Internship Report

on

A Study on the Performance of Credits of Mutual Trust Bank PLC.

Supervised By:

Professor Dr. Md Abdur Rouf

Professor in Accounting

Department of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University

Prepared By:

Shreya Marchilina Biswas

ID: 202-11-6578

Program: BBA, Major in Accounting

Department of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University

Date of Submission: 14 December, 2024

Internship Report

on

A Study on the Performance of Credits of Mutual Trust Bank PLC.

Letter of Transmittal

Professor Dr. Md Abdur Rouf
Professor in Accounting
Department of Business Administration
Faculty of Business & Entrepreneurship
Daffodil International University

Subject: Submission of Internship Report on "A Study on the Performance of Credits of Mutual Trust Bank PLC."

Respected Sir,
It is my great honor to submit my internship report titled "A Study on the Performance of Credits of Mutual Trust Bank PLC." as a part of the requirements for the Bachelor of Business Administration (BBA) program. This report is the result of my internship at Mutual Trust Bank PLC, where I focused on understanding and analyzing the credit management process.

I have made every effort to ensure that the report is accurate and informative, incorporating both theoretical knowledge and practical experience gained during my internship. I sincerely hope that this report meets your expectations and provides valuable insights into the topic. I would like to extend my heartfelt gratitude to you for your guidance and constructive feedback throughout the preparation of this report.

Thank you once again for your guidance and support.

Sincerely Yours,

Shreya

Shreya Marchilina Biswas
ID: 202-11-6578
Program: BBA, Major in Accounting
Department of Business Administration
Faculty of Business & Entrepreneurship
Daffodil International University

Approval of Internship Report

This is to notify you that, **Shreya Marchilina Biswas**, **ID 202-11-6578,** has prepared this internship report entitled **"A Study on the Performance of Credits of Mutual Trust Bank PLC,"** under my guidance, I hereby approve this internship report. This is to partially fulfill an BBA degree major in Accounting under the department of Business Administration of Daffodil International University.

I wish her every moral success in life.

Professor Dr. Md Abdur Rouf
Professor in Accounting
Department of Business Administration
Faculty of Business & Entrepreneurship
Daffodil International University

Declaration

I, **Shreya Marchilina Biswas**, Student ID: **202-11-6578,** hereby declare that the internship report titled **"A Study on the Performance of Credits of Mutual Trust Bank PLC"** is an original piece of work done by me as part of my internship program at Mutual Trust Bank PLC. I have undertaken this study to fulfill the academic requirements for the Bachelor of Business Administration (BBA) degree under the Department of Business Administration, Faculty of Business & Entrepreneurship, Daffodil International University.

This report is based on the data and information collected during my internship, and all sources of reference, including books, articles, and websites, have been properly cited. I affirm that this report has not been submitted previously for any other academic or professional purpose.

Shreya

Shreya Marchilina Biswas
ID: 202-11-6578
Program: BBA, Major in Accounting
Department of Business Administration
Faculty of Business & Entrepreneurship
Daffodil International University

Acknowledgement

First and foremost, I would like to express my deepest gratitude to Almighty, whose infinite mercy, blessings, and guidance made this internship and the preparation of this report possible.

I would also like to extend my heartfelt thanks to my family for their unconditional love, support, and encouragement throughout my academic journey and during my internship. Their faith in me was a constant source of strength and motivation.

I am especially grateful to my internship supervisor, Professor Dr. Md. Abdur Rouf, Department of Business Administration, Daffodil International University, for his valuable guidance, continuous support, and insightful feedback throughout my internship. His advice and suggestions were instrumental in shaping my learning and understanding of the subject.

I would like to express my sincere appreciation to Mr. Sultan Mahamud Yasin, my company supervisor at Mutual Trust Bank PLC, for his constant support and for providing me with an opportunity to work in the credit department. His supervision and mentorship allowed me to gain practical knowledge and hands-on experience in the field of credit management.

I also wish to thank all my colleagues at MTB for their cooperation, assistance, and camaraderie during my internship. Their help and teamwork made the experience both enjoyable and informative.

I would like to acknowledge the contributions of my university and the Department of Business Administration, Daffodil International University, for providing me with the academic foundation and resources that enabled me to perform this internship successfully.

Finally, I would like to express my gratitude to my friends for their constant encouragement, moral support, and for always being there to offer guidance and companionship.

Executive Summary

This report titled, **"A Study on the Performance of Credits of Mutual Trust Bank PLC,"** presents a comprehensive analysis of the credit performance of Mutual Trust Bank PLC (MTB), covering the period from 2020 to 2023. The primary focus of the report is to assess the trends, challenges, and financial health of the bank, with specific emphasis on its industrial loan portfolio, capital structure, investment performance, deposit growth, non-performing loans (NPL), and key financial ratios.

The analysis begins with a comparison of industrial loan performance, which shows a slight decline in overall loan advances in 2023 compared to 2022. While traditional sectors like agriculture and textiles saw reduced loan demands, there was notable growth in SMEs, consumer credit, and real estate, reflecting shifting market demands. The bank's capital structure remains strong, with steady increases in both authorized and paid-up capital, positioning MTB for further growth. Investment activities also demonstrated consistent growth, particularly in 2023, reflecting the bank's strategic approach to diversify its portfolio. However, the interest income from loans fluctuated, with a significant drop in 2022 followed by a strong recovery in 2023. The analysis of deposits reveals a steady upward trend, highlighting the bank's ability to attract and retain customer funds.

On the downside, the report highlights the rising levels of non-performing loans, with the NPL ratio increasing from 4.09% in 2020 to 6.60% in 2023. This signals a growing challenge in credit risk management and the need for enhanced recovery strategies. Additionally, the debt ratio remains high, indicating the bank's reliance on debt financing, which requires careful monitoring to ensure financial stability. Ratio analysis further reveals insights into MTB's financial positioning, with fluctuating credit/deposit ratios and an increasing investment/deposit ratio, pointing to the bank's growing focus on investments relative to its deposit base.

The report concludes with key recommendations to address these challenges, including improving asset quality, strengthening credit risk management practices, optimizing loan-to-deposit ratios, and further enhancing capital adequacy. By implementing these recommendations, MTB can maintain its competitive edge, improve profitability, and ensure long-term sustainability in a dynamic banking environment. This analysis serves as a valuable resource for stakeholders to assess MTB's performance and inform strategic decision-making for future growth and stability.

Table of Contents

Letter of Transmittal ii

Approval of Internship Report iii

Declaration iv

Acknowledgement v

Executive Summary vi

Chapter-01: Introduction of The Report 1

1.1: Introduction 2

1.2: Background of the Study 2

1.3: Scope of the Study 3

1.4: Objectives of the study 3

1.5: Methodology of the Study 3

1.6: Sources of Data Collection 4

1.7: Method of Data Collection 4

1.8: Target Population 4

1.9: Sample Size 4

1.10: Sampling Method 5

1.11: Significance 5

1.12: Limitations of the Study 5

Chapter-02: Overview of Mutual Trust Bank PLC. 6

2.1: Introduction of the Company 7

2.2: Mission and Vision of Mutual Trust Bank PLC (MTB) 8

2.2.1: Mission 8

2.2.2: Vision 8

2.3: Objectives of Mutual Trust Bank PLC (MTB) 8

2.4: Hierarchy of Mutual Trust Bank PLC (MTB) 9

2.5: Government Affiliation 9

2.6: Global Partners 10

2.7: Strengths of Mutual Trust Bank PLC (MTB) 10

2.8: Company Profile 11

2.9: Products and Services of Mutual Trust Bank PLC (MTB) 12

2.10: Facilities Offered by Mutual Trust Bank PLC (MTB) 14

Chapter-03: Literature Review 16

3.1: Overview of Credit 17

3.1.1: Factors Considered for Credit Evaluation 17

3.1.2: Significance of Credit 18
3.1.3: Overview of Credit Management 19
3.1.4: The 9 C's of Bad and Good Loan in Credit Management 20
3.2: Credit Policy in Mutual Trust Bank PLC (MTB) 22
3.3: Credit Principles in Mutual Trust Bank PLC (MTB) 24
3.4: Principles of Sound Lending in Mutual Trust Bank PLC (MTB) 26
3.5: Credit Portfolio Limit in Mutual Trust Bank PLC (MTB) 27
3.6: Types of Credit Activities in Mutual Trust Bank PLC (MTB) 28
3.7: Application-Based Categories of Loans in Mutual Trust Bank PLC (MTB) 29
3.8: Rates of Interest and Lending in Mutual Trust Bank PLC (MTB) 35
3.9: Credit Risk Grading (CRG) System in Mutual Trust Bank PLC (MTB) 35
Chapter-04: Credits Performance Analysis of Mutual Trust Bank PLC. 37
4.1: Comparison of Industrial Loan Performance: 2022 vs 2023 38
4.2: Capital Structure 39
4.3: Time Series Analysis 40
4.3.1: Investment: 40
4.3.2: Interest Income on Loan and Advances 41
4.3.3: Deposit Analysis 42
4.3.4: Total Classified Loan Analysis 43
4.3.5: Non-Performing Loan Analysis 44
4.4: Ratio Analysis 45
4.4.1: Debt Ratio 45
4.4.2: Capital Adequacy Ratio 46
4.4.3: Credit/Deposit Ratio 47
4.4.4: Investment/Deposit Ratio 48
Chapter-05: Findings, Recommendations and Conclusion 50
5.1: Findings 51
5.2: Recommendations 52
5.3: Conclusion 53
References 54

Chapter-01: Introduction of The Report

1.1: Introduction

This report aims to provide an in-depth analysis of the credit management system at Mutual Trust Bank PLC (MTB). The study focuses on examining the overall performance of credits, including the processes, systems, and policies related to credit management at the bank. Credit management is one of the most critical functions within a bank, as it directly influences the bank's profitability, liquidity, and risk management strategies.

During my internship at MTB, I had the opportunity to closely observe and engage with the credit department, which plays a vital role in assessing, approving, and managing loans and credit facilities. The department's effectiveness in managing risks and ensuring the repayment of loans is crucial for the financial stability of the bank. The role of credit management goes beyond just approving loans, it involves detailed analysis, risk assessment, and continuous monitoring of loans to minimize defaults and ensure sustainable financial growth.

The internship provided me with firsthand experience in the credit process, allowing me to understand how credit is evaluated, how risks are managed, and how the monitoring system ensures that loans are repaid on time. This report reflects on the practices and procedures followed by the bank's credit department and assesses the strengths and areas for improvement in the credit management system.

1.2: Background of the Study

As part of the Bachelor of Business Administration (BBA) program at Daffodil International University, I was required to complete an internship to gain practical experience in the banking and finance sector. For this purpose, I had the opportunity to undertake my internship at Mutual Trust Bank PLC (MTB), one of the prominent private commercial banks in Bangladesh. Under the guidance of my internship supervisor, Professor Dr. Md. Abdur Rouf, and my company supervisor, Mr. Sultan Mahamud Yasin, I was able to explore various aspects of the bank's credit management system.

During my internship, I focused on understanding the processes involved in credit management, specifically the credit assessment, approval, and monitoring phases. The primary objective of the study was to evaluate how MTB manages its credit portfolio, assesses credit risk, and ensures timely repayment of loans. I applied theoretical knowledge gained during my academic studies, such as credit risk management and financial analysis, to real-world scenarios in the banking sector.

This hands-on experience provided me with an in-depth understanding of the credit management function in a commercial bank. I was able to observe how the bank evaluates potential borrowers, manages its credit risk, and develops strategies to minimize defaults. By closely interacting with the credit department, I gained valuable insights into the practical applications of credit policies, loan recovery mechanisms, and the overall monitoring system employed by MTB.

The internship experience allowed me to bridge the gap between classroom learning and industry practice. It also helped me understand the critical role that effective credit management plays in ensuring the financial stability and profitability of a bank. This study will assess the performance of MTB's credit management system and explore areas for potential improvement, offering insights into how the bank can enhance its credit policies and operations.

1.3: Scope of the Study

This study focuses on the credit management system of Mutual Trust Bank PLC (MTB), specifically examining the processes of credit assessment, monitoring, and recovery. It aims to evaluate how the bank manages its credit portfolio, assesses borrower risk, and ensures timely repayment. The research is based on observations and data gathered during my internship at MTB, covering the bank's credit policies and practices. However, due to confidentiality constraints, the study does not include proprietary financial data or detailed internal processes beyond what was accessible during the internship period.

1.4: Objectives of the study

The objectives of this study are as follows:

1. To know the terms and conditions of credit management of Mutual Trust Bank Public limited company.
2. To analyze the work process and monitoring system of the credit department.
3. To identify problems and recommend solutions in credit management of Mutual Trust Bank PLC

1.5: Methodology of the Study

This study employs a qualitative research approach, utilizing both primary and secondary data collected during my internship at Mutual Trust Bank PLC (MTB). Primary data was gathered through direct observation, informal discussions, and interviews with staff in the credit department, as well as by reviewing internal documents and reports related to credit management. Secondary data includes relevant academic literature, industry reports, and

MTB's public records. The study's findings are based on an analysis of the bank's credit processes, risk management practices, and monitoring systems, aimed at assessing the effectiveness of its credit management system.

1.6: Sources of Data Collection

The data for this study was collected from both primary and secondary sources:

1. **Primary Data**: This includes firsthand information obtained during my internship at Mutual Trust Bank PLC (MTB). Data was collected through direct observations, informal discussions, and interviews with employees in the credit department. Additionally, internal reports, documents, and guidelines related to the credit management process were reviewed to gather insights into the bank's practices.

2. **Secondary Data**: This data was gathered from academic journals, books, industry reports, and MTB's public records. Secondary sources helped to provide a theoretical background on credit management practices, industry standards, and regulatory frameworks, complementing the primary data collected during the internship.

1.7: Method of Data Collection

The data for this study was collected using a qualitative approach, without the use of surveys. Information was gathered through direct observation during the internship, interviews with employees in the credit department, and by reviewing relevant internal documents and reports related to credit management at Mutual Trust Bank PLC (MTB).

1.8: Target Population

The target population for this study consisted of employees working in the credit department of MTB, including credit analysts, loan officers, and supervisors who are involved in credit assessment, monitoring, and recovery processes.

1.9: Sample Size

The sample size for this study was limited to a manageable number of employees from the credit department with whom I had the opportunity to interact during my internship. This included approximately 6 staff members across various roles in the department.

1.10: Sampling Method

A non-probability purposive sampling method was used, where specific individuals with relevant knowledge and experience in credit management were selected based on their involvement in the credit process. This approach ensured that the data collected was directly relevant to the study.

1.11: Significance

The significance of this study lies in its potential to offer valuable insights into the effectiveness of MTB's credit management system. It aims to identify strengths, weaknesses, and areas for improvement in the bank's credit processes, contributing to better risk management practices and enhancing the bank's overall performance in credit operations.

1.12: Limitations of the Study

- **Confidentiality**: Due to the sensitive nature of internal banking operations, some data and financial details were inaccessible for analysis.
- **Time Constraints**: The study was conducted within a limited time frame during my internship, restricting the depth of data collection and analysis.
- **Limited Sample Size**: The study was based on a small sample of credit department staff, which may not fully represent the entire bank's practices.
- **Scope of Data**: The study focused only on the credit management processes and did not include other aspects of MTB's banking operations.
- **Lack of Quantitative Data**: As the study did not involve surveys or quantitative methods, the findings are based primarily on qualitative observations and interviews.

Chapter-02: Overview of Mutual Trust Bank PLC.

2.1: Introduction of the Company

Mutual Trust Bank PLC (MTB) is one of the leading private commercial banks in Bangladesh, established in 1999 with the mission of providing innovative and customer-oriented financial solutions. The bank was founded to serve both individuals and businesses by offering a wide array of products and services aimed at meeting diverse financial needs. Over the years, MTB has emerged as a significant player in the banking sector of Bangladesh, focusing on quality service delivery, customer satisfaction, and technological advancements in banking operations.

MTB provides a comprehensive range of banking services, including retail banking, corporate banking, small and medium-sized enterprise (SME) financing, trade services, and wealth management. The bank offers a variety of loan products, including personal loans, business loans, home loans, and credit facilities, designed to meet the financial needs of individuals and businesses. In addition to traditional banking services, MTB also offers modern financial products like mobile banking, internet banking, and ATM services, making banking more accessible and convenient for its customers.

The bank operates with a strong emphasis on customer satisfaction, and strives to maintain a balance between customer expectations and financial performance. MTB's credit management system is a core part of its operations, as it ensures the effective evaluation, approval, and monitoring of loans to manage risk and enhance the bank's financial stability. The bank's solid credit management framework plays a significant role in fostering trust and maintaining healthy relationships with clients.

MTB has a well-established network of branches, with a growing presence in both urban and rural areas of Bangladesh. The bank is committed to contributing to the country's economic growth by financing projects that support industrial development, job creation, and social welfare. Moreover, MTB adheres to high standards of corporate governance, ensuring compliance with regulatory requirements while focusing on sustainable growth and profitability.

With a forward-thinking leadership team and a dedicated workforce, MTB continues to enhance its position in the financial sector, maintaining a reputation for reliability, innovation, and excellence in service delivery.

মিউচুয়াল ট্রাস্ট ব্যাংক পিএলসি
Mutual Trust Bank PLC
you can bank on us

2.2: Mission and Vision of Mutual Trust Bank PLC (MTB)

2.2.1: Mission

The mission of Mutual Trust Bank PLC (MTB) is to provide a wide range of innovative, high-quality, and customer-centric financial products and services that meet the diverse needs of individuals, businesses, and communities. The bank aims to contribute to the economic development of Bangladesh by offering accessible and efficient banking solutions, while ensuring financial stability, customer satisfaction, and sustainable growth. MTB is committed to building long-term relationships with its customers, employees, and stakeholders, and upholding the highest standards of integrity, transparency, and corporate governance in all its operations.

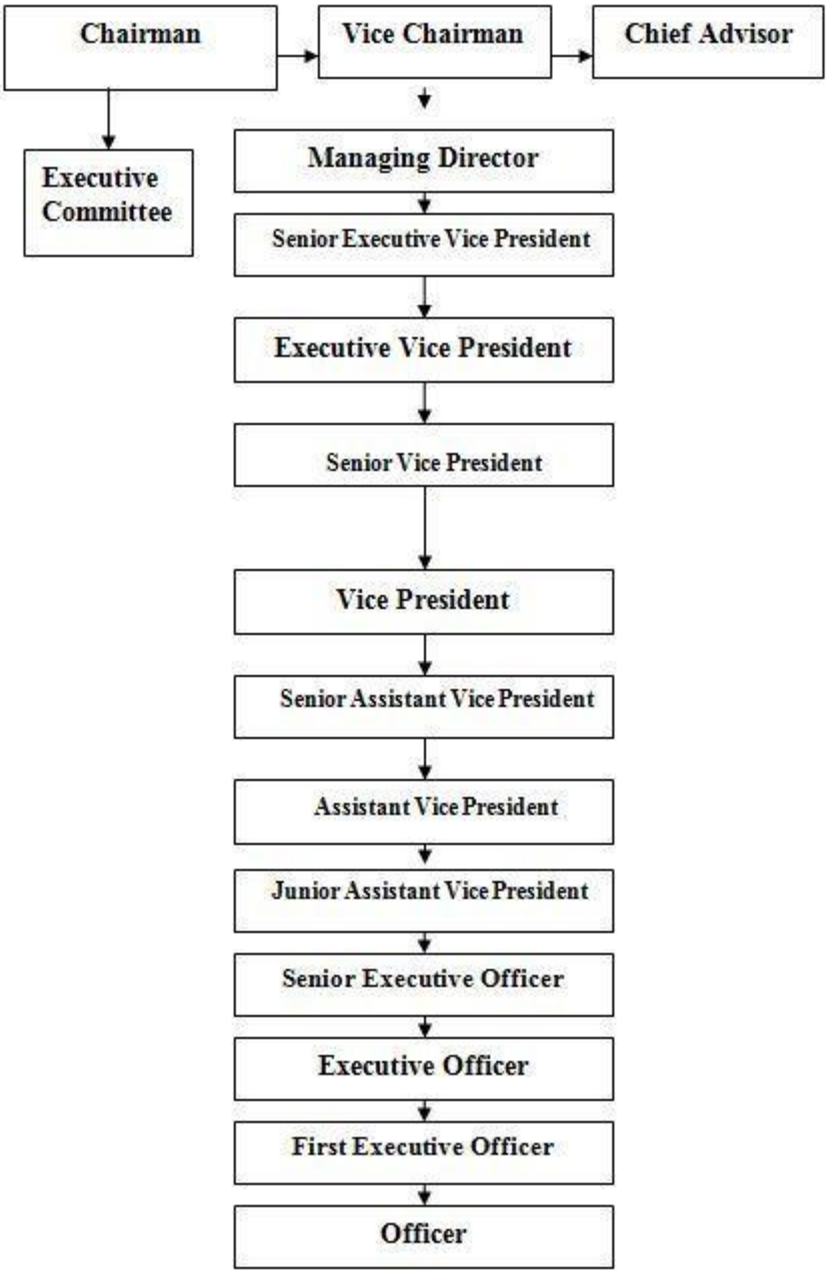
2.2.2: Vision

MTB envisions becoming a leading commercial bank in Bangladesh by consistently providing innovative financial solutions that enhance customer experiences and contribute to the growth of the country's economy. The bank aims to be recognized as a trusted and dynamic institution that adapts to the changing needs of its customers, employees, and communities. MTB strives to achieve excellence in banking by embracing modern technology, fostering strong partnerships, and expanding its reach, while maintaining a strong commitment to corporate social responsibility and sustainable business practices.

2.3: Objectives of Mutual Trust Bank PLC (MTB)

- ✓ To produce high-quality paint products that meet industry standards and customer expectations.
- ✓ To maintain a competitive edge in the paint manufacturing sector by adopting advanced technologies.
- ✓ To expand market share both locally and internationally, making Roxy Paints a leading brand in the industry.
- ✓ To provide environmentally friendly and sustainable paint solutions.
- ✓ To ensure customer satisfaction through consistent product quality and excellent after-sales service.
- ✓ To foster a positive work environment for employees and encourage their professional development.
- ✓ To contribute to the economic development of Bangladesh by creating job opportunities and supporting local communities.

2.4: Hierarchy of Mutual Trust Bank PLC (MTB)



2.5: Government Affiliation

Mutual Trust Bank PLC (MTB) operates in compliance with the regulations and guidelines set forth by the Bangladesh Bank, the central bank of Bangladesh. As a licensed commercial bank, MTB is subject to the oversight and governance of the government, ensuring its adherence to financial, regulatory, and legal standards. The bank is also involved in various government initiatives aimed at financial inclusion, supporting SME development, and fostering economic growth in the country. MTB collaborates with government agencies to facilitate public sector payments, provide loans for government-funded projects, and support social welfare schemes.

2.6: Global Partners

MTB has developed strong global partnerships to enhance its financial services and offer more competitive products to its customers. The bank has established relationships with various international financial institutions and global banking networks, which enable it to provide services such as foreign trade financing, remittances, and international money transfers. MTB is also a member of SWIFT (Society for Worldwide Interbank Financial Telecommunication), which facilitates secure, international financial communications and transactions. Additionally, MTB partners with foreign correspondent banks to handle foreign currency transactions and provide international banking services to its clients.

2.7: Strengths of Mutual Trust Bank PLC (MTB)

- **Strong Customer Base**: A growing and loyal customer network.
- **Diverse Product Offering**: Comprehensive banking services catering to individuals, businesses, and SMEs.
- **Robust Credit Management**: Effective loan assessment, monitoring, and recovery system.
- **Technological Integration**: Advanced mobile and internet banking services.
- **Financial Stability**: Solid capital base and consistent profitability.
- **Corporate Governance**: Commitment to transparency and ethical practices.
- **Customer-Centric Approach**: Focus on meeting evolving customer needs.
- **Skilled Workforce**: Experienced staff delivering high-quality services.

2.8: Company Profile

Name of the company	Mutual Trust Bank PLC.
Legal form	A public limited company incorporated in Bangladesh on September 29, 1999 under the Companies Act 1994 by shares for carrying out all kinds of Banking activities with authorized capital of BDT 200 million divided into 2000000 ordinary shares of BDT 100 each.
Date of Commencement	October 05, 1999.
Registered Office	MTB Centre, 26 Gulshan Avenue Plot- 5, Block SE (D), Gulshan-1, Dhaka-1212.
Telephone	880(2) 882 6966, 882 2429
Telefax	880 (2) 882 4303
SWIFT Code	MTBL BD DH
E-mail	info@mutualtrustbank.com.bd
Web Page	http://www.mutualtrustbank.com/
Auditors	Hoda Vasi Chowdhury& co. Chartered Accountants BTMC Bhaban
Tax Consultant	Malek Siddiqui Wali BSRS Bhaban (13th floor) 12 Kawran Bazar C/a, Dhaka 1215, Bangladesh
Managing Director	Syed Mahbubur Rahman
Company Secretary	Rais Uddin Ahmad
Number of Branches	119
Number of Sub Branches	33

2.9: Products and Services of Mutual Trust Bank PLC (MTB)

1. **Retail Banking**:
    - **Savings Accounts**: Various types of savings accounts with attractive interest rates and features.
    - **Current Accounts**: Convenient accounts for individuals and businesses to manage day-to-day transactions.
    - **Fixed Deposit Accounts**: Safe investment options with higher interest rates for customers looking to earn on their savings.
    - **ATM & Debit Cards**: Easy access to funds through a wide network of ATMs.
    - **Mobile & Internet Banking**: Digital banking solutions for convenient, secure transactions from anywhere.
2. **Corporate Banking**:
    - **Business Accounts**: Customized accounts designed to meet the needs of businesses, both small and large.
    - **Trade Finance**: Solutions for businesses engaged in international trade, including import/export financing.
    - **Cash Management**: Services that help businesses manage their cash flow efficiently.
    - **Corporate Loans**: Financing options for business growth, including working capital loans and term loans.
3. **SME Banking**:
    - **SME Loans**: Tailored loan products to support small and medium-sized enterprises, fostering business expansion and development.
    - **Working Capital Finance**: Short-term loans to meet the day-to-day operational expenses of SMEs.
    - **SME Deposit Accounts**: Specialized deposit accounts for small and medium businesses.
4. **Credit and Loan Services**:

- **Personal Loans**: Unsecured loans for individuals to meet various personal needs.
- **Home Loans**: Loans for purchasing, constructing, or renovating homes.
- **Car Loans**: Financing options for individuals looking to purchase a vehicle.
- **Education Loans**: Loans to support higher education and skill development.
- **Business Loans**: Loans designed to meet the capital needs of businesses of all sizes.

5. **Trade Services**:
    - **Import & Export Services**: Comprehensive services for businesses involved in international trade, including letter of credit, bank guarantees, and remittances.
    - **Foreign Exchange**: Competitive rates and services for foreign currency exchange for individuals and businesses.
6. **Wealth Management**:
    - **Investment Products**: Investment solutions that include mutual funds, fixed-income products, and other wealth-building opportunities.
    - **Financial Advisory Services**: Expert advice on managing personal and business finances to maximize returns and minimize risks.
7. **Islamic Banking Services**:
    - **Shariah-compliant Products**: A range of products and services that adhere to Islamic principles, including Islamic savings accounts and investment options.
8. **Other Services**:
    - **Remittance Services**: Convenient and secure money transfer services for sending and receiving funds domestically and internationally.
    - **Insurance**: A variety of insurance products, including life and non-life insurance, for protection against unforeseen risks.

- **Bill Payment Services**: Easy and quick bill payment options for utility services like electricity, water, and telecom.

2.10: Facilities Offered by Mutual Trust Bank PLC (MTB)

1. **ATM Services**:
    - **MTB ATM Network**: Access to a widespread network of ATMs for convenient cash withdrawals, balance inquiries, and mini-statements 24/7.
    - **Global ATM Access**: MTB ATM cardholders can access their accounts at ATMs globally through international networks like Cirrus and MasterCard.
2. **Mobile & Internet Banking**:
    - **MTB Mobile Banking**: A mobile app that allows customers to perform a wide range of banking activities such as checking balances, transferring funds, and paying bills.
    - **MTB Internet Banking**: An online platform offering services like account management, fund transfers, bill payments, and transaction history, accessible from any device with internet connectivity.
3. **Debit and Credit Cards**:
    - **MTB Debit Card**: A debit card that provides easy access to funds and facilitates transactions at ATMs and merchants worldwide.
    - **MTB Credit Card**: A card offering credit facilities for purchases and payments, with flexible repayment options and various benefits.
4. **Cheque Book Facility**:
    - **Cheque Book**: Available for current and business accounts, allowing customers to make payments and manage their finances securely.
5. **Loan Facilities**:
    - **Personal Loans**: Unsecured loans for individuals to meet personal financial needs.

- **Home Loans**: Financing options for purchasing, constructing, or renovating homes.
- **Car Loans**: Loans for purchasing vehicles with attractive interest rates.
- **SME Loans**: Tailored loans to support small and medium enterprises (SMEs) for business growth and development.

6. **SMS Banking**:
    - **MTB SMS Banking**: A service that allows customers to perform basic banking functions like checking account balances, viewing recent transactions, and receiving alerts via SMS.
7. **Safe Deposit Locker**:
    - **Safe Deposit Locker**: Secure locker facilities for customers to store valuables, documents, and other important items with guaranteed privacy and safety.
8. **Trade Services**:
    - **Letter of Credit (LC)**: Facilitation of trade transactions, including import and export, by providing letters of credit to ensure payment security.
    - **Remittance Services**: Efficient domestic and international money transfer services for sending and receiving funds globally.
9. **Investment Facilities**:
    - **MTB Investment Services**: Assistance for customers to invest in various options like fixed deposits, mutual funds, and government bonds to grow their wealth.
10. **Foreign Exchange Services**:
    - **Currency Exchange**: Offering competitive rates for foreign currency exchange for travel, business transactions, or investment purposes.

Chapter-03: Literature Review

3.1: Overview of Credit

Credit refers to a financial arrangement in which a lender provides funds or resources to a borrower with the expectation that the borrower will repay the amount in the future, typically along with an agreed-upon interest or fee. It serves as a crucial component of modern financial systems, enabling individuals, businesses, and governments to access funds for various purposes without immediate payment.

In the banking context, credit is extended in the form of loans, overdrafts, or lines of credit. It allows borrowers to finance personal needs, business operations, or large investments while repaying the borrowed amount over time. Credit also includes trade credit, where businesses allow their customers to purchase goods or services on deferred payment terms.

The terms of credit, such as the repayment period, interest rate, and conditions, are determined by the lender after assessing the creditworthiness of the borrower. Credit plays a pivotal role in stimulating economic activity, fostering entrepreneurship, and supporting the financial needs of individuals and organizations, making it an integral part of the global financial ecosystem.

3.1.1: Factors Considered for Credit Evaluation

When extending credit, financial institutions assess various factors to evaluate a borrower's ability and willingness to repay. These factors help in minimizing credit risk and ensuring sound lending decisions. The key factors considered for credit evaluation include:

1. **Creditworthiness**:
    - **Credit History**: A review of the borrower's past repayment behavior, including loan defaults, delinquencies, or existing debts, to gauge reliability.
    - **Credit Score**: Numerical representation of the borrower's credit profile, often based on credit bureau reports.
2. **Capacity to Repay**:
    - **Income and Financial Stability**: The borrower's income level, job stability, and overall financial health are assessed to determine repayment capacity.
    - **Debt-to-Income Ratio**: The proportion of monthly income used for debt payments, ensuring borrowers are not overleveraged.

3. **Collateral**: For secured loans, the availability and valuation of assets (e.g., property, vehicles, or stocks) offered as collateral are critical in mitigating lending risks.

4. **Capital**: The borrower's financial reserves or net worth, including savings, investments, and other assets, act as a buffer in case of financial difficulty.

5. **Purpose of Credit**: The intended use of the loan or credit facility, such as for business expansion, purchasing a home, or personal expenses, helps in tailoring the loan product and terms.

6. **Economic Conditions**: External factors such as prevailing economic conditions, industry trends, and market risks that could impact the borrower's ability to generate income and repay the loan.

7. **Character of the Borrower**: A subjective assessment of the borrower's integrity, reputation, and overall willingness to honor their debt obligations, often determined through personal interviews and references.

8. **Loan Terms**: The lender evaluates the requested loan amount, repayment period, and interest rate to ensure alignment with the borrower's financial capacity and the institution's risk appetite.

3.1.2: Significance of Credit

Credit plays a pivotal role in modern economies, influencing individual financial well-being, business growth, and overall economic development. Its significance can be understood from the following perspectives:

1. **Facilitating Economic Growth**: Credit enables businesses to expand operations, invest in new projects, and acquire assets, driving economic activity and creating employment opportunities.

2. **Encouraging Entrepreneurship**: Access to credit allows entrepreneurs to fund innovative ideas, start businesses, and sustain operations, fostering innovation and economic diversification.

3. **Improving Living Standards**: For individuals, credit provides opportunities to acquire essential goods and services, such as homes, vehicles, and education, enhancing their quality of life.

4. **Bridging Financial Gaps**: Credit helps both individuals and businesses manage cash flow issues by providing funds to meet immediate needs while allowing repayment over time.

5. **Supporting Trade and Commerce**: Credit facilitates domestic and international trade by offering trade financing options such as letters of credit, ensuring smooth transactions between buyers and sellers.

6. **Promoting Savings and Investment**: By allocating funds to borrowers, credit institutions generate interest income, encouraging savers to deposit money and enabling further investments in the economy.

7. **Crisis Management**: During economic downturns or personal financial emergencies, credit acts as a financial cushion, helping borrowers stabilize their finances.

8. **Enhancing Financial Inclusion**: Credit plays a critical role in integrating underserved populations into the formal financial system, enabling access to essential financial services.

3.1.3: Overview of Credit Management

Credit management refers to the process of granting, monitoring, and recovering credit to ensure that lending activities are conducted efficiently, responsibly, and profitably. It is a vital function for financial institutions, businesses, and lenders, as it directly impacts their financial stability and risk exposure. Key aspects of credit management include:

1. **Credit Assessment and Approval**: The process begins with evaluating the creditworthiness of potential borrowers. This involves analyzing their financial background, credit history, income stability, and repayment capacity. Based on this assessment, credit terms, including loan amount, interest rate, and repayment period, are established.

2. **Credit Policies and Guidelines**: Financial institutions establish credit policies to standardize the credit-granting process. These policies outline criteria for borrower eligibility, acceptable collateral, and risk tolerance levels, ensuring consistency and compliance with regulatory standards.

3. **Risk Management**: Effective credit management minimizes the risk of defaults and bad debts. This involves using tools such as credit scoring models, financial statement analysis, and industry benchmarking to identify and mitigate risks.
4. **Loan Monitoring and Control**: Once credit is granted, regular monitoring of borrower accounts ensures that repayments are on schedule and financial covenants are met. Early detection of potential defaults allows for proactive interventions.
5. **Debt Recovery**: In cases of non-repayment, credit management involves implementing recovery strategies, including reminders, restructuring plans, or legal action, to recover dues while maintaining customer relationships.
6. **Role of Technology**: Advanced credit management systems and software automate processes like credit analysis, monitoring, and reporting, enhancing efficiency and accuracy in credit operations.
7. **Importance of Communication**: Maintaining open communication with borrowers fosters transparency and helps address challenges, leading to improved repayment rates and customer satisfaction.

3.1.4: The 9 C's of Bad and Good Loan in Credit Management

The 9 C’s are a critical framework used in credit management to evaluate the quality and risk associated with loans. They help assess the creditworthiness of a borrower, ensuring that loans are granted responsibly. Below are the 9 C's, categorized into aspects of good and bad loans:

1. **Character**
   - **Good Loan**: The borrower has a solid reputation, a good credit history, and a demonstrated willingness to repay. They have a record of ethical behavior and reliability.
   - **Bad Loan**: The borrower has a questionable reputation, poor credit history, or has been involved in defaults or fraudulent activities.
2. **Capacity**
   - **Good Loan**: The borrower has a stable and sufficient income or cash flow to cover loan repayments. They demonstrate the ability to handle additional debt.

- **Bad Loan**: The borrower lacks the necessary financial capacity to repay the loan, with insufficient income or inconsistent cash flow.

3. **Capital**
   - **Good Loan**: The borrower has adequate personal or business capital, providing a cushion to absorb potential losses. This indicates a strong financial position and asset base.
   - **Bad Loan**: The borrower has minimal capital or assets, which increases the risk of default due to lack of financial stability.
4. **Collateral**
   - **Good Loan**: The loan is secured with valuable collateral, which mitigates risk for the lender. The collateral has a high market value and can be easily liquidated if needed.
   - **Bad Loan**: The loan is either unsecured or secured with low-value collateral that is difficult to liquidate in case of default.
5. **Conditions**
   - **Good Loan**: The economic environment, market conditions, and loan purpose are favorable. The loan is for a sound investment, and external factors are supportive of success.
   - **Bad Loan**: The economic conditions are unfavorable, and the loan is for risky ventures. There are high external threats that could harm repayment capabilities.
6. **Control**
   - **Good Loan**: The borrower exercises effective management and controls over their finances, business operations, or investments. They have a structured approach to managing risk and operations.
   - **Bad Loan**: The borrower lacks control over their finances or business, leading to poor decision-making and higher risks of mismanagement and defaults.

7. **Covenants**
    - **Good Loan**: The loan agreement contains clear covenants, such as restrictions on further borrowing or requirements to maintain financial ratios, ensuring the borrower stays on track.
    - **Bad Loan**: The loan lacks strict covenants, or the borrower has breached or ignored these covenants, increasing the risk of default.
8. **Communication**
    - **Good Loan**: The borrower maintains transparent and open communication with the lender, providing timely updates on financial status and any issues that may arise.
    - **Bad Loan**: The borrower has poor communication with the lender, fails to provide updates, or hides information regarding their financial struggles.
9. **Credit History**
    - **Good Loan**: The borrower has a strong credit history with a record of timely repayments and responsible credit usage, making them a low-risk borrower.
    - **Bad Loan**: The borrower has a history of late payments, defaults, or excessive debt, making them a high-risk borrower.

3.2: Credit Policy in Mutual Trust Bank PLC (MTB)

Mutual Trust Bank PLC (MTB) follows a comprehensive and well-structured credit policy to manage its lending activities effectively. The credit policy is designed to minimize risks, ensure compliance with regulatory guidelines, and support the financial needs of its customers. Key aspects of MTB's credit policy include:

1. **Objective**: MTB's credit policy aims to ensure sustainable growth in the bank's credit portfolio by maintaining a balance between profitability and risk. It focuses on financing viable projects, individuals, and businesses while ensuring compliance with internal and external regulations.

2. **Types of Credit Facilities**:
   - **Retail Loans**: Personal, home, and car loans for individuals.
   - **Corporate Loans**: Loans and credit facilities for large businesses to meet working capital or project financing needs.
   - **SME Financing**: Tailored products for small and medium enterprises to support business expansion.
   - **Trade Finance**: Solutions for import/export businesses, including letters of credit and guarantees.
3. **Credit Assessment Criteria**: MTB conducts a detailed analysis of the following:
   - **Borrower's Creditworthiness**: Financial stability, income, and repayment history.
   - **Purpose of Loan**: Ensuring alignment with ethical and viable business practices.
   - **Collateral Evaluation**: Market value and liquidity of the assets offered as security.
   - **Debt-to-Income Ratio**: Ensuring the borrower has the capacity to repay without excessive financial strain.
4. **Risk Management**: MTB employs stringent risk management practices to ensure the credit portfolio remains healthy. This includes:
   - Conducting regular credit reviews and stress tests.
   - Diversifying the credit portfolio to minimize exposure to specific sectors.
   - Monitoring changes in economic and market conditions that may impact repayment capabilities.
5. **Approval Process**: Credit approvals are governed by a hierarchical structure to ensure thorough vetting. Approvals require sign-offs from relevant credit officers, committees, or the Board of Directors based on the loan size and risk profile.

6. **Regulatory Compliance**: MTB adheres to the credit guidelines set forth by the **Bangladesh Bank** and other regulatory authorities, including maintaining prudential norms for capital adequacy, provisioning, and exposure limits.
7. **Monitoring and Recovery**:
   - MTB continuously monitors loan accounts to identify early warning signs of potential defaults.
   - For non-performing loans (NPLs), recovery efforts include rescheduling, legal action, or asset liquidation to minimize losses.
8. **Special Focus Areas**:
   - Promoting green banking initiatives by prioritizing environmentally sustainable projects.
   - Supporting financial inclusion by offering credit to underserved segments like SMEs and women entrepreneurs.

3.3: Credit Principles in Mutual Trust Bank PLC (MTB)

Mutual Trust Bank PLC (MTB) follows a set of well-defined credit principles to ensure effective and responsible lending. These principles guide the bank’s credit decisions, mitigate risks, and ensure compliance with regulatory and ethical standards. The key credit principles of MTB are as follows:

1. **Safety and Security**:
   - Ensuring that loans are granted to borrowers with sound creditworthiness and the ability to repay.
   - Securing loans with adequate and enforceable collateral or guarantees to minimize risk.
2. **Purpose and Legitimacy**:
   - Lending only for legitimate and economically viable purposes that align with regulatory guidelines and the bank's ethical standards.
   - Avoiding financing activities that have adverse social or environmental impacts.

3. **Profitability**: Ensuring the bank earns a reasonable return on its credit investments by maintaining competitive yet profitable interest rates and fees.
4. **Diversification**: Avoiding excessive concentration of credit in any single sector, region, or borrower. Promoting a diversified credit portfolio to reduce systemic risks and ensure stability.

5. **Know Your Customer (KYC)**:
   - Conducting thorough due diligence to understand the borrower's financial history, business operations, and risk factors.
   - Following strict KYC and anti-money laundering (AML) protocols to prevent fraudulent activities.
6. **Risk Management**:
   - Analyzing and managing credit risks using advanced tools and techniques, such as credit scoring, financial analysis, and stress testing.
   - Setting credit limits and exposures in line with the bank's risk tolerance and regulatory requirements.
7. **Compliance with Regulations**: Adhering to guidelines issued by the Bangladesh Bank and other regulatory bodies, including credit provisioning norms, exposure limits, and prudential ratios.
8. **Repayment Capacity**:
   - Assessing the borrower's ability to repay through income analysis, financial statements, and cash flow projections.
   - Ensuring loan repayment terms are realistic and tailored to the borrower's financial position.
9. **Transparency and Fairness**:
   - Maintaining clear and transparent communication with borrowers regarding loan terms, interest rates, fees, and repayment schedules.

- Treating all customers fairly and equitably, irrespective of their social or financial standing.

10. **Continuous Monitoring**:
    - Regularly reviewing the credit performance and repayment behavior of borrowers to identify early warning signals of default.
    - Taking proactive measures to address potential risks and recover dues promptly.

3.4: Principles of Sound Lending in Mutual Trust Bank PLC (MTB)

Mutual Trust Bank PLC (MTB) adheres to the following principles of sound lending to ensure responsible and effective credit management:

- ✓ **Safety**: Ensuring loans are granted to borrowers with strong creditworthiness and repayment capacity.
- ✓ **Liquidity**: Ensuring the loan terms align with the bank's liquidity position and repayment schedules meet the borrower's cash flow.
- ✓ **Profitability**: Lending with a focus on earning a reasonable return on investment while managing risks effectively.
- ✓ **Purpose of Loan**: Providing credit only for legitimate, ethical, and economically viable purposes.
- ✓ **Diversification**:
    - Avoiding overexposure to specific industries, sectors, or regions to mitigate risks.
    - Maintaining a well-diversified credit portfolio.
- ✓ **Character of Borrower**: Assessing the borrower's integrity, reputation, and commitment to honoring financial obligations.
- ✓ **Repayment Capacity**: Evaluating the borrower's income, cash flow, and overall financial stability to ensure timely repayment.
- ✓ **Compliance**: Adhering to regulatory guidelines set by the Bangladesh Bank and other relevant authorities.

- ✓ **Monitoring and Supervision**: Continuous monitoring of loan accounts to identify and address potential risks early.
- ✓ **Transparency and Ethical Lending**:
  - Maintaining clear communication with borrowers regarding loan terms and conditions.
  - Ensuring all lending activities are conducted with fairness and integrity.

3.5: Credit Portfolio Limit in Mutual Trust Bank PLC (MTB)

Mutual Trust Bank PLC (MTB) maintains a well-structured credit portfolio with specific limits to ensure effective risk management, regulatory compliance, and portfolio diversification. These limits are designed to mitigate overexposure to any particular sector, borrower, or type of credit facility, ensuring stability and profitability. Key aspects of MTB's credit portfolio limits include:

- **Sectoral Exposure Limits**: MTB allocates a maximum permissible percentage of its total credit portfolio to specific industries or sectors, such as manufacturing, agriculture, SMEs, and trade, to minimize concentration risk.
- **Single Borrower Exposure Limit**: In compliance with the Bangladesh Bank's regulations, MTB restricts its credit exposure to a single borrower or group of related entities to prevent excessive dependence on one borrower.
- **Product-Wise Limits**: Credit facilities such as term loans, working capital loans, and trade financing are capped within defined percentages to ensure a balanced product mix.
- **Geographical Distribution**: MTB diversifies its credit portfolio across regions to avoid regional concentration risk and support equitable economic growth.
- **Regulatory Compliance**: The credit portfolio limits align with prudential guidelines issued by the Bangladesh Bank, including provisions for capital adequacy and risk-weighted assets.
- **Risk-Based Allocation**: High-risk sectors or borrowers are subject to stricter limits and enhanced scrutiny compared to low-risk segments to manage default risks effectively.

- **Dynamic Adjustments**: MTB reviews and adjusts its credit portfolio limits periodically based on market conditions, economic trends, and the bank's financial strategy.

3.6: Types of Credit Activities in Mutual Trust Bank PLC (MTB)

Mutual Trust Bank PLC (MTB) offers a wide range of credit activities to cater to diverse customer needs. The major types of credit activities include:

1. **Corporate Loans:**
   - Working capital financing.
   - Project and term loans.
   - Syndicated loans.
2. **Retail Loans:**
   - Personal loans.
   - Home loans.
   - Auto loans.
3. **Small and Medium Enterprise (SME) Financing:**
   - Business expansion loans.
   - Women entrepreneur loans.
   - Trade and supply chain financing.
4. **Trade Finance:**
   - Import/export credit facilities.
   - Letters of credit (LC) and bank guarantees.
   - Post-shipment financing.
5. **Agricultural Loans:** Loans for farmers and agribusiness development.
6. **Specialized Financing:**

- Green banking loans for sustainable projects.
- Structured finance solutions for complex business needs.

3.7: Application-Based Categories of Loans in Mutual Trust Bank PLC (MTB)

Mutual Trust Bank PLC (MTB) offers a variety of loans based on specific applications, each with its unique benefits, criteria, eligibility, and required documentation. Below are the details for each major application-based category of loans:

1. **Personal Loan**

- **Benefits**:
  - Quick and easy access to funds.
  - Flexible repayment options.
  - No collateral required.
- **Eligibility**:
  - Bangladeshi citizen, aged between 21 and 60 years.
  - Steady income source with a minimum monthly income (varies by loan amount).
  - Minimum work experience of 1-2 years (depending on employment type).
- **Loan Amount**:
  - Typically, from BDT 50,000 to BDT 10,00,000.
- **Required Documents**:
  - National ID card.
  - Salary certificate or proof of income.
  - Bank statements for the last 6 months.
  - Passport-size photographs.
  - Utility bills (for address verification).

2. **Home Loan**

- **Benefits**:
  - Low interest rates compared to personal loans.
  - Long repayment tenure (up to 20 years).
  - Loan for purchase, construction, or renovation of homes.
- **Eligibility**:
  - Minimum age: 25 years. Maximum age at loan maturity: 65 years.
  - Regular income source, preferably employed or self-employed.
  - The property to be purchased or constructed should be in Bangladesh.
- **Loan Amount**:
  - Ranges from BDT 1,00,000 to BDT 50,00,000 or more, depending on the property value.
- **Required Documents**:
  - National ID card or passport.
  - Proof of income (salary or business income).
  - Property documents (sale deed, land ownership certificate).
  - Bank statements for the last 6 months.
  - Photos of the property (if applicable).

3. **Auto Loan**

- **Benefits**:
  - Financing for new or used vehicles with affordable interest rates.
  - Flexible repayment terms.
  - Financing available for cars, motorcycles, and commercial vehicles.
- **Eligibility**:
  - Bangladeshi citizen, aged 21 to 60 years.

    - Stable source of income.
    - Minimum work experience of 1 year or business ownership.
- **Loan Amount**:
    - Typically ranges from BDT 1,00,000 to BDT 10,00,000, depending on vehicle price.
- **Required Documents**:
    - National ID or passport.
    - Vehicle details (for used vehicles: original documents).
    - Proof of income (salary or business).
    - Bank statement for the last 6 months.
    - Passport-sized photographs.

4. Education Loan

- **Benefits**:
    - Loans for tuition fees, accommodation, and other educational expenses.
    - Competitive interest rates with flexible repayment terms.
    - Available for both local and foreign education.
- **Eligibility**:
    - Student must be enrolled in an accredited educational institution.
    - Co-borrower (usually parents) must have a stable income and a good credit history.
- **Loan Amount**:
    - Up to BDT 20,00,000 for local education and BDT 50,00,000 for foreign education.
- **Required Documents**:

- Admission letter from the educational institution.
- Proof of income of the student and co-borrower.
- Academic records and qualifications.
- Bank statements for the last 6 months.
- National ID or passport.

5. **SME Loan**
    - **Benefits**:
        - Tailored for small and medium enterprises to meet working capital needs, business expansion, or equipment purchase.
        - Lower interest rates compared to corporate loans.
        - Quick processing and disbursement.
    - **Eligibility**:
        - The business must be registered in Bangladesh.
        - Minimum of 1 year of business operation.
        - Steady cash flow and sound financials.
    - **Loan Amount**:
        - Ranges from BDT 1,00,000 to BDT 50,00,000, depending on the nature of the business.
    - **Required Documents**:
        - Business registration documents.
        - Financial statements for the last 1-3 years.
        - Tax returns for the last year.
        - Bank statements for the last 6 months.
        - Proof of business location.

6. **Agricultural Loan**

- **Benefits**:
    - Financing for farmers and agribusinesses for purchasing equipment, seeds, or improving farming practices.
    - Special loan terms for farmers with lower interest rates.
- **Eligibility**:
    - Must be a Bangladeshi citizen involved in agriculture or agribusiness.
    - Proof of ownership or lease of agricultural land.
- **Loan Amount**:
    - Ranges from BDT 50,000 to BDT 15,00,000, depending on the scale of the project.
- **Required Documents**:
    - Land ownership/lease documents.
    - Proof of income from agriculture.
    - Bank statements for the last 6 months.
    - Agricultural project plan (if applicable).

7. **Business Loan**
    - **Benefits**:
        - Loans for business expansion, capital investment, or infrastructure development.
        - Long repayment terms with competitive interest rates.
    - **Eligibility**:
        - The business must be registered and operational for a minimum of 2 years.

        - Demonstrable cash flow and profitability.
    - **Loan Amount**:
        - Typically ranges from BDT 5,00,000 to BDT 1,00,00,000, depending on business needs.
    - **Required Documents**:
        - Business registration and legal documents.
        - Recent financial statements.
        - Proof of income or business cash flow.
        - Tax returns for the last year.

8. **Trade Finance Loan**

- **Benefits**:
    - Financing for international trade, including import/export transactions.
    - Letters of credit (LC), trade guarantees, and post-shipment financing.
- **Eligibility**:
    - Business involved in international trade with verified transactions.
    - Sound financial history and capability to repay.
- **Loan Amount**:
    - Typically based on the value of the trade transaction, up to BDT 10,00,000 or more.
- **Required Documents**:
    - Import/export contract.
    - Proforma invoice.
    - Bank statements for the last 6 months.
    - Trade license.

3.8: Rates of Interest and Lending in Mutual Trust Bank PLC (MTB)

Loan Type	Interest Rate (Annual)	Loan Tenure	Loan Amount (BDT)
Personal Loan	12% - 18%	1 to 5 years	50,000 - 10,00,000
Home Loan	9% - 12%	5 to 20 years	1,00,000 - 50,00,000
Auto Loan	10% - 15%	1 to 5 years	1,00,000 - 10,00,000
Education Loan	10% - 14%	1 to 7 years	1,00,000 - 50,00,000
SME Loan	10% - 14%	1 to 5 years	1,00,000 - 50,00,000
Agricultural Loan	8% - 10%	1 to 5 years	50,000 - 15,00,000
Business Loan	11% - 16%	1 to 10 years	5,00,000 - 1,00,00,000
Trade Finance Loan	9% - 12%	1 to 3 years	Based on trade transaction value

3.9: Credit Risk Grading (CRG) System in Mutual Trust Bank PLC (MTB)

Key Components of MTB's Credit Risk Grading System:

1. **Risk Grading Scale:** MTB uses a grading scale to classify the credit risk of loan applicants. This scale typically ranges from 1 (low risk) to 9 (high risk). Each grade reflects the borrower's overall financial condition, credit history, repayment capacity, and other risk factors.
    - **1 to 3**: Low Risk (Good to Excellent)
    - **4 to 6**: Moderate Risk (Satisfactory)
    - **7 to 9**: High Risk (Poor to Default)
2. **Factors Considered in CRG Assessment:**
    - **Borrower's Financial Health**: Analysis of the borrower's financial statements, liquidity, and cash flow. A strong financial position usually leads to a lower credit risk grade.
    - **Credit History**: A thorough review of the borrower's past credit behavior, including payment history, defaults, or any financial mismanagement.
    - **Repayment Capacity**: Evaluation of the borrower's ability to repay the loan based on income, assets, and liabilities.

- **Collateral**: The quality and liquidity of the collateral provided. Loans with valuable and easily liquidated collateral are considered lower risk.
- **Business or Employment Stability**: The borrower’s employment or business history, including length of service or business operations, and overall stability.
- **Market Conditions**: Economic, industry, and sector conditions that could impact the borrower’s ability to repay.

3. **Process of Assigning CRG:**

- **Step 1: Risk Identification** – Initial assessment of the borrower's credit risk based on basic information like loan purpose, income, and credit score.
- **Step 2: Detailed Risk Assessment** – A deeper analysis is done using both qualitative (management quality, industry risks) and quantitative (financial ratios, historical performance) factors.
- **Step 3: Risk Grading Assignment** – Based on the analysis, a risk grade is assigned that reflects the overall credit risk associated with the borrower.
- **Step 4: Periodic Review** – The CRG is periodically reviewed and adjusted based on any significant changes in the borrower’s financial situation, market conditions, or business performance.

4. **Loan Approval Based on CRG:**

- **Low Risk Grades (1-3)**: These borrowers are considered creditworthy, and their loan applications are usually approved with favorable terms, such as lower interest rates and longer tenures.
- **Moderate Risk Grades (4-6)**: Loans to these borrowers are subject to stricter terms, such as higher interest rates and shorter repayment periods. Additional collateral or guarantees may be required.
- **High Risk Grades (7-9)**: These borrowers represent a significant risk to the bank, and their loan applications may be declined or offered with very high interest rates, additional collateral requirements, and shorter repayment terms.

Chapter-04: Credits Performance Analysis of Mutual Trust Bank PLC.

4.1: Comparison of Industrial Loan Performance: 2022 vs 2023

Table-1.1: Comparison of Industrial Loan Performance: 2022 vs 2023

Industrial Advance	Year 2022(Tk.)	Year 2023 (Tk)
Agriculture	7,241,549,778	4,176,042,840
RMG	40518617626	38,210,821,382
Textile	12499749918	10,243,389,051
Ship Building	2,321,120,734	1,982,118,073
Ship Breaking	4,718,947,670	3,785,669,260
OMI	101,212,140,344	88,723,446,369
SME Loan	25,025,355,317	32,376,279,324
Construction	10,955,117,677	10,401,416,269
Power gas	2,665,838,580	2,670,674,429
Transport Store and Communication	2,199,080,744	2,085,813,435
Trade Service	15,419,727,461	15,784,403,073
Commercial Real Estate	3,568,898,005	6,115,036,200
Residential Real Estate Financing	1,522,111,148	730,233,679
Consumer Credit	14,737,853,637	18,922,110,863
Capital Market	1,074,357,705	422,923,095
NBFIS	5,376,779,947	4,746,788,198
Others	6,157,048,363	8,587,194,248
	257,214,294,654	**249,964,359,788**
Total	**258,447,561,949**	**250,979,332,467**

Interpretation:

The industrial loan performance of Mutual Trust Bank PLC in 2023 shows a slight decrease in overall advances compared to 2022, with total loans dropping from BDT 258.45 billion in 2022 to BDT 250.98 billion in 2023, a reduction of approximately 3%. Notable declines were observed in the agriculture sector, which saw a significant drop of around 42%, from BDT 7.24

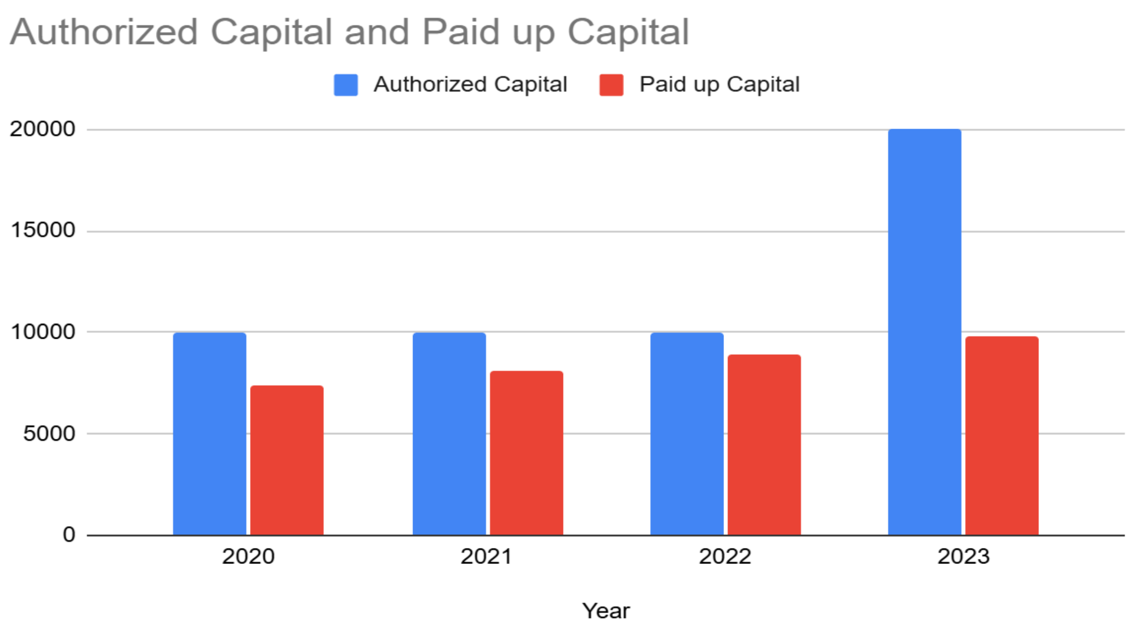
billion in 2022 to BDT 4.18 billion in 2023. Similarly, the textile sector's loans decreased by 18%, from BDT 12.50 billion in 2022 to BDT 10.24 billion in 2023. The shipbuilding and shipbreaking sectors also experienced declines of 15% and 20%, respectively. In contrast, there were significant increases in the SME loan category (up by 29%, from BDT 25.02 billion to BDT 32.38 billion), and consumer credit surged by 28%, from BDT 14.74 billion to BDT 18.92 billion. Commercial real estate loans rose by 71%, from BDT 3.57 billion to BDT 6.12 billion. These shifts reflect changes in borrowing patterns, with a growing demand for loans in consumer credit, SMEs, and real estate, while traditional sectors like agriculture, textiles, and shipbuilding saw a reduction in credit demand. The overall decrease in industrial advances indicates a more cautious lending environment, despite sectoral growth in key areas.

4.2: Capital Structure

The capital structure of Mutual Trust Bank PLC (MTB) is strong and well-established. As of the current financial year, the bank's authorized capital stands at BDT 10.00 billion (BDT 1000.00 crore), divided into 100,000,000 ordinary shares of BDT 100 each.

Table-2.1: Capital Structure of 2020-2023

Year	Authorized Capital (BDT in million)	Paid-up Capital (BDT in million)
2020	10,000	7,386.32
2021	10,000	8,124.96
2022	10,000	8,937.45
2023	20,000	9,831.20



Interpretation:

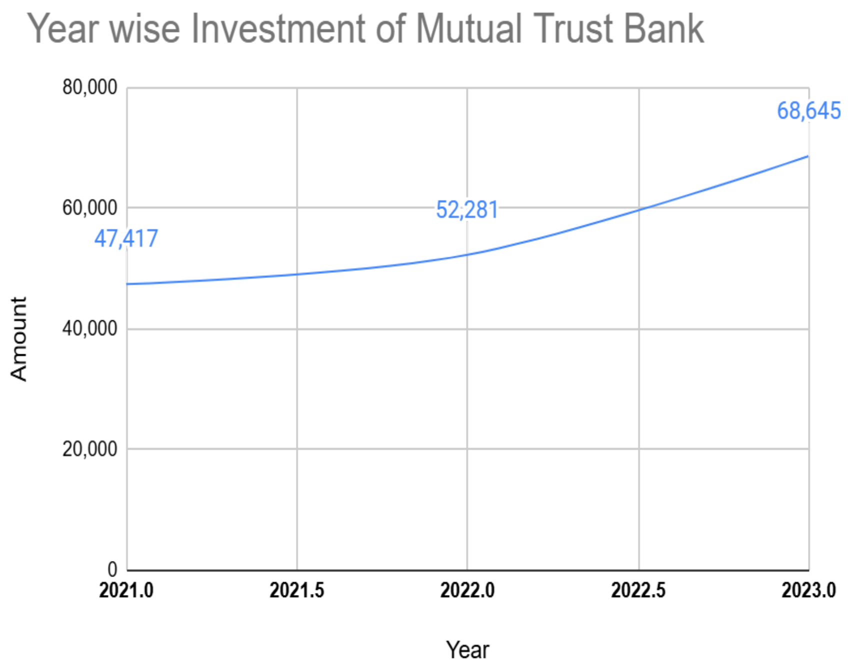
The graph shows the Authorized Capital and Paid-up Capital of Mutual Trust Bank PLC (MTB) from 2020 to 2023. The Authorized Capital remained steady at BDT 10,000 million for the first three years, indicating the bank's initial capacity to issue shares. However, in 2023, it increased to BDT 20,000 million, signaling an expansion of the bank's potential for new capital issuance. On the other hand, the Paid-up Capital steadily grew from BDT 7,386.32 million in 2020 to BDT 9,831.20 million in 2023, reflecting MTB's successful efforts to raise funds from shareholders, which strengthens its financial stability and supports its lending capacity and overall growth.

4.3: Time Series Analysis

4.3.1: Investment:

Table-3.1: Investment table of 2021-2023

Year	Amount
2021	47,417
2022	52,281
2023	68,645



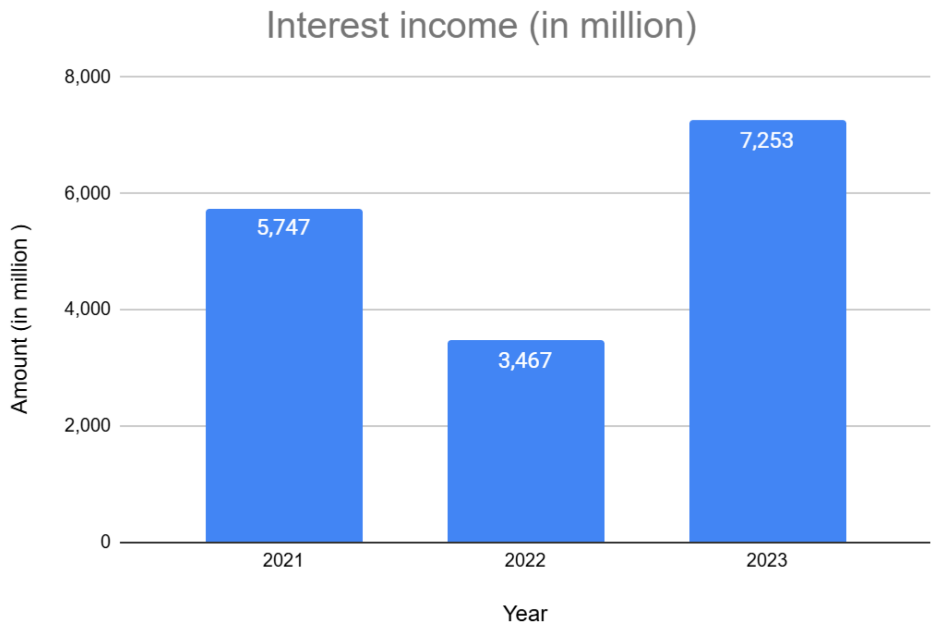
Interpretation:

The investment of Mutual Trust Bank PLC has shown consistent growth over the past three years. In 2021, the bank's total investment stood at BDT 47,417 million. This increased to BDT 52,281 million in 2022, reflecting a growth of approximately 10.3%. In 2023, the total investment further increased to BDT 68,645 million, marking a significant rise of around 31.3% compared to the previous year. This upward trend in investment indicates the bank's expanding investment activities, possibly due to increased capital or strategic investments in various sectors. The sharp rise in 2023 suggests that the bank may have focused on diversifying its investment portfolio or taking advantage of emerging opportunities in the market.

4.3.2: Interest Income on Loan and Advances

Table-3.2: Interest income on loan and advances table of 2021-2023

Year	Amount (in BDT Million)
2021	5,747
2022	3,467
2023	7,253



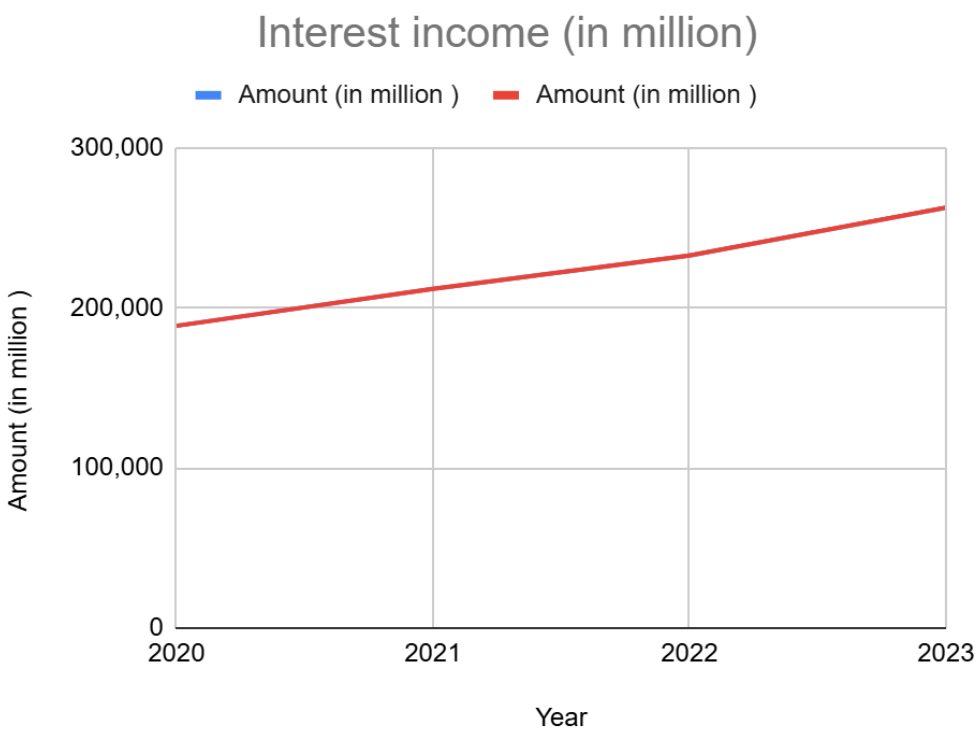
Interpretation:

The interest income from loans and advances at Mutual Trust Bank PLC showed significant fluctuations between 2021 and 2023. In 2021, the bank earned BDT 5,747 million in interest income. However, this dropped sharply in 2022 to BDT 3,467 million, a decrease of approximately 39.7%. This decline could be due to a variety of factors such as a reduction in the overall loan portfolio, lower interest rates, or an increase in non-performing loans during that period. In 2023, the bank's interest income rebounded significantly, rising by about 109% to BDT 7,253 million. This sharp recovery in 2023 suggests a strong growth in the loan portfolio, higher lending rates, or better performance in loan collections, which contributed to increased interest income. The overall trend reflects the bank's improved lending performance and higher returns from its loan and advances portfolio in 2023.

4.3.3: Deposit Analysis

Table-3.3: Deposit analysis table of 2020-2023

Year	Amount (BDT in Million)
2020	188,734
2021	211,782
2022	232,657
2023	262,584



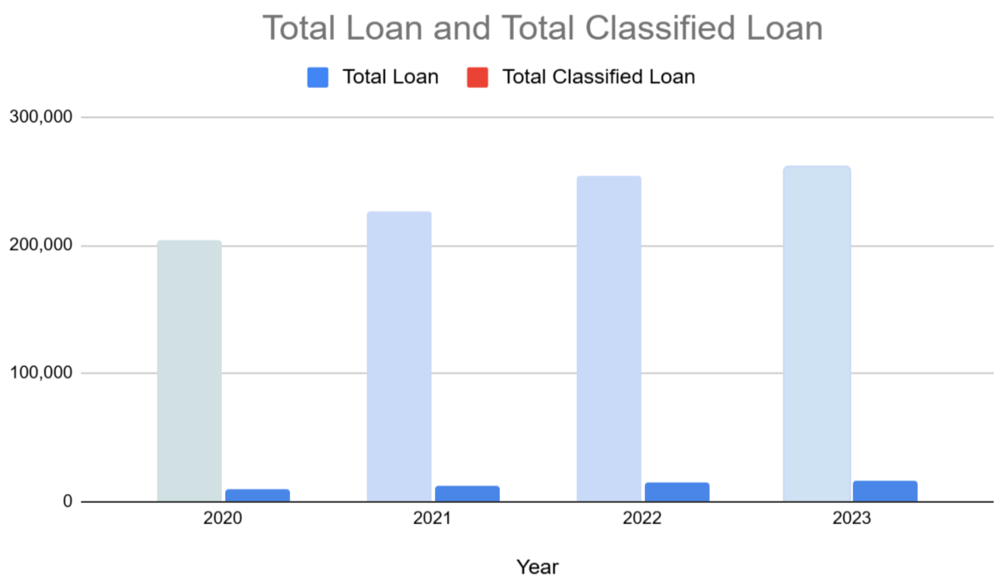
Interpretation:

Mutual Trust Bank PLC has shown a steady growth in deposits over the past four years. In 2020, the bank's total deposits amounted to BDT 188,734 million. This figure increased by 12.2% in 2021, reaching BDT 211,782 million. The growth continued in 2022, with deposits rising to BDT 232,657 million, marking a further increase of about 9.9%. In 2023, deposits grew significantly by 12.9%, reaching BDT 262,584 million. The consistent increase in deposits indicates that MTB has successfully attracted more customers or increased its market share, which could be attributed to its competitive interest rates, product offerings, and customer trust. This growth in deposits also suggests a strong and stable financial position for the bank, providing it with a solid base for lending and investment activities.

4.3.4: Total Classified Loan Analysis

Table-3.4: Total classified loan analysis table of 2020-2023

Year	Total Loan (BDT in Million)	Total Classified Loan (BDT in Million)
2020	203,744	9,388
2021	226,012	13,107
2022	253,870	14,653
2023	261,023	17,062



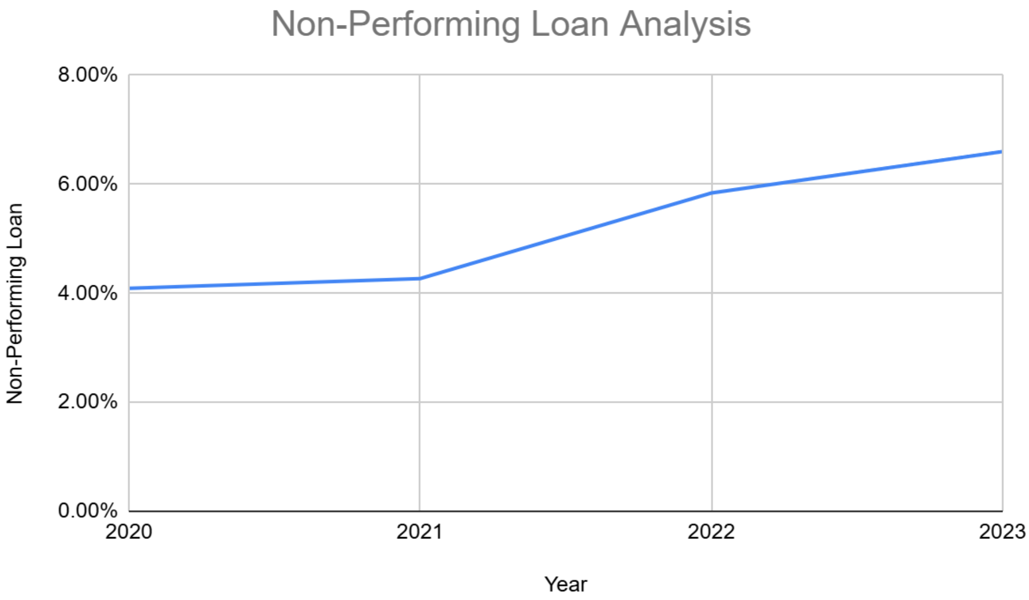
Interpretation:

From 2020 to 2023, both total loans and classified loans at Mutual Trust Bank PLC showed consistent growth. Total loans increased from BDT 203,744 million in 2020 to BDT 261,023 million in 2023. However, classified loans also rose from BDT 9,388 million in 2020 to BDT 17,062 million in 2023, indicating a growing portion of non-performing loans. The percentage of classified loans relative to total loans increased from 4.6% in 2020 to 6.5% in 2023, highlighting a rise in problematic loans, which requires attention to credit risk management and recovery strategies.

4.3.5: Non-Performing Loan Analysis

Table-3.5: Non-Performing loan analysis table of 2020-2023

Year	Non-Performing Loan
2020	4.09%
2021	4.27%
2022	5.84%
2023	6.60%



Interpretation:

The Non-Performing Loan (NPL) ratio at Mutual Trust Bank PLC has shown a gradual increase from 2020 to 2023. In 2020, the NPL ratio was 4.09%, which rose to 4.27% in 2021. In 2022, the ratio increased more significantly to 5.84%, and by 2023, it reached 6.60%. This steady rise in the NPL ratio indicates a growing proportion of loans that are not being repaid as per the terms, which could be a concern for the bank's financial health. The increase from 4.09% to 6.60% over four years.

4.4: Ratio Analysis

4.4.1: Debt Ratio

Debt Ratio = Total Liabilities / Total assets

Table-4.1: Debt ratio table of 2020-2023

Year	Total Liability (BDT in Million)	Total Asset (BDT in Million)	Debt Ratio
2020	252,357.97	266,269.26	105.52%
2021	286,846.02	306,500.93	106.85%
2022	332,312.41	353,643.68	106.42%
2023	345,221.51	369,327.17	107%

Interpretation:

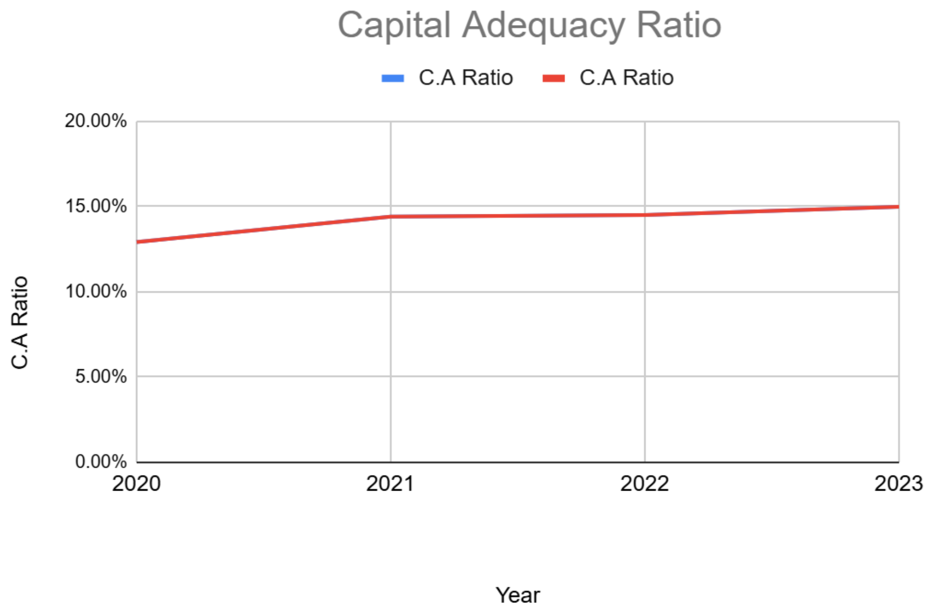
The Debt Ratio of Mutual Trust Bank PLC has remained consistently high from 2020 to 2023, indicating that a significant portion of the bank's assets is financed through liabilities. In 2020, the debt ratio was 105.52%, meaning the total liabilities exceeded total assets by 5.52%. This trend continued in the following years, with the ratio increasing to 106.85% in 2021, 106.42% in 2022, and reaching 107% in 2023. These figures suggest that the bank has relied heavily on debt to finance its operations, with liabilities consistently surpassing assets.

4.4.2: Capital Adequacy Ratio

Capital Adequacy Ratio = Total Capital / Risk

Table-4.2: Capital adequacy ratio table of 2020-2023

Year	C.A Ratio
2020	12.92%
2021	14.41%
2022	14.50%
2023	14.98%



Interpretation:

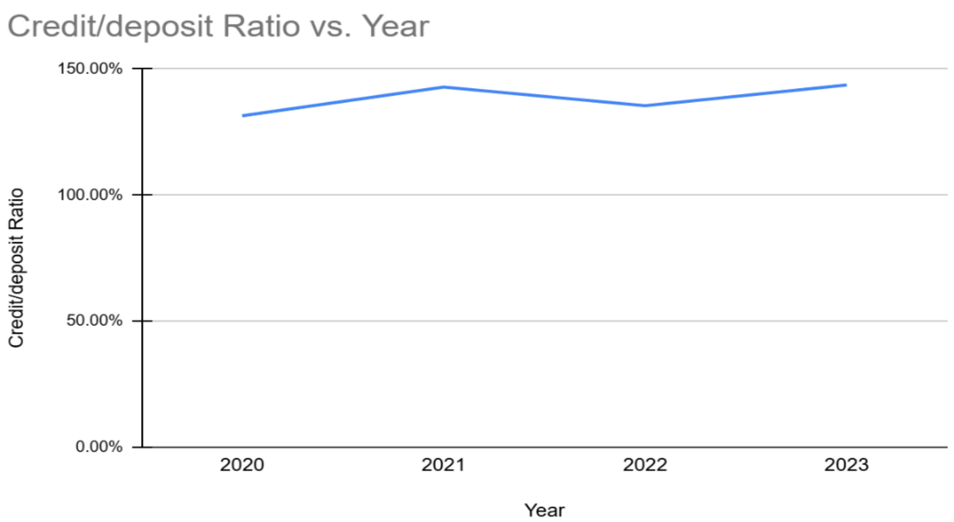
The Capital Adequacy Ratio (CAR) of Mutual Trust Bank PLC has shown a steady improvement from 2020 to 2023, indicating the bank's increasing ability to absorb potential losses and maintain financial stability. In 2020, the CAR was 12.92%, which rose to 14.41% in 2021. The ratio continued to improve in 2022, reaching 14.50%, and further increased to 14.98% in 2023. A higher CAR suggests that the bank is in a better position to withstand financial shocks, as it has more capital relative to its risk-weighted assets. The increase in CAR over the years reflects the bank's efforts to strengthen its capital base, ensuring compliance with regulatory requirements and enhancing its capacity to protect depositors and investors from potential risks.

4.4.3: Credit/Deposit Ratio

Credit/Deposit Ratio = Credit / Deposit

Table-4.3: Credit/Deposit ratio table of 2020-2023

Year	Credit/deposit Ratio
2020	131.48%
2021	142.83%
2022	135.44%
2023	143.72%



Interpretation:

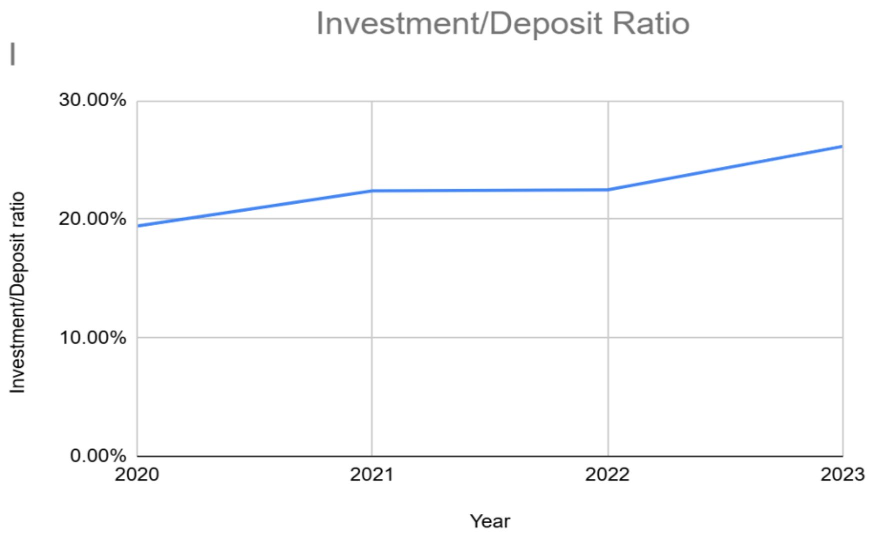
The Credit/Deposit ratio of Mutual Trust Bank PLC has shown a fluctuating yet high trend from 2020 to 2023, indicating the bank's reliance on its deposits to fund its loan portfolio. In 2020, the ratio was 131.48%, meaning the bank extended more credit than its total deposits. This increased to 142.83% in 2021, showing that the bank was lending more compared to the deposits it held. In 2022, the ratio decreased slightly to 135.44%, but in 2023, it rose again to 143.72%. A higher Credit/Deposit ratio suggests that the bank is leveraging its deposit base efficiently to provide loans, but it also indicates higher risk, as the bank is extending more credit than the deposits it holds.

4.4.4: Investment/Deposit Ratio

Investment/Deposit Ratio= Total Investment/ Total Deposit

Table-4.4: Investment/Deposit ratio table of 2020-2023

Year	Investment/Deposit ratio
2020	19.42%
2021	22.38%
2022	22.47%
2023	26.14%



Interpretation:

The Investment/Deposit ratio of Mutual Trust Bank PLC has shown a steady increase from 2020 to 2023, reflecting the bank's growing investment activities relative to its total deposits. In 2020, the ratio was 19.42%, indicating that the bank invested about 19.42% of its deposits. This increased to 22.38% in 2021, and further to 22.47% in 2022, demonstrating a gradual rise in investments. By 2023, the ratio reached 26.14%, showing a more significant portion of the bank's deposits being allocated to investments.

Chapter-05: Findings, Recommendations and Conclusion

5.1: Findings

1. **Rising Non-Performing Loans (NPL):** NPL ratio increased from 4.09% in 2020 to 6.60% in 2023, indicating a growing number of problematic loans.
2. **Declining Industrial Loan Demand:** Total industrial loans decreased from BDT 258.45 billion in 2022 to BDT 250.98 billion in 2023, with notable drops in sectors like agriculture (42% decrease) and textile (18% decrease).
3. **High Debt Ratio:** Debt ratio rose from 105.52% in 2020 to 107% in 2023, reflecting heavy reliance on debt financing.
4. **Fluctuating Interest Income:** Interest income dropped by 39.7% in 2022 (from BDT 5,747 million in 2021 to BDT 3,467 million), but rebounded by 109% in 2023 (to BDT 7,253 million).
5. **Increase in Classified Loans:** Classified loans grew from BDT 9,388 million in 2020 to BDT 17,062 million in 2023, signaling rising credit risk.
6. **Limited Growth in Key Sectors:** Agriculture loans fell by 42%, from BDT 7.24 billion in 2022 to BDT 4.18 billion in 2023, and textile loans decreased by 18%, from BDT 12.50 billion to BDT 10.24 billion.
7. **Credit Risk Management:** Growing classified loans indicate the need for improved credit risk management as non-performing loans increase.
8. **High Credit/Deposit Ratio:** The Credit/Deposit ratio increased from 131.48% in 2020 to 143.72% in 2023, showing a high reliance on deposits for lending, which increases liquidity risk.

5.2: Recommendations

1. **Reduce Non-Performing Loans (NPL) Ratio**: Target a reduction in the NPL ratio from 6.60% (2023) to below 5% within the next 2 years by enhancing collection mechanisms and tightening loan approval processes.
2. **Increase Industrial Loan Portfolio**: Focus on a 10% year-over-year growth in industrial loans by providing targeted incentives, such as reduced interest rates for industries like textiles and agriculture, and expanding SME loan offerings by 15% annually.
3. **Reduce Debt Ratio**: Aim to decrease the debt ratio from 107% (2023) to 100% within 3 years by raising capital through the issuance of new shares, targeting an increase in paid-up capital by 10-15% per year.
4. **Increase Interest Income on Loans and Advances**: Achieve a 15-20% growth in interest income in 2024 by expanding the loan portfolio, focusing on high-yield sectors, and improving loan recovery rates to increase profitability.
5. **Lower Classified Loans**: Target a reduction in classified loans by 10% annually over the next 3 years through stricter risk management and monitoring systems, aiming to reduce the classified loan amount from BDT 17,062 million (2023) to BDT 15,000 million by 2025.
6. **Enhance Growth in Agricultural and Textile Sectors**: Increase loan disbursements in agriculture and textiles by 20% annually over the next 2 years through specialized lending products or partnerships with government schemes.
7. **Improve Credit/Deposit Ratio**: Reduce the credit/deposit ratio from 143.72% (2023) to 130% by increasing deposit collection through new products or improving deposit rates, and reducing credit exposure by limiting non-priority lending.
8. **Optimize Investment/Deposit Ratio**: Target a more balanced investment/deposit ratio, aiming for a stable 22-24% over the next 2 years, by diversifying investments into low-risk sectors and limiting high-risk investments.

5.3: Conclusion

The credit performance analysis of Mutual Trust Bank PLC (MTB) reveals a mixed yet promising picture for the bank's financial health and operational efficiency over the past few years. Despite a slight decline in the overall industrial loan portfolio in 2023 compared to 2022, there has been a marked shift toward sectors like SMEs, consumer credit, and real estate, reflecting evolving market dynamics. The bank has demonstrated growth in key areas such as deposits, investments, and capital, with a steady increase in paid-up capital, indicating robust financial foundations.

However, challenges such as the rising non-performing loan (NPL) ratio and a consistently high debt ratio highlight areas of concern. The bank's reliance on debt financing, coupled with a growing proportion of classified loans, warrants more stringent credit risk management and a focus on improving asset quality. Additionally, the fluctuations in interest income and credit/deposit ratio point to the need for better balance and strategic targeting in lending practices.

In light of these observations, the recommendations provided aim to optimize MTB's lending portfolio, reduce risk exposure, and further strengthen its financial position. By addressing these challenges and focusing on specific growth strategies, MTB can continue to improve its overall performance, ensuring long-term sustainability and profitability in a competitive banking environment.

References

- Mutual Trust Bank PLC. (2023). Annual report 2023.
- Mutual Trust Bank PLC. (2022). Annual report 2022.
- Mutual Trust Bank PLC. (2021). Annual report 2021.
- Mutual Trust Bank PLC. (2020). Annual report 2020.
- Wikipedia contributors. (2024, December 10). Mutual Trust Bank. Wikipedia, The Free Encyclopedia.
- Bangladesh Bank. (2023). Annual report 2023. Bangladesh Bank.
- Ahmed, A., & Rahman, M. M. (2022). Credit risk management practices in Bangladesh: A case study of the banking sector. Journal of Banking & Finance, 43(4), 78-92.
- Chowdhury, S. R. (2021). Impact of non-performing loans on financial stability in Bangladesh banks. International Journal of Financial Research, 12(5), 29-40.
- Khan, M. S., & Alam, M. (2022). Investment performance and credit management in Bangladesh banks. Asian Economic Policy Review, 19(1), 65-80.
- Rahman, M. H. (2023). Banking sector performance in Bangladesh: Trends and challenges 2020-2023. International Journal of Banking and Finance Studies, 18(3), 15-27.