

INTERNSHIP REPORT

ON

Upcoming Challenges On Banking Sectors

Overall study based on United Commercial Bank (Macro Environment)

Submitted To:

Supervisor

United International University

Supervised By:

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Associate Professor, SoBE

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Submitted By:

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ID No: 111132206

Major: Marketing

BBA Program (Professional)



Department of Business Administration

United International University

Date of Submission: 3rd May, 2018



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UCB/COB/2017/5169

NOVEMBER 5, 2017

To whom it may concern

This is to certify that Anila Sayed, BBA, Major in Marketing, a student of United International University (UIU), has completed her internship program scheduled from August 09, 2017 to November 09, 2017 in United Commercial Bank Limited, Corporate Branch, Dhaka. She has assigned in "**Banking Function**".

We wish her every success in her life.


Md. Abdul Maied
Senior Vice President &
Manager Operations

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Letter of Transmittal

3rd May, 2018

Supervisor

United International University

Subject: Submission of Internship Report on Future challenges of banking sector in Bangladesh for United Commercial Bank Limited.

Sir,

This is a great pleasure for me to submit this internship Report on Future challenges of banking sector in Bangladesh. Duration of this program is from August 09, 2017 to November 09, 2017. This is a privilege for me to meet the prerequisite for the partial fulfillment of the course Bachelor of Business Administration.

In this report, I tried to illustrate Future challenges of banking sector in Bangladesh on United Commercial Bank Limited. I have aimed to represent whatever I found and observed in the organization during my internship program.

I am indebted to you for your suggestions and recommendations. I will feel glad if you please render your valuable comments and observations.

Sincerely yours,

Anila Sayed

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Acknowledgement

At the beginning I want to convey my deep sense of gratitude to the almighty Allah for all the blessing He has bestowed upon me without which it was not possible for me to successfully complete this study. This internship study is an accumulation of many peoples' endeavor.

At the beginning, I want to express my sincere gratitude to my honorable internship supervisor Dr. Khandoker Mahmudur Rahman, Associate Professor, SoBE, United International University. I am deeply indebted to his wholehearted supervision during the internship period. His valuable suggestions and guidance helped me a lot to complete this study with the appropriate manner and formality. The time and effort he has given was a great help to complete the study.

I would also like to show my respect to all the officers and stuffs at United Commercial Bank Limited at corporate Branch. It would be very hard for me to mention their name specifically but a few of them was very helpful for me that I feel bound to mention few of their names like Md. Abdullah Al Mamun -First Assistant Vice President, Ulfat Sonia- Senior Officer Of Corporate Branch and Gias Uddin Pintu -Vice President, Card Division Of Head Office.

I am also grateful to my family and friends who have helped me by giving suggestions and support during the entire internship period.

Executive Summary

Through all the commercial activities, United Commercial Bank Limited has created a positive impact in the Market. The internship program is very helpful to conduct the space between the theoretical knowledge and real life experience as a part of Business Administration. I have completed my internship period in United Commercial Bank Limited (Corporate Division Branch). Based on the knowledge that I gathered from practical field, I prepared my internship report entitled “Future challenges of banking sector in Bangladesh for United Commercial Bank Limited” This report contains four main parts.

First chapter is introductory chapter. It is about Methodology of the study. In this chapter, I just describe about the types of methodology, data collection and limitation of the report. Second chapter is about organizational overview of United Commercial Bank Limited like, mission, vision, goals & objectives, etc. Third chapter is Analysis and evaluations of the report, which is the main part of this report.

In the last phase, I discussed about some recommendations and finally concluded the report. I think my recommendation will help to enhance United Commercial Bank Limited (UCBL) performance as well as to increase their customer satisfaction.

Chapter One

Summary of the content

1.1 Motive of this report:

Commercial banks are facing an increasing competition for their business in coming days, like other market but the banking sectors are directly related to economy part and its challenges and competitions are the matter of survival and serving the country's economy. Their business is no longer remaining easy as they previous. The changes in the banking business has started to come with the government's decision to allow the business in the private sector in the middle of the Eighty's. This report is an effort to have a clear idea about the major challenges they are currently facing and future challenges that will coming nearby. As a business student we have chosen to gather the experience and among the financial institutions.

1.2 Origin of this content:

To gather some practical knowledge I have chosen to work within a financial institute, Bank is the best option on that purposes.

I was selected to work as an Intern in United Commercial Bank Limited, period of 3 months from August 09, 2017 to November 09, 2017. After discussion and getting consent, I started to work on Future challenges of banking sector in Bangladesh.

Without practical exposure, theory can never be fruitful.

This internship report is generated under the supervision of Dr. Khandoker Mahmudur Rahman, Associate Professor, SoBE, United International University.

1.3 Objectives & area of concentration:

The primary and major objective of the report is to explore & identify the Future challenges of banking sector in Bangladesh. Concentrated on macro environmental study for UCBL.

The report was prepared with some other objectives:

1. Identify the upcoming challenges in future that leads from running days.
2. How they are maximizing company's value for the society and stakeholder as well

3. Create awareness about the company and build its public profile.
4. Determine the challenges over their weaknesses

1.4 Methodology:

This report consists of conventional & practical overview based.

Conventional in a sense that is related with theoretically on going and scenario is visible generally, moreover a densely competitive market in Bangladesh.

Practical overview consists of real time experiences as an intern & directly interacting with the clients and stakeholders.

For fulfilling the objectives & having this work method I need to use primary & secondary data collection next annual reports and followed by financial reports and journals published from Bangladesh.

Primary data sources:

1. Personal observation, observing the procedure of banking activities followed by each department.
2. Practical work exposures on different areas of the branch.
3. Informal conversation with the clients or customers.
4. Conducting one informal interview (Questionnaire- Major side; as a direct interaction to clients & general views)

Secondary sources:

1. Annual report 2016 of United Commercial Bank.
2. Periodicals Published by Bangladesh Bank.
3. Following the CSR (corporate social responsibilities) activities.
4. Internet as a theoretical source of information.
5. Official documents,
6. Relevant books
7. Journals, and other publications

1.5 Scope:

Any financial sector activities & gathering knowledge from there is a vast and large matter to cover up. There is many variations, layers and not all the time it depends on company activities rather than policies which gives one demo reflection to its stock market presence; so that stockholders and stakeholders are involving directly.

I am working on to determine the overall upcoming challenges, the scope of this study is not limited actually but there is predictive calculation that we need to measure regarding the clients motive and interests on a certain Bank.

1.6 Limitations of the Report:

1. Difficult to collect the information from different personnel, not all of them are present all time in one location.
2. Determine the challenges are not depends on one banks or other competitors activities, moreover it mostly depends on the country's monetary policy and laws that are certainly changes and varies.
3. Some information are confidential to the bank itself; there is no way to get that confidential information & tough to determine the actual challenges in this short period.

Chapter Two
Organizational Overview

2.1 Overview (United Commercial Bank):

At 1983 UCBL (United Commercial Bank Ltd) started its banking journey. From the very beginning, they are trying to get in depth touch of customer and customer satisfaction and mostly their target was reaching as much as possible to clients door. In that goal at present, they are having 170+ branches all over the country.

New services, practicing more client-oriented packages, packages to cover all types of clients, altogether we have seen and noticed as their dynamic approach
Different segments, like

- Retail banking
- SME services
- Corporate banking
- Off shore & Online banking
- Foreign exchange & students file
- Card services (Debit & Several Credit Cards)

On an average 40,000+, cardholders are ongoing and it is increasing every months, Indicates they are approaching clients positively.

Into this way, we can measure & assume some real time banking challenges at present & upcoming challenges too.

Diversified banking and services could be introduced but continuously uninterrupted services should be provided by UCBL otherwise they can lose the competition, after all economy is the most vital part of a country and these organization (Banks) are directly involve with that.

2.2 Vision of United Commercial Bank Limited:

To be the best Private Commercial Bank in Bangladesh in terms of efficiency, capital adequacy, asset quality, sound management and profitability having strong liquidity.

2.3 Mission of United Commercial Bank Limited:

To build United Commercial Bank Limited into an efficient, market driven, customer focused institution with good corporate governance structure. Continuous improvement in our business policies, procedure and efficiency through integration of technology at all levels.

2.4 CSR (Corporate Social Responsibility) – UCBL:

CSR is reflecting one organizations accountability to the society. In a broader way financial sector, mainly the banks should have some major liabilities to the society's welfare because they are dealing and nurturing the mass people's earning/savings/transactions.

Backwards or disadvantaged mass people must need some financial assistance with relaxed collateral or relaxed interests factors, for an example- farmers of root levels (assistance required for having their primary and major supplies of farming to harvesting peak hours)

Physically disabled & orphans of extra merits needs some special care and proper patronize.

Banks should have some duties into those fields.

Overall, others CSR activities are included, like mass people awareness programs, Greening programs, encouraging root level banking.

As per the CSR activities, UCBL is doing some kinds of activities on a regular basis.

However, I have mention some portions that UCBL are participating with their CSR.

- Education
- Health
- Public awareness
- Eco friendly / Environmental safety
- Sports (National & International)
- Cultural activities

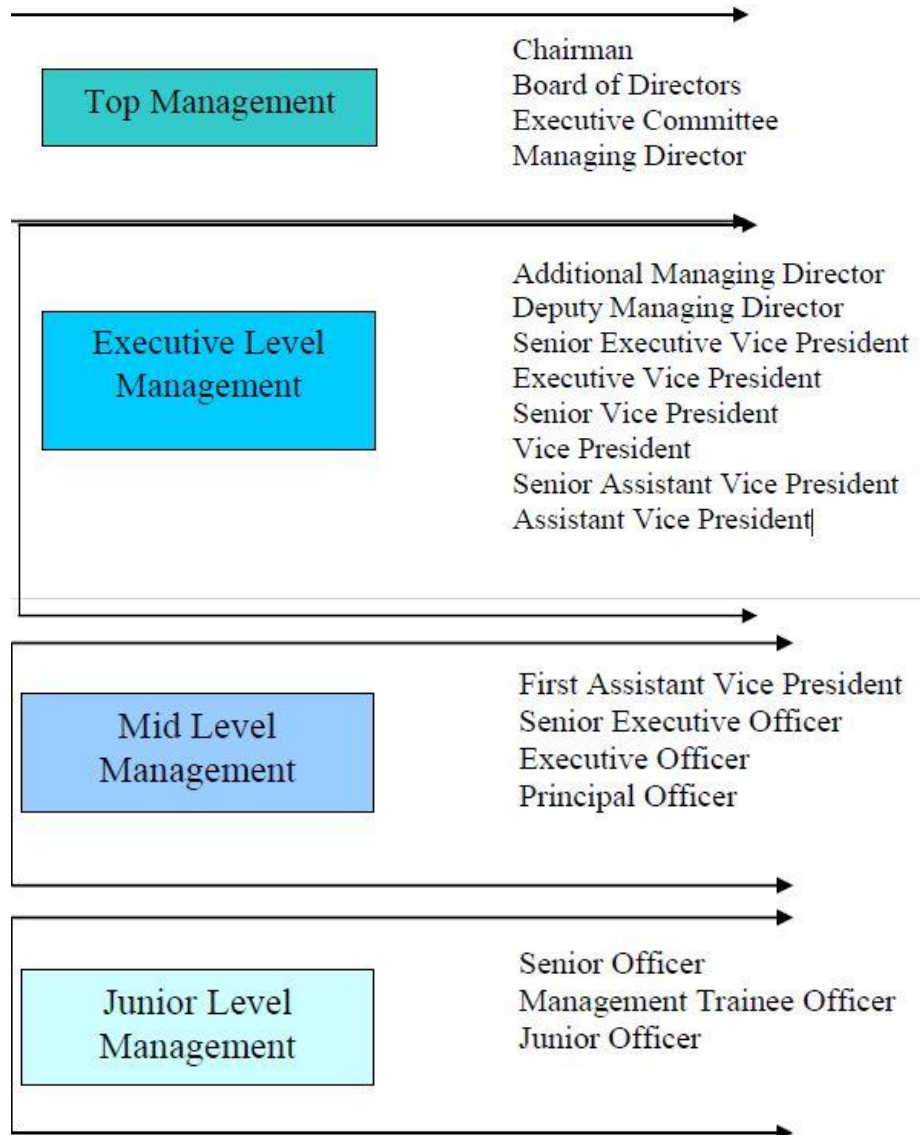
2.5 Profile (United Commercial Bank Ltd):

Registered Name	UCBL (United Commercial Bank Ltd)
Date of Incorporation	At 1983 JUNE, listed incorporated Bank. Enlisted on DSE (Dhaka Stock Exchange) at 1986. Enlisted on DSE (Dhaka Stock Exchange) at 1995..
Head Quarter	Gulshan, Dhaka 1212
Contact	096 11 999 999
Web Link	www.ucb.com.bd
Chairman	Rukhmila Zaman
Managing Director	. Abdul Muhaimen
Auditors	Syful Shamsul Alam & Co.
Tax Advisor	Md. Mosharrof Hossain
Legal Advisor	Nurun Nabi Chowdhury
Branches (Approx.)	170+
ATM (Approx.)	190+
SME Branches	2
Off Shore (Banking)	1
Employees (Approx.)	3000+ up to 2012.
Stock Summary	
Authorized Capital (Approx.)	Tk. 15,000 (amount in millions)
Paid up Capital (Approx.)	Tk. 10,541.31 (amount in millions)

2.6 United Commercial Bank Limited Network in Bangladesh:

Number of Branches	170+
SME (Included)	02
AD Branches	28
ATM	160+
Approximate Employees (ALL)	4000+

2.6 Operational Network:



Chapter Three

Analysis and Evaluation

3.1 Macro environment study of banking sector:

This study has been concentrated on the significance of financial stability and macro environmental overviews. The aim was to assess the degree of effect that macro environmental factors place upon financial stability, taking the local banking industry as our target point.

Both qualitative & Quantitative methods are applied

Qualitative analysis was carried out upon perceptions obtained through local banks' responses.

Quantitative analysis on personal overview of direct interview through the clients and stakeholders.

Trying to collect as much data and review what peoples are exactly thinking and what they are actually demands from the banks and Governments as well.

3.2 Banking sector in Bangladesh:

As a developing country like Bangladesh, we are having a developing banking system, particularly in terms of the services and customer care provided by the government run banks. Recently the private banks are trying to imitate the banking structure of the more developed countries, but this attempt is often foiled by inexpert or politically motivated government policies executed by the central bank of Bangladesh, Bangladesh Bank. The outcome is a banking system fostering corruption and illegal monetary activities/laundering etc.

There have been major significant developments in the economy of Bangladesh since 2000-2001. The economy has grown and the banking system has become more competitive but there are still a large number of under-banked people in Bangladesh (The Financial Express, 2012)

Banking / Financial Services Of Bangladesh (Survey Form)

Name:

Age:

Occupation:

Sex:

1. Are you doing regular banking activities?
 - Yes
 - No
2. Are you satisfy with the banking system & services?
 - Yes
 - No
3. What is the most disturbing part of your bank compare with others?
(Describe in short)
4. Your bank, branches & services are easy accessible?
 - Yes
 - No
5. Are you interested into online banking activities?
 - Yes
 - No
6. Online security system is overall satisfactory?
 - Yes
 - Moderate
 - No
7. Can you rely your bank & services for any kind of swift transactions?
 - Yes
 - Sometimes by bound
 - Moderate
 - No
8. Student file processing system is easy accessible?
 - Yes
 - No
9. Interest rates, Tax, Documents, Loans which departments you can rely mostly?
 - Yes
 - No
 - Moderate
10. Government or Private which sector of banking you like most?

3.3 Questionnaire conduct module:

Personal interactions with the clients from UCBL; stakeholders; some of my study mates, my relatives and few others were my sample for conducting the survey. Besides the clients of UCBL I have a great opportunity to take some information from other banks clients as well with my samples, so that I was trying to put one diagram what people are actually thinking about the overall banking system & what kind of challenges the banks are going to face.

Interviewed people=50
(business)

Age group: 30 years+ mostly (Job &

Students (Foreign File)=5

Age group: 20-23 years

UCBL Client: 20

Other Banks: 30

3.4 Questionnaire result summary:

Alarming sound I have seen by overviewing the survey. Most of them are not satisfy with the banking systems and regulations from the Governments.

50% people are saying their bank or the services are not easy accessible by location, by branches, by services.

Clients are mostly annoyed with the TAX and other charges systems from the Governments, they are asking for that with more variations and be specifically. Also interest rates should be flat in all banks and financial institutes but the actual scenario is far more different there. Every bank has their own policy and own rates.

Good news is clients are highly interested into online banking and transactions. Though international swift transactions are not reliable much from them. All kinds of other online transactions are popular day by day and clients are looking for more like real time transaction to any banks any moment etc.

Interests, Loans, Documents are always complex things to the clients and there is predictive risk of legal and laws, moreover lobbying is highly required to get all of those services at quicker.

So these are all my questionnaire general findings and their reviews.

3.5 Upcoming Challenges (Banking Sectors)

At present banks and financial organizations are facing several challenges into both ways (Internal & External).

Internal challenges included banks overall strategy, policy, proper investment evaluation, money regulation, meet the demand of stock holders & stake holders, ensuring clients' satisfaction, Liquidity balance and so many more.

External challenges included legal authority maintenance, monetary policy with the rules & regulations, international currency & international intermediary link up properly, company valuation that reflects into the stock markets.

3.6 Vital Challenges (Banks/Overview of Bangladesh):

Besides all the factors there is some major facts:

1. Balance & maintain RETURN ON INVESTMENT (ROI)
2. Aggressive & running competition 'FIN TECH (Financial Technology) VS Traditional Banks
3. Customer satisfaction (in every aspects, whether > online banking, > Cards, > loans, > interest rates, > depository interest rates, > schemes or into the larger > stock market)
4. Legal & Authority & Diplomatic system restriction

ROI (Return on investment):

Most critical and crucial parts to maintain and balancing that return on investment, or the return on equity.

That is mostly visible to the stockholders and into the stock markets, which leads to annual profit allocation during the AGM; which indicates the market value of those banks.

One sudden drop can fall the market of any banks and client will move to other options, as a result there will create a quick aggressive liquidity crisis.

Traditional Banking VS Fin Tech Banking

Sophisticated and vital challenge presently and in future it could become the major challenging factors.

Tech based, software oriented, worldwide instant transactions, using pocket device and also ensuring the highly secured protocol is going popular and it becomes the clients need in general not demand.

Cope up with the Fin Tech corporations & having their services with all regulatory systems will be a major challenge.

Customer satisfaction

This is the common parts in every organizations and business. But banks and financial sectors client satisfaction is more sensitive. It depends and dealing with the direct money and monetary flow which runs the economy.

Regulatory Bindings

Every country has their own rules to run the financial systems; as rapidly changing the factors and fast growing the challenges with that factors regulatory systems and legal regulations will also be changed. But in general and reality it happens rarely. That derives many holes and create the money laundering, illegal money transfers, large amount of bad debts, bankruptcy and many things.

Security risk:

At present online banking is going popular mostly. For maintaining the online banking bank needs to more focus into online scams and have to more focused on online security systems, otherwise it will create a mess in future and people will lost their complete faith into banking systems that won't be a good sign for the economy.

Preventing the CARD fraud:

Scammers are highly active to fraud the card and having the unauthorized transactions. They are implementing new scamming ideas, banks and online security department should be updated at every time otherwise bank can't cope with the

systems and could be placed any kind of fraud events any moment.

Contribution to GDP through productive loans:

Our government is failing to achieve growth of the credit target, which is contributing to the lower investment. The Incremental Capital Output Ratio (ICOR) which measure the investments of any country has shown us that the GDP of our country should be increased which is deteriorating over the past few years. At the Fiscal Year 2013-2014 government tries to increase the investment rate at 32 percent of GDP for achieving the GDP growth rate of 7.2 percent. But due to the negative growth of credit in both private and public sector, the banks growth rate has been deteriorating which indicates the deregulation in financial sector of our country. In recent years, the growth of credit is also declining because of the consecutive monetary policy of Bangladesh Bank, political unrest, uncertainty in our country and most of all lack of infrastructure facilities and lawlessness.

Capital raising fee structure for customers:

The amount of the placement fee will vary depending upon if the offering is for equity or debt instruments and the overall value associated with the offering. The placement fee percentage will be higher for equity offerings due to the higher risk of successful completion and higher level of effort associated with equity raises.

The world still needs a wide array of investment banking services. Even in an age of slow growth, businesses continue to need help raising capital.

Tax issues:

Banking industry is facing a high tax rate, which affects its profitability and attractiveness for new entrants.

Low quality of asset:

Banks main asset is the customers' deposit, collateral, reserve currency, securities, other financial organizations share.

By not maintain the benchmarks of collateral and it's life value or time value, average common collaterals will consider as devaluing asset or the market values.

Any intentional bankruptcy can't resume the loan amount that was authorized.

Not encouraging the fair depository systems and less profit offerings can place banks one step behind to compare with Governments schemes; for an example 'SONCHOY POTRO'

Another scenario, by maintaining the liquidity balance and avoiding the major liquidity crisis sometimes banks are taking some extra precautionary steps by reserving foreign currency or stuck some indicated amount from the client's deposit and as a result of extra precaution that leads the idle asset and also it decreases the ROI, one major challenge.

Lack of good governance & Less reliability

Financial or Banks activities will represent the overall financial and monetary policy of a country.

As much possible this sector should be reliable to the mass people. If mass people won't rely some specific banks but it will create a negative shadow to all the others as well. That shadow will reflect the international investors and foreign donor banks a negative impression.

Any kind of financial corruption and involvements of financial employees directly is creating and discouraging the investors, donor countries, loan provider countries, interest free developing loans, these all derives the backwards for our total economy.

Capital Adequacy:

The capital adequacy of the banking industry recorded a minor decline in the review year. Compared with end-December 2013, the proportion of banks compliant with the minimum capital adequacy ratio (CAR) remained mostly unchanged as of end-December 2014; 91 percent of the scheduled banks were able to maintain their capital adequacy ratio at 10.0 percent or higher in line with Pillar 1 of the Basel II capital framework.

Human resources:

All of us feel that the banking industry badly needs skilled human resources who will not only service old products but will also create and launch new innovative products. Educating the market remains the first requirement towards creating new products and developing skilled human resources. Besides people and product

issues, you need to be ever vigilant about the ever-changing technology and regulatory requirements.

Chapter Four

Recommendations, Conclusion

4.1 Recommendations:

There are several problems in banking industry in Bangladesh and Bangladesh Bank is trying to reduce those problems. Although they are trying to reduce, there are huge problems that are not control in a day or a year. In this paper, we find out several solutions to reduce those problems which will more reliable that will be implemented and Bangladesh Bank will get benefit. Those are mostly theoretical which may be implementable. Bangladesh bank has to attract their customer and have to have knowledge about customer what they want. There are number of banks that are not using technology. Bangladesh Bank has to ensure that they serve the customer as fast as possible by using technology. They have to maintain or increase their reputation. There are number of problems in credit management that they have to mitigate those problems by forming strong management and strong observation. By strong controlling of Bangladesh Bank, banking industry will go-ahead faster, this is our desire. For making this paper I faced several problems like I considered mostly secondary data. I suggest those people who will work related to this project as if they will consider both primary and secondary data.

United Commercial Bank Limited has made a great success in the Banking sector for its outstanding performance since inception. Despite tremendous success in different parts of banking arena, United Commercial Bank Limited needs to take some initiatives for further improvement and reputation in its performance.

4.2 Conclusion:

In recent years, Bangladesh has increased in economic sector but there are lots of problems due to governmental changes. Banks are increased in number last many years and they are trying to improve their asset quality management and show better financial performance. The focus of the banking sector would be the recovery of the loans that has been made last part of the previous year through the central bank's directory. But in banking industry, there are several problems like low quality assets, lack of good governance, transparency, accountability and Inadequacy of effective risk management system. The non-performing loans are major concerning here. In this paper, we are trying to show some NPL related information that are helping us to take decision.

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