



Daffodil *International* **University**

Submitted to:

Md. Arif Hassan

Assistant Professor

Department of Business Administration
Faculty of Business & Entrepreneurship
Daffodil International University

Prepared by:

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ID: 152-11-4642

Batch: 41th (BBA)

Major: Accounting

Department of Business Administration
Faculty of Business & Entrepreneurship
Daffodil International University

Date of Submission: 15/01/2019



Agrani Bank Limited

“Credit Management System of Agrani Bank Limited”

(A study on Dhanmondi Branch, Dhaka)



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Letter of Transmittal

Date:

Md. Arif Hassan

Assistant Professor

Department of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University

Subject: Submission of Internship Report.

Dear Sir,

I am very pleasure to submit my internship report on **Credit Management System of Agrani Bank limited** after completion my intern. It was my best consideration to follow all of point of this bank how far I can. It was my blessings to follow your instruction and time schedule. All of those area have covered which was mention to me in the meantime of discussion.

All of topic are visualize which relate to this internship paper. I would like to devote my heartiest gratitude for you; to supporting me your best. Which helps me a lot to prepare this report properly.

Thanks for your consideration.

Sincerely yours,

Muhammmad Abu Jar Gaffar Khan

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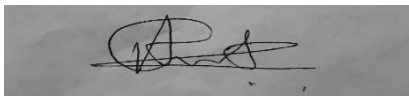
Approval certificate

This is my pleasure to mention that the report entitled is “**Credit Management System of Agrani Bank Limited**” have completed by Muhammmad Abu Jar Gaffar Khan ID: 152-11-4642, Department of Business Administration, Daffodil International University.

He was placed in the Agrani Bank Limited which is one of the glorious banks both at home and abroad. ABL is also priority to give the innovative and extraordinary services to its clients in Bangladesh.

The BBA Internship report, he has submitted on the topic, is up to the mark in the terms of the quality and the organization.

I wish his every success in life.



Md. Arif Hassan

Assistant Professor

Department of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University

Acknowledgment

Thanks to Almighty Allah for giving the capability of completed this internship report. I am also grateful to my family for supporting me during the making period of this report.

Then I would like to thanks my Supervisor MD. Arif Hasan a lot. He gives me his valuable guideline which helps me to complete easily my report. It may concern to say that without her cooperation it was impossible to full fill my report.

I would also thanks to Branch manager of Agrani Bank Limited of Dhanmondi branch who helps me a lot learn about banking activities. And I would also thanks to all employee of this who cooperate with me learn about how they actually work.

It my pleasure to thanks all of my senior brothers and sisters who instruct me to work on a proper way. Paying my heartiest appreciation to all of these great people for their great cooperation, which will always be remembered by me.

Executive Summary

The Internship report is prepared as requirement of BBA program of Daffodil International University. This report is on “Credit Management system of Agrani Bank Limited. This report is intended to assist the reader in detailed understanding the credit management system of Agrani Bank Limited. It also attempts to capture the procedures practiced in Agrani Bank Limited (ABL) in relation to credit handling. The purpose of this report is to have an idea about the credit management system of Agrani Bank Limited and then to assess its effectiveness in connection with.

This report is based on Credit Management system and concentration is given on the Agrani Bank limited (Dhanmondi Branch). Here both primary and secondary sources of data are used. Personal observation and consultation with the concerned personnel is key sources of data in this report, so the first chapter contained the objectives, scopes, limitations and the methodology containing the sources of data collected.

After that, discussed about the organizational part that provides in detail information about the organization with its company profile, Corporate Vision and Mission, product & service and resources. Then showed analysis about loan and advance, loan and deposit ratio and also showed performance analysis of standard loan, sub-standard loan, doubtful loan, bad & loss of ABL.

Now a day whole banking sector in Bangladesh going through an insufficient fund. For this ABL also having some problem to face. And it is trying to overcome these situations by taking new initiatives. Finally, some suggestion is given based on the findings.

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Chapter-1

Introduction

Introduction

Generally, by the word “bank” we understand that the financial institution doing business with money. The whole scenario of the economy of a country can be measured by examining the condition of the banking sector. There are different types of banks exist in our country as like Central Banks, Commercial Banks, Savings Banks, Investment Banks, Industrial Banks, and Co-operative banks etc. By means of banking operating we understand the commercial banking operation. Commercial Banks are the primary contributors to the economy of a country. In Bangladesh, the commercial banks are dominating the financial sector and macroeconomic management which depends on the performance of the commercial banks as well as banking sector. Today the banking concept is not only continuing inside the branches but also dealing with the whole world and the non-cabin banking.

Agrani Bank Limited is coming as a public limited company on 17th May, 2007 with Agrani Banking Limited, with the foreign exchange house commercially located in 94 outlets in almost all commercial areas of Bangladesh and hundreds of overseas delegations of foreign delegations. In 1972, after the emergence of Bangladesh as an independent state, Agrani Bank's business, assets, liabilities, rights and liabilities appeared as a commercial bank. On behalf of Agrani Bank Limited Agrani Bank Limited on behalf of Agni Bank Limited, started the work on the basis of ongoing concern through the Director of the Agrani Bank Limited and the Board of Directors on November 15, 2007, through the agreement of a vendor signed by the Ministry of Finance, Ministry of Finance. Archaeological impact since 01 July 2007.

Now a day the banking sector is suffering by a chronic insufficiency. The biggest problem of Bangladesh banking system is the default of bank loan. Various initiatives have been undertaken to reduce the default loan problem in Bangladesh. In spite of a tough situation Agrani Bank Ltd. Is able to catch up their glorious stability.

1.1 Origin of the report

This internship report is eligible for all student of Daffodil International University who have completed other course credit. To complete BBA every student has to do an internship course to a reputed organization. The students are sent in various organization to enlarge their out apt about real-life experience of job life. After completed 3credit hour program every student required to maintain a schedule with university supervisor to accomplish an internship report. This report basically indicates all of relevant topics about the particular bank.

1.2 Objectives of the study

The Main objective of the study is to find out the Credit management of Agrani Bank Limited. There followings are the specific objectives:

- To gather theoretical knowledge about credit risk management.
- To analyse the credit performance of Agrani bank limited.
- To identify some shortcoming with the credit of Agrani bank limited.
- To make some suggestions based on findings.

1.3 Purpose

Knowledge will become more perfect when it gets a combination with practical learning. In job surviving market just like Bangladesh it tough for every student get practical knowledge about an organization without getting job. Its help a lot for fresher to get a job after getting practical aptitude or sometimes offer a job. Its help to develop communication with corporate people and make a well-known contact with them. That's why practical orientation creates a positive development in professional area.

1.4 Scope

This report will show the whole performance of ABL for last five years. Also compare with their market conditions. Analyzing all of their banking activities to show how actually they deal with their customer.

1.5 Methodology

This report has been made on the experience gather from my intern period. The performance evaluation of Agrani bank ltd. Has been shown in this report based on financial report (2013-2017). Those findings represent via graphs, charts and tables in the interpreting part. According to my supervisor instruction all of information was applied successfully.

1.6 Area of the study

This report will show performance curve of Agrani Bank Limited in banking industry of Bangladesh.

1.7 Sources of Information

In order to completion of this report I have collected data from both primary and secondary sources.

Primary sources:

- Practical work experience on their branch.
- Face to face conversation with office employee.
- Conversation with branch visited customer.
- Studying office file in the meantime of working.

Secondary sources:

- Annual report of Agrani Bank Ltd.
- Official website of AIBL (www.agranibank.org)
- Various book articles and journal

1.8 Limitations of the study

- Personnel are bound to give answer of every question.
- To maintain conceal of ABL I have to consider some data in this report.
- Data limitations and personal inability of understanding some financial terms.
- Lack of information some decision made on assumption.
- Lack of time is a big factor. While we get only three month of observation and make a report in the meantime.

Chapter-2

An Overview of Agrani Bank Limited

2.1 Overview of Agrani bank:

Agrani Bank Limited is a state owned leading commercial bank in Bangladesh. The bank is located in all most all the commercial areas throughout the country, foreign Trade Houses and several foreign Reporters, appeared as an Open Constrained Organization on May 17, 2007 with a view to assume control over the business, resources, liabilities, rights and commitments of the Agrani Bank which developed as a nationalized business bank in 1972 promptly after the rise of Bangladesh as an independent state. Bank started functioning as a going concern basis through a Vendors Agreement signed between the ministry of finance, Government of the People's Republic of Bangladesh on behalf of the former Agrani Bank and the Board of Directors of Agrani Bank Limited on November 15, 2007 with retrospective effect from 01 July, 2007.

Agrani Bank is controlled by the Top managerial staff comprising of 10 individuals headed by a Director. The Bank is going by the Overseeing Chief and CEO; Overseeing Executive is helped by Delegate Overseeing Executives and General Directors. The bank has 11 Circle workplaces, 34 Divisions in head office, 52 zonal workplaces and 946 branches including 34 corporate and 42 Advertisement (approved merchant) branches.

Agrani Bank had total deposit of Tk 112.71 crore, advances of Tk 31,912 crore and borrowing of Tk 1818.32 million. Initially, it didn't have any liquidity to run its operations swimmingly and to undertake development activities. Investment amounting to Tk one hundred ten million was in unapproved securities. On thirty June 2000, the entire deposit at the bank stood at Tk 92.96 billion, total loans and advances at Tk 74.92 billion, total investment at Tk 25.375 billion, total assets at Tk 124.798 billion and reserve funds at Tk 319 million. Of the entire deposits, 8.03%, 35.41%, 19.21% and 37.35% were in current, savings, fastened and alternative deposits severally. 4.24% of the entire quantity of loans and advances were classified. The bank's recovery rate in terms of total outstanding loans was 34 in 1999 and 32 in 2000. The additive balance of outstanding loans and advances on 30 June, month of 2000 was Tk 74.97 billion. The number of due loans on identical date was Tk 31.14 billion. The quantitative relation of total due to total outstanding loans was 41.54%. As of 30 June, month of 2000, the entire and income of the bank was Tk 4.151 billion and 40.1 million severally.

2.2 Vision, Mission, Values & Objectives of Agrani Bank

Vision:

To become one of the leading banks among the state-owned banks through maintaining international standard skills, quality, fair management, ensuring high quality customer service and mobilizing Enough liquidity

Mission:

The mission of the bank is to provide customers with the solutions what they need to get a hassle-free and faster delivery of remittance and other banking products and services.

Values:

They believe in integrity, transparency and accountability, and also value of professionalism that will provide a high standard of service to all customers and stakeholders.

Objectives of Agrani Bank:

As a nationalized commercial bank, Agrani Bank has some objectives of serving the nation. Some major objectives of Agrani bank are given below:

- ✓ To help the government for development activities by providing finance.
- ✓ To provide banking service by collecting the deposit from the people at all strata of life and investing it, in the productive area.
- ✓ To develop banking service in rural areas and the creation of banking habit among the people.
- ✓ To Develop human resource, they are operating training program
- ✓ Enhance the loan portfolio diversification and expand the coverage of area of operation.
- ✓ Focus on customer
- ✓ To improve the financial position of the bank
- ✓ To minimize risk & strengthen financial foundation.
- ✓ Teamwork
- ✓ Respect to the Individual

2.3 Activities of Agrani bank:

- i. General banking activities,
- ii. Credit activities

1. General banking activities:

General banking activities involve with the collection of different deposits through current account, savings account, fixed deposit account etc., and to issue and pay the demand draft, pay order, telegraphic transfer, mail transfer and the transfer of other funds. It also includes the cash operation, clearing house activities, collection and discounting of bills and checks, maintaining the accounts with Bangladesh Bank and other commercial banks as well as other various activities.

Current Account:

It is a running and active account. Account's holder can involve in transactions as many times as needed during banking hour and there is no restriction on deposits and withdrawals of the amount from the current account. It is a non-interest-bearing account i.e. No interest is needed to give on the deposit amount but bank imposes a nominal amount as bank charge on the current account.

Saving Account:

People who have fixed income usually prefer savings account. Saving account provides them an opportunity to save a portion from their current income and entitle to get interest that can be used to meet in future contingency needs. Any person can open this account in Agrani Bank by depositing Tk. 100. It is an interest-bearing account and the Bank provides 4% interest, depends on the' balance interest may be paid monthly, annually or other time intervals, which is higher than short-term deposits but lower than fixed deposits accounts. Agrani Bank fixes certain restrictions on the numbers and amount on withdrawals from a savings account. Advance notice of seven days is needed:

- i. To withdraw money more than twice in a week or
- ii. To withdraw money more than 25% of balance amount

Otherwise, the account holder will not be able to get any interest of that particular month. VAT (value added tax) is imposed at 15% interest earned amount.

Time Deposit:

Time deposits that are held by bank and financial institution for fixed period plus other deposits that can be withdrawn through notice only. There are two types of time deposit:

- i) Deposit kept with bank or other financial institution for a fixed period (e.g. Fixed deposits)
- ii) Other deposits that can be withdrawn by notice only (e.g. Special time deposits).

Fixed Deposits: This Deposit kept for a fixed period is called fixed deposit. It is kept in bank once in account. Generally large amount of money is kept in this account. Period of deposit varies from 3 months to 60 months. Advance can be taken against fixed deposit; anyone can withdraw the amount of fixed deposit before the maturity of period but that person will be entitled the previous ceiling interest. However, accounts holder has to deposit the amount for a period of minimum 3 months to become eligible for interest. The interest rates of fixed deposits are:

- i. Deposit ceiling Deposit ceiling
- ii. 3 months & above but less than 6 months 5.70%
- iii. 6 months & above but less than 1 year 5.85%
- iv. 1 year & above 6.00%

Special notice time deposit: Normally exclusive varieties of corporations, establishments like authorities; independent, semi-self-sustaining companies preserve this form of account be aware is to be served before 7 days of withdrawal and observe quantity can be excluded from interest attention. Present hobby fee is 3.5%.

Agrani financial institution strives to offer patron offerings in better manner. Agrani bank has the subsequent arrangement of remittance inside and outdoor the United States.

- i. Demand draft
- ii. Pay order
- iii. Telegraphic transfer

Demand Draft (DP):

It is an unconditional order of the bankers on department to any other to pay to a few individual or order the amount maintained there in on call for.

Pay order (P.O):

A pay order is a written order, issued by way of a department of bank, to pay a positive amount of money to a specific person or a financial institution .it can be said as to be a banker's cheque as its miles issued through a bank and. Payable through itself

Telegraphic Transfer (T.T):

A telegraphic transfer is a method of remittance, which is affected by using the banker thru a coded telegram attested by using mystery test sign, on receipt if which, the paying office pay the amount to the payee by way of crediting his account.

2.4 credit Activities:

Agrani bank ltd. gives a wide variety of loans and advances to special sectors. Agrani bank extends credit in agriculture, change and trade, enterprise and different sectors. Bank has identified the subsequent business sectors as priority zone and has determined to provide loans and advances at a concession hobby fee that is taking place:

- i. Agro-based industry like processing and preservation of local fruits
- ii. Computer software and information technology-
- iii. Electronics.
- iv. Artificial flower production.
- v. Frozen food.
- vi. Nontraditional exportable agriculture products.
- vii. Presentation items.
- viii. Exportable leather products.
- ix. Exportable jute goods.
- x. Jewelry and diamond cutting and polishing.
- xi. Cultivation of silkworm and silk industry.

- xii. Stuffed toys,
- xiii. Textile industry (except RMG).
- xiv. Oil and gas.

2.5 Capital Structure of Agrani Bank

Authorized capital in 2017	2500.00 crore
Paid-up capital increased in 2017	2072.00 crore
Total Equity in 2017	4073.00 crore
Capital Adequacy ratio in 2017	10.44%
Operating profit in 2017	813.00 crore
Net Profit in 2017	676.00 crore

2.6 Risk management:

‘Risk management division’ as to deal with risk portfolio. Its co-ordinates all risky phylum with management. Various types of operations like stress testing, Duration Gap analysis, Calculation of Minimum capital requirement (MCR), Liquidity Coverage ratio (LCR), Net Stable Funding Ratio (NSFR) etc. Are done to find out risky event. To find out instant arisen risk surprise visit is conducted by the delegated authority and instant steps are taken.

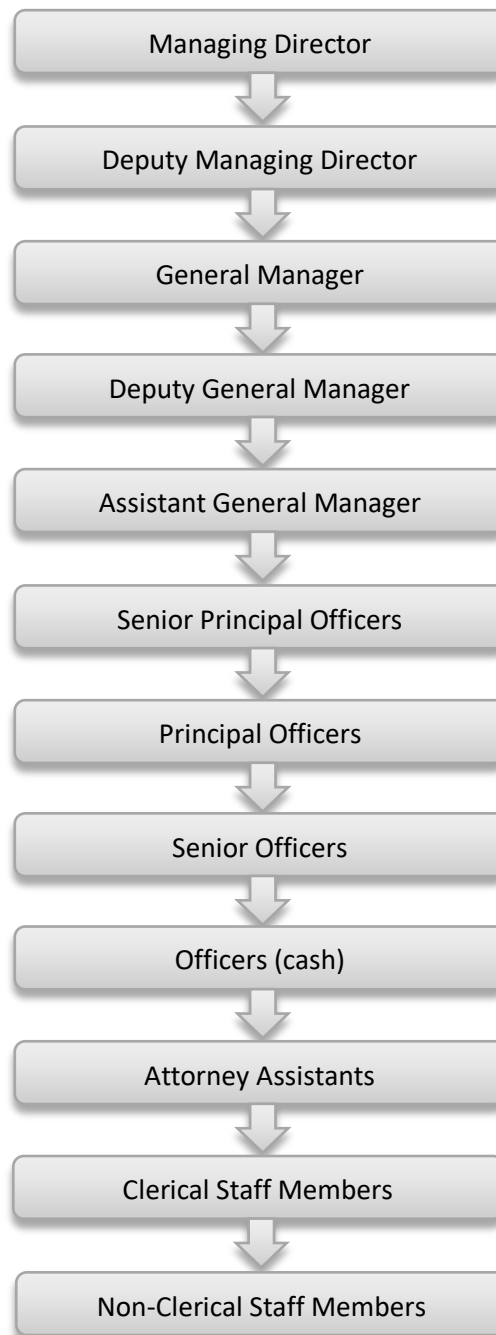
2.7 Human Resource Management and Development:

Human Resource is that the most beneficial quality of a corporation. Modern organizations are additional aware regarding the most effective utilization of its human resources. Currently, the highest management is facing several challenges arising from the economic process, competition, social changes, profit, and property. It will address these challenges with the assistance of those human resources. The success of any organization depends on the right, economical and effective

management of human resources. 60 minutes coming up with the division is doing a little add the name of human resource management. The fundamental work of 60 minutes coming up with division is to formulate human resource management policy, to take care of the non-public file of each staff and officer, maintain the performance appraisal, build the PRL list and inform to involved worker in due time, sanction increment, encashment of leave, settlement of old-age pension, leave sanction within and out of doors of Bangladesh, allow higher studies, update the human resource management system and to certify the liberty fighter's certificates from the connected ministry. Through the approval of the board of administrators 60 minutes' division developed the Agrani Bank restricted service rules, 2008.

Organogram:

In Agrani bank limited MD belongs to the top position and non-clerical staff members in the bottom position. The top to bottom organogram has been given below:



Chapter-3

Credit Management System

3.1 Credit:

Credit means lending funds mainly to the traders and industrial entrepreneurs by the banking company. Major percentage of bank's funds is employed by various ways of loans and advances, which is the most gainful work of its funds. The key part of bank income derives from interest and discount on the funds so lent.

3.2 Credit Management System:

Objectives of Credit Management system:

- i. To increase the performing asset and minimize the non-performing asset as well as ensuring the optimal point of loan and advance and their efficient management.
- ii. To allocate the fund from different field and to minimize the risk and to maximize the return on the invested fund.

The overall success in credit management depends on the basis of banks credit policy, procedure of credit, monitoring, maintenance and follow-up of the loan and advance. So, while analyzing the credit management of Agrani Bank Limited, it is needed to analyze its credit policy, credit procedure, how they are maintaining credit and quality of credit portfolio. To implement procedures, ensure the collection of debt, meeting of service targets and the prevention of escalation in arrear debt. To develop financial assistance and basic services for the community's lack of Customer Care, Credit Control, Debt Collection and Indigent Policy as well as provide incentives for prompt payment and ensuring certain risk levels by means of effective management tools.

3.3 Importance of Credit Management System of Banking:

Banks and other financial institutions are often faced with financial risks. These kinds of institutions have to manage risks as well as returns. In case of bank to have a large consumer base, it has to offer loan products that are reasonable enough. Banks are constantly faced risks, in the process of granting loans to certain clients. They can be faced more risks, if the loan is extended to unworthy debtors. Risks can also come when banks offer securities and other types of investments.

3.4 Simple Guidelines for Credit Management System:

Bangladesh Bank has provided some certain guidelines to the banking sector with a view to develop the Credit Management culture, establish minimum standards for separation of duties and responsibilities and help in the ongoing improvement of the banking sector in Bangladesh. The guidelines of central bank of Bangladesh were prepared by the senior credit executives from private sector, foreign and other nationalized commercial banks operating in Bangladesh. Credit Management is most important for the Banks, and as such, policies and procedures should be supported and strictly enforced by the MD/CEO and the Board of the Bank.

Guidelines of Bangladesh Bank on Management Credit Risks

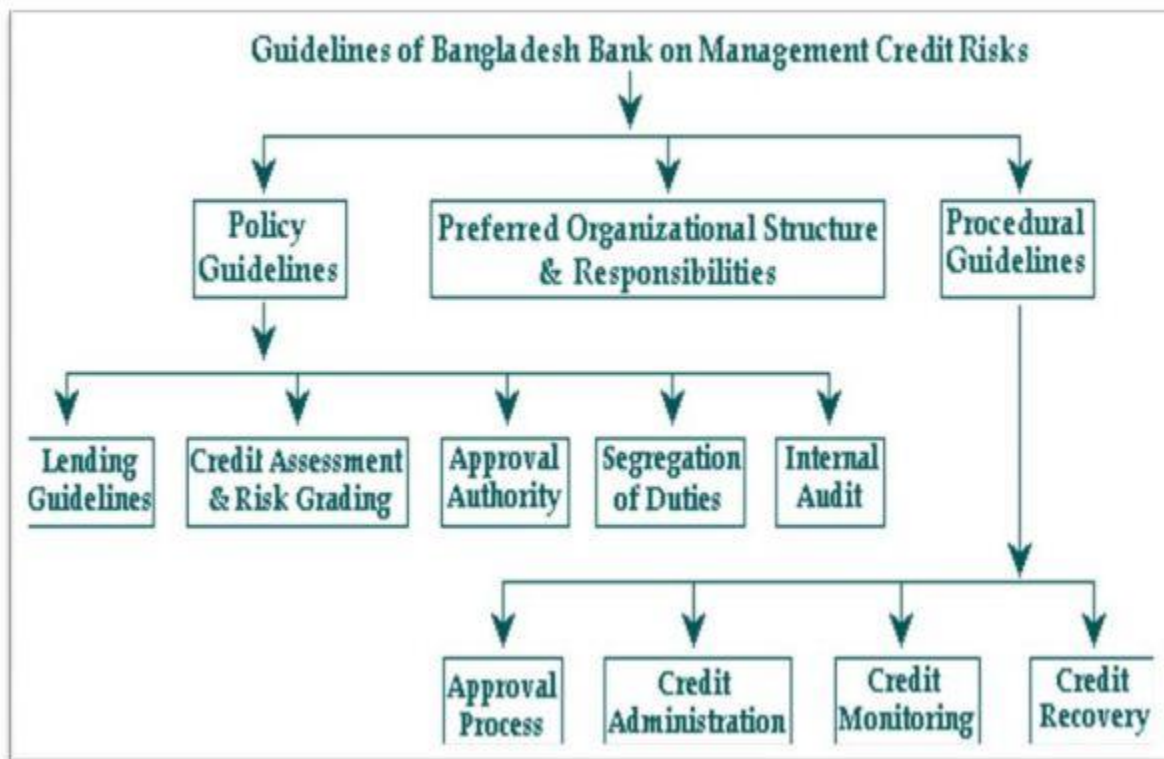


Figure-3.1: Guidelines of Bangladesh Bank on Manged Credit Management

3.5 Credit Assessment:

Credit Applications should summarize the results of the RM's risk assessment and include, as a minimum, the following details:

Amount and type of facility(s) proposed Purpose of facilities, Facility Structure, Security Arrangements, Government and Regulatory Policies, Economic Risks.

Following Risk Areas should be evaluated:

Borrower Analysis	Supplier/Byer Analysis
Industry Analysis	Purpose of credit
Facility Structure	Historical Financial Analysis
Project Implementation	Projected Financial Performance
Foreign Currency Fluctuations	Credit background
Security	Account Conduct
Type Of control & Cash Flow	Mitigating Factors
Exit option	Name of Lending

3.6 Risk Grading:

Grading	Short Name	Number	Score Need to obtain
Superior	SUP	1	100% cash covered
Good	GD	2	85%
Acceptable	ACCEPT	3	75-84
Marginal	MG	4	65-74
Special Mention	SM	5	55-64
Substandard	SS	6	45-55
Doubtful	DF	7	35-44
Bad & loss	BL	8	<35

- **Good Credit:** An individual's credit history that support the borrower is a safe Credit Management. A high credit score that indicate the good credit. An individual's credit history is depended on the basis of some factors that including the amount borrowed, the amount of available credit remaining and the timeliness of payments.
- **Acceptable Credit:** An acceptance credit is one type of letter of credit that is paid by a time draft authorizing payment on or after a specific date in accordance with the term of letter of credit.
- **Marginal credit:** In exchange, especially foreign exchange, the marginal credit means a commercial letter of credit which may be drawn against within the margin of the letter, or in other words, up to the amount specified in the letter. That kind credit is as a rule employed in a triangular operation.
- **Special Mention:** possibly weak loans or Assets presenting an inappropriate Credit Management, but less risky than low-quality valuable things. Bank loans are classified as special talk about/say valuable things when the lender does not supervise a loan properly or maintain (good) enough (paperwork that proves or supports something), or otherwise has moved away from acceptable and cautious and wise lending practices. Valuable things listed for the special talk about/say generally reflect weaknesses in management, servicing, or collection, instead of credit weaknesses, which are noted in examination reports as negatively/badly classified valuable things.
- **Sub-standard:** if it is past due/overdue for six months or beyond but less than nine months.
- **Doubtful:** if it is past due/overdue for nine months or beyond but less than twelve months.
- **Bad-loss:** if it is past due/overdue for twelve months or beyond.

3.7 Credit policy of Agrani Bank Limited:

In line with the Bangladesh Bank declared concretionary financial policy that prevailed within the year 2012, Agrani Bank Limited's Credit policy was to expand credit inside prudent limit and to discourage credit in unproductive sectors. At the same time, Agrani Bank restricted has maintained a deliberate professional growth directional bias in its credit policy to make sure adequate Credit flows to farm and non-farm productive sectors of small, tiny & medium enterprises.

The Credit policy of Agrani Bank restricted has been devised in accordance with Asian Nation Bank's pointers to make sure that effective credit management practices are followed, which can contribute towards the action of the general business objectives of the bank whereas making certain compliance with the regulative framework launched by the regulators.

Agrani Bank Limited's annual credit arrange determines overall limits supported numerous shopper segments and product, economic sectors, geographical locations, currency and maturity with a read to avoid undue concentration in any shopper section, economic sector or geographical location.

The Credit policy of the bank focuses on the economic goal of the country and policies adopted by the Government. It strives towards the materialization of the Government policies leading to overall economic development of the country.

3.8 Credit Principles of Agrani bank limited:

In the feature, credit principles embrace the overall pointers of providing credit by branch manager or credit officer. In Agrani Bank Ltd. They follow the subsequent guideline whereas giving loan and advance to the shopper.

- Credit advancement shall specialize in the event of client relationship.
- All credit extension should fit the wants of Bank's memoranda and Article of Association, Banking Company's Act, Asian country Bank's directions, different rules and regulation as amended from time to time.

- Loans and advances shall commonly be supported from customer's deposit and not out of temporary funds or borrowing from different banks.
- The bank shall give appropriate credit services for the markets.
- It ought to be provided to those customers who will build the best use of them.
- The conduct and administration of the loan portfolio ought to contribute with in outlined risk limitation for action of profitable growth and superior come on bank capital.
- Interest rate of assorted disposal classes can rely upon the amount of risk and kinds of security offered.

3.9 General Procedure of sanctioning loan:

There are some procedures for sanctioning loan for the customers:

- Customer's Application
- Customer's financial statement
- Complete balance sheet for three years
- Compare Income statements for three years
- Apply technique of project appraisal
- Proposal for filing through bank
- Approval from head office for sanction advice
- Branch Approval
- Documentation
- Disbursement

Customer's application:

At first borrower has to submit an application to the respective branch for necessary loan, where he/she has to define specific reason for the loan. After receiving the application from the borrower, bank officer has to verify the information is given in the application carefully. He additionally checks the account maintains by the receiver with the Bank. If the official becomes happy then he provides form (prescribed form of Bank) to the borrower.

Party's financial statement:

After receiving CIB report from central Bank, then individual branch collects company's financial statements for minimum of three years, this document facilitates the future lone back risk and this base Investment for approval of Head office. Documents those are necessary for sending Investment proposal are:

Necessary documents:

While advancing money, banks create a lot of document, which are required to be signed by the borrowers before the disbursement of the loan. Of them some are technically called charge documents. Amount the documents frequently used, some are:

- The person who is held responsible for appraising a loan proposal in Agrani Bank Limited is called the relationship manager Loan application form duly signed by the customer.
- Acceptance of the term and conditions of sanction advice.
- Trade license.
- Letter of guarantee of third party.
- Net- worth statement.
- Personal net-worth statement of the borrower

a) In Case Of Partnership Firm

- Trade license (Up to date)
- Partnership Deed (registered)
- Personal net-worth statement (PNS) of partner
- Partnership Account Agreement

a) In Case Of Limited Company

- Copy of memorandum and articles of association of the company including certificate of incorporation duly certified by Registered Joint Stock Companies (RJSC) and attested by the managing director and accompanied by an up-to-date list of directors.
- List/personal profile of director.
- Certificate of Incorporation.
- From 12 certified by RJSC
- Board resolution in respect of availing loans & execution of document with bank.
- Letter of guarantee of the director.
- Personal net-worth statement of director.
- Undertaking stating that the borrower shall not makes any amendment or alteration in memorandum & article of association without prior approval of bank.
- Approval of the bank for any inclusion or exclusion of director in & from the company.
- Certificate of commencement (In case of public limited company)
- Joint venture agreement (In case if Joint venture company)
- BOI permission (In case if Joint venture company)

Required Doc's for Retail (Individual)

- Photograph- 2 Copies
- Passport/National ID/Driving License or Company ID
- Trade license (For Businessman)
- Bank statement- last 6 months
- Partnership Deed (for partnership firm)
- Rental/Lease/Title Deed
- Certificate of professional degree
- Guarantor
- Spouse- photo with signature, Attested by applicant
- Eligible photo with signature, attested by the applicant, Visiting card, TIN

- Sanction letter with Related Bank Statement (If Enjoying Any Loan)
- Trade license

Required Doc's for Term lone

- Term loan agreement
- Letter of instalment
- Letter of undertaking
- Amortization schedule

Required Doc's for Home loan

- Power of attorney for developing the property
- Letter of instalment
- Letter of undertaking
- Amortization schedule
- Letter allotment of flat or floor space
- Agreement between land owner & developer.
- Copy of approved plan of construction from concerned authority.

Collect Credit Management grading sheet (CRGS):

The branch collects Credit Management grading sheet because this measure the Credit Management. The company or person which category of risk against (high, medium or low). This help of the bank.

Techniques of Project Appraisal:

An appraisal is a systematic exercise to establish that the proposed project is a viable preposition. Appraising officer checks the various information submitted by the promoter in first information sheet, application for Investment and Investment proposal.

United Commercial considers the following aspects in appraising a proposal.

- ❖ Technical viability
- ❖ Commercial viability
- ❖ Financial viability
- ❖ Economic viability

The Head Office (HO) mainly checks the technical, commercial and financial viability of the project. For others HO is dependent on branch's information. But when the investment size is big, then the HO verifies the authenticity of information physically.

Application & declaration from applicant:

The application collects form applicant then the bank declaration from then lone amount. This procedure applicant all of recoupment fill the bank than bank head-office send all information for the sanction lone.

Proposal from filling the bank:

The bank officer readies the proposal form. This form applicant all kind of information and applicant why collect this lone and this use and return facility all information gather this proposal. This proposal applicant all information known then this granted the head office and necessary observation complete for applicant.

Head office approval as sanction advice:

When Head office receive appraisal from the branch then, Head Office again appraises the project. If it seems to be a viable one, the HO sends it to the Board of Directors for the approval of the Investment. The Board of Directors (BOD) considers the proposal and takes decision whether to approve the Investment or not. If the BOD approves the Investment, the HO sends the approval to the concerned branch.

The respective officer of Head Office appraises the project by preparing a summary named "Top Sheet" or "Executive Summary" and then he sends it to the Head Office Credit Division for the approval of the Loan. The Head Office Credit Division considers the proposal and takes decision

whether to approve the Investment or not. If the committee approves the Investment; the HO sends the approval to the concerned branch. The all kind of formalities maintain so head office necessary legal analysis like as:

- ❖ If project lone then see the project.
- ❖ This project legal all information collects.
- ❖ If the personal lone so all personal information collects.
- ❖ The observation of 6 C

This all confirm so head office approval as sanction advice from the branch than branch sanction the lone.

Branch approval as sanction advice augend loan application:

After getting the approval of the HO the branch issues sanction letter to the borrower. A sanction letter contains:

- Name of borrower,
- Facility allowed,
- Limit
- Purpose,
- Rate of interest,
- Security and Other terms and condition.

Documentation:

Documentation is obtaining such agreement where all the terms and condition and securities are written and signed by the borrower. Generally, the documents are taken in the case of a secured advance by ABL:

- Demand promissory note: Here the borrower promises to pay the loan as and when demand by bank to repay the loan.

- Letter of arrangement.
- Letter of continuity.
- Letter of hypothecation of goods and capital machinery
- Stock report: This report is used for OD and CC. In this report, information about the quality and quantity of goods hypothecated is furnished.
- Memorandum of deposit of title deed of property duly signed by the owners of the property with resolution of Board of Directors of the company owning the landed.
- Guarantee of all the directors of the company.
- Resolution of the board of directors to borrow fund to execute documents and completes other formalities
- Form no. XVII/XIX for filling charges with the register of joint stock companies under relevant section.
- Letter of Revival

Disbursement:

- When the credit proposal is approved the credit officer must have to be ensured that the disbursement of the credit facilities must comply with the directions written in the credit policy and circular made by time to time along with checking all the following terms and conditions:
- The officer of Loan Administration must collect the acceptance of the customers of the terms and conditions on the duplicate copy of the sanctioned advice.
- They will thoroughly examine and ensure that the subject credit facility does not contradict to any law, rules and regulation of the country, Bangladesh Bank. Deed of the Mortgage and power of the Attorney to be drafted and executed under the Supervision of the Bank's Legal Advisor.
- Lawyers certificate to the effect that all the legal formalities (Equitable/ Registered Mortgaged) has been properly created on the land and building in favour of the bank & bank has acquired the effective title of the property.
- Registered power of attorney has been collected from the borrower (contractor) assigning the work order favouring the ABL and the power of attorney has been registered with the

work order given agency and they have agreed that they will issue all the cheques favouring ABL. The legal documents of the vehicle have been obtained.

- Collection of the satisfaction certificate in respect of all the documents both legal and banking from the lawyer.
- Entry has been made in the Safe-in and Safe-out register and the documents are preserved.

3.10 Credit appraisal process of Agrani bank LTD:

The function of commercial bank is to accept deposit from the common people and to invest deposited money in different sectors for overall development of the economy of the country. So the banks have to. The customer request for credit limit and the relationship manager must decide whether to accept or refuse proposal. Making this decision is the most important credit activity; all other activities of the credit Department are supportive to this decision. To ensure the proper and orderly conduct of the business of the bank, the Board of Directors authorized the Managing Director and other top-level executive, that is, DMD and GM to sanction the credit. It is mentionable that principal branch operates the credit division under the supervision of DGM. The relationship manager of principal branch furnishes the credit proposal with the required information and sends it to the final authority, i.e. GM, DMD & MD, of head office for final approval.

The most important measure of appraising a loan proposal is safety of the project. Safety is measured by the borrower and repaying capacity of him. The attitude of the borrower is also an important consideration; liquidity means the inflow of cash into the project in course of its operation. The profit is the blood for any commercial institution. Before approval of any loan project the bank authority has to be sure that the proposed project will be a profitable venture. Profitability is assessed from the projected profit and loss statement. The security is the only tangible remains with the banker. Securing or collateral it is accepting is easy to sell and sufficient to cover the loan amount. Bank cannot sanction loan by only depending on collateral. The sources of repayment of the project should be a feasible one. During sanctioning any loan bank has to be attentive about diversification of risk. All money must not be disbursed amongst a small number of people. In addition, any project must be established for the national interest and growth.

Commercial bank and financial institutions intermediate between lenders and borrowers. These financial intermediaries collect deposit and disburse it as loan and advance to the individual people, business, commercial, industrial entity. The loan and advance should be given to them who has the certain and predicted cash flow to repay the credit. If the relationship manager fail to analyze the clients viability of repaying the loan and the projects cash flow possibility of default may arise due to the fact. So the importance of appraisal, in sanctioning the loan, is the key to identify the borrower's ability, expertise, efficiency, industry analysis, and business performance to ensure the recovery of the credit along with the good supervision, monitoring and the relationship. In a word it can be said that the purpose of appraisal is to be sure that the proposed advance will be safe, liquid, and profitable and for acceptable purpose covered by adequate security. At the time of credit proposal, the bank has to come to an acceptable compromise between over caution and under caution.

3.11 Credit analysis: what makes a good loan?

Credit analysis is the analysis of financial statement of business customers for the purpose of lending. It is conducted to determine whether the customer is creditworthy and whether the customer has sufficient cash flows and backup assets to repay the loan. The following major issues should examine in credit analysis:

- Is the borrower creditworthy?
- Whether purpose of the loan is consistent with bank's credit policy and government regulations?
- Whether sufficient security has been offered. So that in this event of default bank's fund can be recovered.
- Fixing amount of loan, terms and conditions, documentations, etc. Meet the needs of the borrower and to protect the interest of the bank.

3.12 Is the borrower creditworthy?

- A. **Character:** To determine whether the borrower has a responsible attitude towards borrowed funds and whether he will have every effort to repay what is owed.

Responsibility, truthfulness, serious purpose, and intention to repay loans make up the characters of the borrower.

B. Capacity: Whether customer requesting loan has the authority to request loan and have serious the legal standing to sign loan agreement and documents.

C. Capital: Whether borrower has sufficient assets to repay the loan.

D. Condition:

- Other loans and liabilities of the borrower.
- The creditors enough profit or asset he can pay the lone instalment.

E. Credit history/Credit habit:

- Whether loans borrowed by the customers previously and how those earlier loans were handled.
- Whether there is any loan default earlier.
- Whether legal action has ever been taken against him for recovery of default loan.

3.13 Principles of sound lending

- **Liquidity:** Liquidity means the availability of bank funds on short notice. The liquidity of an advance means it repayment on demand on due date or after a short notice.
- **Safety:** Safety means the assurance of repayment of distributed loans. Bank is in business to make money but safety should never be sacrificed for profitability, to ensure the safety of loan, the borrower should be chosen carefully.
- **Profitability:** Banking is a business aiming at earning a good profit. The difference between the interest received on advances and the interest paid on deposit constitutes a major portion of the bank income, besides, foreign exchange business is also highly remunerative.
- **Security:** The security offered for an advance is an insurance to fall bank upon in cases of need. Security serves as a safety value for an unexpected emergency. Since risk factors are involved, security coverage has to be taken before a lending.
- **Interest:** Banking industry has significant role to play in the economic development of a country. The bank would lend if the purpose of the advances can contribute more to the overall economic development of the country.

3.14 Credit monitoring

The Credit Administration Division will oversee the credit and investment activities of the Bank with a broader portfolio-based outlook (regional dispersal, industry and customer-type segmentation, product performance, portfolio classification, etc.).

- The Loan Administration unit of the division will establish and maintain a comprehensive data base on all credit exposures, and monitor consolidated movements as these are reported through copies of transaction sheets and summaries. It will conduct portfolio analyses for the purpose of evaluating portfolio performance and detecting any deterioration in the risk exposures. Summary reports and recommendations will be submitted to the Credit Committee for appropriate action or policy decisions.
- The credit review unit of the division is responsible for reviewing the credit process to ensure that approved policies and procedures are being effectively being implemented throughout the Bank.

3.15 Credit recovery

It is the duty of the Bank to recover the landed fund within the stipulated time and if the borrower fails to repay the money within the pointed period Bank declare him/her as a defaulter and recover the fund by selling the securities given by the borrower or by freezing his/her account or make a suit against him/her. Recovery procedure is a lengthy one that requires efforts of the bank, society and legal institutions. It also takes time and money. Like other banks, Agrani Bank Limited follows four steps to recover the outstanding amount. These four steps are described in detail below-

- ✓ Reminder to the client is given through a formal communication channel. A letter is written and properly signed on the bank's papers. This letter is issued several times to remind the honorable loaner to repay his/her outstanding portion.
- ✓ If the loan amount is not yet repaid after sending a series of letters, then social pressure is created on the client by persons referred while opening account in the bank.
- ✓ Legal notice is prepared and sent by Agrani Bank Limited when above two steps fails to recover the amount. It is a threat to the borrower.

- ✓ The last and final step of the recovery procedure is the help from the court. Agrani Bank Limited sincerely tries to avoid this kind of situation for its honorable clients but cannot help doing for its own sustainability.

Recovery procedure of Agrani Bank Limited is the ultimate combination of time, effort of money. It follows four procedural steps to recover the lending amount, which is joint effort of Bank, society and legal institutions.

3.16 Credit Management System of Agrani Bank:

The Bank is committed to establishing the highest level of ethics and compliance. We are giving importance to improve the Bank's Credit Management system, ensuring transparency in internal audit, monitoring and supervision and ensuring prompt trial, and visible punishment of those involved in scams and irregularities to restore good governance in the Bank.

The policy of 'Prevention is better than cure' is actually applied in ABL to mitigate future generated risk. We consider them as follows:

- CRG form in which borrowers' all kinds of personal information, business nature and pattern, future interaction with the bank etc. Are cited and properly filled in
- KYC (Know Your Customer) to avoid fake institution or person and to measure financial strength. It is an effective tool for bank. In this prescribed form total information is affixed.
- Collaterals: It is the main tool to mitigate risks of a borrower. So, it is carefully in corporate in the borrower's documents. The following things are keenly observed in case of taking collateral.

Loans and Advances:

- 1) Term loan:
- 2) Continuous Loan:
- 3) Agro & Rural:
- 4) SME Loan:

- 5) Import Finance:
- 6) Export Finance:

Types of Credit:

Term Loan:

This type of advances places up the medium and future finance for capital machinery and instrumentation of industries and to small and medium producing industries. This sort of credit is mostly allowed for more than one year.

There are several types of term loan:

- I. Short term: up to one year
- II. Med-term: more than one year and up to 3 year
- III. Long term: More than 3 year

Demand loan:

A loan that the lender may require to the borrower to repay at any time. Demand loan is a loan that has to be paid on demand of the lender. These are often used to fund margin accounts; alternatively, they are common for personal loans with no set maturity.

Cash credit (pledge):

Cash Credit is most popular for meeting capital necessities by traders, and businessmen. Cash credit accounts are opened beneath previous arrangement with the bank for permitting credit facilities. Shut in of such advances the borrowers offer pledge or hypothecation of the securities and take whole delivery or partially in keeping with his business demand.

Cash credit (hypothecation): this sort of cash credit is formed to the individual firm, retailer, distributor and also the trade. Usually this sort of credit is given t to the firm to satisfy the operating capita! Demand of the firm against the hypothecation of the products they listed because the primary security.

Cash credit (pledge). This sort of credit is allowed to individual firm, retailer, wholesaler, and additionally to the trade to satisfy their capital demand against the pledged of the products because the primary security.

Import Credit:

Loan against Foreign Merchandise (LIM): Bank provides loan against foreign merchandise to the bourgeois just in case of failure of the bourgeois to pay. The bourgeois can bear all the expenses inherent to the products foreign. Bank keeps hold of the possession of the products.

Loan against Trust Receipts (LTR):

Advances against a trust receipt are allowed once the documents covering AN import cargo is given while not previous payment. This sort of facility is usually given to the reliable purchasers. Merchandise is handed over to the bourgeois with the arrangement that sale payoff is going to be deposited to liquidate their advances at intervals a given amount.

Local Documents Bills Purchased (LDBP):

Payment created against documents representing sell of products to native export homeward industries, that are appeared as exports, and that are denominated in native currency or foreign currency falls beneath this head. The bill of exchange is control because the primary security. The shopper submits the bill and also the interest rate it. This temporary liability is adjustable from the payoff of the bills

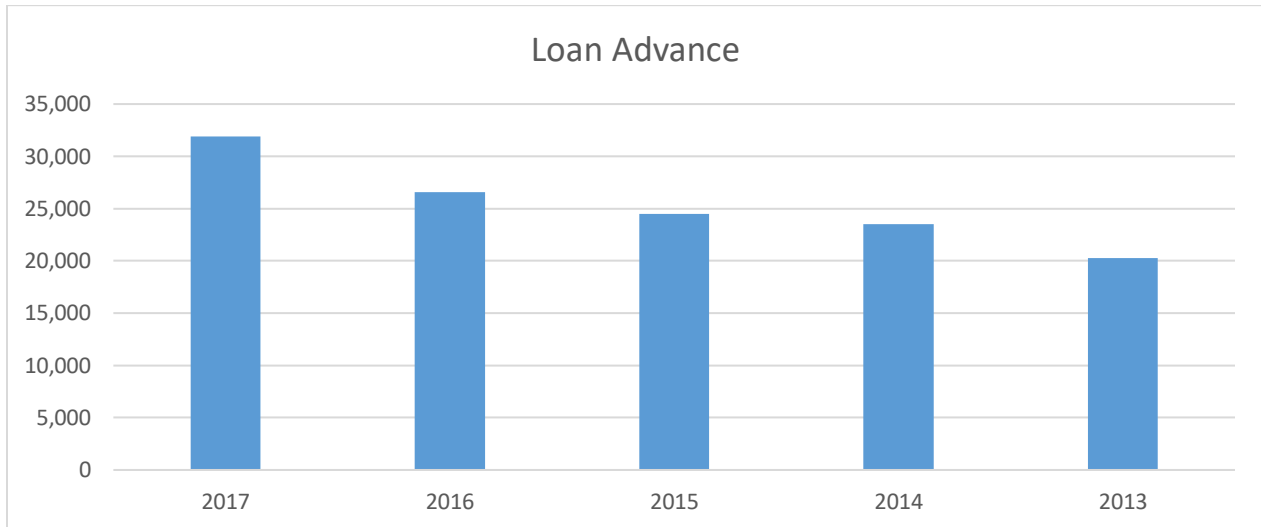
Chapter-4

Analysis of Credit Performance of ABL

1. Total loans and advances:

Amount in Crore

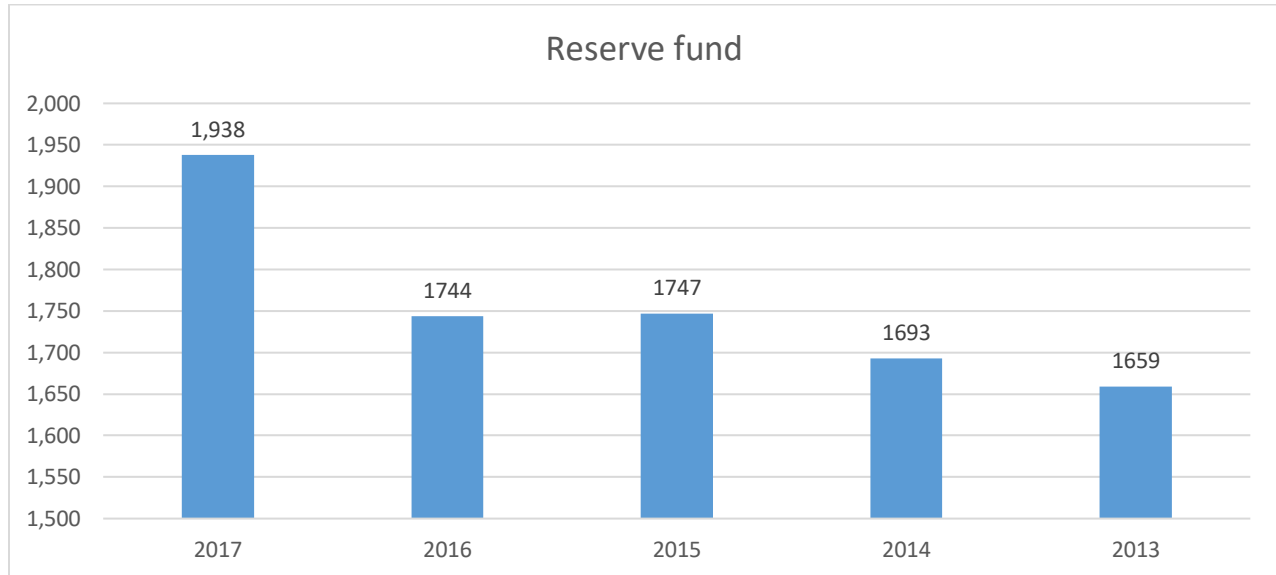
Particulars	2017	2016	2015	2014	2013
Loan Advance	31,912	26587	24480	23509	20297



From the above graphical presentation depicts that the loans and advances increased every year at a very high rate. In the year 2017 loan and advance amount was 31912 crores. In the year 2016 loan and advance amount was 26587 crores. From 2013 to 2017 loan and advance amount is in increasing trend. The increasing trend reflects that the loan and advances will keep also increasing in the coming year. It is possible for effective management techniques of ABL.

2. Reserves Fund

Amount in Crore



ABL's capital & reserves have been fluctuated over the years. From 2013 it has increased to 2015 by amount 1659 crore to 1747 crore. But in 2016 it has again decreased. In 2017 it was higher than 2016. But overall reserve fund of ABL from 2013 to 2017 has increased.

3. Loans and Advances Distribution Graph:

The following chart shows the distribution of loans of ABL in 2017:

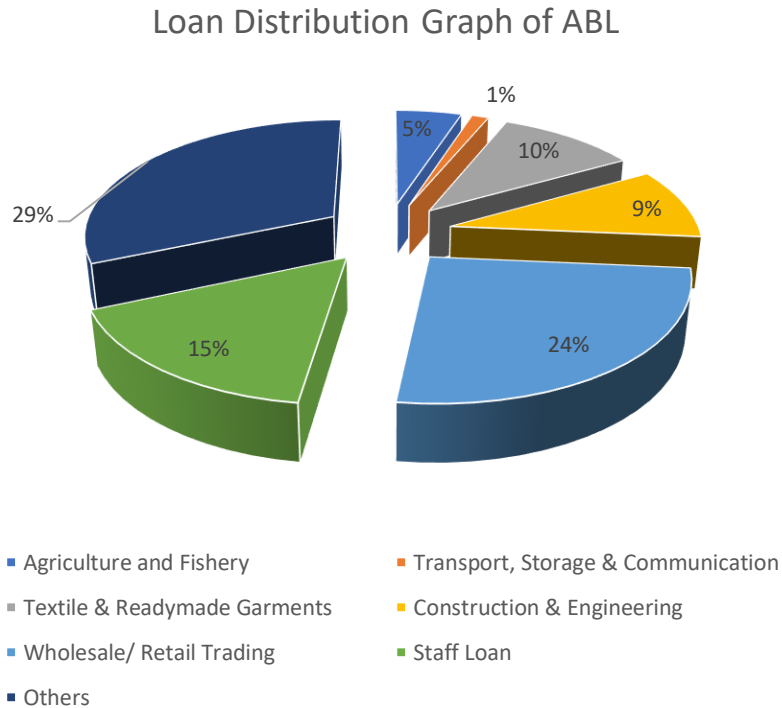


Figure: sector wise loans and advances distribution

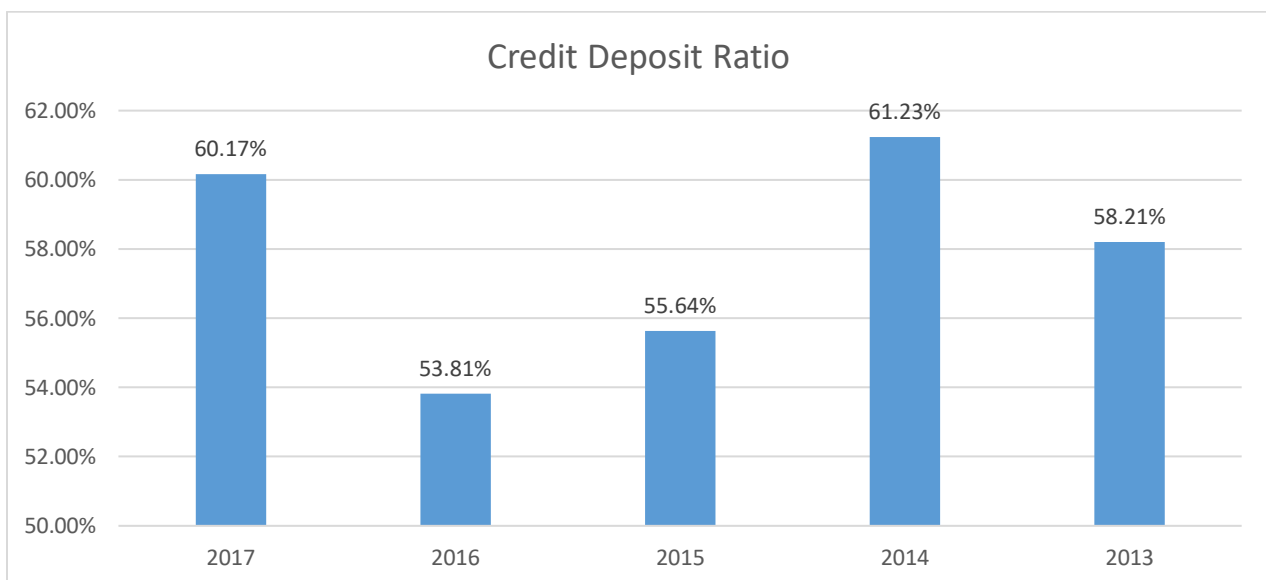
Source: Annual report (2017) of ABL

From the chart we can easily be identified that ABL provides the highest portion of loans and advances to the wholesale and retail trading (24%), staff loan (15%) and others sector (29%), and the lowest portion for the Transport, storage & communication (1%).

4. Credit to deposit ratio:

Credit to deposit ratio refers to measure the portion of deposit used for credit. The higher the ratio which leads the bank is more capable to use its deposit as credit.

Particular	2017	2016	2015	2014	2013
Credit Deposit Ratio	60.17%	53.81%	55.64%	61.23%	58.21%

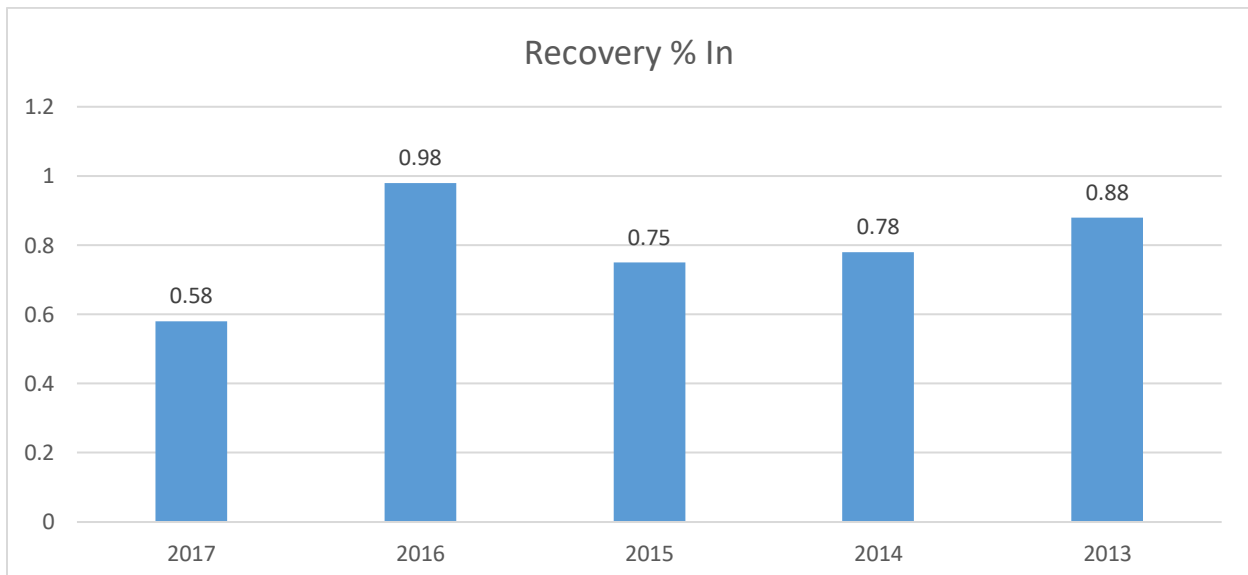


The chart represents that the collection of deposit in 2014 were increased from 2013, but it falls in 2015 and 2016. So it represents the negative sign. After that it increased in 2017 at 60.17% which is positive for the company. If we see that from 2013 to 2017 the ratio has fluctuated significantly which is not positive sign that the bank is successfully providing its deposit collected from the client by the minimum interest rate into in the form of loan and advances which is main source of ABL's income.

5. Disbursement and Recovery Analysis:

Amount in Crore

Year	Disbursement	Recovery	Recovery in %
2017	3298.19	1919.41	58%
2016	2620.49	2565.33	98%
2015	2191.00	1650.00	75%
2014	1957.00	1520.00	78%
2013	1854.38	1638.57	88%

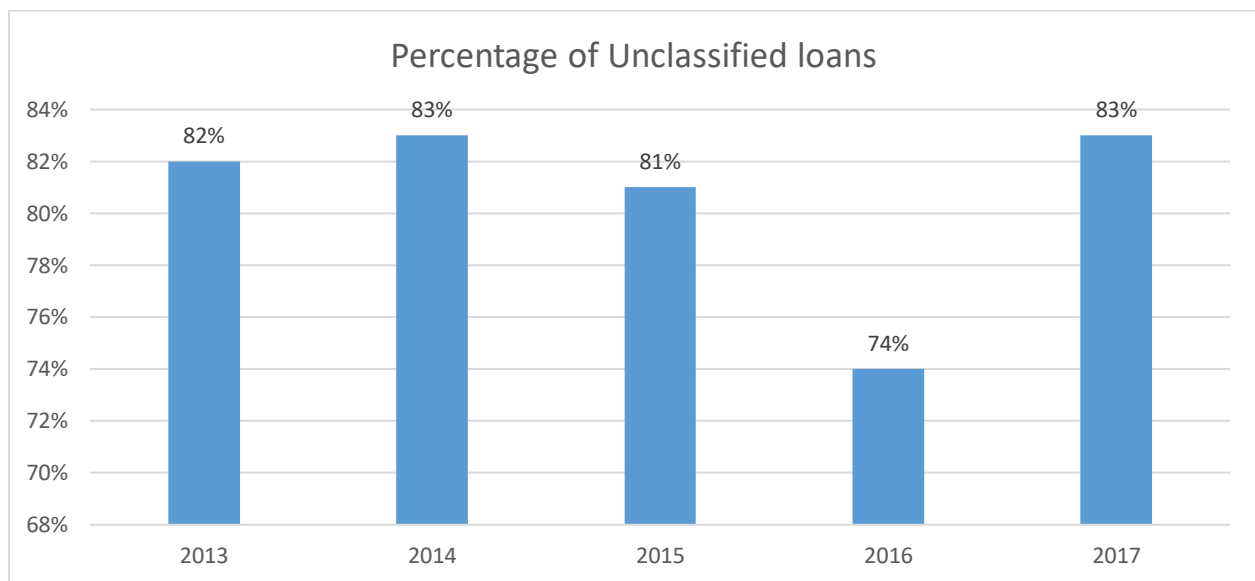


The chart describes that disbursement and recovery amount of ABL is fluctuating year by year. In 2014 and 2015 the recovery amount is decreased compare to 2013. In 2016 the recovery was 98% but in 2017 it was only 58%. That indicates the bank didn't maintain the credit recovery policy effectively.

6. Unclassified Loans & Advances:

Amount in Crore

Particular	2017	2016	2015	2014	2013
Total Loan and Advances	31912	26587	24480	23509	20297
Unclassified loans	26342	19783	19840	19543	16717
Percentage of Unclassified loan	82.55%	74.41%	81.05%	83.13%	82.36%

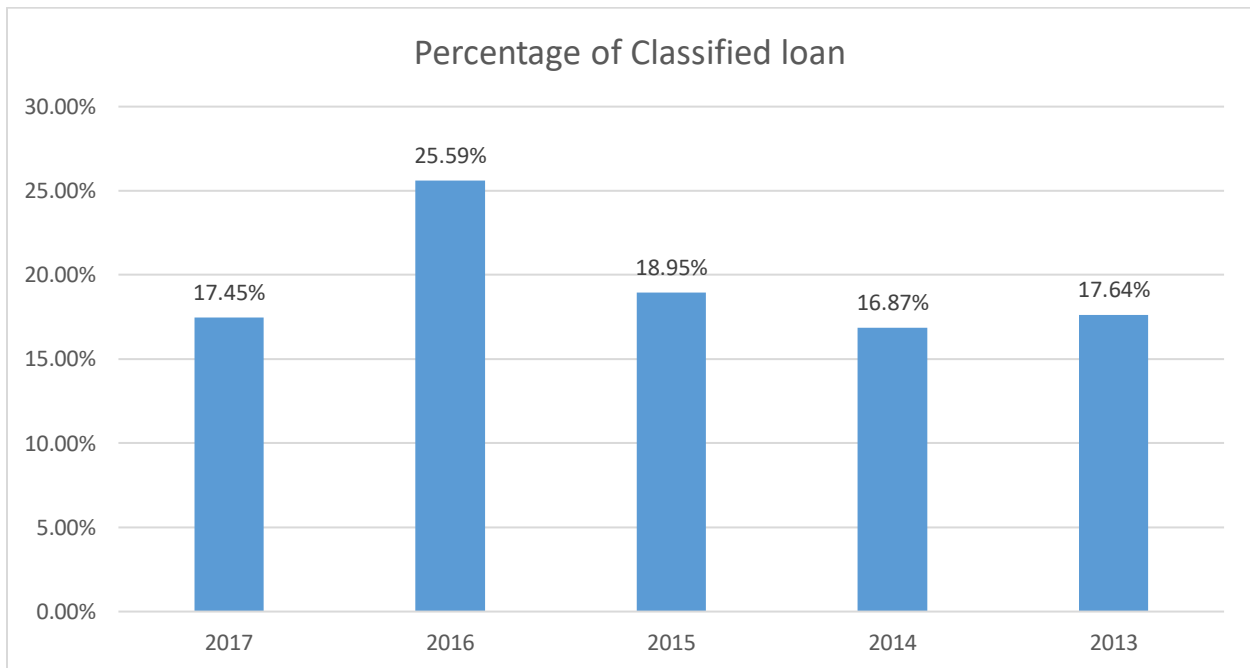


From the above graph it has been seen that, percentage of unclassified loan fluctuated slowly from 2013-2017. From 2013 to 2014 it has increased but from 2014 to 2016 the rate decreased from 83% to 74%, but increased in 2017 into 83%. But overall percentage of unclassified loans of ABL has increased.

7. Classified Loans:

Amount in Crore

Particular	2017	2016	2015	2014	2013
Total Loan and Advances	31912	26587	24480	23509	20297
Classified loan	5570	6804	4640	3966	3580
Percentage of Classified loan	17.45%	25.59%	18.95%	16.87%	17.64%

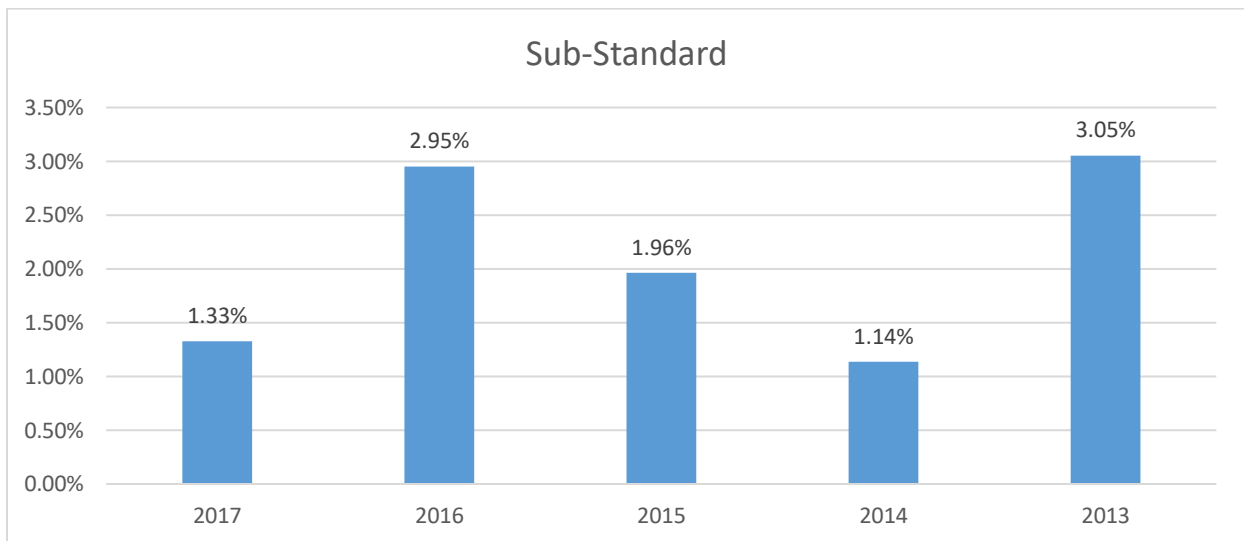


From the above graph it has been seen that, percentage of classified loan fluctuated slowly from 2013-2017. From 2013 to 2014 it has decreased but from 2014 to 2016 the rate increased from 17% to 26%, but decreased in 2017 into 17%. But overall percentage of classified loans of ABL has fluctuated.

8. Sub-Standard

Amount in Crore

Particular	2017	2016	2015	2014	2013
Total Loan and Advances	31912	26587	24480	23509	20297
Sub-Standard	423	785	480	267	620
Sub-Standard	1.33%	2.95%	1.96%	1.14%	3.05%

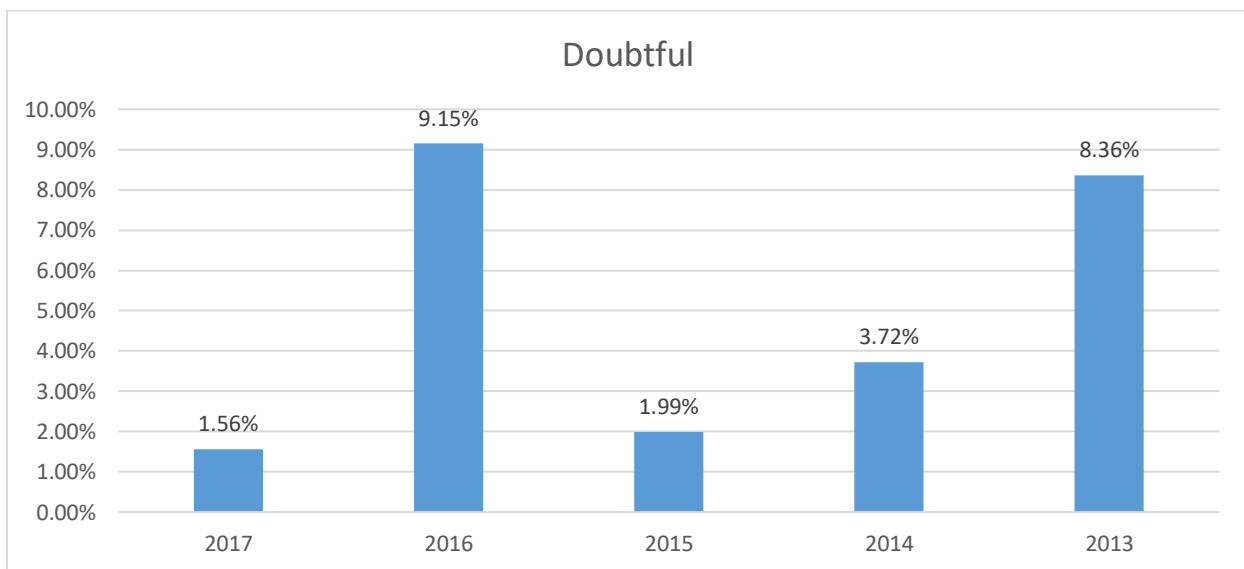


Above graph shows that the highest rate was 3.05% in the 2013 and the lowest rate was 1.14% in the year 2014. So over the last five years, the ratio of substandard is satisfactory. In the year 2017 the ratio decreased 1.33% from the year 2016. Over all percentage of SS-loan was fluctuated year to year.

9. Doubtful

Amount in Crore

Particular	2017	2016	2015	2014	2013
Total Loan and Advances	31912	26587	24480	23509	20297
Doubtful	497	2432	488	875	1697
Doubtful	1.56%	9.15%	1.99%	3.72%	8.36%

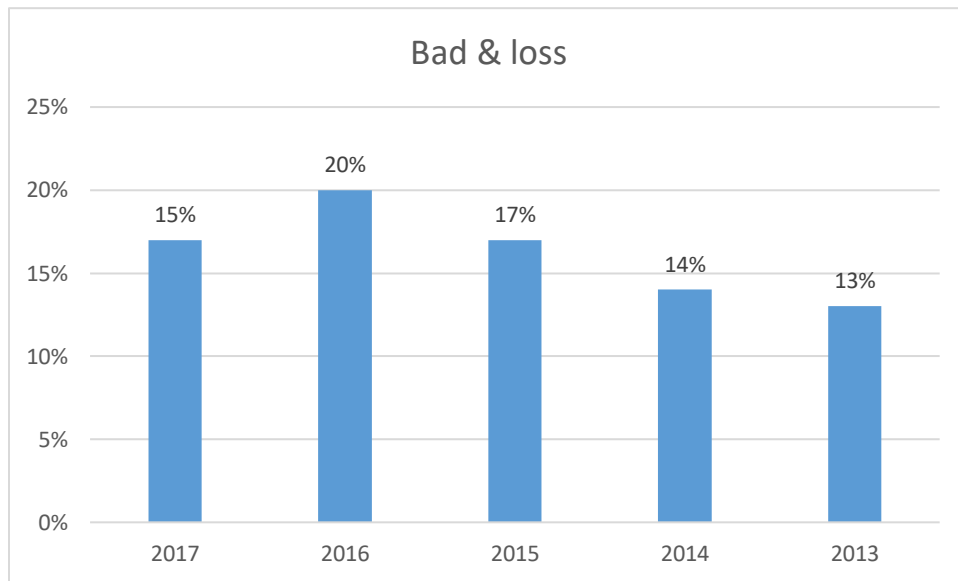


On the above graph we can see that doubtful loan and advances increases in the year 2016 which was not good for the bank but year 2017 it decreased was good for the company. Its lowest ratio was 1.56% in the year 2017 but the rate was so high in 2016 and 2013. But overall the bank was good in its doubtful loan. The present position of doubtful loan of ABL is good.

10. Bad and Loss

Amount in Crore

Particular	2017	2016	2015	2014	2013
Total Loan and Advances	31912	26587	24480	23509	20297
Bad and Loss	4914	5350	4089	3281	2728
Bad and Loss	15%	20%	17%	14%	13%



The ratio of Bad & loss loan of ABL from the year 2013 to the year 2017 year was fluctuated. The year 2014 to 2016 were increased from the previous year. Year 2013 and 2017 was decreased comparing with 2014 to 2016. The highest rate is 20% in 2016. Actually, it's not a good performance for the bank. So, Bank should be properly managed of a bad loan.

Findings:

- The amount of loan and advances is increasing but the growth of credit is decreasing over the year.
- In 2017 total amount of loans and advances disbursed were 31912 Crores.
- Agrani Bank Limited providing a lower portion of loan in Transportation, storage and communication sector which is 1%.
- Agrani Bank Limited delivers a large part of urban credit than rural areas.
- The percentage of classified loans and advances to total loans and advances was 17.45% in 2017.
- "Bad and loss" debt ratio is very high in class unclassified loans.
- Loan to deposit ratio for Agrani Bank Limited has been increased over the years.
- Credit monitoring and supervision activities are moderate.
- The term of the credit department is sometimes failed to understand and maintain general client.
- There is no specific credit recovery unit in the bank to receive credit from borrowers.
- Performance of Sub Standard loan of ABL has been increased from 2014 to 2016. But in 2017 it has decreased to 1.33%
- The ratio of doubtful loan to total loan and advances fluctuated over the five years. In the year 2016, its rate was increased 9.155% from the previous year and it's a poor performance of the management. But in 2017 it has decreased to 1.56% which is good for the organization.
- Bad and loss percentage has increased from 2014 to 2016 which is not good indication for the bank. In 2016 it was highest percentage 20% and 2017 was 15%.

Recommendations:

- There is a decreasing trend of credit growth over the years. Agrani Bank Limited should concentrate more on credit disbursement.
- Agrani Bank Limited should focus more on rural areas to provide loans and advances.
- Agrani Bank Limited should give more concentration to recover the unclassified loan which disbursement percentage is so high.
- The bad and loss loan increased over the years. So, bank should take necessary actions for reducing the percentage of bad & loss loan, by achieving a concern credit monitoring policy.
- Credit related conditions should be moderate for the clients. Banks also will have to make seminars to explain the terms of the credit department client.
- Banks should increase their consumer credit facilities to increase market share
- Need to increase providing loan in those sector which has not used so largely in pervious loan sanction.
- Agrani Bank Limited does not provide enough loans in ship breaking and transport & communication credit sector. To generate growth, Agrani Bank Limited should promote agro-financing in large scale with higher flexibility and concentration. More concentration in transport & communication sector may bring era of success in coming years.

Conclusion:

From the practical implementation of customer dealing procedure during the whole period of my practical orientation in Agrani Bank Limited; I have reached a firm and concrete conclusion in a very confident way. I believe that my realization will be in harmony with most of the banking thinkers. It is quite evident that to build up an effective and efficient banking system to the highest desire level computerized transaction is a must. The work experience in Agrani Bank Limited, Dhanmondi branch for the period of three months' internship program was very interesting and enjoyable. Agrani Bank Limited is in the midst of an intense competitive environment of financing industry. However non-performing loan are a real challenge to the sound credit management. Default is increasing for lack of monitoring. The bank is trying to increase its loan quality by accelerating its recovery policy. The bank can concentrate on the loan sector where default risk is low and its investments are profitable. The loan procedure has been made more calculative, logical to keep the credit sound. As a concluding remark I want to say that the bank is able to continue its banking activities successfully. But the bank must face new challenges and I think the bank is able to face those challenges. All officers of this branch were cooperative and friendly. Job environment in Dhanmondi branch of Agrani Bank Limited is excellent. A positive attempt to be more outward looking in their goals and aware of what is happening. I do hope that; my study will help the bank to give more concentration on Credit section and to perform better in future. I learned a lot from this internship program. I do believe that it will assist me in my future career.