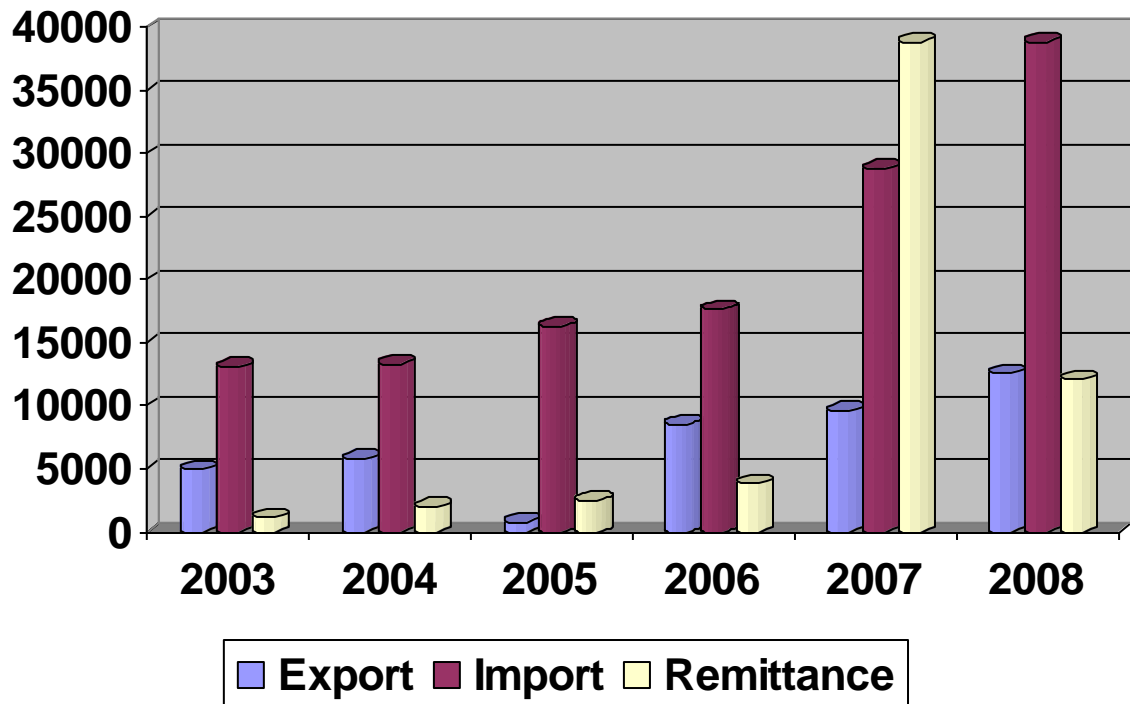
After obtaining permission from the Government of the People's Republic of Bangladesh and Bangladesh Bank, NCCBL started fully its commercial banking activities on the 17th May, 1993. The total volume of foreign remittance business of NCCBL from 2004 to 2008 was Tk.27851.58 million. The volume of export, import and remittance are shown as follows:

Year	Export	Import	Remittance
2003	4967.33	13089.94	1162.1
2004	5771.65	13274.08	1961.60
2005	7776.30	16296.30	2492.30
2006	8557.00	17646.80	3856.00
2007	9577.92	28779.21	7443.50
2008	12522..04	38796.88	12098.18

**Table 4-1: Performance of NCC Bank in Foreign Remittance**

**Remittance (2003-2008, figure in millions):**

To expand its network for distribution of remittance, the Bank has taken steps by entering in to an agreement with TMSS-a reputed NGO to use their 250 remote outlets under a joint venture of DFID & Bangladesh Bank called RPCF.



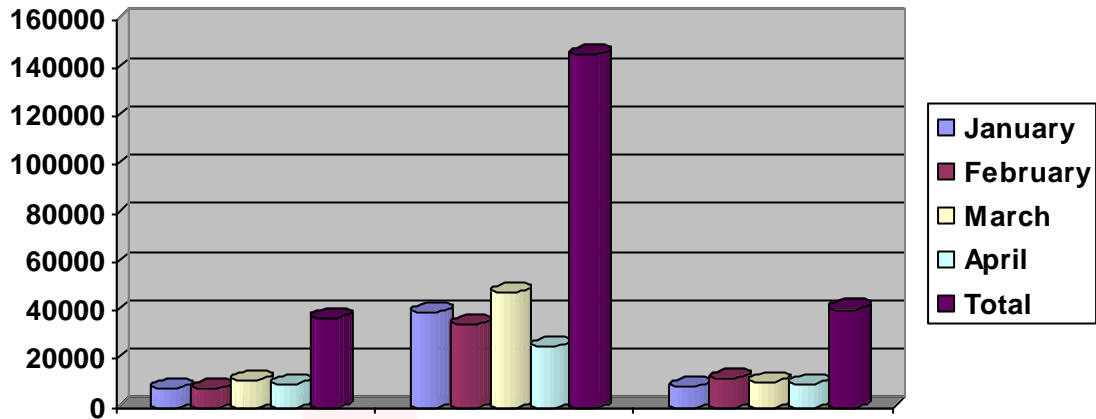
**Figure 4-2: Remittances (2003-2008)**

Under the agreement, the Bank will have the advantage of remitting funds to even remote areas where it has no branches. In 2008 the Bank received more than BDT 12,098.18 million recording 62.53% increase over last year's figure of BDT 7,443.50 million. The following table presents the contribution of Foreign Remittance Business of NCCB From- January to April-2009,. Figure In Lacs

Year/2009	Export	Import	Remittance
January	8133.00	38,876.00	8446.00
February	7767.00	34,194.00	11874.00
March	11426.76	47,418.46	10482.61
April	9598.29	24,997.97	9650.07
<b>Total</b>	36925.05	145,486.43	40452.68

**Table 4-2: Contribution of Foreign Remittance**

**Remittance 2009(From January to April):**



**Figure 4-3: Foreign Remittance(Import, Export and Remittance)**

**4.7. Functions of Foreign Remittance Section**

***Selling***

- Selling of traveler’s cheques to Bangladesh travelers.
- Selling cash foreign currency in the form of draft and ties to Bangladeshi students for education abroad.
- Selling of foreign currency to Bangladeshi for medical expenses.
- Selling of foreign exchange to non resident stock investor.

***Buying***

- Buying of International currency from foreigner and Bangladeshi.
- Buying cash foreign currency from foreigner and Bangladesh.
- Buying of draft from Bangladeshi.
- Buying of International currency from FC account of Bangladeshis individual as well as from exporters.
- Buying of International currency from non resident investing in shares and stocks of Bangladesh.

## **Others**

Other foreign exchange operation of NCCBL includes FC A/C Such as Non resident foreign currency Deposits (NFCD), Non Resident Bangladeshi's in initial Public offer etc. These schemes are only for the non resident Bangladeshi. These are maintained by the foreign, currency. These schemes are very much profitable both for NCCBL and non Resident Bangladeshi.

## **4.8. Additional Services Foreign Remittance**

### ***4.8.1. Foreign exchange for travel, medical treatment, education abroad:***

When anyone travel abroad for business, holiday or any other purpose they can obtain their foreign currency and travelers cheques permissible under Government regulation without any hassle from any branches.

### ***4.8.2. Student File- Foreign Exchange Remittance for education abroad:***

The Bangladesh Government allows remittance of tuition fees and living expenses for Bangladeshi students undertaking studies abroad. Outgoing student intending to avail this facility require opening a file with the authorized dealers. Branches have dedicated personnel to assist students in this regard. For efficient handing of the periodic remittance under the schemes customer can fully rely.

## **4.9. Description of duties and requirements of job**

Here the reporter is working under the Foreign Exchange department where he has to do the following works.

### **I. Examination of L/C opening Form:**

He has to check or input the following points very carefully:

That all the information in the column has been dully furnished.

Terms and condition mentioned in the L/C. A consistent with the exchange control UCP,

Import policy and with international practice and uniform rule.

The terms are difficult for the beneficiary to comply with which are incorporated in the L/C.

Item is permissible/ entitled for importer.

L/C must not open in favoring of importer or his agent or the agent of supplier/ Indenter.

That it is stamped as it constitutes a contract between the importer and banker.

The goods are not originated and imported from band country.

That all the cutting, erasing, overwriting, alteration if any must be authenticated by authorized persons.

Validity of L/C must not exceed the validity of L.C.A.F and License.

Any exceptional terms (Inco terms) used but not permissible in exchange control.

Special permission if any enclosed with L.C.A.

The currency of L/C/ sources of fund in case of Loan/ Aid/ Grants/ STA.

## **II. Fill-up the L/C Advise:**

L/C's are normally typed in NCC Banks printed form in many folds (8 Copies). These Many folds are used as that each for all the parties in the L/C, prepared as per instructions of the importer. The entire column must be filling-up as per instructions given in the L/C application form by the importer; nothing could be avoided and altered. After typing L/C should be again checked up by to authorize signatories (Sr. Principal Officer) after realization of respective charges and L/C should be dispatched accordingly.

## **III. Entries in to the L/C issue register:**

Every L/C treats at separate transaction. So it is marked serial No. according to the chronological serial No. of the L/C register. All the columns of the L/C register must be filling-up accordingly (Date, Serial No, L/C No merchandise/ Address/ Amount/ Foreign currency, Name and address of the beneficiary, Date of shipment/ Commission/ Postal charges/ Other charges realized and initial).

L/C Accounting Procedure:

Voucher must be passed and posted in the respective Register/Ledger.

Dr. Customer A/C Liability L/C (Cash etc.)

Cr. NCC Bank A/C Liability (L/C) (Cash etc)

ii. Dr. Party A/C

Cr. Sundry deposit A/C margin on L/C

Cr. Sundry deposit margin VAT 15% @ on L/C commission.

Cr. Sundry deposit A/C margin sources Tax 2% on commission

Cr. Income A/C commission on L/C

Cr. Income A/C postage/ telex

**IV. Entry in to Register Books:**

Here reporter has to maintain or input on some register books that has been made during L/C operation. Some of them are described below as an example:

<u>Liability cum Margin Register (Import L/C)</u>	<u>Margin</u>
Dr. Bank Liability	Dr. Customer Security
Cr. Customer Liability	Cr. Bank Liability

**P.A.D (Payment Against Document) Register:**

Date	PAD No (10 digit)	L/C No (12 digit)	Name and Ref of the Negotiating Bank	Name of the Customer	Foreign Currency	Rate
01.01.10	0000000001	000000000012	Bank of India	X	\$ 500 margin 10%	BDT 69.65

BDT Equivalent	Quantity and category of Good	Steams and Date of Bill	Date of Placement
BDT 34825 -BDT 3482.5 BDT 31342.5	Pharmaceuticals Goods	By Truck (25.02.10)	India

**Table 4-3: Format of P.A.D Register**



**Back-to-Back Credit Register:**

Date	L/C No (12 Digit)	Name and Address of the Party	Foreign Currency	Equivalent Total 1\$=BDT69.25	Merchandise	Country Of
12.02.2010	000000000012	X	USD 10,000	BDT 692500	WOOL	Bangladesh

Origin	Advising Bank	Tenor	Shipment Expired Date	Negotiate Expired Date	Amount/ Margin	Commission	Telex Charge	Stamp Charge
Pakistan	Woori Bank	180 Day	1.05.2010	7.05.2010	BDT 500000	500000*0.4% = BDT 2000	BDT 3000	BDT 150

**Table 4-4 :Format of Back-to-Back Credit Register**

**V. Foreign Remittance:**

Reporter also has to maintain Register book that has been counted as a Foreign Remittance. Here reporter shows an entry example of Foreign Remittance that has come through Money Gram.

Date	Reference (Eight Digit)	Name	Contact No	Amount (BDT)
20.03.2010	00000008	X	01711-xxxxxx	100,000

**Table 4-5: Format of Foreign Remittance Register**

#### **4.10. Outline job responsibilities held by others working in the foreign exchange department:**

##### **4.10.1. Foreign Exchange Department:**

###### **i. Sr. Principal Officer:**

To act as In charge of the Foreign Exchange Department and to perform all types of work related to the Foreign Exchange Department as under:

- Cash L/C opening Lodging and Retirement.
- BTB L/C opening and acceptance against thereon.
- Export L/C checking and preparation of office note.
- Negotiation and collection of Export documents.
- Preparation and submission all statement/returns related Foreign Exchange department for onward submission to Head Office in time.
- SWIFT operation.
- Supervision of credit related to Import and Export
- To maintain Circular file related to ID as issued by HO from time to time.
- To comply all lapses/ irregularities pointed out by Bangladesh Bank/ HO audit
- team related to Foreign Exchange.

###### **Principal Officer:**

Perform to all works related to Foreign Exchange Department under supervision of Foreign Exchange in charge.

- Checking of L/C documents and lodgment of PAD.
- Preparation and posting all voucher while creating and adjustment of LTR/PAD.
- To collect bill of entry and matching with IMP form.
- Preparation and submission daily/weekly/monthly/quarterly/half yearly/yearly

- Statement of onward submission to bank HO timely.
- Authorization of daily transaction vouchers.
- Preparation of L/C opening vouchers and posting to bank own software (Flora Banking).

**iv. Officer:**

- Preparation and posting vouchers against of PAD.
- To collect CIB report as and when required.
- Preparation and submission monthly statement/returns (L/C, PAD, LIM, LTR, LTDBC) etc. to HO/ Bangladesh Bank in due time.
- Preparation and submission CL returns on quarterly basis.
- Preparation revolving credit proposal.

**v. Assistant Officer:**

- Preparation and posting of vouchers for creation of LDBP.
- Verification of acceptance letter from the concern bank before creating LDBP.
- Follow up overdue bills.
- To forward local export documents.
- Preparation of IMP form for sending to Bangladesh Bank in time.
- Preparation of document related PSI.
- Reminder letter issue to the concern party for due / overdue LTR.

#### 4.10.2. Foreign Remittance Department:

##### i. Sr. Officer:

To perform the following work related to F.EX department under supervision of F.EX in Charge.

- Opening of BTB, L/C and acceptance against thereon.
- Settlement of export proceed and payment of BTB, L/C.
- Forwarding of export documents/ bill negotiating and settlement of export Documents.
- Issuance/ Preparation of export form for onward submission to BB in due time.
- Maintenance all file/ registers related entry.
- Issuance of FDD and FTT.
- Payment of inland bills against export of Jute/ Garments against advance FTT.
- Issuance of PRC, C & F certificates.
- All work related F/C account.
- To maintain and record of all types of Foreign Currency.
- All works related to student file.
- Preparation and submission of Monthly statement/returns to BB and HO in time.

##### ii. Officer:

- All works related Foreign (Inward) remittance.
- Account opening NRT, WEWDPS and FC account and maintain all file register properly.
- Issuance of FDD and Encashment thereof.
- To assist Student file.
- Correspondent with HO as and when required.

#### 4.11. NCCBL started Electronics Remittance Card

At the purpose of giving service to the rural areas as remittance easily and quickly for getting money or remittance which are send from abroad is referred as Foreign Remittance Card named *mBRIDGE*. This card will be given to related customer without creating any cost. That mean customer can get this card cost free. With the help of this card Bangladeshis people can draw money from any branch of NCC bank or ATM booth or 250 branches of *Thengamara Mohila Sabuj Shonga (TMSS)* at the same time by showing this card to POS shops, customer buy anything. For this step NCC bank will be increased rapidly thar any other bank and may be a top most bank in Bangladesh.

A special thing is that, from any country Bangladeshis are send money by NCC bank.

#### 4.12. NCC bank Bangladesh ltd with Thengamara Mohila Sabuj Sangha (TMSS):

Financial Express Report National Credit and Commerce (NCC) Bank Limited, in consortium with Thengamara Mohila Sabuj Sangha (TMSS), has launched a foreign remittance payment project aiming to transfer remittances, sent by expatriates, faster to the families in rural areas.

NCC bank Ltd and TMSS, a reputed NGO of the country, signed a partnerships agreement to this effect in collaboration with the Bangladesh Bank and the UK Department for International Development (DFID) in a city hotel Thursday. The NCC Bank initiative, the first of its kind in Bangladesh, will be launched in April next to reach the remittances in a faster and easier way to the beneficiaries.

The NCC Bank-TMSS efforts will help improve the remittance processing and payment system in Bangladesh, the central bank ex-governor, Saleh Uddin Ahmed, said while speaking as chief guest at the agreement signing ceremony.

Chris Austin, country representative of DFID, Khandaker Muzharul Haque, executive director of BB, Tofazzal Hossain, chairmen, Md Nurul Amin, managing director, of NCC Bank Ltd, and AKM Fazlul Hoque Mojumder, director of TMSS, spoke on the occasion.

"We think such efforts of the financial organizations will encourage expatriate Bangladeshis to use formal channel in remitting money home," he said.

Over the last few decades, BB governor Salehuddin Ahmed said, inflow of remittances did not only contribute to the economy of the country it also made financial institutions healthier.

The project will also enable TMSS to expand its financial activities to the poorer section of the society, he said. In the first phase, the NCC Bank-TMSS project worth Tk 80 million, including Tk 60 million coming from the Bangladesh Bank and DFID joint initiative of Remittances and Payments Challenge Fund (RPCF), will enable installation of electronic point of sale (POS) technology in all the 53 NCC Bank branches and 250 remote branches of TMSS. The beneficiaries of remittance will be provided with free debit and prepaid cards, which will allow them to transact an amount equal to remittance.

#### **4.13.NCC Bank to channel remittance from Japan**

Star Business Report A local private commercial bank has scoped out for the first time to remit money from the expatriate Bangladeshis in Japan. To this end, an agreement was signed between NCC Bank and Itaú Unibanco SA, a Brazilian bank in Japan, on April 16. "We expect millions of US dollar will be remitted every year through the banking channel," Nurul Amin, managing director of NCC Bank, told The Daily Star yesterday.

Per transaction will cost 2,500 Japanese yen (\$25), an amount less than half of the cost charged by money transfer companies, he said. According to the banker, nearly 20,000 Bangladeshis are working in Japan and they earn more than their countrymen working in Europe, Middle East and Malaysia etc. The minimum wage in Japan is \$5,000 a month.

It is surprising why banks in Bangladesh failed to set up link with the banks in Japan to facilitate remittances through formal channel, Amin said, pointing to the fact that expatriate Bangladeshis in Japan are used to send money through informal channel, known as 'Hindi' . "We've got huge response there. The initiative is already clicked with opening of 300 remittance accounts in a few days," said seemingly enthusiastic Nurul Amin.

A remitter can use 26,000 postal ATMs (automated teller machines) in Japan and the money will destine to Bangladesh within the same day. Beneficiaries in Bangladesh can receive the money in a day. NCC Bank has already tied up with TMSS, a local NGO that has countrywide network to deliver the remittance money to the beneficiaries within the shortest possible time.

The NCC managing director hoped Bangladesh's remittance would swell further from nearly \$10 billion in fiscal 2008-09. Remittances hit \$8 billion in the first nine months of the current fiscal year, marking a rise of 17.36 percent over the same period a year ago. Itaú Unibanco is a publicly quoted bank with headquarters in São Paulo, Brazil. The bank is the result of the merger of Banco Itaú and Unibanco, which occurred on November 4, 2008 to form Itaú Unibanco Holding SA, the largest financial conglomerate in the Southern Hemisphere and is the 10th largest bank in the world by market value.

#### *4.14. Remittance sets new benchmark in 2009 in Bangladesh*

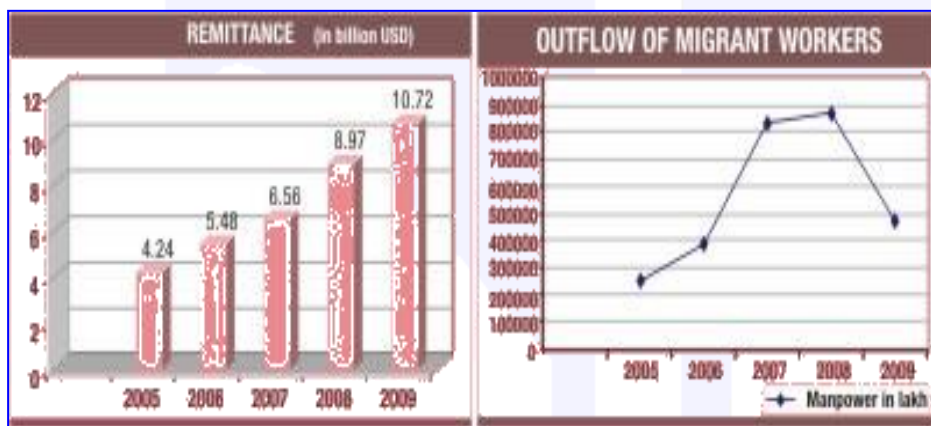
Remittance crossed \$10 billion mark for the first time in Bangladesh history in the year 2009 because migrants, a main driver of the country's economic progress, sent more money home despite all odds during global recession. With 20 percent growth, remittance inflow reached \$10.72 billion last year, although the year marked a fall in manpower exports. In 2008, the remittance was \$8.97 billion. The overseas employment ministry data shows that the number of migrant workers declined 46 percent to 475,278 persons in January-December of 2009. In 2008, the number was 875,055. The monthly average number of the workers going abroad with jobs almost halved last year from around 80,000 persons in 2008.

Still, the remittance inflow grew 20 percent, turning down World Bank forecast of 12-15 percent such growth for 2009. The international lender in a recent report expressed its fear about low growth on the basis of the declining trend of manpower exports.

Economists and bankers think the financial crisis worldwide has opened up the scope for Bangladesh expatriates to send more money home, as they lost confidence in depositing hard-earned money with foreign banks during their stay in middle eastern and other countries. **Baharul Islam**, chairman of Sonali Bank, the second highest remittance

earner among banks, gave all credit to the expatriates who sent money home after passing through many hurdles for the record remittance flow. “Expatriates are great contributors to our economy,” he said. **Mustafizur Rahman**, executive director of the Centre for Policy Dialogue (CPD), said, “The main cause of more remittance inflow in 2009 is the worry among expatriates about depositing money with foreign banks against the backdrop of global meltdown.”

He also pointed to the fact that migrant workers now increasingly tend to sent their money to their relatives through official channels, instead of informal ones like ‘hundi.’ The institutional service providers are also contributing a lot to reach out the remitted amount to the recipients in rural areas, which Mustafiz thinks another reason behind the enhanced reliance on official channels. Cost of sending money has also reduced significantly in recent times, which also helped raise remittance inflow, the CPD top official pointed out. Meanwhile, uncertainty has loomed over future manpower export, as big manpower markets Saudi Arabia, Kuwait and Malaysia stopped hiring workers from Bangladesh. However, some new markets have emerged, which include Iraq and Libya. The government is continuing dialogue with these countries but any positive signal is yet to come.



**Remittance in 2005 to 2009, in Figure In billions**

**Figure 4-4: Overall Banking Remittance In 2005 to 2009 (continuously growth) Bangladesh.**



#### 4.15. Nine-month remittance flow exceeds \$8.0 billion in Bangladesh

Financial Express (FE) Report Remittances from expatriate Bangladeshis exceeded US\$8.0 billion in the first nine months of the current fiscal, marking a rise of 17.36 per cent over the corresponding period of last fiscal. The country received \$8.254 billion in remittance during the July March period of the fiscal 2009-10 compared with \$7.033 billion received in the corresponding period of the previous fiscal, according to the central bank statistics released Sunday.

*“The flow of inward remittances is at a satisfactory level,”* a senior official of **Bangladesh Bank (BB)** told the FE, adding that the inflow of remittance might cross \$11.50 billion by the end of the fiscal.

The remittances from Bangladeshi nationals working abroad were estimated at \$941.31 million in March, up by \$113.35 million from the level of the previous month. In February last the remittances stood at \$827.96 million.

The latest figure shows that despite decline in overseas jobs, the remittance inflow has maintained a robust growth in continuation of last fiscals trend, when remittances grew by 22.41 per cent, the central bank officials said. They said the central bank was working continuously by providing policy supports to the banks also raising awareness among people about using the banking channel, instead of illegal ‘Hindi’, for remitting their money home. A week-long road show ended at Ten Tulia in the country’s northern Panchagarh district on April 2, which would help increase the inflow of remittance in the near future, they added.



Besides, the central bank earlier took a series of measures to encourage expatriate Bangladeshis to send their hard-earned money through the formal banking channel, instead of using illegal “Hindi” system, to boost the country’s foreign exchange reserves.

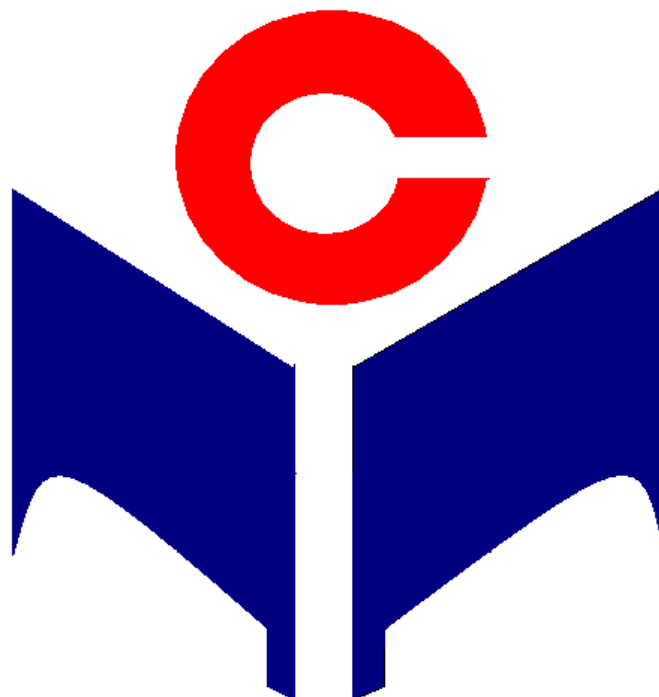
Four state-run commercial banks and dozens of private commercial banks have stepped up efforts to increase the remittance flow from the Middle East, the United Kingdom, Japan, Canada, Australia, Malaysia, Singapore, Italy and the United States.

“We’re establishing new contacts with overseas exchange houses so that our overseas workers can find it easy to send money back home,” **Managing Director of the National Credit and Commerce (NCC) Bank Limited Nurul Amin** told the FE, adding that some banks were trying to set up their own exchange houses in different parts of the world.



# CHAPTER – 05

## Profitability Analysis



**National Credit and Commerce Bank Ltd.**

### **5.1 Performance on the basis of gross figures:**

#### **Financial highlights of NCCBL: Tk. In Million**

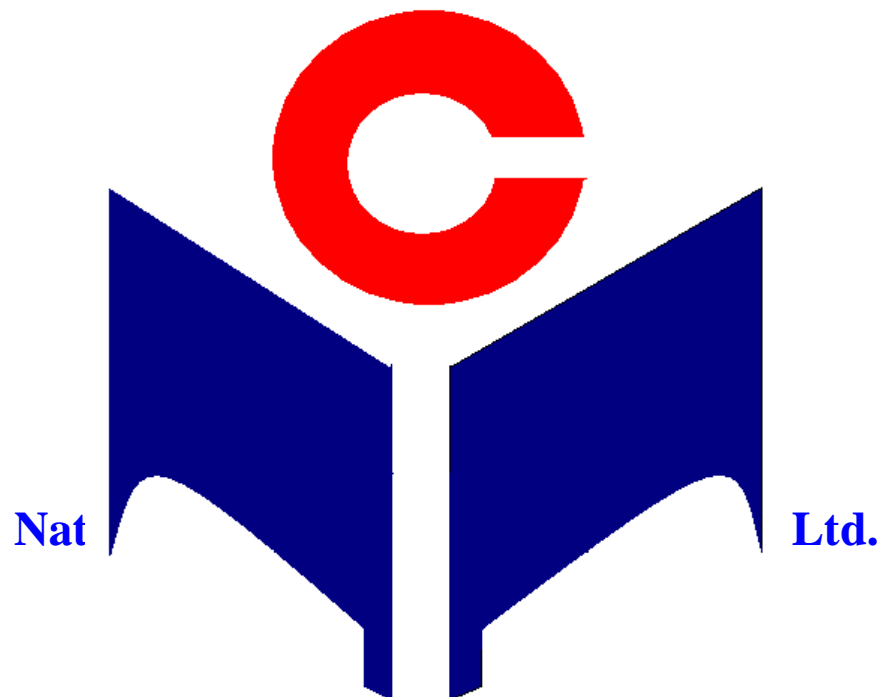
	2006	2007	2008
Authorized Capital	2,500.00	2,500.00	2,500.00
Paid up Capital	1,201.79	1,352.01	1,757.62
Reserve fund and other Reserve	1,215.58	1,995.36	2,863.62
Equity fund	2,417.37	3,326.52	4,621.24
Deposits	28,147.34	34,901.77	46,904.66
Loans and Advances	24,678.36	32,687.75	46,332.69
Investment	3,552.08	6,266.62	6,526.82
Import Business	17,646.80	28,779.21	38,796.88
Export Business	8,557.00	9,577.92	12,552.04
Operating Income	3,913.19	5,269.03	7,417.64
Operating Expenses	2,645.62	3,488.78	5,054.15
Operating profit	1,267.57	1780.25	2363.49
Profit before Tax	1056.51	1356.32	1788.96
Profit after Tax	497.22	677.18	882.28
Retained Profit	7.83	8.13	5.34
Total Assets (excluding contra)	32615.01	42522.85	57365.52
Fixed Assets	353.71	522.00	775.31
Number of Branches	48	53	57
Number of Employees	1118	1230	1400
Earnings per Share	35.44	38.53	50.20

Dividend: Cash (%)	10	0	0
Bonus (%)	10	30	10
Cost of Fund (%)	12.50%	30%	30%
Return on Equity (ROE) (%)	19.82	20.23	21.76
Return on Assets (ROA) (%)	1.47	1.59	1.54
Return on investment (ROI)	8	9.24	12.04
Capital Adequacy Ratio	9.78	10.61	10.61
Non-performing Loans as % of Total Advances	4.95	4.17	4.14
"Volume Of Non-performing Loans"	1212.26	1353.31	1902.58
Amount of provision against Classified Loans	523.58	644.11	912.90
Amount of provision against Unclassified Loans	282.09	388.78	456.07
Advance/Deposit Ratio (%)	87.68	93.66	98.78



# CHAPTER – 06

## SWOT Analysis



## SWOT Analysis

Both manufacturing and service oriented business organizations start to possess some weakness as time elapse. The weaknesses of an organization can be turned into opportunities if recognized on time. Moreover, overlooking any threat may result in losing valuable business opportunities. For this reason, an assessment of every business organization is required to judge the performance from the aspects of its Strength, Weaknesses, Opportunities and Threat (SWOT).

SWOT analysis of NCC Bank Ltd. is as under:

### 6.2 Strength:

The bank provides quality service to the clients compared to its other contemporary competitors.

Experienced bankers and corporate personnel have formed the management.

Some services of the bank are automated which attract a large number of clients. For instance, the bank provides Automated Teller Machine (ATM) services in several locations.

The bank will very recently introduce online banking which will enable it to automate all of its operations. At present, several banking functions are performed by computers.

The bank is also a member of SWIFT (Society for Worldwide Interbank Financial Telecommunication) alliance Access which enables the bank to exchange critical financial messages swiftly and cost effectively. NCC Bank has already achieved a goodwill among the clients that helps it retain the valuable clients.

NCC Bank Limited has already achieved a high growth rate accompanied by an impressive profit growth rate in 2009. The number of deposits and the loans and advances are also increasing rapidly.

NCC Bank has an interactive corporate culture. The working environment is very friendly, interactive and informal. And there are no hidden barriers or boundaries while communicating between the superior and the employees. This corporate culture provides as a great motivation factor among the employees.

### **6.3 Weaknesses:**

Delegation of authority is centralized which makes the employee to realize less responsibility. Thus, the employee morale is deteriorated.

The credit proposal evaluation process is lengthy. Therefore, sometimes valuable clients are lost and the bank becomes unable to meet targets.

No substantive use of Annual Confidential Report (performance evaluation form of the employee) to reward or to punish the employee. Hence the employee becomes ineffective.

The bank lacks aggressive advertising and promotional activities to get a broad geographical coverage.

The bank has only a few ATM booths and not in proper places. So, the scope of using ATM card is limited.

Computer facility for all the officers is not available. Moreover, all the officers have no computer knowledge.

The bank has no any research and development division.

### **6.4 Opportunities:**

The bank can introduce more innovative and modern products and services for then customers.

The bank can offer micro credit business for individuals and small businesses.

It can diversify its portfolio by taking new sector. Many branches can be opened to reach the bank's services to the remote areas.

Opportunity in retail banking lies in the fact that the country has increased population is gradually learning to adopt consumer finance. The bulk of our population is middle class. Different types of retail lending products have great appeal to this class. So a wide variety of retail lending products has a very large and easily pregnable market.

It can recruit more efficient and experienced persons to give fast and efficient service to the customers.



## 6.4 Threats:

The common attitude of Bangladeshi clients is default.

Multinational as well as the fast growing local banks with modern products and services are capturing huge market within a short period and resulting to switch over the existing customers of the bank

Bangladesh Bank sometimes requires Private Commercial Banks to be abided by such rules and regulations which are not suitable for every commercial bank.

The low compensation package of the employees from mid level to lower level position threatens the employee motivation. As a result, good quality employees leave the organization and it effects the organization as a whole.

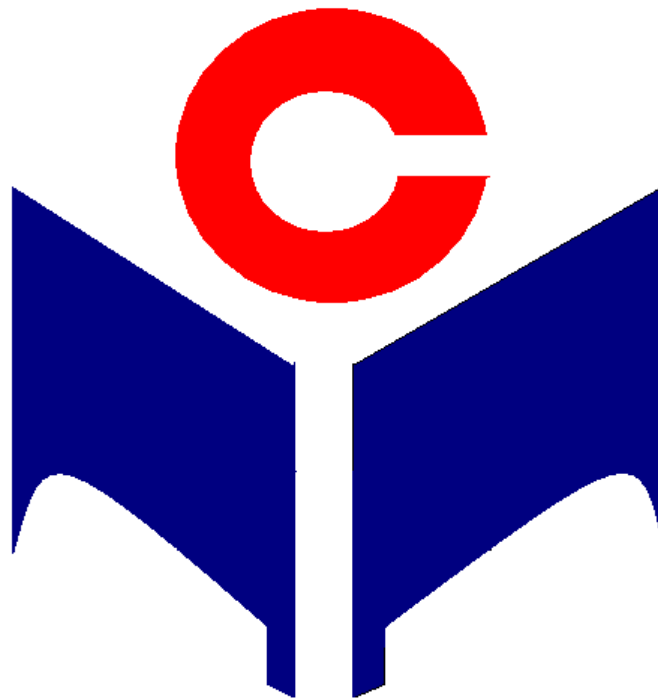
All sustain multinational banks and upcoming foreign, private banks posse's enormous threats to NCC Bank Limited. If that happens the intensity of competition will rise further and banks will have to develop strategies to *compete against* an on slough of foreign the banks.

The default risks of all terms of loan have to be minimizing in order to sustain in the financial market. Because, default risk leads the organization towards bankrupt. NCC Bank has to remain vigilant about this problem so that proactive strategies are taken to minimize this problem if not elimination.



# CHAPTER – 07

## Concluding Chapter



**National Credit and Commerce Bank Ltd.**

### 7.1 Findings:

Each and every bank has some benefits & some problem. And in my internship period I got some problems which may very much harmful for the NCC bank limited. Though this is a very fresh department for the reporter so it is natural for his to face some problem, some of them are listed below:

- The officers working with computer are not well trained.
- Lack of skilled officers in the branch.
- In case of cash credit, bank should collect stock report in monthly basis but stock report collection is irregular.
- Before sanctioning loan sometimes CIB report is not obtained from Bangladesh Bank.
- The average number of days required for sanctioning and disbursement of credit against specific loan proposal is high due to the requirements of different stages of the loan sanctioning and shortage of skilled officers in the credit department.
- On line services are not available in the branch, which are required to compete with the other competitors in banking sector.
- Monitoring of loan is not sufficient.
- Information that is acquired by the bank officials to appraise a loan proposal is not enough to judge a borrower's credit worthiness.
- Proper distribution of works responsibility among personnel is absent here.
- Sometimes its happen when a client has a query but reporter do not have knowledge against that query, then she has to go for help to her team leader or to senior officer but they also do not have the right answer against that query. So, it is not possible all time to provide right solution to the clients.
- NCCBL is still follow traditional banking system in general banking department and entire general banking procedure is not fully computerized, for example: NCCBL uses manual system to verify specimen signature of clients which consumes lots of time. On the other hand they are not using Data Base Network in information Department, so they have to transfer data from branch to Head Office by using portable disk.
- NCC Bank has insufficiencies of Authorized Dealer Branch in respect of the total foreign exchange business. NCC Bank has only six branches which have AD

license. As a result its total foreign exchange business is very small compare to total foreign trade market.

- Compare with other bank the number of employee is very few in the foreign exchange department. Where there are about more then 10 million taka (on an average) are transacting everyday but there are only 6 to 7 employees are responsible to handle the pressure. So most of the time it is very difficult for that few employees to handle the transaction pressure. As a result clients are not all time get on time service. Moreover Bank do not have any office assistance, so officer's themselves transfer papers from one desk to another which consumes times of officer as well as the clients.
- There are seen employees of NCC bank has no practical knowledge. It's true that reporter got knowledge about all the products features and facilities but all those are in the boundary of trainings. She does not have the practical experience against those services. Some of those experience reporter's would like to mention here. She has to provide information about L/C and remittance but she actually does not know how it properly works. Again when a client want to transfer fund from abroad to NCC, then reporter give solution that he/ she may transfer money through DD (Demand Draft) or TT (Telegraphic Transfer), she know the process manual but actually don't know how DD or TT can be done practically. Moreover NCCBL followed traditional training procedure for its employees and they do not require to train them in other special training Institution like BIBM.

## 7.2 Recommendations:

For the probable solutions of the identified problems ensure better progress to NCC Bank in future, some necessary steps are recommended bellow on the basis of collected data, observation, expert staffs opinion and my knowledge and judgment.

- NCC Bank should give more attention to advertisement for creating more attraction among its customers, which is helpful to collect more deposits and increase investment scope. That's why bank should give emphasis on advertisement in various media like TV, News Paper, Internet and Billboard.
- Training is an important means for improving officers' efficiency, motivation and behavioral pattern. So the bank should take necessary measures to train up the officers.
- Posting of skilled and trained officers in appropriate places should be ensured in order to use the knowledge, skills and motivation acquired from different training courses.
- More officers should be engaged in the cash section so that the clients can get fast service.
- NCC Bank will have to encourage entrepreneurs, businessmen, rich people and Government to come forward to established ancillary organizations.
- Proper distribution of works responsibility among personnel should be ensured strictly by the Branch Manager.
- Banker customer relationship should be improved by giving prompt and required services to the customers.
- All on line banking services should be available in the branch to attract the customers.
- Strict supervision must be adopted in case of high-risk borrowers. Time to time visit to the projects should be done by the bank officers.

- The bank has the provision of internship but there is no organized program for internship. So they should organize programs for internship.
- Sitting arrangement should be available and in proper place for the officers as well as for the internees.
- Manager of the branch should monitor the activities of the officers so that the clients get efficient service.
- In cash department an electric scanning machine should be installed to verify the signature on the Cheque and to ensure prompt service and to reduce risk.
- The average number of days required for sanctioning and disbursement of credit against specific loan proposal should be reduced.
- Branches of NCC Bank are not sufficient as per demand of the people. So NCC Bank should setup new branches
- NCC Bank is to be concentrating in always monitoring the performances of its Competitors in the field of foreign trade.
- Bank can provide foreign market reports that will enable the exporter to evaluate the demand for their products in foreign countries.
- Automated Teller Machine (ATM) should be introduced as soon as possible because of present market demand of the customer and the educated customer now wants technology based banking.

### 7.3 Conclusion:

Bangladesh is a developing country and has changed enormously in the last decade. There are a number of Private Commercial Banks, Nationalized Commercial Banks and foreign Banks operating their activities in Bangladesh. The NCC Bank Ltd is one of them.

The bank is currently doing average. By analyzing its performance it is observed that a potential growth might be accelerated through effective implications of competitive strategies. Being an old generation bank it has an advantage compared to newly established bank in the form of wide range of activities. However strategy implication needs to be as fast as possible to grab the early mover advantage. The bank through years has been able to spread operation in mass banking rather than concentrating in niches. It can hedge poor performance of one sector by some other sector for its wide range of offering.

Capital market operation has become a great potential for the bank to increase its profitability. NCC bank brokerage house is concentrating to establish new work stations in order to facilitate investor of remote places. The bank has been able to create a multi component loan portfolio. However non performing loan are a real challenge to the sound credit management. Default is increasing for lack of monitoring. The bank is trying to increase its loan quality by accelerating its recovery policy. Banks always contribute towards the economic development of a country. Compared with other Banks NCC Bank is contributing more by investing most of its funds in fruitful projects leading to increase in production of the country. It is obvious that right channel of Banking establish a successful network over the country and increases resources; will be able to play a considerable role in the portfolio of development in developing country like our. NCC Bank is playing its leading role in socio-economic development of the country. Since inception, NCC Bank has been rendering its Banking services with the needs of the nation to cope with the demands of people in the country.

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