An Internship Report on

Analysis of Credit Operation and Performance of Mutual Trust Bank PLC

“Analysis of Credit Operation and Performance

of

Mutual Trust Bank PLC”

Submitted To

Md. Arif Hassan

Assistant Professor

Department of Business Administration

Faculty of Business and Entrepreneurship

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Submitted By

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ID: 222-14-522

Masters of Business Administration

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Date of Submission: August 14, 2024

Letter of Transmittal

Date: 14/08/2024

To
Md. Arif Hassan
Assistant Professor
Department of Business Administration
Faculty of Business and Entrepreneurship
Daffodil International University

Subject: Submission of internship report on **"Analysis of Credit Operation and Performance of Mutual Trust Bank PLC."**

Dear Sir,

With due respect it is my pleasure to submit my internship report titled 'Analysis of Credit Operation and Performance of Mutual Trust Bank PLC'. Thus, it was possible to gain practical experience and acquire all information about the credit operations management of the banking system. This report has incorporated, to the greatest extent, the knowledge and experience at the practice level.

Therefore, I kindly request you to approve my internship report. It was such a pleasure for me to work on this report under your supervision.

Sincerely Yours,

…………………………………..

Wahidul Islam
ID No: 222-14-522
Program: MBA,
Major: Accounting
Department of Business Administration
Faculty of Business and Entrepreneurship
Daffodil International University

Declaration

I, Wahidul Islam, a student of Masters of Business Administration (MBA) program bearing ID: 222-14-522, major in Accounting from Daffodil International University would like to declare here that this report has been prepared after three months of internship at Mutual Trust Bank, Ashulia Branch.

The report is solely for academic requirements and has not been submitted in part or full elsewhere for any other degree and this report is prepared under the supervision of Mr. Arif Hassan, Assistant Professor, Daffodil International University.

…………………………

Wahidul Islam
ID No: 222-14-522
Program: MBA,
Major: Accounting
Department of Business Administration
Faculty of Business and Entrepreneurship
Daffodil International University

Letter of Approval

I hereby confirm that Wahidul Islam, ID Number 222-14-522 is a regular student of Master of Business Administration (MBA) Program under Department of Business Administration, Daffodil International University & has successfully completed his internship at Mutual Trust Bank PLC. Under my guidance, he has finalized her internship report on **"Analysis of Credit Operation & Performance of Mutual Trust Bank PLC"**

I wish him happiness, good health, and every success in his life.

………………………………

Md. Arif Hassan
Assistant Professor
Department of Business Administration
Faculty of Business and Entrepreneurship
Daffodil International University

Acknowledgment

First of all, I would like to thank the almighty Allah for providing me strength and chance to prepare this Internship report. For which I cannot make any achievement in my life without his help.

In my deepest gratitude, I would like to thank my supervisor Md. Arif Hassan, Assistant Professor, Department of Business Administration, Daffodil International University for his continuous motivation, constructive feedback, and suggestions throughout this research study which helped me to accomplish the report successfully.

I would also like to thank to all the official of Mutual Trust Bank PLC (Ashulia Branch) especially; Albart Jony Baroi (AVP & Manager), Syed Shalequzzaman (Deputy Manager & BOM), & Special thanks to Debashish Kumar Bar (Customer Service Officer & GB In-Charge) for their proper guidance and their hardworking to teach me the practical part of the internee work.

Last but not the least; I am grateful to my parents for their support, prayers for my bright future and thanks for all of my friends for their support during in this intern ship program.

Executive Summary

Mutual Trust Bank is the organization where I have done my three months internship and here, I have submitted my Internship Report in partial fulfillment of my MBA Program. The contents of this report are mainly based on the observation and analysis of my day to day works carried in credit department of Mutual Trust Bank PLC, Ashulia Branch.

MTB, an acronym for Mutual Trust Bank PLC is one of the leading private banking organisation of Bangladesh providing general banking , loan and advance & capital market services etc. In the financial system, a specific institution like a bank has the responsibility of mobilizing resources from the public in terms of deposits and providing the same to the business and other individuals in terms of loans. Moreover, the report goes through the interest paid to deposit holders and the interest earned by the bank from borrowers. This report also covers the risk assessment procedures of MTB, as well as its disbursement and recovery responsibilities.

The first part of this report includes the introduction of this report, which is made to maintain the proper execution of this report. In second, a brief idea about the Mutual Trust Bank PLC has been provided. The third part of this report is consisting of theoretical content. Part four includes some analysis regarding credit operation, management and credit performance of the Mutual Trust Bank PLC. The balance part includes the analysis, findings, recommendations and conclusions sections.

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CHAPTER: 01
INTRODUCTION

1.1 INTRODUCTION

Internship is one of the most important stages in studying and practical experience in the transition of lessons that have been studied in the classroom into real-life practice in the banking field. Internships also provide students an opportunity to put into practice what they have learned in class acquire career related skills and be exposed to potential careers.

As intern at Mutual Trust Bank Limited, I strive to align myself with the continuously expanding market and competitive field of banking industry because there is always a place to apply what was learned in classes. This allows me to receive practical experience and learn about such segments of financial services firms as customer relations, products, and the laws that govern them and the processes of managing the risks related to these services. Applying the knowledge in a real banking environment I not only gets the technical skills needed in the banking environment but also other commodities such as teamwork and communication skills, and problem solving skills that are useful in a working environment.

Moreover, this internships at Mutual Trust Bank Limited enable me to appreciate the progressive changes in the industry, technologies beside development of strategic plans in the industry.

1.2 BACKGROUND OF THE STUDY

The preparation of this report has become essential for the fulfillment of my course curriculum at Daffodil International University MBA program. After successfully completing the course work the students are expected to undertake three month internship in an industry. I had the opportunity to intern in Mutual Trust Bank PLC (Ashulia Branch) where I get the practical knowledge.

I would like to thank my supervisor Md. Arif Hassan who had provided me the topic “Analysis of Credit Operation and Performance Of Mutual Trust Bank PLC” for this report.

1.3 OBJECTIVES OF THE STUDY

However, the main focus of the upcoming report is to critically evaluate and report the credit operation and credit performance of Mutual Trust Bank PLC. This involves a detailed exploration of the following specific objectives:

- To know the procedures involved in the credit operation.
- To evaluated the credit performance of Mutual Trust Bank PLC.
- To finds problem related to credit operation and performance.

1.4 METHODOLOGY

It is important to note that the methodology is much more than data collection methods. It is, therefore, significant to understand which theory these methods are based on. For example, if the target is the analysis of an algorithm or the comparison of a system, these concepts should be understood. Thus, it can be observed that the use of primary data is minimal as most of the data collected is secondary in nature.

1.4.1 Secondary Sources:

The printed, electronic and hard copy forms of information are viewed as being additional sources that give more information in relation to a specific topic or subject matter. Such as:

- Subsequently, examining the annual reports of Mutual Trust Bank PLC.
- By reading circulars received from Head Office and Bangladesh Bank.
- By analyzing papers focused on this issue.
- Conducting research on the official website of Mutual Trust Bank PLC.

1.5 SCOPE OF STUDY

When I interned at the MTB's Ashulia Branch I got a chance to conduct a study during my three months internship there. The topic that has been selected for the purpose of preparing this report is "Analysis of Credit Operation and Performance of Mutual Trust Bank PLC." The report carries a lot of detailed information on the credit operations of the Mutual Trust Bank Limited as well as the experiences collected while working in the credit division in Ashulia Branch. It gives an insight of the debt under consideration through the credit process and performance. In addition to this topic, there are other areas for working and analysis, such as:

- General Information and Brief History about Mutual Trust Bank PLC

- Various credit related ratios and important factors impacting MTB's financial status

- Credit management and the efficiency of the MTB

- A comparison of the proposed solution to compare with the other Banks.

1.6 LIMITATION OF THE STUDY

The officials and employees of MTB Ashulia Branch were very supportive throughout my three-month internship period that I have spent there. However, there are several factors that compromised the quality of this report:

a) The process described in the report gives more preference to theory than practice. If a practical application could have been conducted then it would have been more useful to get an overall sense of its efficacy as unfortunately due to time constraints this was not possible.
b) This topic highlights that and a major issue that the participants face while dispensing their roles is the ability to maintain confidentiality. Naturally, MTBL employees were very unforthcoming because the organization’s employment policies required them to protect information.
c) Since the activities changed daily, it became extremely difficult to keep up with all the changes in the bank.

Nevertheless, it should be pointed out that this report provides meaningful information about the credit management operations of the bank.

CHAPTER: 02

AN OVERVIEW OF MUTUAL TRUST BANK PLC.

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2.1 HISTORICAL BACKGROUND OF MTB

This organization known as Mutual Trust Bank PLC was established as a Public Limited Company on 29 th September 1999 under the act of companies act-1994 which is a very progressive change as 3 rd generation bank in Bangladesh banking sectors. It started its operation when it got the Certificate for Commencement of Business on the same day and got a license from Bangladesh Bank on October 05, 1999 as per the provisions of the Banking Companies Act 1991. Established on October 24, 1999, MTB operates from its Corporate Head Office at MTB Centre, 26, Bir Uttam Mir Shawkat Sarak, Dhaka 1212.

Wholesale Banking, Retail Banking, International Trade Financing, SME Banking, NRB Banking, Off-Shore Banking, Privilege Banking are the major segments of Banking services offered by the bank. It effectively operates in the global market through more than four hundred affiliated overseas correspondent banks.

Currently, MTB has been successfully maintaining 120 branches and 39 sub-branches through 200 Agent Banking Centre, 18 kiosks, own 310 modern ATMs among 6 CRM Booths and 4 Air Lounges. Also, it boasts more than 3,220 Point of Sales (POS) machines well situated within business, city, and rural markets. It offers real-time and efficient online banking services including online banking, internet banking, and mobile banking via the provision of an experienced and professional team in the Relationship Manager as well as Alternate Delivery Channels (ADC).

Mutual Trust Bank, Ashulia branch, where I was assigned is state in December 29, 2013; age is 10 years; Branch code 078. This branch custodian of 1 ATM booth and cash status.

2.2 TIMELINE AND MILESTONE

1999
- Mutual Trust Bank Ltd. (MTB) is incorporated,
- First Meeting of the Board directors
- Inauguration of 1st Branch

2003
- Commencement of Real-time Online Banking.

2007
- Acquiring 100,000 Customers.

2008
- Introduction of new card products.
- The grand opening of the very first Small and Medium Enterprise (SME) Service Centre.

2009
- Offshore Banking Units (OBUs) have been introduced
- NRB Banking Division, which has been designated as the primary dealer of government securities

2010
- MTB Securities Ltd. (MTBSL) is launched as 1st Subsidiary
- Inauguration of MTB 50th Branch at MTB Centre

2011
- Inauguration of MTB Exchange (UK) Ltd.
- Incorporation of MTB Capital Ltd. (MTBCL)
- Launching of 1st MTB 24/7 ATM
- Launching of MTB 24/7 Contact Centre.

2012
- Inauguration of MTB 100th ATM
- Introduction of 1st Green ATM

2014

- Inauguration of MTB Tower and 100th branch
- Recognition as the "SME Bank of the Year" and " Women Entrepreneurs" Friendly Bank of the Year"

2015

- Winning the 15th DHLThe Daily Star Bangladesh Business Award as the Best Financial Institution of 2014

2016

- Launching of MasterCard
- Inauguration of MTB Agent Banking

2017

- Inauguration of MTB Air Lounge, Dhaka

2018

- Inauguration of MTB Air Lounge, Chattogram

2019

- Inclusion of Norfund in the MTB equity.
- Inauguration of MTB Air Lounge, Sylhet
- Inauguration of 1st Banking Sub-Branch
- Inauguration of 300th ATM

2020

- MCT Project Team Successfully Implemented the CBS and Performed Go-Live on November 05, 2020 and Subsequently Completed the Year End Process of 2020

2.3 MISSION, VISION, & CORE VALUE

2.3.1 Mission

The mission statement of Mutual Trust Bank is to be recognized as the most respected financial institution within a country. It works to be viewed as an evolving, disruptive, and client-centric organization providing a comprehensive portfolio of goods and services with a focus on excellence and in the generation of considerable economic returns.

2.3.2 Vision

Mutual Trust Bank's vision is based on a philosophy known as MTB3V. We envision MTB to be:

- One of the best performing banks in Bangladesh
- The bank of choice
- A truly world-class bank

2.3.3 Core values

Commitment:

- Shareholders – They aspired to make economic value for the shareholders through a successful and clear business model.
- Community – They are committed to the welfare of the community by providing employment opportunity, contributing to any programs in the society and ensuring they run a proper company that contributes to the economy and the society.
- Customers – Being loyal to the customers, they provide them with innovative services, cover a vast assortment of products, and try to satisfy all clients' needs in banking sphere to the utmost.
- Employees – They appreciate their employees more than anything else and recognize much value in them as valuable knobs of their wondrous financial institution. They co-ordinate to assure that diversity, that is, the background, culture, experience, and abilities, and the potential of all employees in the company gets valued and appreciated irrespective of their positions within the company.

Accountability:

Being a bank, they are held to account for the successful delivery of their bargain, and this is the kind of accountability they receive. They would like to follow and offer the best quality service and follow the regulation and standards of ethics in the business world.

Agility:

They are always ready to adopt change and are not rigid with their working procedures. They are very flexible and can quickly change their activities to address stakeholders' demands and achieve their goals.

Trust:

They attach much importance to trust, which involves the obligation to be open and truthful with one another within the framework of the collaboration process and the relations between providers and customers.

2.4 CORPORATE INFORMATION OF MTB

Registered Name of The Company

Mutual Trust Bank Limited

Legal Form

On September 29, 1999, the Company officially became a Public Limited Company under the Companies Act 1994. This transformation saw its authorized share capital set at BDT 1,000,000,000, which was divided into 10,000,000 ordinary shares of BDT 100 each. However, at present, the company's authorized share capital stands at BDT 10,000,000,000, distributed into 1,000,000,000 ordinary shares of BDT 10 each.

On the same day, the Company was also issued a Certificate for Commencement of Business and subsequently granted a license by Bangladesh Bank under the Banking Companies Act 1991 on October 5, 1999. The company commenced its banking operations on October 24, 1999.

Company Registration No:

C38707 (665)/99 on September 29, 1999

Bangladesh Bank Permission No:

BRPD (P) 744(78)/99-3081 on October 5, 1999

SWIFT Code:

MTBL BD DH

Registered Office:

MTB Centre, 26 Gulshan Avenue, Gulshan 1, Dhaka 1212, Bangladesh

Corporate Website

https://www.mutualtrustbank.com/

Auditors

J. ABEDIN & CO.

Chartered Accountants

National Plaza (3rd Floor)

109 Bir Uttam CR Datta Road

Dhaka 1205, Bangladesh.

2.5 ORGANIZATIONAL STRUCTURE

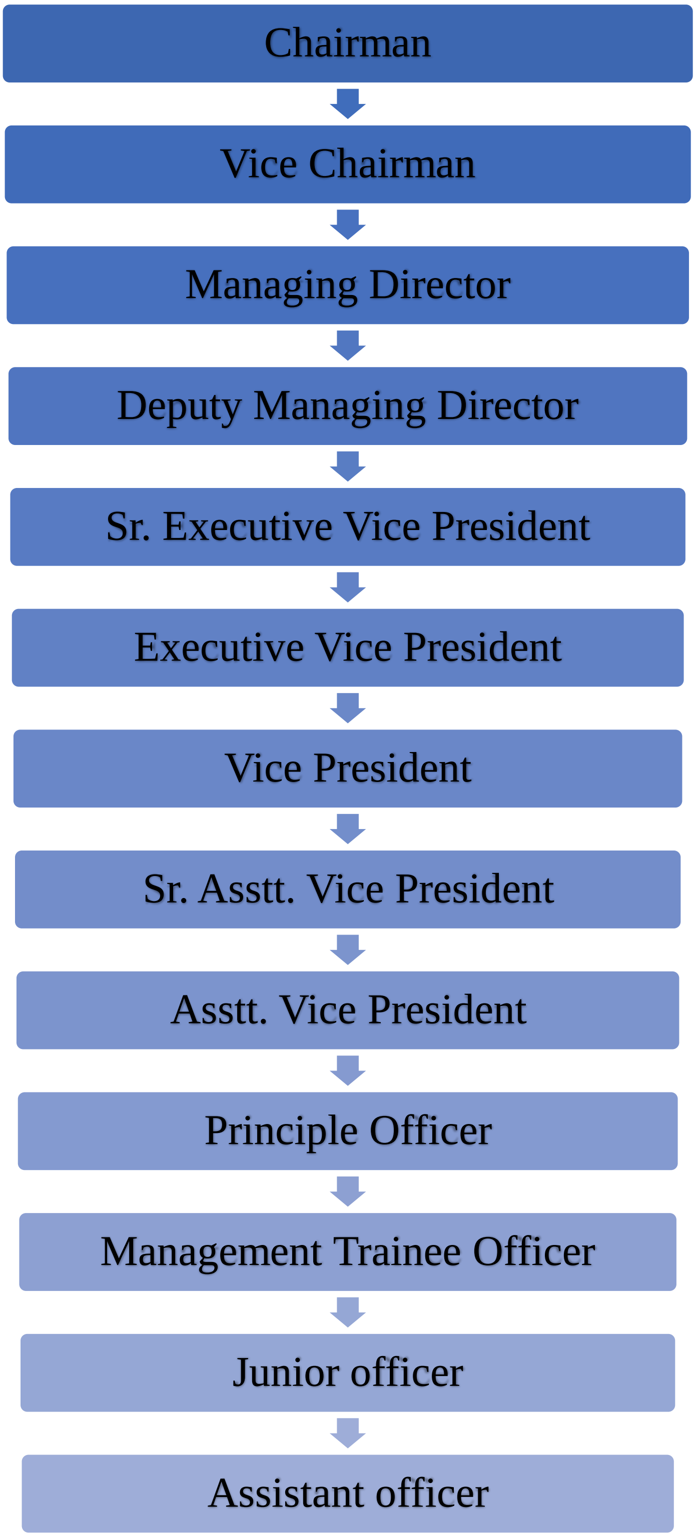

Figure 2.5: ORGANIZATIONAL STRUCTURE

2.6 PRODUCTS AND SERVICES OF MTB

2.6.1 MTB Wholesale Banking Products and Services

- **Term Loan:** MTB offer term loans for the following broader purposes:
  - Finance for Importing Capital Machinery
  - Lease Finance
  - Commercial House Building Finance
  - Term Loan to NBFI & MFI

- **Working Capital finance:** Following products are offered for Working Capital finance:
  - Overdraft
  - Short Term Loan
  - Loan General
  - Time Loan
  - Bank Guarantee

- **Trade finance:** MTB trade finance service consists of funded and non-funded facilities. Following is a list of Trade Finance services.
  - Export finance facilities include:
    - Back to Back L/C (Sight/Usance)
    - EDF Loan
    - SOD (Garments) & Packing Credit
    - Export Bill Discounting (FDBP and IDBP)
    - Export Factoring:
  - Import finance facilities include:
    - LC (Sight/ Usance/ UPAS)
    - Acceptance/IFDBC (Inward Foreign Documentary Bills for Collection)
    - PAD/ LTR
    - Loan General

2.6.2 MTB Retail Banking Products and Services

- **Retail Deposit Product:**

  - **MTB Savings Account:**
    - MTB Care
    - MTB Extreme Savings Account
    - MTB Inspire
    - MTB Shanchay
    - MTB Regular Savings Account
    - MTB Senior

  - **MTB Current Account**
  - **MTB Foreign Currency Account**
  - **MTB Deposit Schemes:**
    - MTB Brick By Brick
    - MTB Kotipati
    - MTB Lakhopoti
    - MTB Millionaire Plan

  - **MTB Fixed Deposits:**
    - MTB Double Saver
    - MTB FDR In Days
    - MTB Fixed Deposit
    - MTB Monthly Benefit Plan
    - MTB Quarterly Benefit Plan
    - MTB Shield

- **Retail Loan Product:**
    - MTB Auto Loan
    - MTB Cash Line
    - MTB Home Equity Loan
    - MTB Grameen Griho Reen
    - MTB Home Loan
    - MTB Neer
    - MTB Personal Loan
    - MTB Professional's Loan

2.6.3 MTB Others Products and Services

- MTB Privilege Banking.
- MTB Student Banking:
    - MTB Student Savings Account:
        - MTB Graduate
        - MTB Junior
    - MTB Student Deposit Scheme:
        - MTB Children Education Deposit Scheme
        - MTB Education Plan
    - MTB Student Loan:
        - MTB EDU Finance
- MTB Payroll Banking:
    - Payroll Premium
    - Payroll Savers
    - Payroll e-Savers
- MTB Angona:
    - Angona Savings Account
    - Angona Premium Account
    - Angona Fixed Deposit
    - MTB Ava

CHAPTER: 03

THEORETICAL BACKGROUND

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3.1 DEFINITION OF CREDIT

The word ‘credit’ is comes from the Latin word ‘Credo’ that's refer to ‘I believe’. Credit refers to the faith which a creditor has got on a person, business firm or company or an organization etc. to pay back the borrowed money. Credit is an exchange of an item of value for a promise to deliver something of value on a later date (Kothari, 2013). The functions of the banking sector may include managing and maintaining accounts through deposit taking and providing of credit facilities. Controlling credit operations is one of the most critical aspects of any bank.

Credit helps in functioning of banks as it can provide direct funds needed for acquiring various goods on the spot. Banks obtain most of their income from it, but if misused it negatively affects the economy. In many areas of life, such as manufacturing, large scale or ultimate however comes from bank financing which is considered to help in progress.

3.2 FACTORS CONSIDERED FOR CREDIT

- **Credit Mix:** It is the various kinds of credit facilities that a borrower avails, including credit cards, mortgages, personal credits among others. Including a diverse mix is reported to be good for credit scores.
- **Credit Age:** The years of credit history that have been associated with the credit accounts. There is generally a positive correlation between length of credit histories and credit granting.
- **Interest Rate:** Interest refers to the price tag of credit and is measured as a rate of percentage. Higher interest rate makes credit costly.
- **Inflation:** This is commonly referred to as the rate at which the general price level for goods and services increases. The general high inflation undermines the value of money and repayment of loans.
- **Time:** The period for which credit is made available. Lengthening the terms can create problems, with the total interest costs, possibly becoming higher.
- **Risk:** The probability of default on the loan by the borrower. Instability means more risk and therefore more interest rates.
- **Operating Expense:** The cost that are incurred in the process of administering the credit account as it continues to be in use. Some of them are administrative fees and other costs related to the service.

- **Security or Collateral:** The property that is offered by the borrower in case they default to repay the borrowed amount. In the event of default by the borrower, the lender takes possession of the collateral.
- **Legal Considerations:** Legal frameworks that aims at controlling and regulating credit and lending institutions. The lenders as well as the borrowers are required to adhere to legal requirements.
- **Finance Charge:** The overall expense of the loan, which includes interest charges and other fines if any. It captures the actual cost of credit.

Adding all these factors makes it possible for the lenders to evaluate the credit risk that is attached to the borrowers and the credit that the borrowers are willing to offer.

3.3 PROCEDURE OF CREDIT APPROVAL

1. **Credit Application from borrower:** The borrower submits written request concerning the loan.
2. **Filling Form-A:** Providing the borrower with form-A that is ready to be filled in and a form that the borrower has to sign. Completing other basic documentation that was required for preparation of the loan.
3. **Analysis CIB Report from Bangladesh Bank:** Requesting the credit report containing the borrower's credit history and his/her credit status at the time of application to the Credit Information Bureau.
4. **Verification:** To ensure that all the details that have been filled by the borrowers concerning the financial or the project part is correct.
5. **Processing Loan Proposal:** Gives a credit level or score based on the analysis done and comes up with an appropriate loan proposal.
6. **Credit Insurance:** Securing of insurance that would help the lender to protect him in the event that the borrower is unable to repay the loan.
7. **Project Appraisal:** The appraisal of the capability and the opportunity of the turn of the project for which the borrower looking for a loan.
8. **Head Office Approval:** Approaching the higher authorities or the head office for proposal of the loan.
9. **Sanction Letter:** Signing over an official letter of approval of the loan and all the terms surrounding it, in writing.

10. **Documentation:** Every single document and legal procedures which is required for the sanction of the loan has to be completed.
11. **Disbursement:** Issuer paying the agreed sum of money to the borrower once certain conditions are fulfilled and necessary paperwork done.

When these steps are combined, there is a proper way through which lenders can assess and either accept or reject loan applications thus reducing risk for the organization.

3.4 CREDIT ANALYSIS:

Before getting a loan, there is a need to conduct a credit check in order to identify the borrower's capacity to repay debts.

1. Information Gathering:

During this stage, banking data, payments, future investing plans, and guarantees are recorded. They also include data on behavior that has been gathered using the modern methods.

2. Information Analysis:

Here, documents like IDs and license are validated, while financial information like balance sheet and cash flow is audited. The purpose is to evaluate the risks and the borrower's competency in repaying the debt. Still, it is also important to note that this approach can be quite laborious, since it currently involves manual identification and categorization of advertisements.

3. Decision Making:

In this step, risks are pointed out and a course of action is recommended by the analyst; the credit committee then arrives at the decision. New approaches involve quick data processing techniques that avoid the time wastage and human mistakes.

Combined, these steps establish a thorough check of a borrower's worthiness in receiving a loan.

3.5 CREDIT POLICY OF MTB:

Like any other organization operating in the market, there is a need for banks to ensure that their credit policies satisfy organizational and regulatory requirements with an eye on profitability. In MTB's operation, the credit policy is essential acting as a guide specifically in the approval of loans and management of the facilities of this financial institution. Even though the credit policy of MTB may not have been formally written down, the organization conducts its operations with certain set principles bearing in mind the best practices with regard to credit control and an efficient loan portfolio.

As for the credit policy, its main function is to support the bank in making profitable loans to meet the legal norms. It outlines a sound approach on how to choose and manage the loans in a way that meets the strategy of the bank. However, it was found that the lack of an official policy in MTB does not necessarily mean that there are no rigid sets of rules. However, the bank practices an unsystematic but structured approach to the management of credit.

In other words, even though it is true that Mutual Trust Bank Limited does not have a written credit policy to guide its credit activities, most of the institutions have some core principles that must be adhered to in order to practice compliance, make profits and ultimately, achieve the organizational objectives of the company. All these should be put and observes since they are important to the success of the bank and compliance to the set regulations.

3.6 PRINCIPLES OF CREDIT AT MUTUAL TRUST BANK PLC (MTB)

Mutual Trust Bank (MTB) has made it, its responsibility to extend loans and advances to clients under the following principles. These principles have been prescriptive in manner to make the risk taking and lending not only safe and legal but also ethical. Let's delve into the key principles followed by MTB:

1. Compliance with Regulations: In the case of credit extension, MTB is very careful to ensure that all its credit extensions meet the provisions of the Bank Company Act and the guidelines of the Central Bank.

2. CIB Report Requirement: Before approving credit facilities MTB compels their clients especially individuals or another legal entitles to present a favorable CIB report.

3. Responsible Loan-to-Deposit Ratio: It also used a good standard to measure the outstanding loans against the deposits that it receives from the clients.

4. Funding from Customer Deposits: The funding sources of MTB have been majorly the loans from customers while it avoids dependence on short-term funds or borrowing from other banks.

5. Risk and Reward Balance: In this way, possible returns for financing are weighed against the danger involved in it exactly to make a wise decision at MTB.

6. Ethical Standards: Every credit activity that is being conducted in this MTB is being done so without any intention of violating the ethical standard.

7. Manageable Risk: MTB tactically offers credit only on such areas that risks can be understood and well managed.

8. Pre-Investment Evaluation: The loans are extended based on the credit worthiness of the borrower and the feasibility studies that have been conducted on the intended project.

9. Credit Diversification: The management of the bank does not allow for the accumulation of credit from one client or group of clients by using diversification within the loan portfolio.

10. Avoiding Name Lending: It is the policy of MTB not to grant credit facilities based on name / standing of the borrower without due consideration.

11. Business Considerations: Financing is done subject to a thorough evaluation of utility of credit, business prospects, credit required , lent and proposed security, cash flows and the risk profile.

Accordingly, based on the described principles, MTB secures not only its affairs of lending to possibly worthy borrowers but helps the bank to achieve high quality of its work as well as becoming financially secure and profitable for the clients and shareholders.

3.7 CREDIT COLLECTION OF MUTUAL TRUST BANK PLC (MTB)

- **Debt Settlement:** The length of time for a loan package is determined by the place where the loan is taken. This period depends with the conditions of that particular region.
- **Loan Breakdown by Past Days:** The rate of credit errors is calculated from the first payment and using the customers average daily payment figure. This rate also includes the amounts which were reported for previous days.

- **Loans from the Previous Day:** The amount borrowed is fixed and from the first payment day, they receive a daily payment.
- **Billing Procedure:** This means that the customers will be given a notice or a bank agreement that illustrates all the installments as well as the credit details and the repayment schedule. In the case where the customer has violated the agreement or has not made the payments in due time the particular account will be closed for that period. The debt collection is the actual procedure of attempting to acquire unpaid sums from consumers who have outstanding balances without a secured contractual right. This involves four phases:
    - Crawling: The first point refers to the initial identification and monitoring of the overdue accounts in a business.
    - Searching: To decide what action is to be taken, it is first necessary to detect and search for the overdue payments.
    - Collecting: The process of collecting the amounts that are long overdue from the customers.
    - Retrieving: Last recovery and documentation of the payments.
- **Collection Unit:** The collection procedure for SMEs and retailers starts from the time the customer defaults a payment at least. The collection unit’s main objectives are aimed at preventing large losses in revenues and credit problems.

3.8 CREDIT FACILITIES OF MUTUAL TRUST BANK PLC (MTB)

3.8.1 MTB Personal Loan

❖ **Features**

- Loan amount sizes from Tk. 50,000 to Tk. 10,00,000 with easy payment tenors of 12 months to 60 months.
- There are no additional costs, and it offers an attractive and a cheaper interest rate.
- Documentation is simple, and the processing is fast with an added advantage of pre-settlement.

❖ Eligibility

- A minimum age of 21 and a maximum of 65 years (or retirement date, whichever is earlier at loan maturity).
- Customers must have made a minimum of 6 loan EMI repayments with their existing bank.
- The minimum takeover loan amount is Tk. 200,000, and the maximum is Tk. 20,00,000.

The facility of Loan Balance Transfer or Take-over is available for customers already enjoying EMI-based personal loans with other banks.

3.8.2 MTB Auto Loan

❖ Features

- MTB Auto Loan is suitable for car loans for new/reconditioned (unregistered) car as well as locally used (registered) car.
- There are no hidden cost for this service & the interest rate offered is relatively reasonable.
- They are easy to document and the processing time is short & there is also an option to pay early.

❖ Eligibility

- The applicant needs to be at the age of 21 and below 65 years or up to the retirement age of the applicant at the time of loan repayment.

❖ Experience

- For a salaried person, it is needed to have one-year experience of which 6 months must be in a permanent employment status.
- For a self-employed individual, it is required to have one (1) year of practice in the profession.
- For a businessperson, he or she requires to have engaged in the similar line of business for at least two years.
- Minimum BDT 40,000 for those who has salary job and self employed professional.
- Atleast 50,000 BDT for being a Businessperson/ Landlord/ any other Income earner.

❖ **Loan Amount**

- For a brand new or unregistered car the loan amount is to be in between BDT 400,000 to BDT 40,00,000.
- For a registered used car, the range of the borrowed amount is very large, starting from BDT 400,000 and up to BDT 25,00,000.

✓ However it is relevant to mention here that maximum loan size determined by this plan is governed by the regulation of BB.

❖ **Repayment Tenor**

- The repayment period is; minimum of six months and a maximum of seventy-two months.
- For brand new cars, the repayment tenor allowed is to a maximum of 72 months, whereas for reconditioned vehicles, the allowed tenor is 60 months.
- The maximum repayment tenor for locally registered or used vehicle is up to 48 months only.

3.8.3 MTB Home Loan

❖ **Key Benefits**

- Money to be borrowed for the acquisition of flats/offices.
- The loan limits that can be availed are starting from BDT 500000 going up to BDT 2000000.
- Repayment period of the loan for a period starting from one year to twenty-five years.
- You can borrow up to 70 percent of property’s value.
- An advantage of this account is that the co-applicants’ income can be combined.
- Competitive interest rates.
- Easy and quick processing and obtaining of application and approval for the loan.
- Small commercial/apartment mortgage loans for units still under construction.
- They give partial or early settlement procedures.

❖ Eligibility Criteria

- Available for anyone with the up-front financial means to fund the work.
- Age requirement: At least 25 years, but no more than 70 years, or the retirement age by the time the loan is paid off for the home.
- For the 100% cash covered loan the minimum age required is 21 years and for the maximum age both the applicant as well as co-applicant should not exceed 70 years.

❖ Minimum income requirements:

- BDT 25, 000 for the government employees.
- BDT 40,000 if salaried persons.
- BDT 50,000 for the self-employed person.
- BDT 50,000 for businesspersons, landlords/landladies, or those who have other means of earnings.

❖ Experience criteria:

- Salaried individuals: Present employment for at least three years with the following conditions: at least six months in a permanent position.
- Self-employed individuals: Three years of practical experience in performing profession.
- Businesspersons: Business experience of at least 3 years in the similar line of business.
- 12 months timely repayment record of the loan EMI with the current bank.
- Other requirements are general regarding the loan and the property location and the rest.

❖ Loan Takeover Program

- A limited and exclusive service to creditworthy customers banking with other banks for transfer of their Home Loan account to MTB along with other facilities/favourable terms.

3.8.4 Rate of Interest on Loan & Advance

Declared Lending Interest Rate by Economic Sector			
Name of the bank: Mutual Trust Bank PLC			
	As on 03/07/2024		
Economic Purposes	**Declared rate**	**Lowest rate**	**Highest rate**
A. Agriculture, Fishing & Forestry	13.00%	4.00%	14.00%
B. Industry			
1. Term Loan (Other than Working Capital Financing)	13.00%	12.00%	14.00%
2. Working Capital Financing (Excluding Export & Import Financing)	13.50%	12.50%	14.50%
C. Construction			
1. Housing (Commercial) For Developer/Contractor	13.50%	12.50%	14.50%
2. Housing (Residential)	12.50%	11.50%	12.50%
D. Trade & Commerce	13.50%	12.50%	14.50%
E. Loan to Financial Corporations	13.50%	12.50%	14.50%
F. Consumer Finance			
1. Doctors Loan/ Professional Loans	13.00%	12.50%	13.00%
2. Flat Purchase	12.50%	11.50%	12.50%
3. Transport loan (Motor car/Motor cycle etc.)	12.50%	11.50%	12.50%
4. Credit Cards	20.00%	20.00%	20.00%
5. Loan against Salary	13.00%	12.50%	13.50%
6. Loan against PF	9.00%	9.00%	9.00%
7. Personal Loan against DPS, MSS etc.	Security+3%	Security+3%	Security+3%
8. Personal Loan against FDR, MBS, DBS etc.	Security+3%	Security+3%	Security+3%
9. Other personal Loans	13.00%	12.50%	13.50%

Table 3.8.4: Rate of Interest on Loan & Advance

CHAPTER: 04

CREDIT PERFORMANCE

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4.1 LOAN & ADVANCE PERFORMANCE OF MUTUAL TRUST BANK PLC

The total amount of loan and advances provided by Mutual Trust Bank PLC for last five years are given below for comparison:

Year	Loan & Advances	Growth Rate
2019	186,769	
2020	200,848	7.54%
2021	222,924	10.99%
2022	250,979	12.59%
2023	258,448	2.98%
		Amount in Million BDT

Table 4.1: Loan and Advances of Mutual Trust Bank

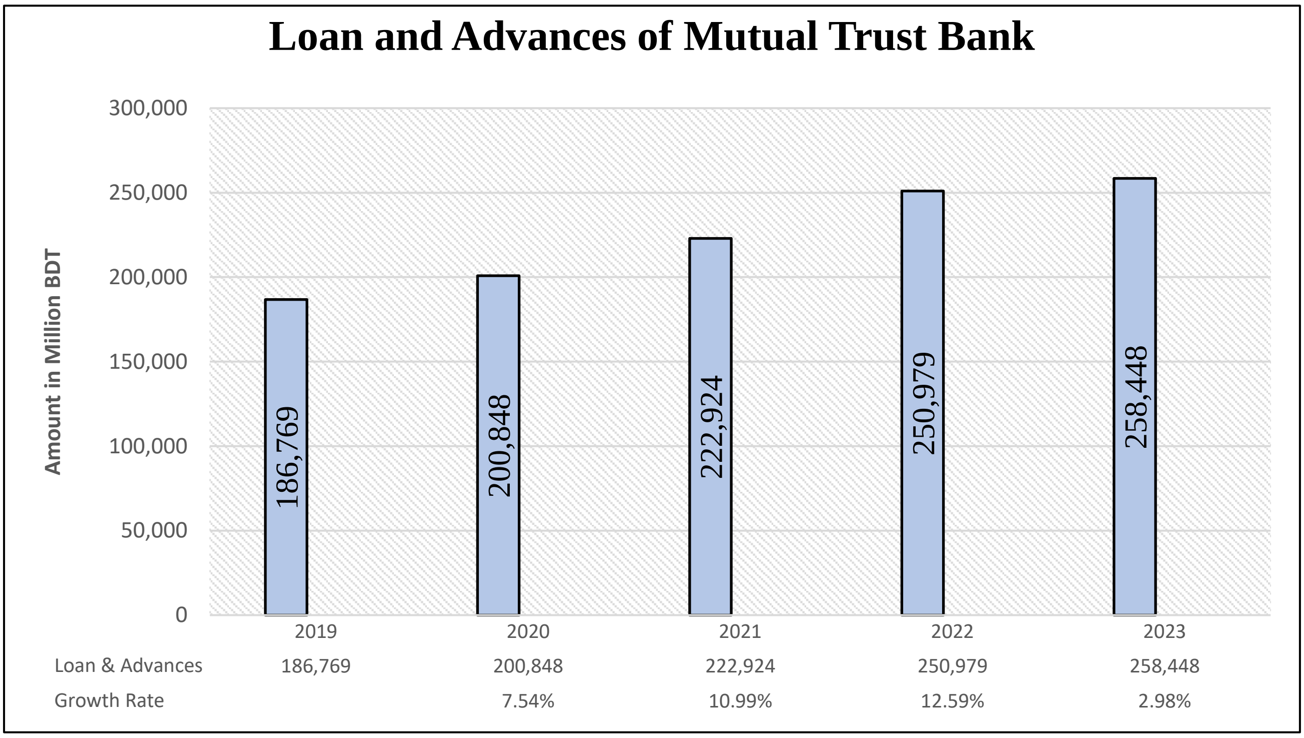


Figure 4.1: Loan and Advances of Mutual Trust Bank

Interpretation:

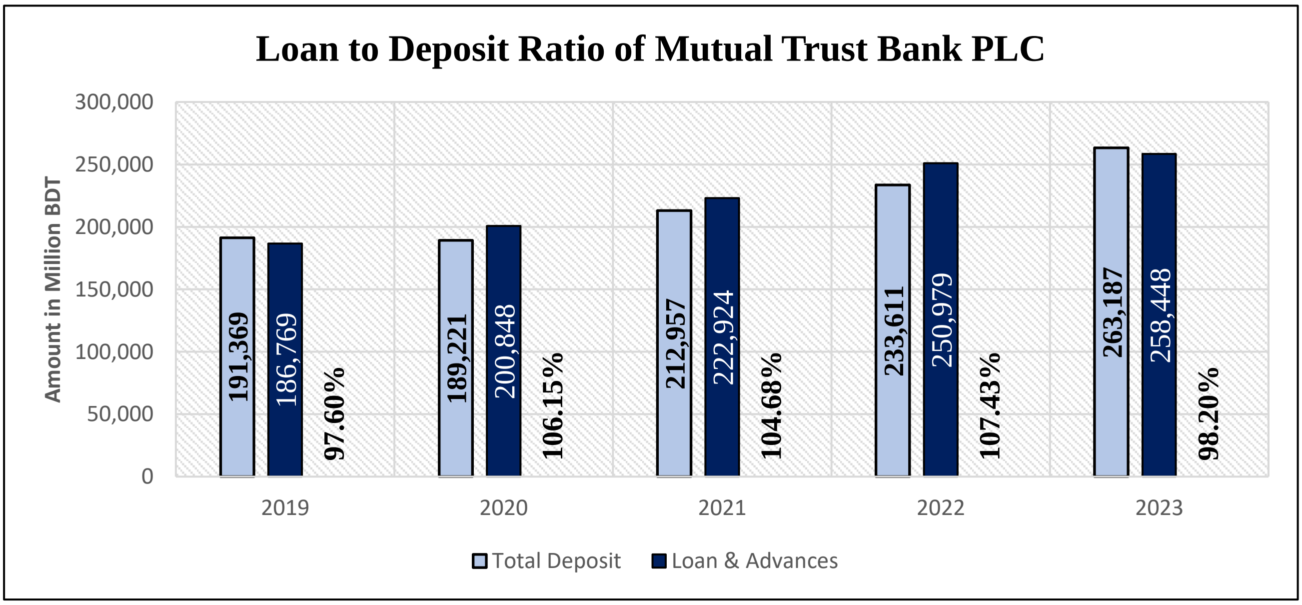
Based on the data table above, there is a clear trend of a steady increase of loan and advances from year 2019 to 2023 where this figure has been progressively rising over the period. In 2019, it was 186,769 million to TK. 258,448 million in 2023. The rate of growth has been steady; it has grown to the extent of reaching it highest figure of 12.58% in 2022; then, it gradually reduced to 2.98% in 2023. While comparing the current position of the bank with the previous year, it is evident that the rate of growth has reduced, it might be due to the following reasons: Fewer risks are being taken by the bank, there are strict credit control policies in place. However, there is a need to investigate the reasons behind the declining growth rate evident in 2023 concerning total loans and advances.

4.2 LOAN TO DEPOSIT RATIO OF MUTUAL TRUST BANK PLC

Loan to deposit ratio: It means and refers to the relative proportion of total loans of the bank to its total deposits.

Year	Loan & Advances	Total Deposit	Loan to Deposit Ratio
2019	186,769	191,369	97.60%
2020	200,848	189,221	106.14%
2021	222,924	212,957	104.68%
2022	250,979	233,611	107.43%
2023	258,448	263,187	98.20%
			Amount in Million BDT

Table 4.2.1: Loan to Deposit Ratio of Mutual Trust Bank PLC



Borrowing from other Banks, Financial Institutions and Agents:

2023	2022	2021	2020	2019
30,759	44,971	35,206	30,847	21,701
				* Amount in million BDT

Table 4.2.2: Borrowing from other Banks, Financial Institutions and Agents

Interpretation:

The provided data shows a steady increase in total loan and advances from tk. 186,769 million in 2019 to tk. 258,448 million in 2023 accompanied by a growth in total deposits from tk. 191,369 million to tk. 263,187 million in the same period. The loan to deposit ratio fluctuated reaching a high of 107.43% in 2022 before declining to 98.20% in 2023. This observation suggesting that the bank is still experiencing liquidity issues as a result of implementing an aggressive lending policy. Such high ratio indicate that the bank can fail to meet withdrawal demands and can also face high borrowing cost in order to enhance liquidity which affect the profitability. In the years of 2020-2022, Mutual Trust Bank had problems with liquidity, as evidenced by the loan to deposit ratio that was above 100% for the bank. To overcome these problems, the bank increased lending from other banks, financial institutions and agents heavily. The borrowing amounts were the highest in 2022 at 44,971 million BDT and reflecting the maximum loan to deposit ratio of 107. 43%. A balance must be kept on the loan to deposit ratio in order to remain profitable and liquid funding sources should be spread and risk managed and the ratio and monitoring of the ratio should be checked regularly against regulation.

4.3 STANDARD LOAN OF MUTUAL TRUST BANK PLC

The total amount of loan and Standard Loan provided by Mutual Trust Bank PLC for last five years are given below for comparison:

Year	Loan & Advances	Standard Loan	Ratio of Standard Loan
2019	186,769	171,956	92.07%
2020	200,848	188,425	93.81%
2021	222,924	206,421	92.60%
2022	250,979	233,468	93.02%
2023	258,448	239,738	92.76%
			Amount in Million BDT

Table 4.3: Standard Loan of Mutual Trust Bank PLC

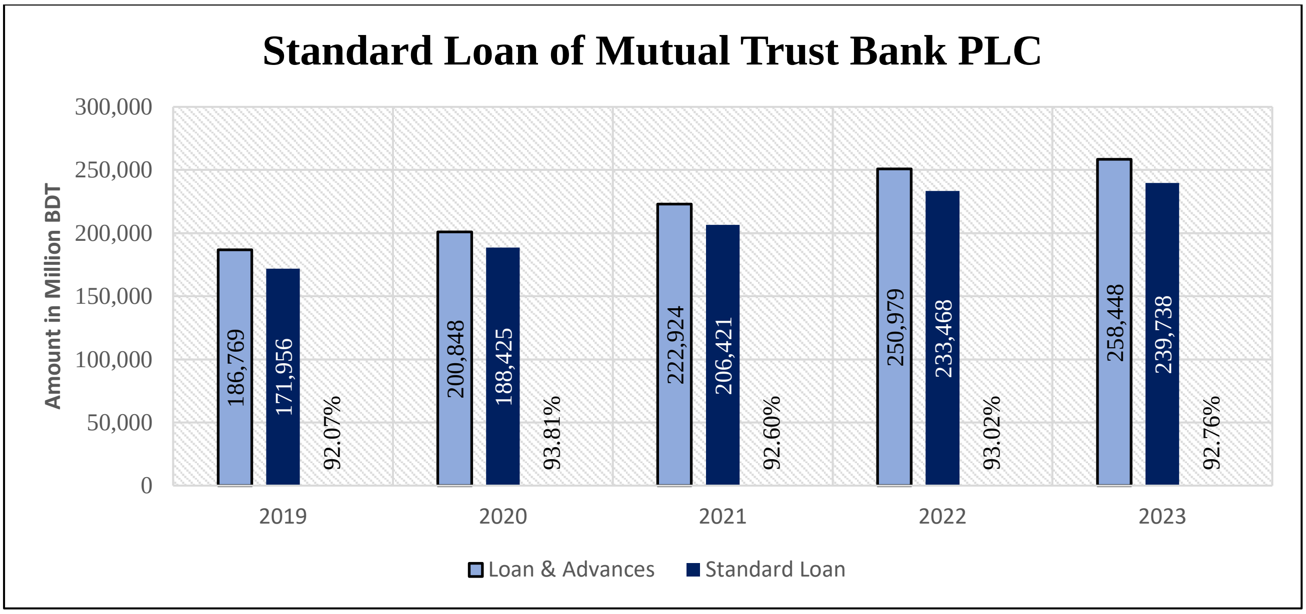


Chart 4.3: Standard Loan of Mutual Trust Bank PLC

Interpretation:

The provided data shows the total loan and advances, standard loan and the percentage of standard loan of Mutual Trust Bank for the years 2019-2023. The total loan and advances has risen steadily and the standard loan has also risen though not as fast as the total loan and advances have risen. The ratio of standard loan has fluctuated, ranging from Tk. 171,956 million (92.07%) in 2019 to Tk. 188,425 million (93.81%) in 2020, before decreasing to 92.76% in 2023 but the amount increased to Tk. 239,738 million.

4.4 SUB-STANDARD LOAN OF MUTUAL TRUST BANK PLC

A substandard loan is defined as a commercial loan that has not been performing or has underperformed contractual terms. It may also indicate other risks that increase the chance of payment risk or principal loss.

Year	Loan & Advances	Sub-Standard Loan	Ratio of Sub-Standard
2019	186,769	758	0.41%
2020	200,848	585	0.29%
2021	222,924	1,187	0.53%
2022	250,979	1,142	0.46%
2023	258,448	1,218	0.47%
			Amount in Million BDT

Table 4.4: Sub-Standard Loan of Mutual Trust Bank PLC

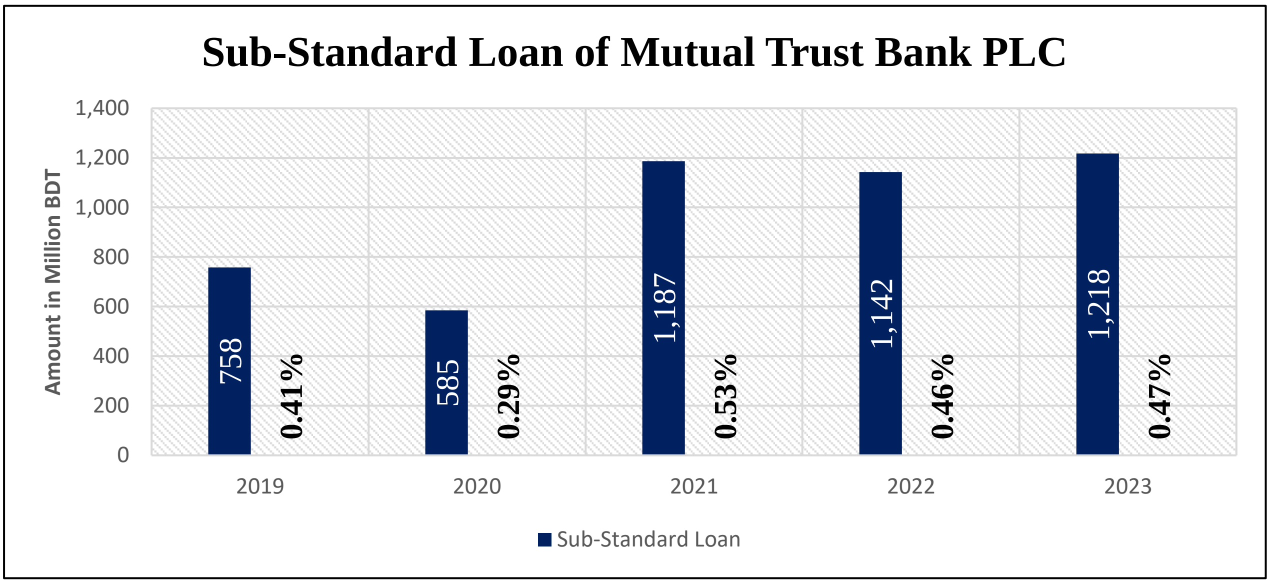


Chart 4.4: Sub-Standard Loan of Mutual Trust Bank PLC

Interpretation:

The table refers to fluctuations in sub-standard loan and its ratio to total amount of loan and advances from 2019 to 2023. In 2019, the sub-standard loan was Tk. 758 million, representing 0.41% of the total loan and advances. The ratio decreased to 0.29% in 2020 but spiked to 0.53% in 2021. In 2022, it decreased slightly, yet the ratio remained at 0.46%. In 2023, increased further to Tk. 1,218 million, with the ratio at 0.47%.

4.5 DOUBTFUL LOAN OF MUTUAL TRUST BANK PLC

Year	Loan & Advances	Doubtful Loan	Ratio of Doubtful Loan
2019	186,769	379	0.20%
2020	200,848	262	0.13%
2021	222,924	662	0.30%
2022	250,979	1,092	0.44%
2023	258,448	183	0.07%
			Amount in Million BDT

Table 4.5: Doubtful Loan of Mutual Trust Bank PLC

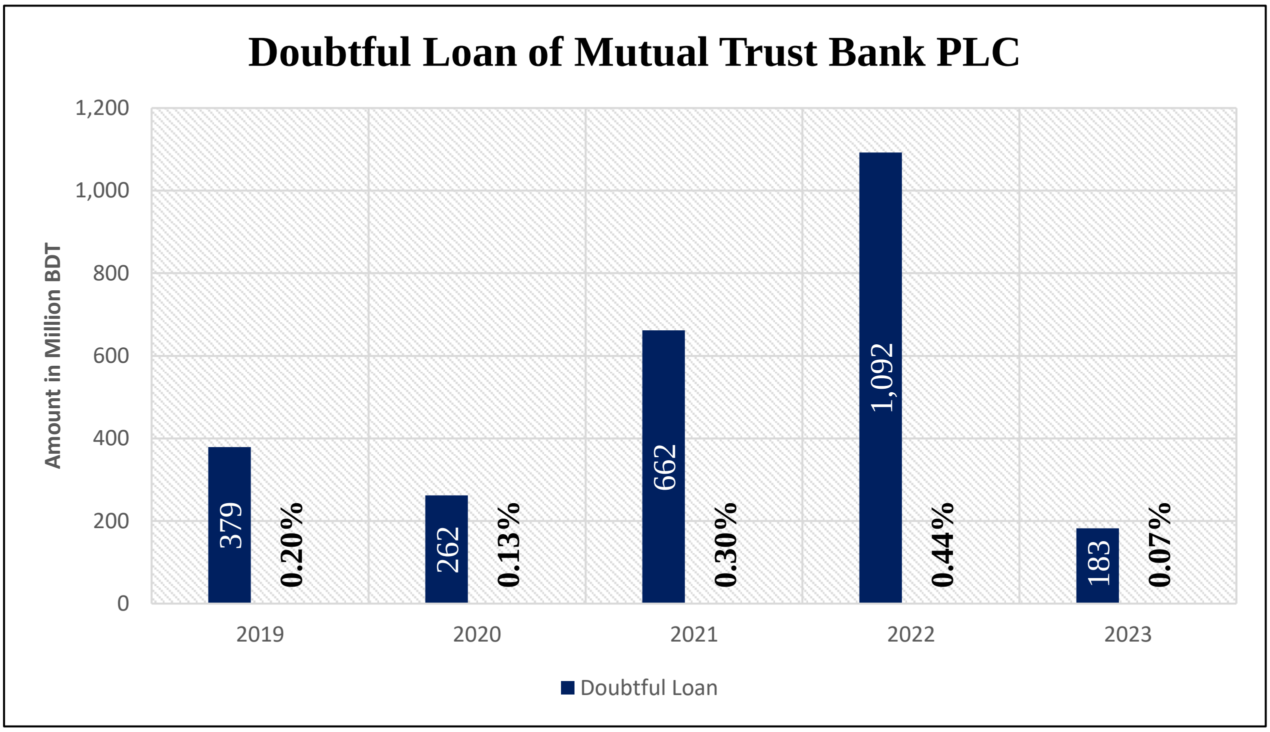


Chart 4.5: Doubtful Loan of Mutual Trust Bank PLC

Interpretation:

The table illustrates yearly information concerning doubtful loans and their proportion to standard loans for 2019-2023. The doubtful loans as at December, 2019 were 379 million and with the ratio of 0.20%. This reduced to 262 million in 2020 at 0. 13%, and rose to 662 million in 2021 at 0. 30%. This trend went on in 2022 reaching; 1,092 million or 0.44%. On the other hand in 2023, the doubtful loans scaled down to 183 million whereby they got the lowest ratio of (0. 07%). This basically implies that there are changes in loan quality.

4.6 BAD LOAN OF MUTUAL TRUST BANK PLC

Year	Loan & Advances	Bad Loan	Ratio of Bad Loan
2019	186,769	9,090	4.87%
2020	200,848	8,541	4.25%
2021	222,924	11,258	5.05%
2022	250,979	12,418	4.95%
2023	258,448	15,662	6.06%
			Amount in Million BDT

Table 4.6: Bad Loan of Mutual Trust Bank PLC

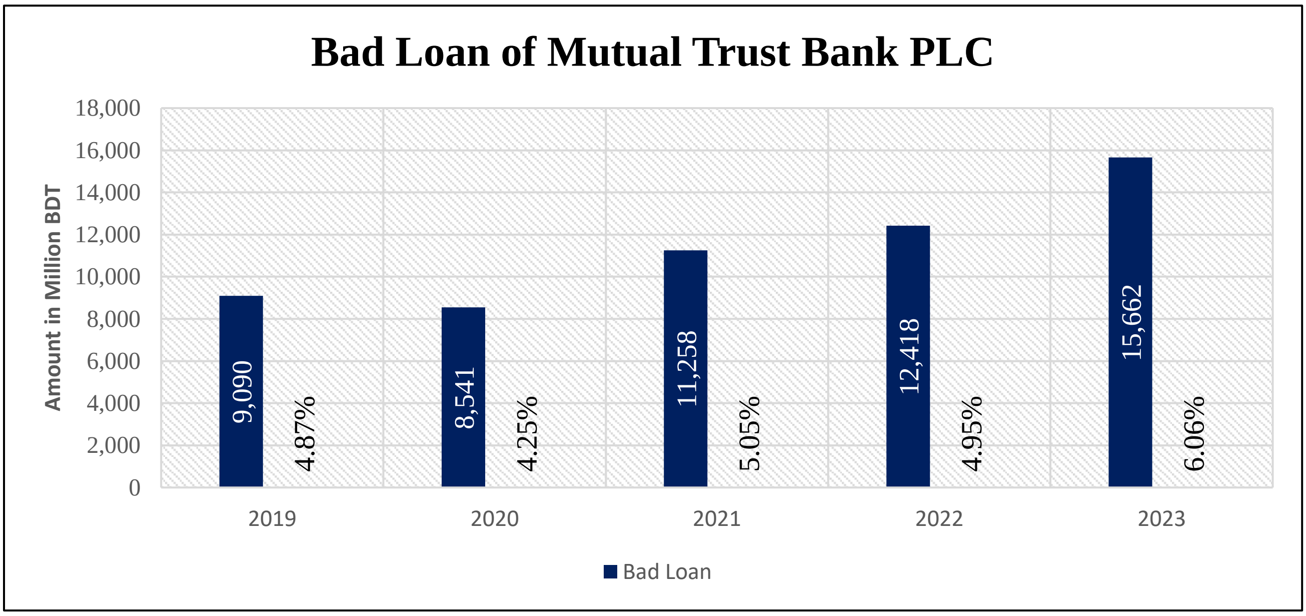


Chart 4.6: Bad Loan of Mutual Trust Bank PLC

Interpretation:

Looking at the loan portfolio of the Mutual Trust Bank it could be seen that the total loan and advances is improving with larger part of it in bad loans which is not quite good. In 2019, the bank had BDT 9,090 million in bad loans, making up 4.87% of the total loans. In 2020, bad loans decreased to BDT 8,541 million, which was 4.25% of the total, showing improvement. However, in 2021, bad loans rose sharply to BDT 11,258 million, increasing the ratio to 5.05%, indicating more issues with loan repayments. By 2022, bad loans increased further to BDT 12,418 million, but the ratio slightly improved to 4.95%. In 2023, the bank faced its highest level of bad loans at BDT 15,662 million, with the ratio reaching 6.06%, showing significant repayment problems.

4.7 SECTOR WISE CREDIT DISTRIBUTION OF MUTUAL TRUST BANK PLC

Particulars	2023	Percentage	2022	Percentage
Agriculture	7241.55	3%	4,176.04	2%
RMG	40518.62	16%	38,210.82	15%
Textile	12499.75	5%	10,243.39	4%
Ship Building	2321.12	1%	1,982.12	1%
Ship Breaking	4718.95	2%	3,785.67	1%
Othe1r Manufacturing industry	101212.14	39%	88,723.45	35%
SME loans	25025.36	10%	32,376.28	13%
Construction	10955.12	4%	10,401.42	4%
Power Gas	2665.84	1%	2,670.67	1%
Transport Storage and Communication	2199.08	1%	2,085.81	1%
Trade Service	15419.73	6%	15,784.40	6%
Commercial real estate financing	3568.90	1%	6,115.04	2%
Residential real estate financing	1522.11	1%	730.23	0%
Consumer credit	14737.85	6%	18,888.02	7%
Capital Market (Loan provided for brokerage or merchant banking to stock dealer)	3650.19	1%	3,313.38	1%
NBFIs	5376.78	2%	4,746.79	2%
Others	6157.05	2%	8,587.19	3%
Total:	**259790.13**	**100%**	**252820.72**	**100%**
				Amount in Million BDT

Table 4.7: Sector wise credit distribution of Mutual Trust Bank PLC

Interpretation:

The sector wise credit analysis of the Mutual Trust Bank for the year of 2022-2023 shows that the economic performance of the company is positive with changes in total amount from the Tk. 252,820 million of the 2022 to the Tk. 259,790 million of the 2023. Some of the major sectors that have been growing include the Ready-Made Garments (RMG) and Other Manufacturing Industries; RMG alone contributed Tk. 40,518 million (16%). While Other Manufacturing increased up to Tk. 101,212 million BDT consisting 39% of the total credit. In a similar manner, agriculture rose to Tk. 7,241 million (3%), implying that there is a focus on this segment. But the situation of the SME loans sector was not so good from Tk. 32,376 million (13%) in 2022 to Tk. 25,025 million (10%) that might posed some problems towards the financing of the small businesses. Finally, consumers credit also declined from Tk. 1888 million (7%) to Tk. 1473.7 million (6%) indicating that credit condition became restrictive during the experiment period.

Nonetheless, credit to SMEs and consumers was down indicating possible difficulties for SME funding and credit constraints. An equal distribution of attention is required in order to facilitate development in all fields.

CHAPTER: 05

FINDINGS, RECOMMENDATION, CONCLUSION

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5.1 FINDINGS:

Therefore, from the credit process and performance analysis of the Mutual Trust Bank PLC I have come up with the following findings. The following presents a summary of the findings that I have made in my study:

- This observation suggesting that the bank is still experiencing liquidity issues as a result of implementing an aggressive lending policy. Such high ratio indicate that the bank can fail to meet withdrawal demands and can also face high borrowing cost as they brought Tk.30.76 billion from others in order to enhance liquidity which affect the profitability.
- The growth of lending rate has reduced from 12.59% to 2.98%, it might be due to fewer risks are being taken by the bank, and maybe there are strict credit control policies in place. However, there is a need to investigate the reasons behind the declining growth rate in 2023 concerning total loans and advances.
- The bank has kept the proportion of standard loans in the structure of the total volume of loans at a relatively stable level around 92% for last five years. Such stability probably helped in establishing the industries' financial stability and profitability during the given time.
- The ratio of sub-standard loans has an initial improvement followed by slight adjustments in recent years. The amount of sub-standard loan changes from 75.84 million to 1.21 billion in last five years. That suggests that although the bank was able to somewhat lower sub-standard loans in the early years, but it was unable to sustain that increasing in the following years.
- Lower doubtful loan ratio reveal that loan quality has improved. In 2023, the percentage of doubtful loans was reduced to the lowest level at 0.07% from 0.44% in 2022. But in further investigation we found that, those doubtful loan becomes bad loans.
- In the ratio of bad loans, in 2023, the ratio of bad loan was the highest indicating collapse of loan quality The total amount of bad loans reaches at 15.66 billion (6.06%) in 2023 from 12.44 billion (4.95%) in 2022. All in all, the overall picture demonstrates the tendency to worsen in the recent years.

5.2 RECOMMENDATIONS:

- Over the years total loan and deposit amount increased, to maintain a better deposit to loan ratio Mutual Trust Bank PLC need to increase the deposit. They can serve innovative deposit products, provide competitive interest rates, expand branch network.

- Provide the loans after conducting background and credit check on individuals seeking loans from the bank. Use other more wider methods to see if they will be able to repay or not.

- It is suggested to track all the issued loans to prevent such issues from going unnoticed. They need to concentrate on the loans that are indicating signals of failing.

- Form a team for the recovery of the credit facilities that are in default. Proper guidance and right advice are to be provided to them. Use strategies like selling assets or legal actions.

- Other ways of promoting pre-payments are; Offering rebates of the interest rate for every borrower who clears his loans before the agreed date and reduction of the late fees charged earlier.

- Lend money to various industries do because of not-putting-all-the-eggs-in-one basket risks.

- It also needed to diversify its structure of loan portfolios by giving out different types of loans to various categories of customers.

Therefore, if Mutual Trust Bank adapt to these simplified recommendations then it has a possible way of improving the operation of credits. Obtaining higher credit checks, improved loan monitoring, managing a more diversified loan portfolio, applying better collection techniques, and providing more comprehensive reports will reduce the levels of bad loans and hence ensure the soundness of the finances and revenues.

5.3 CONCLUSION:

The “Analysis of Credit Operation and Performance of Mutual Trust Bank” report focused on specific loan and deposit figures in the bank for the years 2019-2023. When it evaluated the quality of the loan portfolio, it was able to determine that while the bank enhanced its overall loans and deposit, there was a rise in substandard, doubtful, and bad loans. The bank credit operations should be enhanced through increase in credit checks, proper loan monitoring, source of loan, collections, and communication. With the help of these measures, bank will be able to minimize the level of bad loans and guarantee its stability and profitability.

There is a need for a new set of vision and mission statements for the Mutual Trust Bank that focuses on customers. Since most of the banks provide the same products and services, it is hard for a particular bank to sustain competitive advantage. The most significant factor that defines a difference between banks is the quality of the customer service. Another challenge that MTB must overcome is that the customers feel that the MTB does not differentiate itself from traditional banking institutions and the MTB must offer services that are quite unique to that of the banking institutions. As a result the Management of Mutual Trust Bank Limited need to have sound credit risk management strategies and frameworks that can better suit these changes.

All in all, MTB can be categorized as a robust and highly-prospective company that possesses all the necessary attributes to succeed in the banking business. Based on the analysis of the key success factors and areas for improvement, it can be concluded that MTB is in a good position to maintain its growth trends and generate the desired value for its stakeholders in the future.

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Thank You