Internship Report on Credit Risk Management of IFIC Bank PLC

Submitted By

Sarah Siddiquei Dana

ID: 201-11-6547

Program BBA, Major in Finance

Department of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University

Submitted To

Professor Dr. Mostafa Kamal

Department of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University

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Letter of Transmittal

November 12, 2024

Professor Dr. Mostafa Kamal

Department of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University

Subject: Submission of internship report on **“Internship Report on Credit Risk Management of IFIC Bank PLC’’**

Dear Sir,

With great pleasure, I present my internship report on "Credit Risk Management of IFIC Bank PLC" in compliance with the requirements Bachelor in Business Administration (BBA) program. I'm having an incredible experience working on this particular challenge. Within the allotted time and the restricted resources, I have attempted to make the report clear and complete. Sincerely, I hope that my study will shed light on IFIC Bank PLC.'s accounting practices, loan procedures, and credit norms and regulations. I respectfully ask that you accept the report, give me your input, and trust that this report will live up to your expectation. Thank you for granting me the opportunity to delve into this topic.

Sincerely Yours,

Sarah Siddiquei Dana

Id: 201-11-6547

Bachelor of Business Administration

Department of Business Administration

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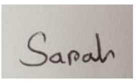
Daffodil International University

Student's Declaration

I'm Sarah Siddiquei Dana, hereby affirm that the internship report entitled **“Credit Risk Management of IFIC Bank PLC”** is the result of my work over a three-month period at IFIC Bank Limited. Additionally, I guarantee that the entire report is based on my actual experiences and was created solely for academic purposes—a requirement for the B.B.A. degree. I made an effort to keep my attention on the overall situation involving the bank and the branch where I work.



Sarah Siddiquei Dana

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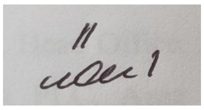
Certificate of Supervision

This is to certify that Sarah Siddiquei Dana, ID: 201-11-6547, successfully completed the internship program under my supervision. She has submitted a report titled **"Credit Risk Management of IFIC Bank PLC"** to me. I believe the student has independently produced this work and has adhered to all rules and regulations of the internship.

I hereby confirm that Sarah Siddiquei Dana has fulfilled the partial requirements for the BBA degree award.



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Professor Dr. Mostafa Kamal

Department of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University

Acknowledgement

I would want to begin by sincerely giving thanks to the "Almighty" for allowing me to labor hard despite density. But the space complex prevents us from talking about each person in isolation. It brings me great pleasure to express my gratitude to the many people whose genuine collaboration and encouragement allowed me to prepare this report, both explicitly and implicitly.

I express my deepest gratitude to **Professor Dr. Mostafa Kamal**, Department of Business Administration, for his invaluable guidance, insightful suggestions, and meticulous corrections which significantly enhanced the quality of this report.

I extend my heartfelt thanks to Afroja Khanom, Head of HR Development at IFIC Bank Ltd., Head Office, Dhaka, for granting me permission to undertake my internship at IFIC Bank PLC, Azaz Tower, 145 Begum Rokeya Ave, Mirpur-10, Dhaka 1216. I also appreciate the support and cooperation of Senior Principal Officer and Branch Manager, Officer & Manager Operation, at IFIC Bank PLC.

Additionally, I am sincerely grateful for the invaluable knowledge gained through my interactions with seasoned banking professionals across various sectors, particularly Mya Sing Marma (GB), Mrs. Fahmida Sharmin (Clearing), Mr. Md. Jamal Uddin (Loans & Advance), and other officials, whose wealth of banking experience greatly enriched my learning experience during this period.

Executive Summary

IFIC Bank PLC, a pioneer in Bangladesh's banking sector since its establishment on August 3, 1983, has grown to become one of the oldest commercial banks with a nationwide presence, comprising 166 branches and 901 Uposhakha.

The primary objective of this report is to provide a credit risk management of IFIC Bank PLC. Additionally, the report aims to outline the terms and conditions governing the various credit services offered by IFIC Bank PLC. In today's financial landscape, effective credit risk management is crucial for banks to generate revenue.

IFIC Bank PLC is a business organization that was founded in 1983 and is primarily owned by the public and private sectors. It seeks to foster economic growth by delivering excellent services with efficiency, creativity, and inventiveness. The bank, which is 32.75% government and 67.25% private, has operations in the UK, Oman, Pakistan, and Nepal. Integrity, a customer-focused approach, collaboration, and ongoing business development are valued. The bank has created cutting-edge products and opened branches abroad.

The bank's credit operations are covered in Chapter 3, with particular attention paid to loan offerings, borrowing procedures, and responsible lending guidelines. It describes the bank's term loans, secured overdrafts, small business finance, and ongoing loans in addition to indirect services such credit letters and guarantees. Credit Risk Grading is used by IFIC Bank's Credit Risk Management Division to keep an eye on loan hazards. The bank has stringent credit approval procedures that prioritize repaying capacity. Credit decisions are supervised by the Head Office Credit Committee. The bank continues to grow and retain high credit ratings, but because of market volatility, credit risk management is necessary.

IFIC Bank PLC has experienced significant growth in loan expansion and standard loans, demonstrating stability in Bangladesh's banking sector. However, challenges like high interest rates, complex loan processes, and limited ATM availability present obstacles. Recommendations include optimizing loan application, improving ATM accessibility, investing in digital transformation, and diversifying loan portfolio.

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Acronyms

ATM: Automated Teller Machine

ACCPT: Acceptable

BEP: Break Even Point

BEFTN: Bangladesh Electronic Funds Transfer Network

BL: Bad & Loss

BB: Bangladesh Bank

CC HYPO: Cash Credit Hypo

CF: Cash Flow

CIB: Credit Information Bureau

CRM: Customer Relationship Management

CRG: Credit Risk Grading

DPS: Deposit Pension Scheme

DF: Doubtful

EBA: Equation Banking Application

EBS: Equation Banking Server

FDR: Fixed Deposit Receipts

IFIC Bank: International Finance Investment and Commerce Bank

OIE: Oman International Exchange LLC

MRC: Minimum Capital Requirement

NDLC: National Development Leasing Corporation

NB Bank: Nepal Bangladesh Bank PLC

KPMG: Klynveld Peat Marwick Goerdeler

NPSB: National Payment System of Bangladesh Bank

MISYS: Manufacturing Information System

OBU: Offshore Banking Unit

SOD: Secured Overdraft

PSS: Public Service Savings

SHBL: Staff House Building Loans

SLPF: Staff Loans against Provident Fund

LIM: Loan Against Imported Merchandise

LTR: Loan Against Trust Receipt

NBFI: Non-Banking Financial Institution

LC: Letter of Credit

RM: Relationship Manager

MD: Managing Director

SUP: Superior

GD: Good

MG: Marginal

SM: Special Mention

SS: Substandard

PNW: Personal Net Worth

OD: Overdraft

MI: Management Information System

Chapter: 01

Introduction

1.1 Introduction

For commercial banks to enhance economic outcomes effectively, they must strategically invest in sectors that yield maximum output, crucial for national economic development. However, precise credit allocation across various sectors in Bangladesh is paramount. Insufficient credit assessment and monitoring could lead to higher debt defaults, adversely affecting overall financial activities. Despite banks striving to improve their financial standing, they encounter numerous challenges: mismatches in funding sources, over-reliance on similar securities, politicized credit delivery systems, inadequate debt management procedures, limited government support, and sub-optimal technology utilization. Banks aim to achieve substantial financial growth and stability to benefit both themselves and the broader economy, yet maintaining stability throughout the financial inter mediation process remains costly and challenging the World Bank's "Bangladesh: Agenda for Action" (1996) provides recommendations crucial for economic growth. It emphasizes the necessity of professionalizing banking operations to foster a more efficient banking system through targeted management procedures and requisite functional and technological training.

1.2 Rational of the Study

An internship becomes meaningful when the report meets the essential criteria for BBA at Daffodil International University. Specifically, the assigned topic under supervision by Professor Dr. Mostafa Kamal, in the Department of Business Administration, focuses on "Credit risk management of IFIC Bank PLC."

1.3 Scope of the Study

Working as an experienced employee, I had a broader scope compared to other interns at the bank, which allowed me to handle various products, services, and customer interactions. However, I adhered to official procedures for collecting data for my report. My internship was specifically focused at the IFIC Bank Ltd, Azaz Tower, 145 Begum Rokeya Ave, Mirpur-10, Dhaka 1216, where I studied and analyzed several aspects of the bank's operations including General Banking, Loans and Advances, Account Opening, and Clearing. The report reflects my findings and insights gained during this period.

1.4 Objectives of the Report

General Objective:

The primary goal of the report is to assess and identify IFIC Bank PLC's credit risk management system.

Specific Objectives:

- To have a sound understanding of credit risk management & procedure followed in IFIC Bank PLC.
- To analyze various credit policies of IFIC Bank PLC.
- To focus on the status of classified loans in IFIC Bank PLC.
- To provide some recommendations based on findings.

1.5 Methodology

The precise steps or methods used to locate, pick, organize, and evaluate data on a subject are known as methodology. The methodology part of a research article gives the reader the opportunity to assess the general validity and reliability of the study.

Here are two sets of data sources used for this report:

Primary sources:

A first-hand account of an event or subject written by a participant or witness to the event or subject is known as a primary source. Documents, letters, diaries, accounts from eyewitnesses, documents, articles, recordings, statistical data, publications, and works of art can all be considered primary sources.

- Informal contact with representatives of the department in question.
- Have face-to-face discussions with the relevant Branch officers and staff.

- Talking casually with the clients.

Secondary sources

Secondary sources are employed to synthesize, characterize, interpret, and make generaliz ationsabout primary sources. Secondary sources can explain the how and why of a historic al event and aid readers in understanding commentary and information from secondhand s ources.

- IFIC Bank PLC annual reports.
- Periodicals published by Bangladesh Bank.
- Various books, articles, and compilations related to credit risk management.

1.6 Limitations of the Study of IFIC

Even though I made every effort to create a thorough and orderly report on IFIC Bank PLC's credit risk management, there were still certain limitations:

- **Confidentiality and Time Constraints:** Impact of Confidentiality and Time constraints on data collection and report findings.
- **Difficulties in Report Accuracy:** Due to confidentiality and limited access to financial data.
- **Restricted Financial Information and Short Study Period:** Data limitations and assumptions.
- **Difficulties in Acquiring Accurate Data and Insights:** Confidentiality issues and short study duration.
- **Report Precision Constraints:** Problems with integrity and internship shortfalls.
- **Report Limitations**: Due to insufficient expertise and analytical skills.

Chapter: 02

Overview of IFIC Bank PLC

2.1 An Overview of IFIC Bank PLC

Established in 1983 under Bangladeshi law, International Finance Investment and Commerce Bank (IFIC Bank PLC.) began as a government-led initiative aimed at fostering financial services domestically and establishing international joint venture banks and financial institutions. Originally a joint venture with 49% government ownership and 51% private sector ownership, IFIC Bank transitioned into a fully-fledged commercial bank in 1983 when private banks were permitted. Currently, the Government of Bangladesh holds a 32.75% stake, with leading industrialists owning 11.31%, and the remainder being publicly held shares.

2.2 Mission of IFIC Bank

The goal of the IFIC bank is to support an effective and underutilized labor-force whose creative abilities, activities, and competitive qualities distinguish them in the provision of superior service to all entities and individuals with which they come into contact. They are carried out for the benefit of the populace's economic advancement, as we draw inspiration and motivation from them for further advancement towards enrichment. IFIC aspires to lead Bangladesh's banking industry. Creating an indelible mark as a proficient collaborator in local banking management transcends national borders. In a highly competitive and challenging financial and corporate market, they focus especially on accrual and availability of all parties involved.

2.3 Vision of IFIC Bank

At IFIC, we want to be the preferred financial service provider through innovative, sustainable and inclusive growth and deliver the best-in-class value to all stakeholders.

2.4 Ownership Structure

The bank's ownership structure includes sponsors from the private sector holding approximately 67.25% of the share capital, with the Government of Bangladesh holding slightly over 32.75% of the shares.

2.5 Organizational Structure

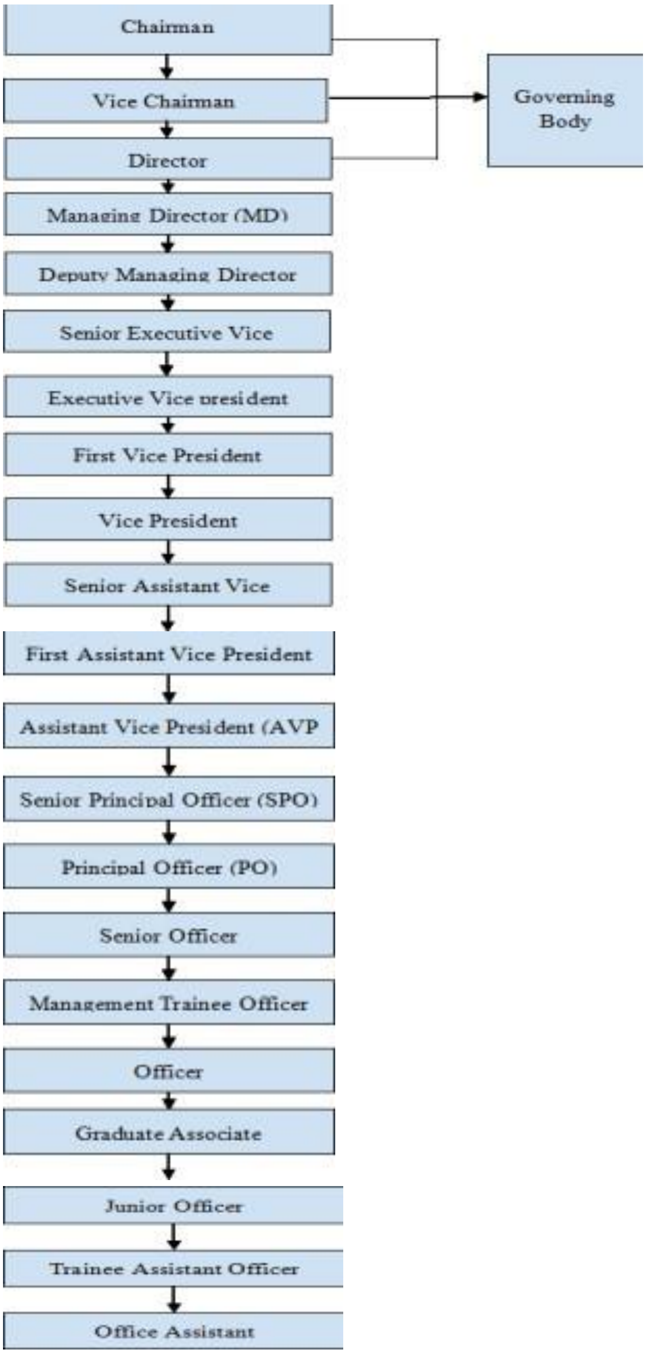


Table 1: Organizational Structure of IFIC Bank PLC

2.6 Value of IFIC Bank PLC

- Collaborating as a team to prioritize the organization's and customers' best interests.
- Valuing and respecting employees while making decisions based on merit.
- Maintaining a strong customer focus and fostering relationships built on integrity.
- Pursuing continuous business improvement for the Bank.
- Offering recognition and rewards for performance through avenues like promotions and bonuses.

2.7 Board of Directors

The Board of Directors of IFIC Bank PLC comprises a distinctive blend of private sector expertise and government representation. Currently composed of 9 Directors, three represent the sponsors and the public, while three hold senior positions equivalent to Additional Secretary/Joint Secretary within the Government. The Managing Director serves as an ex official member of the board.

2.8 Corporate Culture

IFIC Bank PLC upholds a disciplined ethos and fosters a strong corporate culture characterized by shared meaning, understanding, and sense-making. The bank's employees perceive and interpret events, activities, and situations uniquely, maintaining personal integrity and manners to align with the bank's objectives and prioritize customer needs. Within IFIC Bank, employees view themselves as a cohesive family committed to collective growth. This corporate culture at IFIC Bank has not been enforced but rather cultivated over time through the bank's own practices and values.

2.9 Different Department

- The Human Resources Management Department oversees personnel matters.
- Retail Risk Management focuses on managing risks associated with retail operations.

- Credit Risk Management handles the assessment and mitigation of credit-related risks.
- The International Division manages operations related to international business.
- Internal Control & Compliance ensures adherence to regulatory standards and internal policies.
- Branch Banking oversees the operations and services provided at branch locations.
- Neighborhood Banking focuses on providing personalized banking services within local communities.

2.0 Overseas Operations

Oman International Exchange LLC (OIE): Established in 1985, Oman International Exchange LLC (OIE) is a joint venture between IFIC Bank and Omani nationals, aimed at facilitating remittances for Bangladeshi workers in Oman. IFIC Bank holds a 25% stake, while Omani sponsors hold the remaining 75%. OIE operates a network of 15 branches across Oman's major cities and towns, all equipped with fully computerized, online systems. The company's operations are managed by IFIC Bank under a management contract.

NIB Bank PLC., Pakistan: IFIC Bank formerly operated branches in Karachi and Lahore, Pakistan. The Karachi branch opened on April 26, 1987, and the Lahore branch on December 23, 1993. To comply with the Minimum Capital Requirement (MCR) set by the State Bank of Pakistan, IFIC Bank's overseas branches in Pakistan merged with the National Development Leasing Corporation (NDLC) Ltd., forming a new joint venture bank named NDLC-IFIC Bank Ltd. on October 3, 2003. Subsequently, this entity was renamed NIB Bank. IFIC Bank currently holds a 0.23% equity stake in NIB Bank PLC.

Nepal Bangladesh Bank PLC. (NB Bank): Established on June 6, 1994, Nepal Bangladesh Bank PLC (NB Bank) is a joint venture commercial bank between IFIC Bank PLC and Nepalese nationals. IFIC Bank initially held a 50% equity stake, and NB Bank has since expanded to operate 85 branches across key locations in Nepal. IFIC Bank presently holds a

40.91% share in NB Bank. Despite numerous challenges, NB Bank recently achieved break-even and continues to facilitate inward foreign remittances, including from the United Kingdom.

IFIC Money Transfer (UK) Limited: Established on August 31, 2011, 16 to enable inward foreign remittances from the United Kingdom, IFIC Money Transfer (UK) Limited is a completely owned subsidiary exchange company of IFIC Bank Limited. It was incorporated in the United Kingdom. Despite several obstacles, the business recently broke even.

2.11 Technology

In 2005, IFIC Bank purchased the Equation Banking Application (EBA) and Equation Banking Server (EBS), a powerful core banking system create. Recently, IFIC Bank has implemented the lead in obtaining an improved version of Misys and has enlisted the help of famous consulting firm KPMG to help prepare an extensive work process analysis that is driven by our customers' needs. A customer of IFIC can access the same amenities and services they receive from their home branch by walking into any one of our 120 locations or any one of our agent centers. Our mobile banking platform is linked with Remit4U, a remittance software that was created to satisfy the needs of our non-resident Bangladeshi consumer by Misys, a well-known UK-based technology company with a global reputation. IFIC is a participant in Bangladesh Bank's BEFTN System. This keeps the transaction safe and expedites the payment for non-IFIC clients. By enabling online utility bill payments, their alternative delivery channels aim to improve our clients' quality of life. Customers of IFIC can currently access their statements and check their balances online through the company's internet banking platform. By providing them with more access to a wider selection of facilities, our retail clients found the online banking experience to be more gratifying in 2015. Additionally, IFIC intends to launch a corporate customer site that will enable them to electronically transmit instructions without having to stop by any regarding our branch or client centers. An important constituent of IFIC is its human resource. To attract young and emerging talents in the country, a Job Web portal has been launched. This portal integrates with the Human Resource Management System and makes it easier for the Human Resources team to effectively manage the recruitment process. IT also plays an important role in making it easier for our human resource team to function effectively. In keeping up with its commitment to follow the compliance related guidelines and become a compliant bank, IFIC has implemented an anti-Money Laundering software (goAML). IFIC has integrated its core banking system with the National Payment System of Bangladesh Bank (NPSB) so that the IFIC ATMs are connected with the ATM network of all banks in Bangladesh. IFIC has been operating a 24/7 Contact Centre. By dialing 16255 IFIC customers can get access to a wide array of services.

2.12 The Milestone of the Development of the IFIC Bank PLC

Founded in 1976: As a financial joint venture and investment with the Bangladeshi government.

1980: Implemented limited measures to begin operating as a foreign exchange firm.

1982: Received permission from the government to oversee the establishment of the Bank of Maldives Limited, the Republic of the Maldives' first overseas joint venture, as a commercial bank.

1983: Received permission to operate in Bangladesh as a full-fledged commercial bank. Establish its first overseas branch in Karachi, Pakistan, in 1987.

1993: Establish its second overseas branch in Lahore, Pakistan

2003: IFIC's overseas branches and a local leasing firm, NDLC, were merged to form a new bank in Pakistan called NDLC-IFIC Bank Ltd. (later rebranded as NIB Bank Ltd.).

2005: Completed Core Risk Management; obtained MISYS solution for real-time online banking application.

2007: 2007 saw the introduction of the VISA-stained credit card, which by 2010 had completed the set of cards (debit, credit, and prepaid). Establishing the Offshore Banking Unit (OBU) in 2010

2011: IFIC Money Transfer (UK) Ltd., a totally owned conducive exchange company, was founded.

2013: The historic BDT 100,000 million in deposits was reached.

2014: Passed the BDT 200,000 million mark in foreign trade transactions.

2015: This year saw the opening of the IFIC Tower, located at 61 Purana Paltan, Dhaka 1000.

2017: This year saw the introduction of the ground-breaking IFIC Aamar Account, which combines the advantages of credit cards, FDR, current and savings accounts, and more became the industry leader in the retail banking segment's home loan offering. initial implementation of the One Stop Service strategy in Bangladeshi branches

2.13 Establishment of Management

The entire process, policies, and strategies of the bank fall under the purview of the Board of Directors, which consists of thirteen members. Additionally, there are Executive Committees that are working on certain critical offerings. In this case, the audit committee also served to oversee the many duties and rules of the business. The bank's mission and function are under the responsibility of the deputy director of management, chief executive officer, division head, and director of management. The chief executive officer and directors of management report to a senior management group that includes division heads, who centrally supervise various departmental functions and coordinate group activities.

The chief executive officer and director of management oversee principal activity. A committee led by the managing director and Managing Director, which includes members of the Senior Executives and Asset Liability, is investigating all aspects of the Bank's risk management.

Chapter: 03

Credit Operations & Credit Risk Management of IFIC Bank PLC

3.1 Credit Risk Management

In IFIC Bank, our central CRM Division efficiently manages and monitors the total loan portfolio of IFIC Bank PLC. Their primary focus is on mitigating risks associated with loans throughout the entire life cycle, from application to completion. Risk mitigation begins with customer loan applications, continues with branch assessments and screenings, and culminates in thorough analyses conducted by the head office. Our Product Program Guidelines are meticulously detailed and robust, ensuring clear and effective risk management. Despite their comprehensiveness, these guidelines may not encompass every potential risk associated with loans. The CRM policy employs various tools, including Credit Risk Grading, to effectively mitigate these risks.

3.2 Credit Risk Grading

- Credit Risk Grading (CRG) is a standardized scale used to evaluate the risk associated with loans, providing a structured assessment of loan scenarios.
- CRG presents its findings numerically, detailing the level of risk inherent in each loan. Credit risk management has devised the CRG framework to effectively mitigate loan related risks.

Credit Risk Grading (CRG)

It serves a pivotal role in banking by aiding in the precise evaluation of loan applicants' risk profiles, thereby assisting banks in making informed decisions regarding loan approvals based on the level of risk exposure and creditworthiness indicated by the numeric grading. This system facilitates accurate assessment of borrower risk, enabling banks to determine suitable lending decisions effectively.

Functions of Credit Risk Grading

Credit Risk Grading plays a crucial role in enabling banks to make informed decisions regarding loan approvals by providing a numerical assessment of the risk and creditworthiness of customers or firms applying for loans. This assessment aids in accurately determining the level of risk a borrower presents, thereby facilitating well-informed lending decisions based on the assessed risk exposure.

Use of Credit Risk Grading

- Credit Risk Grading (CRG) is applied across various levels within banks, including individuals, groups, branches, and the entire institution, using predefined benchmarks to assess and evaluate factors influencing credit decisions.
- CRG is essential for individual credit selection, providing a detailed evaluation of each borrower's risk exposure and the corresponding credit facility rating. Exceptions may apply depending on the specifics of each credit arrangement.
- Internally, banks use CRG to assess risks at the branch and institutional levels, monitoring loan portfolios and evaluating additional factors associated with loan risk.
- The CRG scale comprises 8 categories, each identified by short names and numbers, such as Superior (SUP), Good (GD), Acceptable (ACCPT), Marginal (MG), Special Mention (SM), Sub Standard (SS), Doubtful (DF), and Bad & Loss (BL). These categories offer a standardized framework for assessing and managing credit risks effectively throughout banking operations.

3.3 Credit Rating:

The **"AA"** rated Commercial Bank is typically able to endure unfavorable changes in the business and economic environments, as well as other external circumstances. It has an extremely strong ability to fulfill its financial obligations. These establishments usually have a solid history and don't seem to have any weaknesses.

"ST-2" rated commercial banks are thought to have a high ability to fulfill their financial obligations on time. Nonetheless, it is fairly vulnerable to unfavorable changes in the business environment, the economy, and other external factors.

A commercial bank with a **"Stable"** rating suggested that the rating would probably stay the same in the future.

Ratings	2023	2022
Long term	AA	AA
Short term	ST-2	ST-2
outlook	stable	Stable
validity	30June 2025	30 June 2024
Rating Agency	ECRL	ECRL

Table 2: Credit ratings system of IFIC Bank

3.4 Credit Approval

The health of a bank is largely shaped by its credit policies, with the quality of its credit portfolio and repayment practices indicating its overall performance. A thorough assessment of repayment quality is crucial prior to granting credit approval, ensuring alignment with the bank's product program guidelines.

3.5 Credit evaluation

Before a facility is granted, a thorough credit and risk assessment should be carried out. After that, all facilities should have this assessment done at least once a year. The assessment's findings and any likely risk mitigation should be included in a credit application that comes from the relationship manager or account officer ("RM"). The RM is the one who should be in charge of the customer interaction and make sure that every credit application that is presented for approval is accurate. Credit proposals must include a summary of the RMs risk assessment's findings and at least the following information:

- The suggested loan(s)' amount and kind.
- The reason behind loans.
- Security arrangements;
- Loan structure (tenor, covenants, repayment timeline, interest).

Additionally, it is necessary to handle the following risk areas:

a) Borrower analysis: It is important to evaluate the group or affiliated companies, management terms, and the dominant shareholders. Risks should be reduced and any concerns relating to shallow management, convoluted ownership arrangements, or cross-group transactions should be addressed.

b) Analysis of Industry: An evaluation of the borrower's industry's primary risk factors is necessary. The borrower should identify its strengths and weaknesses in comparison to its competitors and resolve any difficulties pertaining to the borrower's position in the industry, industry concerns, or competitive dynamics.

c) Supplier/Buyer Analysis: It is important to address any customer or supplier concentrations as they may have a big influence on the business's viability in the future. Examples of these include:

Historical Financial Analysis: The borrower's historical financial accounts for a minimum of three years must be analyzed and presented. Financial accounts of corporate guarantors must also be examined when reliance is placed on them. The quality and sustainability of earnings, cash flow, and the health of the borrower's balance sheet will all be examined in the research. Analysis must focus on cash flow, leverage, and profitability.

Estimated Financial Results: A projection of the borrower's future financial performance, including a study of the cash flow necessary to cover debt repayments, should be supplied when term facilities (tenors longer than one year) are being proposed. Loans shouldn't be approved if the anticipated cash flow won't cover debt payments.

Account Conduct: The past conduct of current debtors in fulfilling their payback commitments

Compliance with Lending Guidelines: Credit applications must to explicitly indicate if they conform to the Bank's policy guidelines. Any divergence can be brought to the attention of the MD in his delegation.

Mitigating Factors: It is important to determine the mitigating factors for any risks that were found during the credit evaluation. Risks that may arise include, but are not limited to: high debt load (leverage/gearing), overstocking or debtor issues; rapid growth, acquisition, or expansion; introduction of new business lines or products; succession planning concerns; customer or supplier concentrations; lack of transparency; and issues related to the industry.

Loan Structure: Considering the expected ability to repay the loan as well as its intended use, the suggested financing amounts and terms should be justified. Overly long or large terms compared to business needs raise the possibility of capital diversion and might negatively affect the borrower's capacity to repay the loan.

Security: It is important to get a current appraisal of the collateral and evaluate the strength and importance of any suggested security. Lending shouldn't be done on the basis of security alone. It is important to evaluate the insurance coverage's sufficiency and scope.

Name Lending: Reliance on the sponsoring principal's standing, their purported independence, or their seeming readiness to provide capital to other businesses in times of need shouldn't have an excessive impact on credit proposals. It is best to avoid and proceed very cautiously in these instances. Instead, a complete financial and risk analysis should be used as basis for credit requests and loan approvals.

3.6 Lending Principles of IFIC Bank PLC

The principles of lending embody established, reliable criteria that guarantee banks use funds effectively, ensuring profitability and timely repayment. Various authors delineate distinct standards for prudent lending practices, which IFIC Bank adheres to in its operations: safety, liquidity, purpose, profitability, security, diversification, and national interest.

Safety: Safety is paramount in lending, ensuring the bank assesses the certainty of loan repayment. When approving loans, IFIC Bank PLC prioritizes safety, requiring sufficient collateral to secure funds in case of borrower's default. The bank upholds safety over profitability, emphasizing the importance of borrower security and their ability to repay loans with interest.

Liquidity: Liquidity ensures borrowers can repay loans promptly, either on demand or as agreed upon. IFIC Bank PLC carefully considers the liquidity of loans when approving them, crucial for meeting consumer needs effectively.

Purposeful: Purposeful lending ensures funds are used productively, guaranteeing not only safety but also reliable repayment sources. IFIC Bank PLC strictly lends for productive purposes, taking into account national interests to ensure projects benefit society and the nation.

Profitability: Purposeful is essential for banks as it sustains long-term growth and viability. IFIC Bank sets interest rates for loans higher than those for savings deposits, aligning with a lending cap of 9%.

Security: Security remains crucial despite productive purposes ensuring repayment. IFIC Bank prudently selects and evaluates securities to safeguard loans, ensuring their safety and viability.

Diversification: Diversification involves spreading risks across numerous borrowers and businesses, thereby minimizing overall risk exposure. IFIC Bank achieves risk reduction by diversifying its loan portfolio across various customer segments and sectors, ensuring resilience against sector specific challenges.

National Interest: National Interest dictates that banks like IFIC play a crucial role in a country's economic advancement. Therefore, IFIC Bank supports national development by offering lower interest rates on exports and other prioritized sectors, fostering economic growth and stability.

3.7 Function of Credit Departments

One of the primary roles of commercial banks is to extend credit to potential borrowers, a crucial function for fostering economic development within a country. Adequate financial support is essential for sustaining economic growth and stability. IFIC Bank Limited plays a pivotal role in driving the economy forward by facilitating financing for agricultural, commercial, and industrial sectors. The bank offers various types of loans and advances, each serving as integral components to support these sectors' diverse needs.

3.8 Direct Facilities

IFIC Bank offers several types of loans, such as

Continuous Loan

- Cash Credit Hypo (CC HYPO)
- Secured Overdrafts against Fixed Deposit Receipts (FDR)
- AAMAR Account Overdrafts
- Premium Overdrafts
- Aamar Rin (Easy Loan)

Cash Credit Hypothecation (CC HYPO)

Cash credit, also known as CC loan, operates through a revolving account allowing frequent deposits and withdrawals within an agreed debit limit for a year. The account is secured by a hypothecation deed, typically requiring a 50% margin. Functionally similar to an overdraft, cash credit is aimed at meeting short-term working capital needs of trusted traders, farmers, and industrialists, without transferring ownership or possession of the secured property to the bank.

Secured Overdraft (SOD)

It involves providing advances against assets like Fixed Deposit Receipts (FDRs), Deposit Pension Scheme (DPS), and Public Service Savings (PSS). The security remains with the instrument holder, and third-party liens are permissible. Upon disbursement, the bank obtains a lien over the instrument, supported by a signed authorization allowing appropriation of proceeds towards loan repayment on maturity. This lien is endorsed on the instrument by an authorized bank official, whether issued by IFIC Bank or another bank branch.

AMAR Account

IFIC Bank has launched a pioneering transactional account in Bangladesh, known as the "AMAR Account," which integrates both deposit and overdraft functionalities within a single account. This innovative offering is designed to lower customer account operation expenses while delivering a host of benefits through a unified account structure. The

AMAR Account also features daily interest calculation for deposits, further enhancing its attractiveness to customers.

Features of "AMAR Account"

- The "AMAR Account" from IFIC Bank combines deposit and overdraft facilities in a single account offering a unique financial solution.
- It features tiered deposit interest rates beginning from balances exceeding 25,000 BDT, with interest calculated daily and credited monthly.
- The account is designed for convenience, utilizing a single card for all transaction types, ensuring ease of use and management for customers.

The overdraft facility linked to the "AMAR Account," known as Smart Draft, serves as a cost-effective alternative to credit cards, featuring an interest rate of just 9%, which is less than half the typical credit card rate. This option is available to all creditworthy individuals in Bangladesh facing immediate financial requirements.

- The overdraft feature associated with the "AMAR Account"
- Offers a compelling alternative to credit cards, boasting an interest rate of less than half the standard rate at 9%.
- Customers can access overdraft limits up to BDT 500,000 with full cash withdrawal capabilities.
- It can be utilized free of charge at VISA logo POS and ATM outlets globally, facilitating both domestic and international purchases.
- Interest is charged only on the utilized amount, and there are no fees for cash advances at ATMs or other withdrawal methods.

Term Loan

IFIC Bank provides various types of Term Loans, including -

- Industrial Loans
- Other Loans
- Staff House Building Loans (SHBL)
- Staff Loans against Provident Fund (SLPF)
- IFIC Aamar Bari
- IFIC Home Loans/Home Credit/Home Loan Takeover

Industrial Loan

IFIC Bank categorizes loans sanctioned for durations exceeding one year as Industrial Loans, encompassing support from project initiation through production. This facility is exclusively available to large-scale industries, offering a competitive interest rate of 9%. The loan terms are structured into short-term (up to 1 year), medium-term (more than 1 year up to 5 years), and long-term (more than 60 months).

Other Loans

Other loans are extended for purposes deemed more productive and less risky compared to industrial sectors. These loans carry terms and conditions identical to industrial loans.

Staff House Building Loans (SHBL)

It provides up to 150 times the basic salary, with a 5% interest rate applied to the loan amount. Repayments are deducted from monthly salaries in equal installments.

Staff Loans against Provident Fund (SLPF)

It involves a 10% contribution from employees and a matching 10% contribution from the bank to the Provident Fund. Repayments are deducted from employees' salaries. However, this loan facility is currently not offered by the bank.

IFIC Aamar Bari loans

Aamar Bari loans are secured against 100% cash collateral and mortgaged land and buildings. They carry a 9% interest rate and are available for constructing houses with repayment over 125 years in equal monthly installments.

Small Enterprise Financing (SEF)

IFIC Bank provides loans across several critical sectors for small enterprises:

- Letter of guarantee
- Letter of credit
- Loan against imported merchandise (LIM)
- Loan against trust receipt (LTR)
- IFIC Protyasha, designed specifically for women entrepreneurs
- IFIC Prantonari, aimed at grassroots women entrepreneurs
- IFIC Krishi Shilpo, catering to agro-based industries
- IFIC Shilpo Sohay, supporting cottage and micro enterprises

Consumer Financing

IFIC Bank PLC launched its Consumer Financing Scheme in 1999, approved by the Board of Directors during their 251st meeting on April 4, 1999. The scheme offers various loan products including:

- Auto Loan
- Loan for domestic appliances
- Office equipment loan
- Entertainment purpose loan
- Loan for intangible assets
- Other consumer financing options

The Bangladesh Bank has established guidelines for prudential regulation and direction, which are crucial for managing the loan portfolio of CFs at branches.

After studying the current market offerings, the committee has developed twelve distinct products tailored for IFIC Bank under the Consumer Financing Scheme, aligning with market demands and investment prospects in the Consumer Financing Sector

1. Easy Loan (Secured Personal Loan)

2. IFIC Home Loan/Home Credit/Home Loan Takeover
3. IFIC Salary Loan
4. IFIC Auto Loan

3.9 Indirect Facilities

Guarantee: IFIC Bank provides non-funded facilities to customers to ensure smooth business operations by guaranteeing supplies of goods, as many vendors require bank guarantees before supplying goods to businesses.

Tender or Bid Bond Guarantee: This type of guarantee ensures that the tenderer will fulfill all contract terms and conditions within the specified tender period.

Advance Payment Guarantees: IFIC Bank offers guarantees for advance payments made on work orders to mitigate the risk of non-performance by the contractor after receiving the advance payment. This guarantees that the contractor receives the work order and advance payment only after submitting the required guarantee.

Letter of Credit: IFIC Bank issues guarantees in the form of letters of credit for import/export transactions, ensuring that payment issues between importers and exporters are resolved by the bank.

3.10 Selection of Borrower

The borrower selection process employs the "5 C's" method, focusing on the following criteria

Character: Evaluating the borrower's trustworthiness and reliability.

Capacity: Assessing the borrower's ability to repay the loan based on income and financial stability.

Cash: Reviewing the borrower's cash flow and liquidity.

Collateral: Examining assets pledged as security for the loan.

Condition: Considering external economic and industry-specific factors impacting the borrower's ability to meet obligations.

3.11 Procedure for giving advance

1. Customers seeking loans are required to complete specific loan application forms tailored to each type of loan, providing comprehensive details such as-

- Borrower's Name
- Borrower's Address (both present and permanent)
- Introducer's Details
- For corporate loans, the date of business commencement and trade license specifics
- Income tax return information
- Firm or company constitution details
- Comprehensive information on partners, directors, chairpersons, and other stakeholders in case of business organizations
- Background and experience of partners, directors, and chairpersons
- Personal net worth of partners, directors, and chairpersons
- Details of sister concerns and subsidiaries
- Nature of business and overall business valuation
- Loan specifics including amount, duration, and repayment schedule
- Market value of offered security
- Existing liabilities with IFIC Bank and other banks or NBFI
- Previous three years' balance sheets, income statements, and cash flow statements
- Any additional relevant information
- Applicant's signature along with a verified social security card.

2. Following the completion of the loan application, we obtained a Credit Information Bureau (CIB) report from Bangladesh Bank. This report provides a comprehensive overview of the borrower's credit history, including details on existing loans and any instances of loan default. We are unable to extend loans to individuals with a history of

defaulting on loans. Based on our assessment of the CIB report, we make a decision on whether to approve the loan, adhering to regulatory guidelines.

3. Upon receipt of the CIB report, we proceed with the loan process by thoroughly reviewing all documents submitted by the borrower. We identify any discrepancies or missing documents and request the necessary information from the borrower to ensure completeness and accuracy of the documentation.

4. Moving forward to the loan processing stage, we compile a loan proposal incorporating the following details:

- Borrower's Name
- Type of Loan
- Loan Purpose
- Loan Amount
- Collateral Security Details
- 70% Security Coverage
- Loan Interest Rate
- Repayment Schedule
- Loan Tenor

5. Once the loan receives approval from the head office or branch, we move to the stage of collecting charge documents and securing related security documents

- General Loan
- Promissory note outlining the commitment to repay the loan amount.
- Letter of authority for debiting the customer's account.
- Renewal letter of authority for continuous loans.
- Loan borrower and guarantor's guarantee letters.
- Letter of hypothecation for Cash Credit (CC) loans.
- Letter of lien for Secured Overdraft (SOD) loans.
- Encashment letter for Fixed Deposit Receipts (FDR) and Deposit Pension Scheme (DPS).
- Letter of guarantee for Letter of Credit (LC).

- Bond charges.
- Original deed reception documents.
- Third-party guarantee for hypothecated goods.

6. Charge documents required for various types of advances include

- General Loan
- Promissory note signed with a 50 Taka revenue stamp.
- Disbursement letter detailing the amount credited to the customer's account.
- Hypothecation documents for goods.
- Charge documents related to Letter of Credit (LC).
- Transfer documents for original deeds.
- Demand promissory note.
- Partnership deed.
- Business ownership letter.
- Authority letter for transfer.
- CC pledge documents.
- Required undertakings.
- Cash Credit (Hypothecation)
- Hypothecation letter for goods.
- Permission letter for goods inspection.
- Business stock report signed by the borrower.
- Non-encumbrance report for hypothecated goods.
- Insurance coverage at 110% for goods, with specific exemptions as needed, supported by undertakings.

7. The Limit Loading Management team disburses the borrowed amount into the loan account.

8. Credit disbursement occurs after creating the loan account for disbursement by the Branch Head Office of LLM. The amount is credited to the customer's account, and a repayment schedule for loan repayment is prepared.

9. After loan disbursement, the following tasks are undertaken-

- Supervision of the borrower's activities.
- Ongoing assessment of working capital requirements.
- Monthly submission of signed stock reports by the customer.
- Analysis of the Break-Even Point (BEP).
- If necessary, loan rescheduling or adjustments are considered.

10. In case of late loan payments, it is mandatory to send notices, reminders, and legal notices to the customer.

3.12 Credit Evaluation

To ensure optimal returns on deployed funds across various lending activities, priority should be placed on loan repayments sourced from borrowers' business-generated cash flows rather than relying on uncertain and time-consuming asset realization. Therefore, adherence to credit evaluation principles at every approval stage is essential. The lending risk analysis tool assesses both business and security risks, providing an overall risk rating for each loan within the lending process-

- Evaluating the borrower's repayment capacity.
- Making loan approval decisions in accordance with product program guidelines.
- Disbursing loans post-approval with a robust repayment capability or recovery system in place.

Credit Risk Evaluation or Assessment

Credit risk evaluation or assessment relies on predefined standards established by the Credit Risk Management Division at the head office, which are periodically updated to ensure accuracy and relevance.

3.13 Lending Authority

In order to ensure the proper and orderly operation of the bank's business, the Board of Directors grants lending authority to the Managing Director and other executives under specified terms and conditions. The categories of lending officers include

- The bank categorizes its lending officers into distinct roles such as Managing Director, Deputy Managing Director, Senior Executive Vice President, Executive Vice President specializing in credit, Managers, and Assistant Managers.
- It is crucial to note that lending authority is not solely conferred based on an officer's position. Instead, the Managing Director delegates specific lending authority to various executives based on their demonstrated credit judgment, knowledge, and experience.

3.14 Approval under Dual Signature

All credit facility approvals must be authorized by dual signature. Ideally, both signatories should possess the necessary lending authority. In cases where two officers with the required lending authority are unavailable, at least one signatory must possess the requisite lending
authority.

The responsibilities for credit policy, procedures, approval, and review are divided among three main groups within the organization

- The Board of Directors holds ultimate responsibility.
- The Executive Committee oversees high-level decisions.
- The Head Office Credit Committee (HOCC), composed of members appointed by the Executive Committee, manages specific credit matters. The committee consists of a minimum of four and a maximum of six members, convening as needed to reach decisions by consensus.

Function

- Processing credit proposals within the delegated credit approval authority set by the Board of Directors.
- Establishing, monitoring, and periodically reviewing the credit policy.
- Supervising credit administration operations at both Head Office and Branch levels. Managing the Branch Credit Committee.
- The Branch Manager (BM) carries the primary responsibility for loans, necessitating knowledge of loan details and the borrowers' identities under banking regulations.
- Essential to verify the personal history of customers.
- Obtain Personal Net Worth (PNW) statements from all customers/partners. Review Credit Information Bureau (CIB) reports for comprehensive loan history details.
- Gather any additional necessary information directly from customers.
- It is crucial to maintain proper management of all security and legal affairs, with loan terms and conditions given utmost priority.
- Credit officers and branch managers should conduct regular monthly reviews of all existing loans.
- All loans must adhere strictly to the Product Program Guidelines.
- Continuous monitoring of transactions related to Cash Credit (CC) and Overdraft (OD) loans.
- Monthly stock reports should be signed by both the customer and branch manager. Regular visits to business venture every month are essential to evaluate stock, business profitability, and overall business conditions.
- All loan approvals must strictly adhere to their respective terms and conditions. Proper maintenance of loan tenure and limits is essential.
- Loans to directors are strictly prohibited.
- Directors of the bank are prohibited from obtaining any loans, as stipulated by Bangladesh Bank regulations.

3. 15 Monitoring of Credit

The following are the main components of bank credit administration:

a) Credit approval (covered in the section before this one.

b) Updating credit files.

c) Upkeep of facility evidence.

d) Monitoring and evaluating credit.

3.16 Classification of Loans

Loan classification is the procedure by which a bank's loan accounts' risk or loss potential is determined and qualified to measure precisely the amount-of reserves that the bank must hold to cover the likely loss on those risky loan accounts on a given date. Similar to other banks, IFIC's loan categories are divided into the following four categories:

- Unclassified: There is erratic repayment.
- Substandard: There is a reasonable chance of improvement, but repayment is halted or irregular.
- Doubtful: Unlikely to be reimbursed, although extra efforts at collection might lead to a partial recovery.
- Bad/loss: Very slim likelihood of improvement

3.17 The Loan Recovery's Legal Framework

Following classification, if the borrower is unable to modify the loan, the bank may file a lawsuit to pursue further remedies.

1. Completing Public Demand Recovery Act of 1913 certificate cases.
2. Completing lawsuits under the 1990 Artha Rin Adalat.
3. Filing cases under the 1997 Bankruptcy Act.
4. Completing cases for insufficient funds under sections 138 to 141 of the Negotiable Instrument Act of 1881. In the event of a term loan.

Chapter: 04
Performance Analysis of IFIC Bank PLC

4.1 SWOT Analysis

SWOT analysis is the comprehensive assessment of IFIC Bank's advantages, disadvantages, opportunities, and threats. The bank's internal and external factors are combined to form its SWOT analysis. If external variables are uncontrollable and have the potential to control something. Internal factors can be developed and controlled. The bank's higher authority or management team has control over internal issues, which are related to management. SWOT analysis could have a favorable or negative effect on the IFIC bank. Organizational development and advancement can be facilitated by the positive effects of SWOT analysis. Numerous issues with organization are shown by the negative SWOT analysis.

Strengths: My SWOT analysis shows that IFIC Bank has the following strengths: human resources that are qualified and skilled. offering improved client support. fantastic workplace. Better relation with clients. strong ties among staff members, ranging from upper management to lower-level staff members. Sufficient cash flow. Corporate Social Responsibility.

Weakness: Using SWOT analysis, I was able to identify a few problems with IFIC Bank. The interest rate is extremely high. The loan application process is somewhat challenging. fewer ATMs available. fewer gadgets and equipment. Employees with excessive workloads are less motivated.

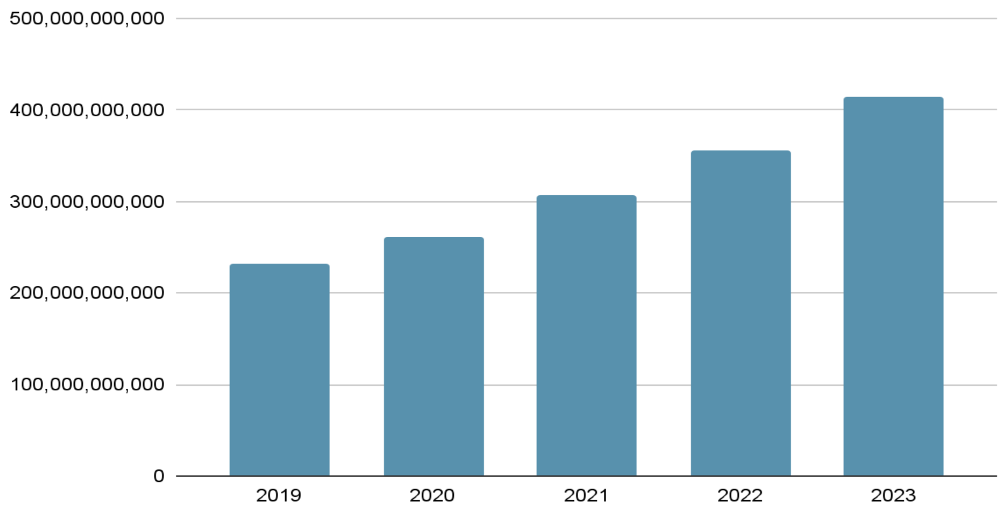
Opportunities: IFIC Bank has the following opportunities in Bangladesh's banking industry, based on my SWOT analysis: to lead the market. to guarantee increased digitization. to work across wider regions. to be a bank that influences the banking industry as a whole. more efficient and timely service delivery.

Threats: Although they don't have as much of an impact on IFIC Bank, there are certain risks. Offerings from other banks are comparable to those of IFIC Bank. The political landscape is unstable. Bangladesh Bank enforces strict guidelines and policies. The nation's economic status is more precarious. A portion of government officials are corrupt. risk of a loan default.

4.2 Loan & Advances

Year	Total Loans & Advances
2019	232,523,441,067
2020	261,697,427,473
2021	306,333,354,843
2022	355,858,871,517
2023	414,982,804,532

Table 3: Total loan & advances of IFIC Bank from 2019 to 2023



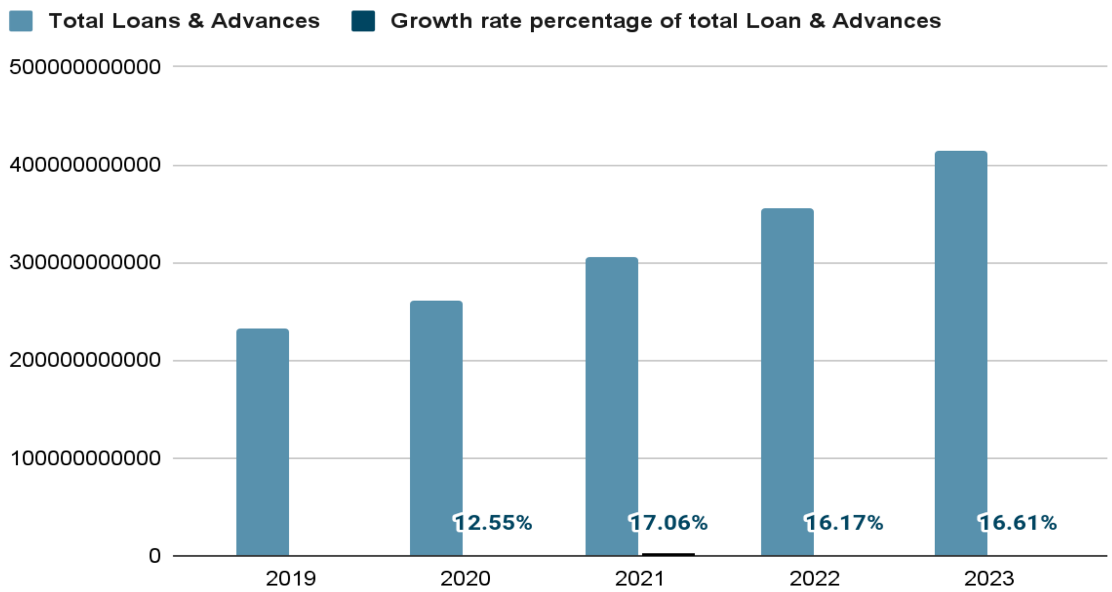
Graph 1: Total loan & advances of IFIC Bank from 2019 to 2023

Interpretation: The data shows a steady increase in total loans and advances from 2019 to 2023, with amounts rising from 232.5 billion to 415.0 billion. Each year saw significant growth rates, ranging from 12.5% to 17%, with the highest increase between 2022 and 2023. This upward trend suggests strong demand for loans, likely fueled by economic growth and expanding lending activities, indicating overall financial health in the market.

Growth Rate Percentage of Total Loan & Advances:

Year	Growth rate percentage of Total Loan & Advances
2019	-
2020	12.55%
2021	17.06%
2022	16.17%
2023	16.61%

Table 4: Growth rate percentage of total loan & advances of IFIC Bank from 2019 to 2023



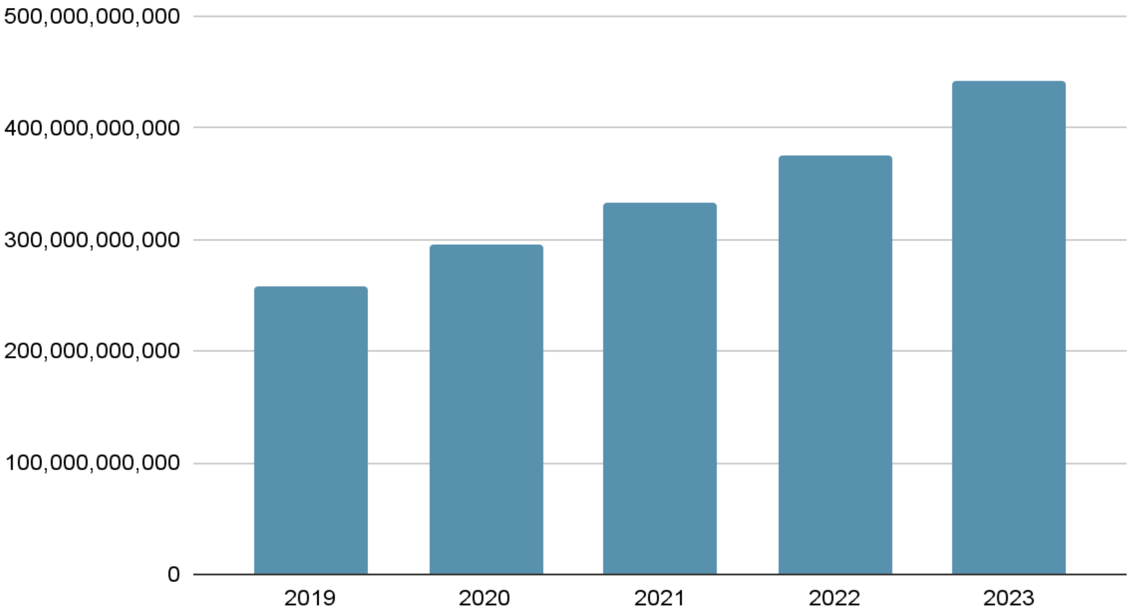
Graph 2: Growth rate percentage of total loan & advances from 2019 to 2023

Interpretation: The annual growth rates of total loans and advances from 2019 to 2023 show a steady upward trend, with rates consistently above 12%. Growth peaked at 17.06% from 2020 to 2021, then slightly declined but remained strong, reaching 16.61% by 2023. This indicates robust and sustained demand for loans, likely reflecting a favorable economic environment and strong borrower confidence.

4.3 Loan to Deposit Ratio

Year	Total Deposit
2019	258,180,418,372
2020	296,341,568,095
2021	332,751,259,838
2022	375,552,707,152
2023	442,071,351,829

Table 5: Total Deposit of IFIC Bank from 2019 to 2023



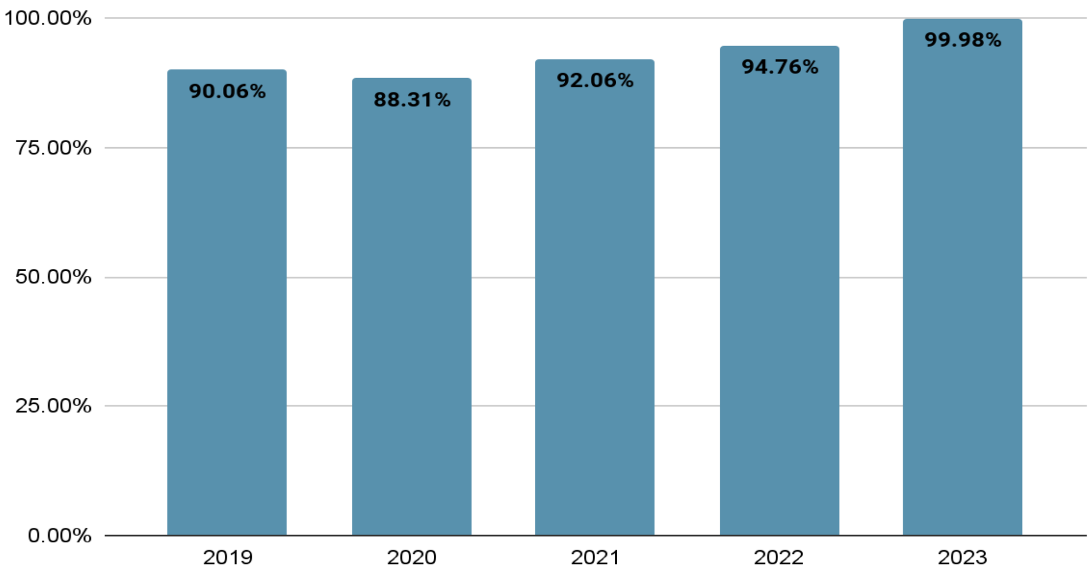
Graph 3: Total Deposit of IFIC Bank from 2019 to 2023

Interpretation: The total deposits from 2019 to 2023 show steady growth, with annual increases ranging from 12.3% to 17.7%. The largest jump occurred between 2022 and 2023, reaching 442.1 billion. This trend suggests strong and rising confidence in the financial system, likely driven by economic stability and appealing deposit options.

Loan to Deposit Ratio:

Year	Total Loans & Advances	Total Deposit	Loan to Deposit Ratio
2019	232,523,441,067	258,180,418,372	90.06%
2020	261,697,427,473	296,341,568,095	88.31%
2021	306,333,354,843	332,751,259,838	92.06%
2022	355,858,871,517	375,552,707,152	94.76%
2023	414,982,804,532	442,071,351,829	99.98%

Table 6: Total Loan to Deposit Ratio of IFIC Bank from 2019 to 2023



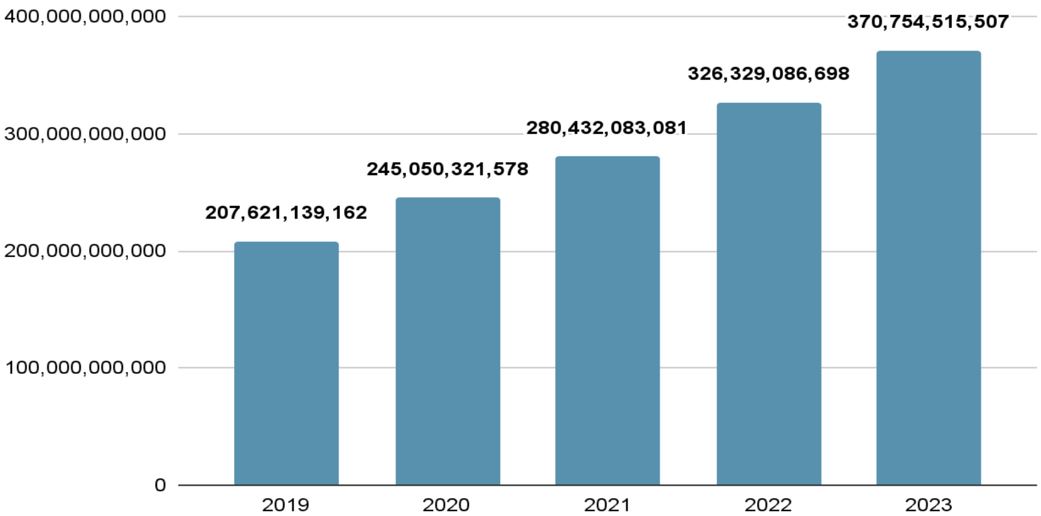
Graph 4: Total Loan to Deposit Ratio of IFIC Bank from 2019 to 2023

Interpretation: The loan-to-deposit ratio increased steadily from 90.06% in 2019 to nearly 100% in 2023, indicating a growing focus on lending relative to deposits. This rise suggests higher loan demand and confidence in the credit market. However, the near 100% loan to deposit ratio in 2023 may signal potential liquidity risks, as it leaves fewer funds in reserve for unexpected cash needs.

4.4 Standard Loan

Year	Amount of Standard Loan
2019	207,621,139,162
2020	245,050,321,578
2021	280,432,083,081
2022	326,329,086,698
2023	370,754,515,507

Table 7: Total amount of Standard Loan of IFIC Bank from 2019 to 2023



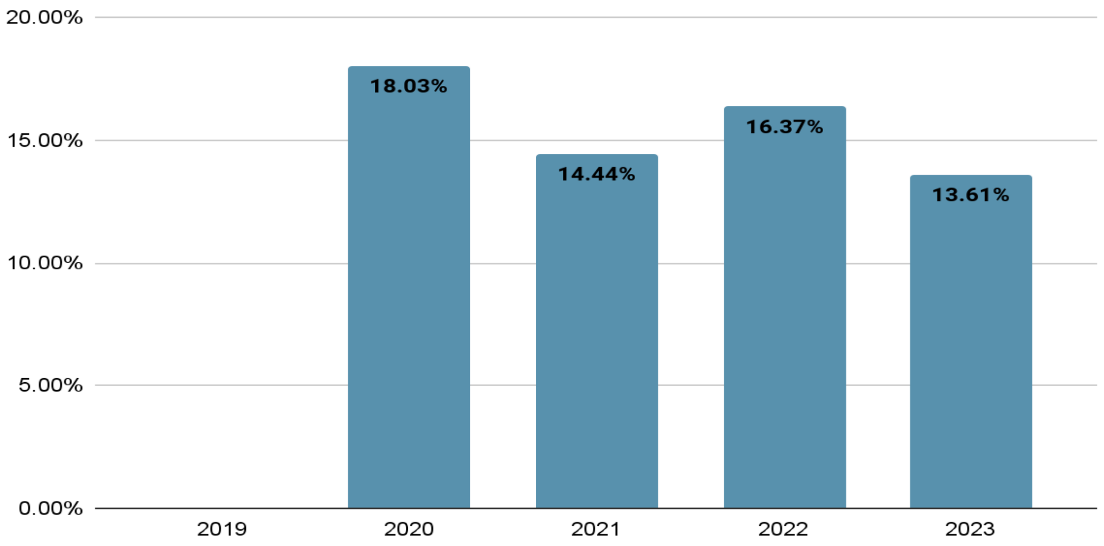
Graph 5: Total amount of Standard Loan of IFIC Bank from 2019 to 2023

Interpretation: The amount of standard loans increased steadily from 2019 to 2023, with annual growth rates ranging from 13.6% to 18%. This consistent rise suggests strong credit quality within the loan portfolio, reflecting stable lending activity and a positive economic environment, with borrowers maintaining good repayment standards.

Growth Rate of Standard Loan:

Year	Amount of Standard Loan	Growth Rate
2019	207,621,139,162	-
2020	245,050,321,578	18.03%
2021	280,432,083,081	14.44%
2022	326,329,086,698	16.37%
2023	370,754,515,507	13.61%

Table 8: Growth rate of Standard Loan from 2019 to 2023



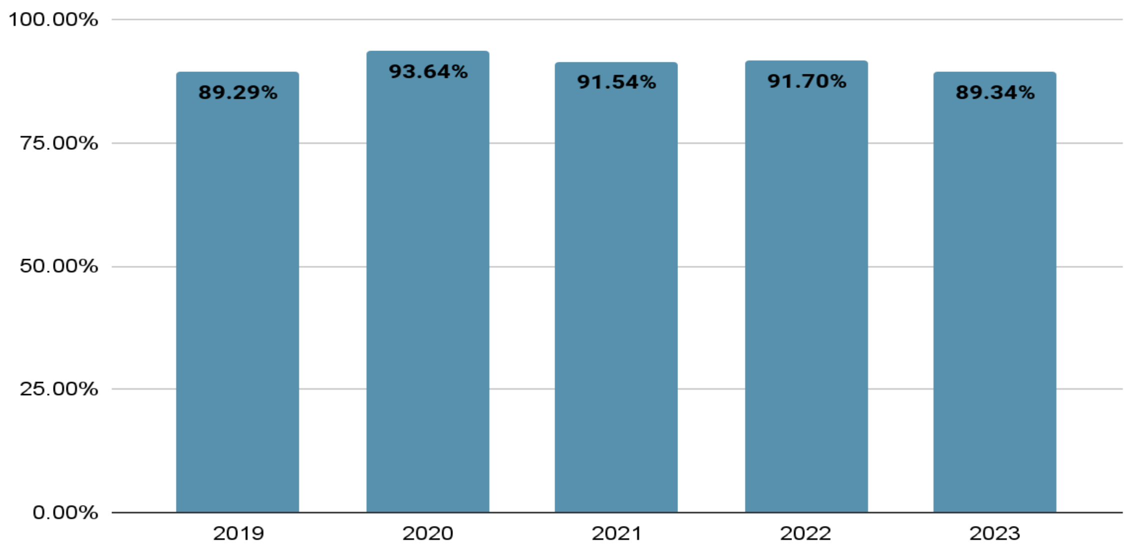
Graph 6: Growth rate of Standard Loan from 2019 to 2023

Interpretation: The growth rates of standard loans from 2019 to 2023 reflect fluctuating demand for credit and the health of the lending environment. The initial significant growth of 18.03% from 2019 to 2020 indicates strong demand, which slightly decreased to 14.44% in 2021 but remained robust. A rebound to 16.37% occurred from 2021 to 2022, suggesting renewed confidence in lending. However, the growth rate declined to 13.61% from 2022 to 2023, yet remained positive. Overall, these fluctuations indicate a dynamic lending environment with strong demand, although the declining rates toward the end may suggest market saturation or changing economic conditions.

Ratio of Standard Loan:

Year	Total Loans & Advances	Amount of Standard Loan	Ratio of Standard Loan
2019	232,523,441,067	207,621,139,162	89.29%
2020	261,697,427,473	245,050,321,578	93.64%
2021	306,333,354,843	280,432,083,081	91.54%
2022	355,858,871,517	326,329,086,698	91.70%
2023	414,982,804,532	370,754,515,507	89.34%

Table 9: Ratio of Standard Loan from 2019 to 2023



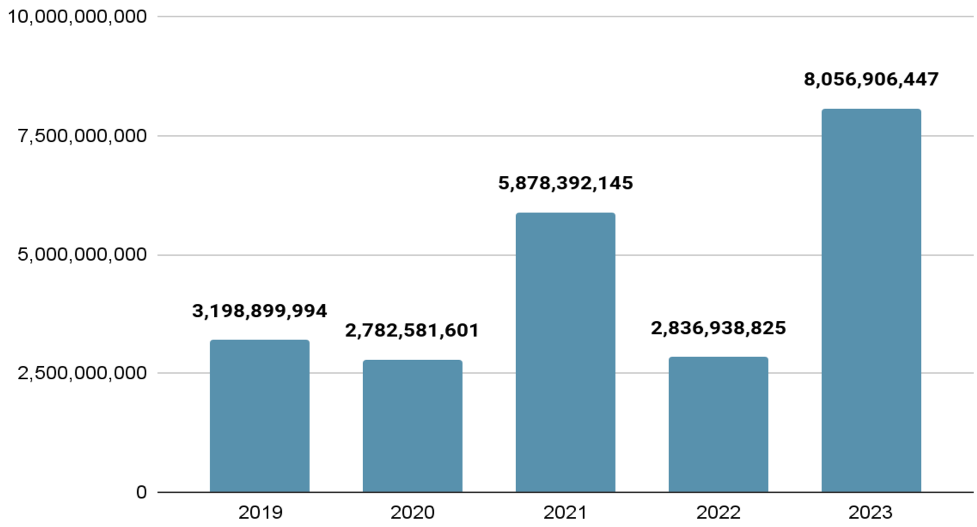
Graph 7: Ratio of Standard Loan from 2019 to 2023

Interpretation: The ratio of standard loans to total loans and advances from 2019 to 2023 reflects the quality of the loan portfolio. It began at 89.29% in 2019, indicating strong credit quality, and rose to 93.64% in 2020, suggesting improved loan quality and conservative lending practices. The ratio slightly decreased to 91.54% in 2021 but remained high, then increased to 91.70% in 2022, indicating stable high-quality loans. In 2023, the ratio fell to 89.34%, signaling a potential shift toward riskier loans. Overall, the data indicates a strong focus on standard loans, but the decline in 2023 raises concerns about increased risk in the lending portfolio.

4.5 Substandard Loan

Year	Amount of Substandard Loan
2019	3,198,899,994
2020	2,782,581,601
2021	5,878,392,145
2022	2,836,938,825
2023	8,056,906,447

Table 10: Total amount of Substandard Loan of IFIC Bank from 2019 to 2023



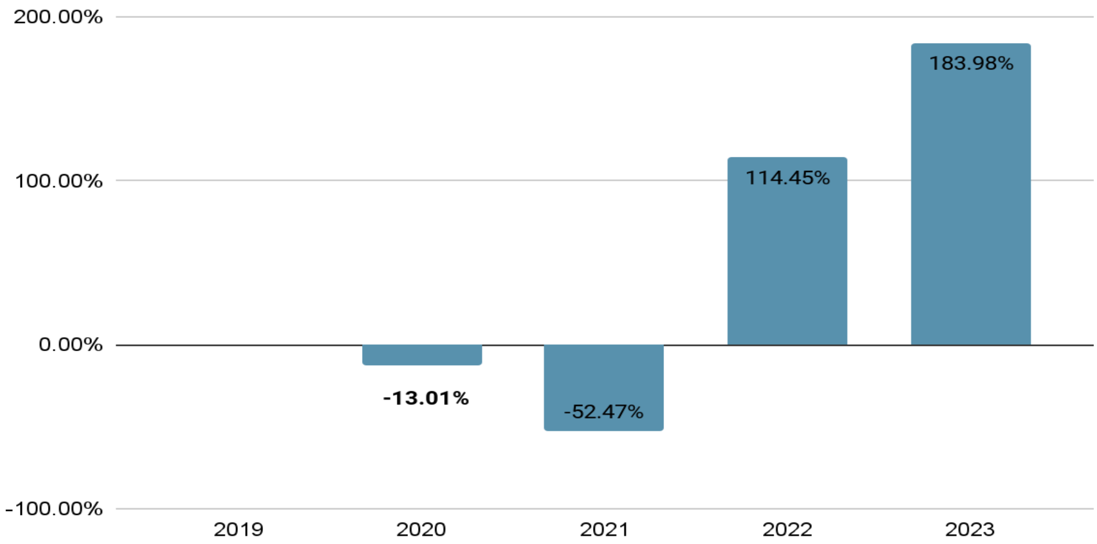
Graph 8: Total amount of Substandard Loan of IFIC Bank from 2019 to 2023

Interpretation: The data on substandard loans from 2019 to 2023 reveals significant fluctuations, indicating concerns about loan quality. Initially, in 2019, substandard loans were low, suggesting a healthy portfolio. They decreased further in 2020, indicating improved loan quality. However, a sharp increase in 2021 raised concerns about borrower repayment difficulties, followed by a decrease in 2022, possibly due to borrower improvements or restructuring efforts. In 2023, substandard loans surged again, reaching the highest level recorded, signaling potential economic stress and risks in the loan portfolio. Overall, these trends underscore the need for vigilant monitoring and proactive risk management strategies.

Growth Rate of Substandard Loan:

Year	Amount of Substandard Loan	Growth Rate
2019	3,198,899,994	-
2020	2,782,581,601	-13.01%
2021	1,322,884,027	-52.47%
2022	2,836,938,825	114.45%
2023	8,056,906,447	183.98%

Table 11: Growth rate of Substandard Loan from 2019 to 2023



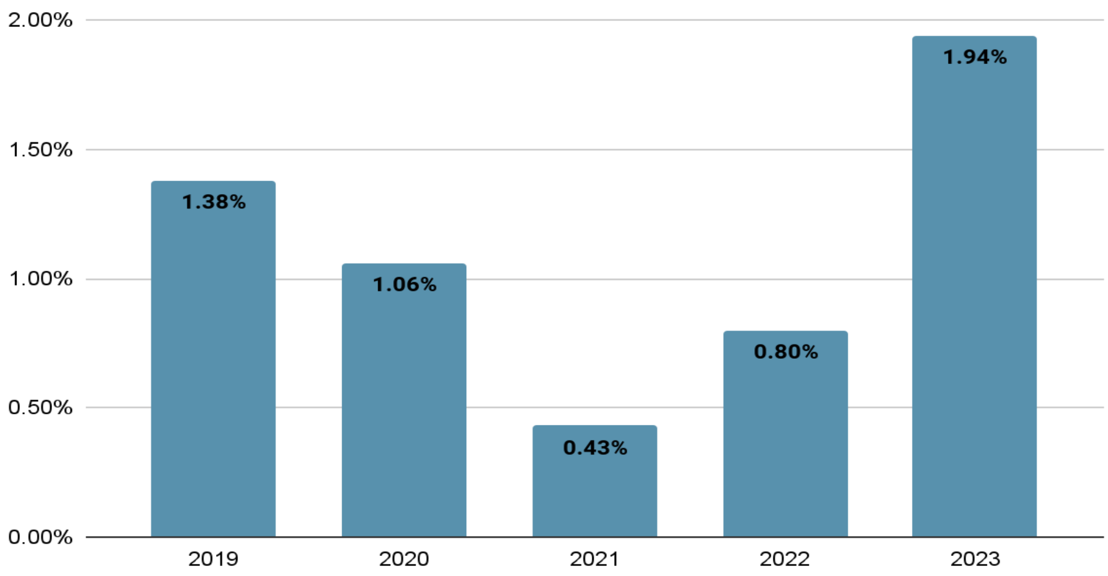
Graph 9: Growth rate of Substandard Loan of from 2019 to 2023

Interpretation: The growth rates of substandard loans from 2019 to 2023 show significant volatility and trends in loan quality. From 2019 to 2020, there was a 13.01% decrease, suggesting an improvement in loan quality. From 2020 to 2021, there was a 52.47% drop, indicating a substantial improvement. However, from 2021 to 2022, there was a 114.45% increase, indicating a deterioration in loan quality. This highlights the need for proactive monitoring and risk management to address borrower difficulties.

Ratio of Substandard Loan:

Year	Total Loans & Advances	Amount of Substandard Loan	Ratio of Substandard Loan
2019	232,523,441,067	3,198,899,994	1.38%
2020	261,697,427,473	2,782,581,601	1.06%
2021	306,333,354,843	1,322,884,027	0.43%
2022	355,858,871,517	2,836,938,825	0.80%
2023	414,982,804,532	8,056,906,447	1.94%

Table 12: Ratio of Substandard Loan from 2019 to 2023



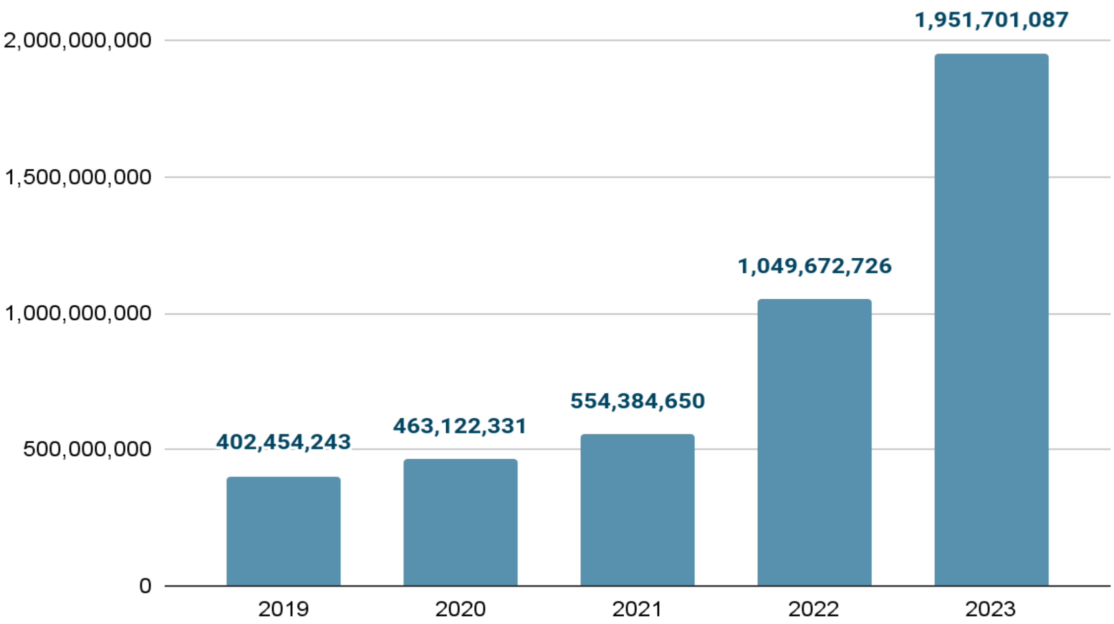
Graph 10: Ratio of Substandard Loan from 2019 to 2023

Interpretation: The ratio of substandard loans to total loans and advances from 2019 to 2023 shows a healthy lending portfolio with a small fraction of substandard loans. The ratio decreased in 2020, indicating successful credit risk management. In 2021, the ratio dropped significantly, indicating a strong improvement in loan quality. In 2022, the ratio increased slightly but remained low, suggesting a strong overall loan quality. However, in 2023, the ratio surged to nearly 2%, indicating concerns about borrowers' financial health and potential challenges in the lending environment.

4.6 Doubtful Loan

Year	Amount of Doubtful Loan
2019	402,454,243
2020	463,122,331
2021	554,384,650
2022	1,049,672,726
2023	1,951,701,087

Table 13: Total amount of Doubtful Loan of IFIC Bank from 2019 to 2023



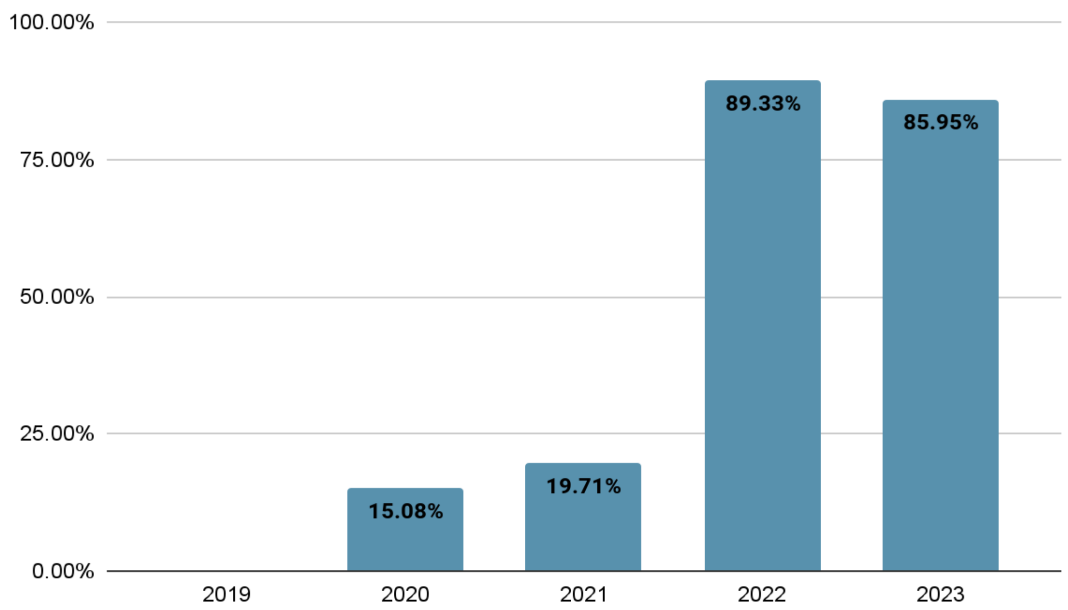
Graph 11: Total amount of Doubtful Loan from 2019 to 2023

Interpretation: The data on doubtful loans from 2019 to 2023 reveals a significant upward trend, indicating concerns about the quality of the lending portfolio. The data shows a relatively low amount in 2019, indicating a healthy loan portfolio. However, in 2020, there was a slight increase, indicating a growing concern about borrowers' repayment ability. In 2021, the amount continued to rise, indicating worsening economic conditions, higher defaults, or a shift towards riskier lending practices.

Growth Rate of Doubtful Loan:

Year	Amount of Doubtful Loan	Growth Rate
2019	402,454,243	-
2020	463,122,331	15.08%
2021	554,384,650	19.71%
2022	1,049,672,726	89.33%
2023	1,951,701,087	85.95%

Table 14: Growth rate of Doubtful Loan of IFIC Bank from 2019 to 2023



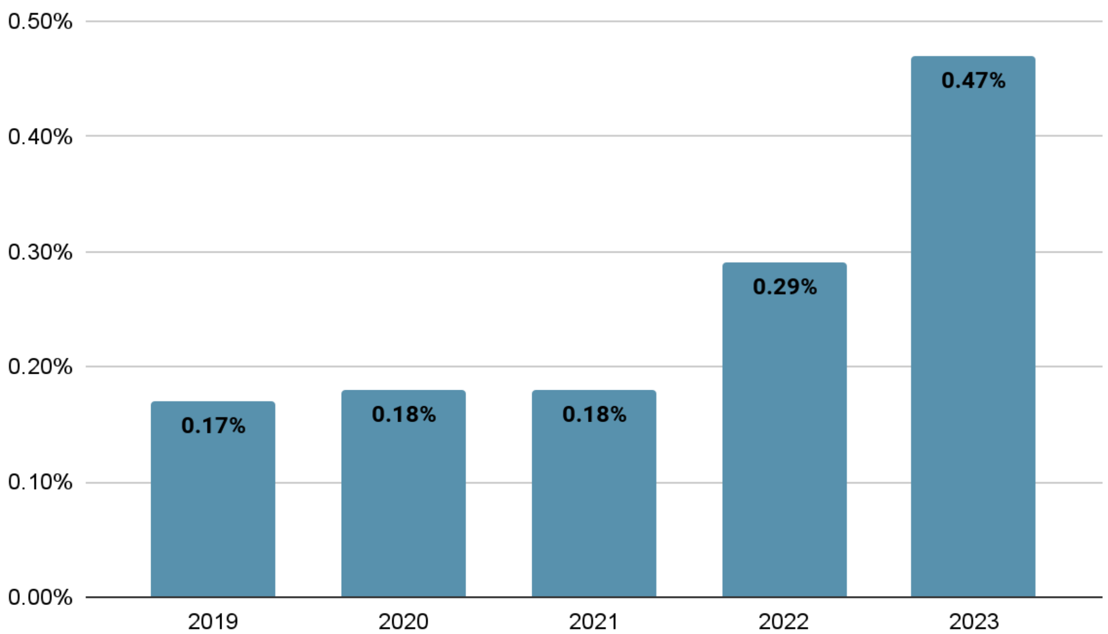
Graph 12: Growth rate of Doubtful Loan of IFIC Bank from 2019 to 2023

Interpretation: The growth rates of doubtful loans from 2019 to 2023 show significant fluctuations and an increasing trend in loan quality concerns. From 2019 to 2020, there was a moderate rise of 15.08%, indicating early signs of borrower distress. From 2020 to 2021, the rate increased to 19.71%, indicating a worsening situation. From 2021 to 2022, the rate soared to 89.33%, indicating a critical deterioration in loan quality. This highlights the need for proactive risk management strategies.

Percentage of Doubtful Loan in Total Loans:

Year	Total Loans & Advances	Amount of Doubtful Loan	Percentage of Doubtful Loan in Total Loans
2019	232,523,441,067	402,454,243	0.17%
2020	261,697,427,473	463,122,331	0.18%
2021	306,333,354,843	554,384,650	0.18%
2022	355,858,871,517	1,049,672,726	0.29%
2023	414,982,804,532	1,951,701,087	0.47%

Table 15: Percentage of Doubtful Loan in total Loans from 2019 to 2023



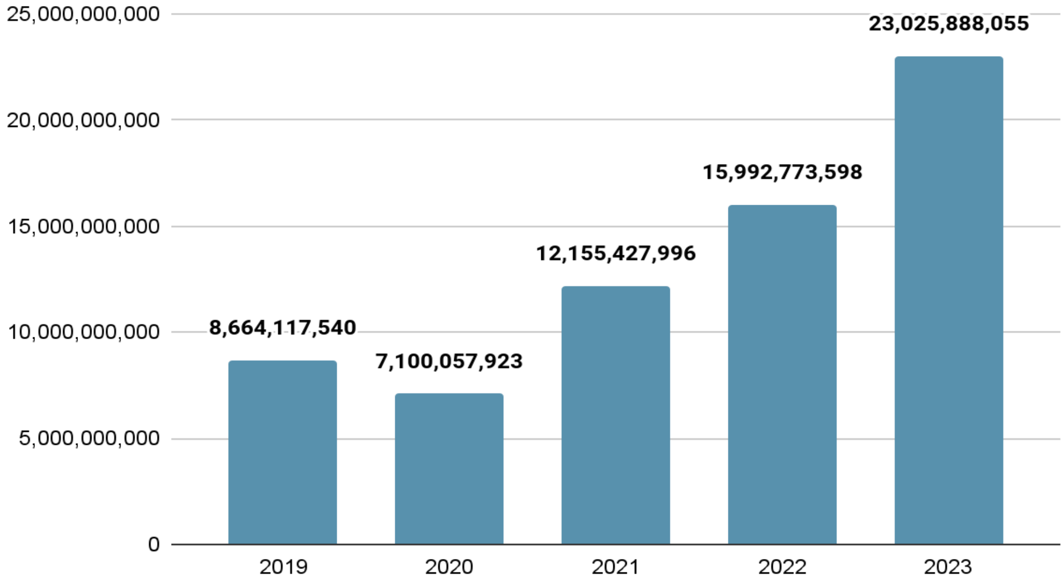
Graph 13: Percentage of Doubtful Loan in total Loans from 2019 to 2023

Interpretation: From 2019 to 2023, the percentage of doubtful loans increased, indicating rising risk levels in the lending portfolio. Initially, doubtful loans were a small portion of total loans, indicating stable loans with minimal risk of default. However, in 2022, the percentage rose significantly to 0.29%, indicating rising risks and potential economic or borrower repayment challenges. The highest level recorded in 2023 was 0.47%, indicating a significant rise in loan quality risks.

4.7 Bad/Loss Loan

Year	Amount of Bad/Loss Loan
2019	8,664,117,540
2020	7,100,057,923
2021	12,155,427,996
2022	15,992,773,598
2023	23,025,888,055

Table 16: Total amount of bad/loss loan of IFIC bank from 2019 to 2023



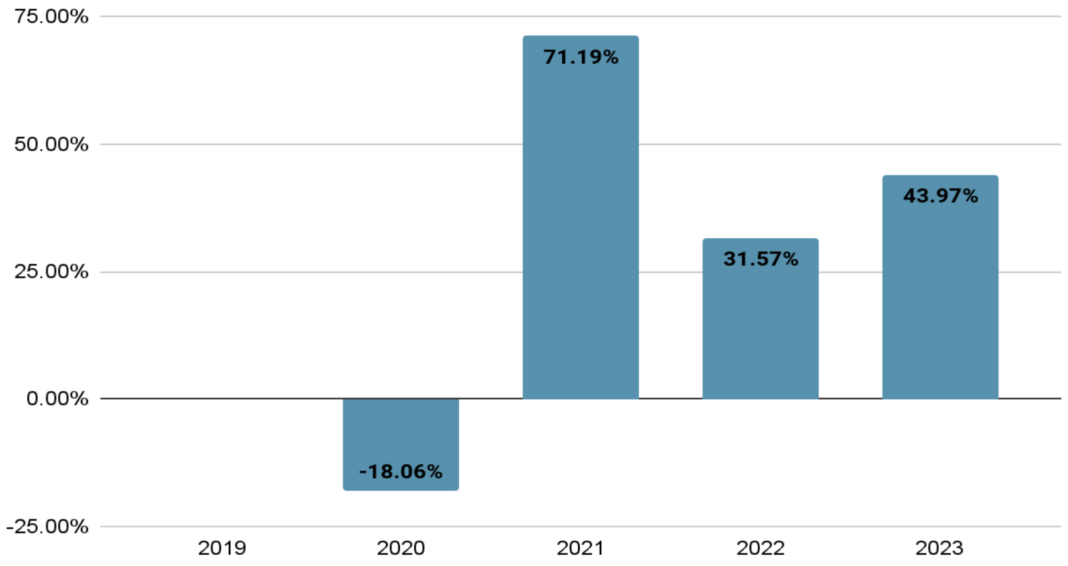
Graph 14: Total amount of bad/loss loan of IFIC bank from 2019 to 2023

Interpretation: From 2019 to 2023, bad or loss loans showed a concerning upward trend, indicating increased financial strain within the lending portfolio. The data shows a moderately high amount in 2019, indicating challenges in loan repayment. However, a substantial increase in 2021, 2022, and 2023 suggests deterioration in loan quality, possibly due to economic pressures or weakened borrower capacity. The highest level in 2023 is a significant increase, indicating escalating issues in loan recovery and increased exposure to riskier loans.

Growth Rate of Bad/Loss Loan:

Year	Amount of Bad/Loss Loan	Growth Rate
2019	8,664,117,540	-
2020	7,100,057,923	-18.06%
2021	12,155,427,996	71.19%
2022	15,992,773,598	31.57%
2023	23,025,888,055	43.97%

Table 17: Growth rate of bad/loss loan from 2019 to 2023



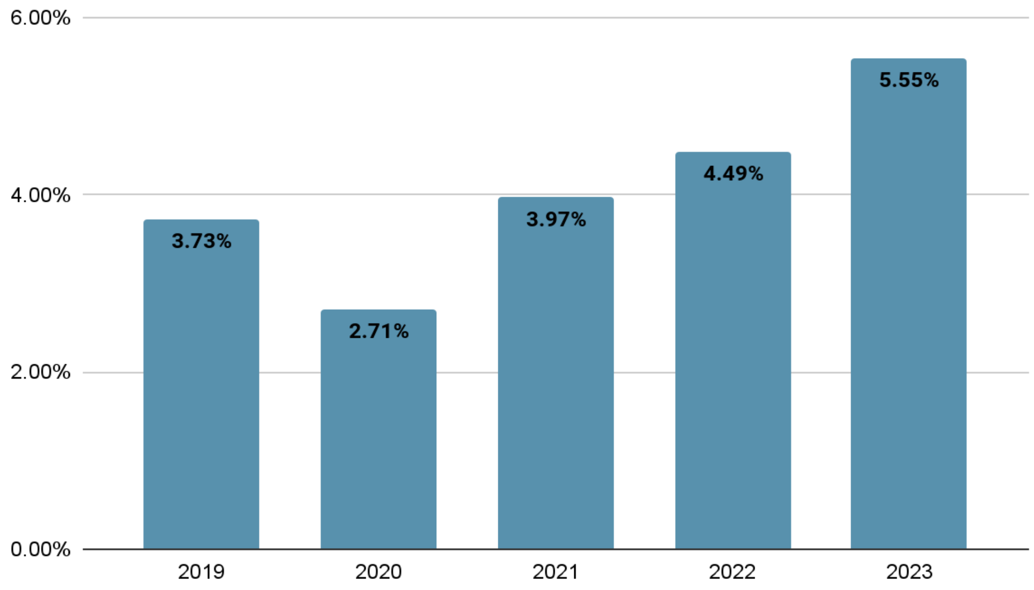
Graph 15: Growth rate of bad/loss loan from 2019 to 2023

Interpretation: From 2019 to 2023, bad/loss loans experienced a fluctuating trend, with a significant decrease in 2020. However, in 2020, bad/loss loans surged by over 70%, indicating a sharp deterioration in loan quality. This could be due to economic stress, increased defaults, or riskier loans. In 2021, bad/loss loans continued to rise, indicating persistent challenges in loan recovery. The high growth rates highlight the need for enhanced risk management strategies and closer monitoring of loan recovery.

Percentage of Bad/Loss Loan in total Loans:

Year	Total Loans & Advances	Amount of Bad/Loss Loan	Percentage of Bad/Loss Loan in total Loans
2019	232,523,441,067	8,664,117,540	3.73%
2020	261,697,427,473	7,100,057,923	2.71%
2021	306,333,354,843	12,155,427,996	3.97%
2022	355,858,871,517	15,992,773,598	4.49%
2023	414,982,804,532	23,025,888,055	5.55%

Table 18: Percentage of Bad/Loss Loan in total Loans from 2019 to 2023



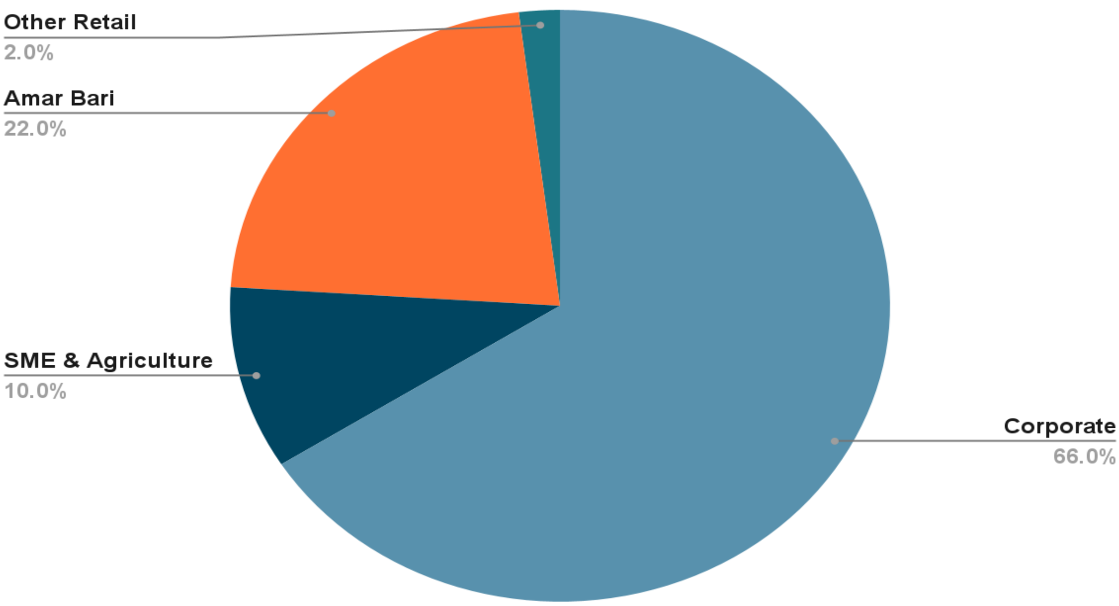
Graph 16: Percentage of Bad/Loss Loan in total Loans from 2019 to 2023

Interpretation: From 2019 to 2023, the percentage of bad/loss loans increased, indicating a growing credit risk within the portfolio. From 3.73% in 2019, to 2.97% in 2021, the ratio rose to 3.97%, indicating higher challenges in loan quality. In 2022, the ratio reached 4.49%, indicating further deterioration. In 2023, the ratio reached 5.55%, indicating heightened risk due to worsening economic conditions or relaxed lending standards. This trend underscores the need for vigilant risk management.

4.8 Sector wise distribution of Loan & advances for the Year 2023

Sector	Loan Percentage
Corporate	66%
SME & Agriculture	10%
Amar Bari	22%
Other Retail	2%

Table 19: Sector wise distribution of Loan & advances



Graph 17: Sector wise distribution of Loan & advances for the Year 2023

Interpretation: The bank's Loans & Advances distribution shows a strong focus on corporate lending, with 66% allocated to large businesses. 10% of loans went to SMEs and agriculture, demonstrating support for sustainability, job creation, and economic growth. The "Amar Bari" sector accounted for a noteworthy 22% of loans, with a focus on housing financing or home loans. Other retail sectors accounted for the remaining 2%, indicating a moderate level of attention to these areas.

Chapter: 05

Findings, Recommendations & Conclusion

5.1 Findings for IFIC Bank PLC

I have gained newer experience while employed in Mirpur Branch of IFIC Bank Limited. I've come to certain conclusions and suggestions after gathering and evaluating data. These conclusions stem from the individual viewpoints listed below:

- **SWOT Analysis:** IFIC Bank's strengths include a skilled workforce, strong client relationships, and robust cash flow. Challenges include high interest rates, complex loan application processes, limited ATM access, and equipment shortages. Opportunities include digitization and regional expansion. Threats include competition, political instability, regulatory constraints, corruption, and loan default risks.
- **Consistent Loan Growth:** IFIC Bank’s total loans and advances grew from BDT 232.5 billion in 2019 to BDT 415.0 billion in 2023, reflecting a 78.5% increase, indicating strong demand for credit.
- **Annual Growth Rates:** Loan growth rates ranged from 12.5% to 17%, with the highest at 16.61% in 2023, signaling a robust lending environment and consistent expansion.
- **Rising Loan to Deposit Ratio:** The loan-to-deposit ratio rose from 90.06% in 2019 to 99.98% in 2023, suggesting higher lending activity but also potential liquidity risks.
- **Strong Credit Confidence:** The increase in loan-to-deposit ratio reflects growing loan demand and confidence in the bank’s lending capacity, though liquidity needs should be monitored.
- **Steady Standard Loan Growth:** Standard loans grew from BDT 207.6 billion in 2019 to BDT 370.8 billion in 2023, showing stable credit quality with annual growth rates between 13.6% and 18%.
- **Fluctuating Growth Rates:** The growth rate of standard loans fluctuated, peaking at 18.03% in 2020 and decreasing to 13.61% in 2023, suggesting a possible market saturation.
- **Declining Standard Loan Ratio:** The ratio of standard loans to total loans dropped from 93.64% in 2020 to 89.34% in 2023, indicating a potential shift toward riskier loans.

- **Substandard Loans Volatility:** Substandard loans surged in 2021 and 2023, with a 183.98% increase in 2023, signaling rising loan quality concerns amid economic stress.
- **Rising Substandard Loan Ratio:** The ratio of substandard loans increased to 1.94% in 2023, highlighting growing risks and the need for proactive risk management.
- **Doubtful Loans on the Rise:** Doubtful loans grew significantly from BDT 402.5 million in 2019 to BDT 1.95 billion in 2023, signaling increasing borrower repayment uncertainty.
- **Doubtful Loan Percentage:** The percentage of doubtful loans rose from 0.17% in 2019 to 0.47% in 2023, indicating growing risk despite remaining relatively low.
- **Bad/Loss Loans Escalation:** Bad/loss loans increased from BDT 8.66 billion in 2019 to BDT 23.03 billion in 2023, reflecting significant challenges in loan recovery.
- **Rising Bad Loan Percentage:** The percentage of bad/loss loans grew from 3.73% in 2019 to 5.55% in 2023, highlighting rising credit risk and the need for stronger risk management.
- **Corporate Lending Dominance:** Corporate loans made up 66% of the total loan portfolio in 2023, with housing (22%) and SME/agriculture (10%) loans following, reflecting a focus on large-scale borrowers.
- **Focus on Corporate Sector:** The emphasis on corporate lending indicates a strategy targeting larger, potentially higher-return clients, though it exposes the bank to risks from corporate defaults.

5.2 Recommendations for IFIC Bank PLC

In order to enhance the culture of risk management even further, IFIC Bank ought to implement some of the industry best practices that aren't already in use. These are-

- **Tackle the Growing Number of Substandard, Doubtful, and Bad Loans:** IFIC Bank's loan portfolio quality is deteriorating due to an increase in substandard, doubtful, and bad loans from 2021 to 2023. To improve, the bank should enhance credit risk assessment and monitoring.
- **Improve Loan Recovery Strategies:** The bank should enhance its loan recovery strategies by establishing a dedicated unit, offering restructuring options, and utilizing technology for efficient tracking and management of defaults.

- **Reduce Exposure to High-Risk Loans:** IFIC Bank should diversify its loan portfolio to reduce exposure to higher-risk loans and focus on safer, lower-risk sectors. Rebalance the focus on corporate lending, which accounts for 66% of the bank's portfolio, with a more balanced approach focusing on SME and retail lending.
- **Enhance Liquidity and Capital Management:** IFIC Bank should address its high loan to deposit ratio, which has risen to nearly 100% in 2023, to mitigate liquidity risks and maintain a balance between loans and deposits. Additionally, the bank should review its capital adequacy and liquidity reserves to ensure stability during financial strains.
- **Support Employee Well-being and Enhance Efficiency:** Hire additional staff, automate routine tasks, and improve work-life balance to reduce employee pressure and enhance productivity. Offer ongoing training in customer service, risk management, and new technologies to improve efficiency, morale, and professional development.
- **Expand Digital Services & Self-Service Facilities:** Invest in advanced mobile apps, internet banking, and digital tools to meet customer demand for online services and reduce branch costs. Expand the ATM network and improve self-service kiosks, particularly in underserved areas, to enhance accessibility and customer satisfaction.
- **Simplify Loan Application & Improve Customer Support:** Digitize and simplify the loan application to make it faster, more intuitive, and less paper-intensive, enhancing the customer experience. Provide personalized, prompt service with proactive communication to improve satisfaction, retention, and foster stronger client relationships.
- **Address External Threats and Political/Regulatory Risks:** IFIC Bank should remain flexible, closely monitor political and regulatory shifts, and adjust strategies to mitigate risks. Strengthening compliance through proactive management and audits is essential to avoid penalties and protect the bank’s reputation amidst evolving Bangladesh Bank policies.
- **Enhance Corporate Social Responsibility (CSR) Initiatives:** IFIC Bank can strengthen its public image and brand loyalty by expanding CSR efforts in sustainable development, financial literacy, and support for underserved communities, fostering goodwill and attracting socially conscious investors.

By focusing on these areas, IFIC Bank can continue to grow while improving its relationship with both customers and employees, positioning itself as a stronger player in the banking industry.

5.3 Conclusion

A number of private and nationalized banks are related to the banking industry. By carrying out their operations, they greatly benefit the national economy. One of them, IFIC Bank Limited, also makes a significant economic contribution. They are carrying out their duties, which has stabilized the economy and the bank. The bank offers loan advances, regular banking services, foreign exchange, and other services. They are raising the funds and contributing positively to the economy as a result. They are making fantastic contributions to the nation's development, and they have certain controls over their banking operations. They can overcome their limitations and come up with fresh concepts, which will help them succeed in Bangladesh's banking industry.

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