

Performance evaluation of a private bank

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[pic] [pic] [pic] [pic] [pic] An Assignment On Performance Evaluation of a Private Bank IFIC Bank as a private bank in the private sector of Bangladesh. Prepared For: Narzia Florin Lecturer, Dept. of Business Administration Prepared By: Saleh Ahmed BBA – 02406160 24th GI Dept. of Business Administration Stamford University Bangladesh. Submission Date: 15th May 2006 Letter of Transmittal Dated: May 15, 2006 Narzia Florin Lecturer, Dept. of Business Administration Subject: Submission of report on performance evaluation of a private commercial bank. Dear Madam,

It has been a great pleasure to submit the report on performance evaluation of a private commercial bank. You are aware that I collected information on a private commercial bank. I choose IFIC Bank for the report purpose. I am fortunate enough that I got all those information necessary for the assignment purpose. I believe that this assignment has given me a great experience to me and it has enriched both my knowledge and experience. I tried my best to prove my skills while preparing this report. I cordially seek your kind advice or suggestion regarding my mistake which will help me in my practical and theoretical works in the days to come.

Sincerely yours, Saleh Ahmed BBA – 02406160 24th GI Table of Contents ? Executive Summary. ? Profile of IFIC Bank. ? BANK'S MISSION: Quest for Excellence. ? The bank in a sketch. ? Ownership Structure. ? Financial Position. ? Product & Services. ? Human Resources Development. ? Rates of Deposit Schemes. ? Conclusion. Executive Summary: In this report on the Performance Evaluation of a private bank as IFIC bank, I collect the necessary information from its web site, catalog, bossier and personally by information collection.

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I found that these private companies are very competitive and want to capture the vast market of Bangladesh at any cost. So they provide various types of product and services. I also found that the companies counterattack their competitors by their offers. Some gives high or low interest rate, new facilities etc... Every company has their own strategy to capture the market. In my report I tried to include most of IFIC bank's product, services and facilities. Though I have some limitations I tried my best to show the Performance Evaluation of IFIC bank as a private bank. BANK'S MISSION: Quest for Excellence

Our Mission is to provide service to our clients with the help of a skilled and dedicated workforce whose creative talents, innovative actions and competitive edge make our position unique in giving quality service to all institutions and individuals that we care for. We are committed to the welfare and economic prosperity of the people and the community, for we drive from them our inspiration and drive for onward progress to prosperity. We want to be the leader among banks in Bangladesh and make our indelible mark as an active partner in regional banking operating beyond the national boundary.

In an intensely competitive and complex financial and business environment, we particularly focus on growth and profitability of all concerned. THE BANK IN A SKETCH: International Finance Investment and Commerce (IFIC) Bank Limited started banking operations on June 24, 1983. Prior to that it was set up in 1976 as a joint venture finance company at the instance of the

Government of the People's Republic of Bangladesh. Government then held 49 percent shares while the sponsors and general public held the rest.

The objectives of the finance company were to establish joint venture Banks Finance Companies and affiliates abroad and to carry out normal functions of a finance company at home. When the Government decided to open up banking in the private sector in 1983, the above finance company was converted into a full-fledged commercial Bank. Along with this, the Government also allowed four other commercial Banks in the private sector. Subsequently, the Government denationalized two Banks, which were then fully Government-owned.

While in all these Banks Government held nominal 5 percent shares, an exception was made in the case of this Bank. It retained 40 percent shares of the Bank. The decision by the Government to retain 40 percent shares in IFIC Bank was in pursuance of the original objectives, namely, promotion of joint participation of Government and private sponsors to establish joint venture Banks, financial companies, branches and affiliates abroad. Ownership Structure BOARD OF DIRECTORS: Board of Directors of the Bank is a unique combination of both private and Government sector experience.

Currently it consists of Ten Directors. Of them five represent the sponsors and general public and four senior officials in the rank and status of joint secretary/Additional Secretary represent the Government. Managing Director is the ex-officio Director of the Board. | Elected Directors | | Representing 'A' Class Shareholders | | 01 | Mr.

Manzurul Islam | Chairman | | 02 | Mr. Saiful Islam | Director | | 03 | Mr. Abul
Matin Khan | Director | | 04 | Mr. Abdul Hamid Chowdhury | Director | | 05 |
Mr. A. R.

Malik | Director | | | | Nominated Directors | | Representing 'B' Class
Shareholders | |(Government of Bangladesh) | | 06 | Mr.

Mohammad Janibul Huq | Director | | 07 | Mr. ATM Aatur Rahman | Director | |
08 | Dr. Chowdhury Saleh Ahmed | Director | | 09 | Mr. Md. Mokhles ur
Rahman | Director | | | | 10 | Mr.

Mashiur Rahman | Managing Director | Financial Position CAPITAL &
RESERVES: The bank started with an authorized capital of Tk. 100. 00 million
in 1983. Paid-up capital was then Tk. 71. 50 million only. Over the last
Twenty One years, the authorized & paid-up capital has increased
substantially. Authorized capital was Tk. 500. 00 million and the paid-up
capital stood at Tk. 406. 39 million as on December 31, 2004. The Bank has
built up a strong reserve base over the years. In last twenty one years its
reserves and surplus have increased significantly.

This consistent policy of building up reserves has enabled the bank to
maintain a better capital adequacy ratio as compared to others. With the
active support and guidance from the Government, the bank has been
showing a steady and improved performance. In its twenty One years of
operations, the bank has earned the status of a leading bank in terms of
both business and goodwill. Starting with a modest deposit of only Tk. 863.

40 million in 1983 the bank has closed its business with Tk. 20, 774. 49 million of deposit as on December 31, 2004.

The annual growth rate has mostly been higher compared to both banking sector growth and individual growth rates achieved by others. As against a profit of Tk. 21. 94 million in 1984, the bank earned a record profit of Tk. 700. 25 million for the year ended on December 31, 2004. PRODUCT & SERVICES

Presently 5 (five) products/services have already been launched in the

market: A. Pension Saving Scheme (PSS) B. Monthly Income Scheme (MIS) C.

Tele Banking / Tele Link D. Death Risk Benefit Scheme (DRBS) E. Consumer

Credit Scheme (CCS) A. Pension Saving Scheme (PSS): 1. Name of the

Scheme: Pension Saving Scheme . Delivery Points: 62 Branches 3. Highlight

of the product: Duration of the Account: 5 (five) Years & 10 (ten) Years

Monthly Installments: Tk. 500 or Tk. 1000 or Tk. 2000 Payment after

Maturity: | | PAYMENT AFTER MATURITY | | | 5 YEARS | 10 YEARS | |

INSTALLMENT | WITHOUT BONUS | BONUS | WITH BONUS | WITHOUT BONUS

| BONUS | WITH BONUS | | Tk. 00 | 36265/- | 1500/- | 37765/- | 93050/- |

3000/- | 96050/- | | Tk. 1000 | 72530/- | 3000/- | 75530/- | 186100/- | 6000/- |

192100/- | | Tk. 2000 | 145060/- | 6000/- | 151060/- | 372200/- | 12000/- |

384200/- | Eligibility for PSS Account: A person of 18 years of age and above

having a sound mind will be eligible to open an account in his/her own name.

Bonus Payment:

If the account holder, from commencement to maturity of term, pays all the

monthly installments in time (i. e. within 10th day of each month) and never

defaults in paying monthly installments, the account holder will receive extra

bonus payment equivalent to 3 (three) times of monthly installment for 5 years term and 6 (Six) times of monthly installment for 10 years term.

Income Tax Rebate: Under this Scheme, income tax rebate will be available on the total amount payable i. e. after maturity of deposited amount; such amount will also be income tax free.

Monthly installments to PSS will also qualify for showing as investments (like provident fund) in yearly Income Tax Return. Payment of Pension: One can receive the entire deposited amount with interest at a time or receive a pension on monthly basis at a desirable amount of monthly installments. B .

Monthly Income Scheme (MIS): 1. Name of the Scheme: Monthly Income Scheme. 2. Delivery Points: 62 Branches. 3. Highlight of the product: 4. Duration of the Account: 5 Years (Deposited principal amount will be returned on maturity). 6. Amount to be Deposited: Tk. 50000/- and it's multiple. 7.

Payment after Maturity: Tk. 450/- and it's multiple. Procedures for paying monthly income: The payment of monthly income will start from the subsequent month after a clear minimum gap of 1 (one) month from the date of deposit. If an account is opened on 7th of any month, monthly income will be paid on 7th of the subsequent month. The account holder will receive monthly income in any SB/CD account of same name maintained with the branch. In case, the account holder does not have any SB/CD account with the Branch, he/she/they will have to open a SB/CD account for receiving the monthly income.

The minimum balance requirement will be waived for these types of accounts for a new customer. However, a minimum initial deposit of Tk. 500/- will have to be deposited. This procedure will eliminate the hassle of coming to the Bank Branch for taking interest every month. Eligibility for Monthly Income Scheme: A person of 18 years of age and above having a sound mind will be eligible to open an account in his/her own name. A person can open more than one account in his/her/their name in the same Branch or any Branch of the Bank. C. Tele Link/Tele Banking: 1. Name of the Scheme: Tele Link or Tele Banking. . Delivery Points: Gulshan, Federation, Dhanmondi, Motijheel Branches. 3. Basic Features of the Product: Phone Banking is a fast convenient and easy to use service that will complement one's lifestyle and keep one in complete control of his banking. One can access all the Telelink services at any time, day or night, from anywhere. It is far more convenient than traditional banking. Telelink is really simple to use. One can just dial our phone number from anywhere and an automated computerized voice response will guide him step by steps through his transactions.

Confidentiality:

A customer is given a 6 digit Registration Number when he applies for Telelink that will ensure total confidentiality of his account information. When the customer chooses to obtain specific information about his account, he will have to use his Registration Number and the confidential Personal Identification Number (PIN) by pressing the number keys on his phone. Banking Services Supported by Telelink: A. Transactions Relating to Transfer of funds from one account to another B. Inquiries relating to • account

balances • transaction details • exchange rates • interest rate information • products and services • remittances

C. Requests for • balance certificates • account statement • 7-days withdrawal notice on accounts • cheque books/pay order/drafts • renewing or opening of fixed deposits • assistance for opening other accounts In addition, the service can also deal with lost cheque books and credit cards, change of address and stopping of payment. Fees: We are not charging any fees for this technical service but the facility has been offered to Saving Bank customers with a minimum balance of Tk. 50, 000/-, to Current Deposit Account customers and STD customers with a minimum balance of Tk. 100, 000/-. D. Death Risk Benefit Scheme (DRBS) . Name of the Scheme: Death Risk Benefit Scheme. 2. Delivery Points: 62 Branches. 3. Basic Features of Scheme: IFIC Bank's Death Risk Benefit Scheme offers its Savings Bank Account holders' interest on savings, a lump sum amount and some peace of mind - three in one benefits at no extra cost! Benefits of Scheme: Death Risk benefits in lump sum amount to nominee(s)/heir(s) on the death of an account holder. Eligibility Criteria: Account must be maintained for a period of minimum one-year before the death of the account holder. At the time of death, the customer must have been within the age group of 18 to 50 years.

The account must have been opened with a minimum deposit of Tk. 5000 in case of new accounts. (Since 1-8-97). Average balance of Tk. 10, 000/- minimum must be maintained within one-year period prior to the death of the Account Holder. Extent of Benefit 50% of the average balances of the account for one-year period prior to the death of the account holder or Tk.

100, 000 whichever is lower. Account balance exceeding Tk. 10, 00, 000/- will not be taken into consideration while calculating average balance for one year for the purpose of Death Risk Benefit. E. Consumer Credit Scheme (CCS): 1.

Name of the Scheme: Consumer Credit Scheme. 2. Delivery Points: 62 Branches. 3. Highlight of the product: | Main Features | Particulars | | Selection Criteria / Who Can | A Self employed person of fixed income \$ a confirmed or permanent service holder. | | apply | | | Products Eligible for Finance | Vehicles, Domestic Appliance, Office Equipment, Entertainment, Medical Expenses, Intangibles, etc. | Limit Range | Tk. 15, 000 to Tk. 7, 00, 000 | | Repayment | By 12, 24, 36 or 48 equated monthly installments (EMI) depending on the loan amount. | | Interest Rate / Fees | Interest: | | |@ 16. 00% P. A. ithoutany tangible security and | | |@ 14. 50% P. A. where the loan is 100% secured with 20% margin against lien of FDR, MIS, PSS, Savings | | | Certificates issued from any Bank & Financial Institution. | | | Service Charge: | | | For 1 and 2 Years term - 2% of the Loan amount (minimum Tk. 00/-) | | | For 3 Years term - 3% of the Loan amount | | | For 4 Years term - 4% of the Loan amount. | | Down Payment / Equity | Minimum 20% of the invoice value of the Consumer Products. | | Contribution | For Vehicles: 30% to 40% in Cash / Financial instruments.. | Q-cash: Q-cash is a new service provided by the IFIC Bank. In this quick cash service system there consumer can withdrawmoneyeasily in any time in exchange of a little yearly fee.

This kind of services is very helpful for their current consumers and for their new consumers of their services. This kind of services is raising the living

standard of people. For implementing this kind of new service we are grateful to IFIC Bank. HUMAN RESOURCES DEVELOPMENT Human Resources Development (HRD) activities aim at fulfilling the bank's Mission. One of our four major missions is to: " Provide service to our clients with the help of a skilled and dedicated workforce whose creative talents, innovative actions and competitive edge make our position unique in iving quality service to all institutions and individuals that we care for. " Skilled and dedicated workforce with creative talents, innovative actions are not always readily available. Appreciating the scarcity of such manpower, the bank from the very beginning laid importance to HRD that conceptually includes activities like: pre-recruitment drill, recruitment, induction, training in the Academy, job rotation, placement & posting, reward and promotion. All these activities are planned by the bank in an integrated way aiming at manpower with required amount of technical, managerial, human and conceptual skills.

Management of IFIC Bank not only appreciates the need of skills required for day to day banking but also realizes the need for skills to meet the global & national financial and economic environments that are changing fast.

Meeting the needs of new skills arising out of Financial Sector Reforms Programme (FSRP) is also a major concern of the management. The bank, therefore, set up a Division namely HRD Division under a separate Group called Services Group-I. The Academy of the bank works under this group.

The other Division, which works under the Services Group-I, is Planning, Research & Statistics Division. Current News IFIC BANK JOINED SHARED ATM NETWORK IFIC Bank Ltd. and ITC Ltd. have signed a shared ATM network

participation accord. . The Signing ceremony was held in presence of Mr. Ataul Haq, Managing Director of IFIC Bank Limited and Mr. Kutubuddin Ahmed, Chairman of ITCL and President of BGMEA. Executives and senior officials of IFIC Bank were also present on the occasion. In the process, the bank has joined a group local bank for introduction of shared ATM network.

Automated teller Machine (ATM) with electronic device located at the bank branches or other convenient public locations extends 24 hours access to cash and other banking facilities to the customers without requiring to enter the branch or to wait in queues for cash withdrawal. This will establish the banks commitment for valued customers to bring a new era in banking services. Under this new facility, IFIC Bank will install few ATMs at its branch premises in Dhaka city. Similarly, few more units of off site ATMs will also be installed in some prominent public places in the city by the syndicate partners.

GROUP OPERATION-I: Operations-I, a group segment of Head Office operation of the Bank mainly handles General Advance/ Credit Portfolio, Project finance excluding Overseas Operations of the Bank and Lease Financing. The Group is headed by Senior Executives having commendable professional knowledge and experience supported by a talent pool of MBA's, Engineers, Economists, and Statisticians etc. with the blending of credit experience. GROUP STRUCTURE: A. Name of Group Executive/ In-Charge: Mr. Md. Ziaul Bari, Executive Vice President B.

Functional Structure: The Group Comprises of 3 Divisions as under: i) General Credit Division ii) Project Finance Division iii) Lease Financing

Division C. Area of Operation: i) General Credit Division a) Sanction

Department: This department mainly handles Credit Portfolio of the Bank related to Working Capital and Trade Finance. Proposals of such nature are processed/appraised and disposed of by this department. The department is manned by a group of professionals from respective discipline with commendable banking experience as well as exposure in modern concept and technology.) Credit Administration Department: The function of this department is to monitor credit portfolio of the Bank through physical inspection of various periodical returns, Audit/Inspection Report etc. with a view to maintaining a healthy asset base of the Bank. c) Credit Information & Returns Department: This department deals in preparation of different periodical returns related to credit portfolio of the Bank for management information as well as for submission of information/data to Regulatory Body and various controlling agencies.

The department also centrally handles all jobs relating to Loan Classification of the Bank. d) Ancillary Functions: The Group also handles various Loan Schemes for the employees of the Bank. ii) Project Finance Division: Project Finance Division is a shared resource center of the Bank which provides back office support to the branches - the marketing outlets of the Bank - in their endeavor to meet the credit needs of the corporate clients.

The Division helps the corporate clients in their decision making for undertaking venture project or BMRE of the existing projects. It also assist them to structure their long term and short term finance and to raise fund from own source of the Bank or through syndication with other Banks. In

case of difficult business situation and unexpected low turnover vis-a-vis poor performance of the clients, the Division offers customized solution through business and financial restructuring.

The Division also provides counseling to the corporate clients for minimizing their business risks and optimizing growth in the context of rapid globalization. The Division so far financed 250 projects (New and BMRE) since 1996, major concentration being in textile sector - both export oriented and backward linkage units. Other mentionable sectors are Steel and Engineering, Cement, Real Estate, Consumer Products, Printing and Packaging, Hotels, Hospitals, Cold Storage etc. iii) Lease Finance Division:

To assist bona-fide entrepreneurs acquire capital machinery and equipment increasing / up-grading productive capacity without trying up equity and to contribute to the industrial development of Bangladesh IFIC Bank Limited has introduced Lease Finance. For more please contact the Branches. RATES OF DEPOSIT SCHEMES | Deposit Schemes | Deposit Rates | | Savings (SB) | 5. 0% | | Special Term Deposit (STD) | 4. 00% | | Fixed Deposit | Rate of Interest | | Three Months | 6. 75% - 7. 50% | | Six Months | 7. 00% - 7. 5% | | One Year & above | 7. 25% - 8. 00% | * Figure in LAC Taka Conclusion: To prepare this report on Performance Evaluation of a private bank I collect information of many banks and finally select The IFIC bank to prepare this Performance Evaluation Report. For collecting information regarding different bank, I found that these private companies are very competitive and want to capture the vast market of Bangladesh at any cost.

So they provide various types of product and services. I also found that the companies counterattack their competitors by their offers. Some gives high or low interest rate, new facilities etc... Every company has their own strategy to capture the market. In my report I tried to include most of IFIC bank's product, services and facilities. I tried to focus all their branches. In my opinion the bank provide many attractive facility to their customer but it should provide more service and product to its customer and must easy on its customer on there services.