Daffodil International University

Faculty of business and entrepreneurship

Department of Business Administration

Internship report on

Credit Management of Mercantile Bank PLC

Submitted to:

Ms. Shah-Noor Rahman

Assistant Professor

Department of Business Administration

Faculty of Business and Entrepreneurship

Submitted by:

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Id -212-11-6675

BBA

Major: Finance

Letter of Submission

To,

Ms. Shah-Noor Rahman

Assistant professor

Department of Business Administration

Faculty of Business and Entrepreneurship

Daffodil International University

Subject: Submission of Internship Report on Credit Management of Mercantile Bank PLC

Dear Madam,

With due respect, I am pleased to submit my internship report titled **"**Credit Management of Mercantile Bank PLC", prepared as part of the requirement for completing my BBA program at Daffodil International University. This report is based on the practical experiences I gained during my three-month internship at Mercantile Bank PLC, Mirpur-10 Branch.

During my internship, I learned many things about how the bank gives loans, checks risk, and recovers money. I have tried to explain everything in a simple way in this report.

I would like to thank you for your continuous support and guidance in preparing this report. I hope the report meets your expectations.

Sincerely,

Afrida

Khandoker Afrida Rizwana

Id: 212-22-6675

Major: Finance

Department of Business Administration

Faculty of Business and Entrepreneurship

Declaration

I, Khandoker Afrida Rizwana (ID: 212-11-6675), a student of the Department of Business Administration, major in Finance at Daffodil International University, hereby declare that the internship report called "Credit Management of Mercantile Bank PLC" is my work. This report has been prepared under the guidance of Ms. Shah-Noor Rahman, Assistant Professor of Daffodil International University, during my internship at Mercantile Bank PLC, Mirpur Branch.

This report is submitted in partial fulfillment of the requirements for the degree of Bachelor of Business Administration at Daffodil International University. The work presented here is based on my observations, experiences, and the data collected during the internship period from January 12, 2025, to April 12, 2025, under the supervision of the bank's officials. This report has not been submitted anywhere else.

Afrida

Name: **Khandoker Afrida Rizwana**

Student ID: 212-11-6675

Program: BBA, Major in Finance

Department: Business Administration

Faculty: Business and Entrepreneurship

University**:** Daffodil International University

Approval of Internship Report

This is to certify that Khandoker Afrida Rizwana, ID: 212-11-6675, is a student of the Department of Business Administration, Faculty of Business & Entrepreneurship at Daffodil International University. She has completed her three-month internship at Mercantile Bank PLC, Mirpur-10 Branch. Under my supervision, she has prepared her internship report titled: “Credit Management of Mercantile Bank PLC”. As part of the requirements for her Bachelor of Business Administration (BBA) degree, major in Finance.

The report is based on the real experiences and practical knowledge she gained during her internship. I hereby approve this internship report for submission and presentation in the internship defense.

Ms. Shah-Noor Rahman

Assistant Professor

Department of Business Administration

Faculty of Business and Entrepreneurship

Acknowledgment

First of all, I am very grateful to the Almighty Allah for giving me the strength and willpower to finish this report. The successful completion of this report would not have been possible without the support, encouragement, and cooperation of many individuals. I am very grateful to everyone who helped, guided, and encouraged me during my internship and while I was writing this report, "Credit Management of Mercantile Bank PLC."

I am very grateful to my academic supervisor, Ms. Shah-Noor Rahman, Assistant Professor in the Department of Business Administration at Daffodil International University, for always being there for me with advice, support, and constructive feedback. Her help was very important in making this report clear and useful. I would also like to thank Mr. Mohammad Khobir Hossain, Vice President and Head of Branch, and Mr. Shamim Rafiq, Assistant Vice President and Manager Operations, of Mercantile Bank PLC, Mirpur Branch, for permitting me to do my internship at their branch. Their leadership, guidance, and support made my learning experience much better.

Additionally, I want to thank the officers and staff of the Credit Department and the General Banking Department at Mercantile Bank PLC, Mirpur Branch, for their incredible help and support. They assisted me with my tasks and taught me how banking works in real life. The experience and knowledge I gained during my internship have been very valuable and will always contribute to my professional growth. I also want to thank the branch for creating a friendly and helpful work environment, which made my internship both enjoyable and productive. Lastly, I want to thank everyone who shared their stories, provided feedback, supported me, and helped me develop both personally and professionally throughout the journey.

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Executive Summary

This report is based on my three-month internship at Mercantile Bank PLC, Mirpur-10 Branch, with a primary focus on the Credit Department.

During my internship, I got the opportunity to work in two departments: The Credit Department and General Banking. In the first two months, I learned how to open accounts, handle pay orders, process checks, and help customers in General Banking. In the last month, I worked in the Credit Department, where I watched how loans are processed, approved, and monitored. This report's goal is to look into Mercantile Bank's credit management system, find issues, and make suggestions for how to make it better. It uses data from my experience and the bank's records.

The chapters cover the bank's background, my roles, what I learned, the credit process, financial performance, and recommendations. In the last chapter, I concluded that the internship helped me understand how important careful loan handling and risk checking are. I also learned how to work with other people and became more confident in the things I do. Despite some challenges like complex procedures and limited system access, I gained valuable experience. This chapter also talks about how my work can help both me and the bank get better in the future.

Overall, this report helped me understand credit management better by showing me how what I learned in university relates to real banking work

Chapter -1:

Introduction

1.1 Background of the Report:

A bank uses the money that customers deposit there to make loans or purchase other assets. By writing checks or placing bank orders, customers can get their money whenever they want. A significant aspect of banking is credit management, and banks have to think carefully about how to provide loans in various industries. As performing assets, the objective is to prevent losses, generate revenue, and guarantee that the majority of loans are repaid on schedule. Along with making sure that all loans and advances are properly managed, banks also work to reduce the quantity of unpaid loans, also known as non-performing assets. Banks also try to lower the number of unpaid loans, also known as non-performing assets, and ensure that all loans and advances are handled well.

Mercantile Bank PLC wants to be one of the best banks in Bangladesh by being creative and keeping its credit operations up to high standards. The bank meets its customers' needs and helps them make more money by giving them the best credit options. During my internship at Mercantile Bank PLC, I had the chance to work closely with the credit management team. I learned a lot about how banks evaluate credit and how they lower credit risks. I learned how the bank uses different financial tools, like credit scoring, risk assessment models, and paperwork, to make smart decisions and ensure that loans are only given to people and businesses that can pay them back. I also saw how the bank manages its credit portfolio, making changes to lower the risk of defaults and raise the rate of loan recovery.

1.2 Rationale of the Report:

Practical experience is essential for relating classroom theories to real-world applications. Through internships, students can apply their academic knowledge in real-world business environments and develop vital skills like confidence, communication, and problem-solving. As part of my academic program's graduation requirement, I got the chance to do my internship at Mercantile Bank PLC, one of the most famous private commercial banks in Bangladesh. With the help and advice of my academic supervisor, Shah-Noor Rahman Mam, I was able to choose and work on the topic of "Credit Management of Mercantile Bank PLC." "Her help and advice were very important in writing my internship report and making sure it met the academic standards of the university." During my internship, I worked with the officers in the credit department who had a lot of experience. This experience helped me learn more about the strategies used in credit management. The internship not only helped me use what I learned in university in a real-world setting, but it also taught me a lot about the banking industry that will be useful in the future.

1.3 Significance of the Study:

This report is important because it shows how my academic knowledge relates to the operations of Mercantile Bank PLC, especially when it comes to handling loans and credit risks. It gives useful information about how loans are evaluated, approved, monitored, and recovered. This helps to figure out how to make things better, like reducing the number of bad loans, making the credit risk assessments stronger, and better managing costs.

The study provides a clear picture of current credit management practices by examining recent financial data and tracking daily credit activities during the internship. This useful data can direct further developments and provide a framework for more research on significant subjects such as credit risk management and performance assessment in Bangladeshi banks. Overall, the report supports better decision-making for bankers by highlighting real challenges and suggesting possible solutions in credit operations.

1.4 Objective of the Report:

Broad Objective:

The broad objective of the report is to provide a comprehensive overview of Mercantile Bank PLC's credit risk management practices.

Specific Objectives:

- To evaluate the lending and loan recovery processes, analyze the trends in loans and advances, and examine the non-performing loans and advances of Mercantile Bank PLC from 2020 to 2024.
- To evaluate key financial performance ratios of Mercantile Bank PLC — including Credit to Deposit Ratio, Capital Adequacy Ratio, Cost to Income Ratio, Return on

Assets, and Return on Equity — and compare them with the industry averages where applicable.

- To identify challenges faced by Mercantile Bank PLC in credit management and suggest practical recommendations to enhance the bank's credit performance and reduce credit risk.

1.5 Methodology:

By using both primary and secondary data, I was able to get a clear and complete picture of how Mercantile Bank PLC handles credit:

Primary Data: Primary data means information collected directly from real-life experiences and people. Example:

- Watching and learning from the daily credit activities at Mercantile Bank Plc.
- Talking to bank officials about how they manage credit.

Secondary Data: Secondary data refers to information that has already been published or made available

. Example:

- The official website of Mercantile Bank PLC.
- Annual reports published by the bank.
- Credit rating reports about the bank's performance.

1.6 Limitations of the Report:

- Due to the short duration of the internship, I was unable to fully understand each aspect of the credit management procedure.

- Due to the short duration of the internship, I was unable to fully understand each aspect of the credit management procedure.

- Due to Mercantile Bank PLC's limited collection of banking reference books and research materials, it was challenging to obtain enough secondary data.

- Because of privacy rules, I could not see some important documents like client files or financial records.
- The internship was limited to one branch (Mirpur-10); the results solely represent branchlevel procedures. It's possible that they don't accurately reflect the bank's general credit management practices at the head office or every branch.
- A large portion of work was manual and paper-based, limiting opportunities to engage with advanced digital tools or analytics.

Chapter -2:

Overview of Mercantile Bank PLC

2.1 Evolution of Mercantile Bank PLC:

On June 2, 1999, Mercantile Bank Limited was established by a group of visionary entrepreneurs to support the economic development of Bangladesh. This was the beginning of Mercantile Bank PLC, with a few branches and minimal use of technology. The bank provided standard services like deposits, loans, and foreign exchange in its early years. The bank has concentrated on gaining the trust of its clients and enhancing its reputation while not yet developing card services or Islamic banking. Under the direction of its chairman, Md. Anwarul Haque, Mercantile Bank PLC has expanded to become one of Bangladesh's top private commercial banks, with 152 branches, 47 sub-branches, 199 ATMs, and 188 agent banking locations across the country as of today, 26 years later. It provides advanced digital services like internet banking, mobile banking (My Cash), and 24/7 customer support through its contact center (16225). With two offshore banking divisions and 45 dedicated windows, MBPLC has entered the Islamic banking market. Numerous Visa cards, including credit, debit, Hajj, student, and medical cards, are among its services. Mercantile Bank's strong governance, financial transparency, and customer-focused approach have earned it numerous prestigious awards. It celebrated a "Triple Win" in the ICAB Awards in 2021, which acknowledged the excellence of its yearly financial reporting. In 2022, the bank received the Silver Award from ICSB for Corporate Governance Excellence and was also honored as the Best Bank in the Private Sector. Most recently, the bank won the 23rd ICAB National Award for Best Presented Annual Reports 2022, further reinforcing its reputation for excellence and accountability.

From its early beginnings to its current leadership position, Mercantile Bank PLC continues to be a symbol of innovation, trust, and progress in Bangladesh’s banking industry.

2.2 Mission and Vision of Mercantile Bank PLC:

Mission of the Mercantile Bank:

- To maintain transparency, accountability, and good governance.
- To provide a broad range of innovative, technically advanced banking services.

- To ensure long-term profitability and effective resource use
- Prioritizing the welfare and development of employees first.

Vision of the Mercantile Bank:

- To be listed among Bangladesh's most reputable and trustworthy banks.
- To create strong connections with stakeholders, staff, and customers.
- To encourage sustainable growth by using ethical and open methods.
- Ensure that everyone has equal access to banking services and financial inclusion.
- To implement technology and innovation to improve service delivery.

2.3 Core values of Mercantile Bank PLC:

Mercantile Bank PLC (MBPLC) believes that satisfied customers are the key to success. These values help MBPLC grow in a responsible, ethical, and customer-friendly way. Such as:

- **Customer Satisfaction**: Mercantile Bank PLC prioritizes its clients' needs and makes every effort to ensure their satisfaction with its offerings.
- **Innovation**: To improve and speed up its services, Mercantile Bank PLC is committed to fresh concepts and ongoing development
- **Honesty and Integrity**: Mercantile Bank PLC conducts all of its business with honesty, fairness, and openness.
- **Care for Employees**: The bank values its employees, supports their development, and offers each person dignity and respect.
- **Strong Commitment**: Mercantile Bank PLC is committed to honoring its commitments to partners, consumers, and staff.
- **Social Responsibility**: The bank aims to have a positive impact on the environment and society.
- **Value for Shareholders**: Mercantile Bank PLC wants to expand its operations in a way that rewards its shareholders.

2.4 Products of Mercantile Bank PLC:

Savings & Special Deposit Accounts:

- MBPLC Extra Benefit (Payroll Account)
- Bonus Sanchaya Hishab
- Gram Banglar Sanchaya Prokolpo
- School Banking
- Masik Sanchaya Prokolpo (MSP)
- Nari Sanchaya Prokolpo (MNSP)
- Kotipoti Monthly Savings Scheme
- Prabasi Masik Sanchaya Prokolpo
- Prabasi Sanchaya Hishab
- Savings Bank Account

Fixed & Term Deposits:

- Fixed Deposit Account
- Super Munafa Amanat Prokolpo (SMAP)
- Digun Briddhi Amanat Prokolpo (DBAP)
- Masik Munafa Amanat Prokolpo (MMAP)
- Aporajita Masik Munafa Prokolpo (AMMP)
- Poribar Surokkha Amanat Prokolpo (PSAP)

Other Accounts:

- Current Deposit Account

Personal & Lifestyle Loans:

- Home Loan
- Car Loan
- Personal Loan
- House Furnishing Loan
- Doctor's Loan
- Education Loan
- Secured Overdraft (SOD)

- Green Refinance Loan

SME Financing:

- CHAKA
- SAMRIDDHI
- MOUSUMI
- ANANNYA
- SANCHALAK

Agriculture Loans:

- NABANNO (Krishi Loan)

2.5Strategic framework of Mercantile Bank PLC:

Deposit Strategies:

- Provide a variety of products to both individuals and companies.
- Collaborate with corporate and governmental clients to increase deposits.
- Use EFTN and booths to offer cash management services.
- Open small, affordable branches in rural areas.
- Make it simple for farmers, small businesses, and rural residents to open accounts.

Lending & Investment Strategies:

- Manage risks by making investments in sectors that provide high returns.
- Support industries such as textiles, frozen foods, leather, and agriculture.
- To lower risk, spread loans among several industries.
- To avoid problems, use early warning systems and risk management tools.

Remittance Strategies:

- Use high-level advertising efforts to promote remittance services throughout the world.

- Ensure immediate and effortless branch-level remittance processing.
- To increase service quality and reach, collaborate with international remittance providers.

The goal of Mercantile Bank PLC is to achieve sustainable, long-term growth. Through these efforts, the bank maintains its financial stability, boosts the nation's economy, and adds value for its shareholders, consumers, and communities.

2.6Swot Analysis of Mercantile Bank PLC:

Strength:

- Experienced and skilled leadership team.
- Wide branch and ATM network (152 branches, 196 ATMs)
- Broad range of competitive banking products and services
- Strong financial position with the ability to meet obligations
- High credit ratings (AA for long-term, ST-2 for short-term)

Weakness:

- Internal report automation systems need to be improved.
- Difficulties in effectively recovering non-performing loans;
- Limited credit portfolio diversification.

Opportunities:

- Enter new and developing business sectors
- Increase cross-selling of services and products to current customers;
- Adopt new technologies and quicken the digital transformation.
- Promote financial inclusion by reaching underserved communities

Threats:

- Geopolitical tensions impacting local and international markets.
- Long-term effects of the COVID-19 pandemic.

- Market volatility.
- Increasing cybersecurity risks as a result of greater digitization.
- Risks from exchange rate fluctuations

Chapter -3

Internship Role and Responsibilities

3.1 Roles and Responsibilities:

During my three-month internship at Mercantile Bank PLC, Mirpur-10 Branch, I was assigned various responsibilities across two departments**:** General Banking and Credit Department. Initially, my responsibilities were mostly observational, but as time passed, I was progressively given more practical assignments to complete under the guidance of bank representatives.

General Banking Department:

- Assisting with the opening of savings accounts, FDR, SMAP, and DPS.
- Helping clients fill out forms and submit required documentation.
- Processing and writing checks.
- Assisting with customer service by providing general guidance and responding to inquiries.
- Keeping accurate and current inward and outward registers to accurately record documents sent and received
- File organization and KYC (Know Your Customer) compliance checks.

Credit Department:

- Collecting relevant client data and reviewing collateral documents to complete SOD (Secured Overdraft) forms.
- Observing the loan application and approval process.
- Reviewing supporting documentation for a range of credit products, such as personal and SME loans.
- Learning about credit risk evaluation and the procedures for loan disbursement.
- Assisting officers with maintaining records and creating and organizing credit files.

3.2 Rationale Behind the Assigned Roles and Responsibilities:

My internship's roles and responsibilities were designed to give me both theoretical understanding and hands-on experience with routine banking operations. For example:

a. **Step-by-Step Learning**: I was able to establish a fundamental understanding of customer service, form handling, and everyday transactions by beginning with general banking. This prepared me to handle more complex credit-related work later.

b. **Exposure to Core Banking Functions**: Completing paperwork, helping with transactions, and managing documents provided me with hands-on experience that cannot be fully acquired in a classroom. This made it easier to connect academic knowledge with practical application.

c. **Customer Interaction Experience**: Working directly with customers helped me to develop my communication abilities and taught me how to manage real-world banking situations, which is essential for any banking professional.

d. **Understanding Regulatory Compliance**: Working with KYC, SOD, and loan documents helped me appreciate the importance of accuracy and legal compliance in banking. I also learned how errors in documentation can lead to financial or reputational risk.

e. **Insight into Credit Operations**: I was able to recognize the significance of accuracy and legal compliance in banking through my work with KYC, SOD, and loan documents. I also discovered that documentation errors can put a company's finances or reputation at risk.

f. **Professional Networking and Mentorship:** Officers in both departments gave me insightful advice. In addition to helping me finish my assignments quickly, their mentoring improved my knowledge of the banking sector and offered me career guidance.

g. **Skill Development**: The various duties provided me with the opportunity to improve my focus on detail, time management, customer service etiquette, and familiarity with banking forms and systems.

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Chapter -4

Key Learning and Experiences

4.1 Important Learnings:

During my three-month internship at Mercantile Bank Plc, I gained a lot of knowledge about how it handles loans and conducts everyday operations. This chapter outlines the key lessons I took away and how they relate to my university coursework and my banking goals.

a. **Understanding the Credit Lending Process:** One of the most important things I learnt was how to understand the credit lending process. I observed how the bank gathers papers, verifies their authenticity, and then examines a customer's financial information. Following loan approval, the bank monitors repayments to ensure smooth operations. This clarified for me how carefully loans are managed.

b. **Risk Assessment:** Another important lesson was risk assessment. I discovered that the bank verifies a borrower's financial stability before granting a loan. This includes examining collateral such as real estate, inspecting income documents, and consulting the Bangladesh Bank's CIB report. The bank avoids dangerous loans by taking these safety measures.

c. **Loan Types and Credit Schemes:** Under the Consumer Credit Scheme, I gained knowledge of various loan kinds, including term loans, secured overdraft (SOD) loans, small business loans, and personal loans. Both people's and enterprises' requirements are met by these financing choices.

d. **Customer Interaction and Relationship Management:** A significant portion of my everyday work was managing relationships and interacting with customers. I responded to inquiries, clarified processes, and assisted clients with loan applications. This enhanced my ability to communicate and showed me the value of providing excellent customer service in gaining clients' confidence.

e. **Compliance and Regulatory Adherence:** The bank takes regulations extremely seriously. I observed how it complies with laws like KYC and AML, thoroughly examines paperwork, and keeps employees up to date. This protects the bank and its clients' safety and helps stop fraud.

f. **Understanding Branch Operations and the Work Environment:** I observed how several departments collaborate to serve customers. Everyone collaborated and acted professionally. I learned from this how important responsibility, cooperation, and timeliness are in a real office.

4.2 Rationale:

a. **Knowing the Credit Lending Process:** To ensure that loans are handled effectively, it is important to know how the bank carefully gathers and verifies documentation, evaluates financial data, and monitors repayments. This procedure helps customers fulfill their responsibilities while safeguarding the bank's financial interests.

b. **Risk Assessment:** To reduce lending risks, it is essential to assess borrowers' financial health using income analysis, CIB reports, and collateral evaluation. This action helps the bank in avoiding bad debts and keeping a strong loan portfolio, both of which are essential for financial stability.

c. **Loan Types and Credit Schemes:** The bank can meet a wide range of customer requirements, from individuals to businesses, thanks to its familiarity with different loan products. Knowing these choices makes it easier to customize services for customers and promotes economic growth by making credit more accessible.

d. **Customer Interaction and Relationship Management:** Good service and communication increase client satisfaction and trust. This is essential to maintaining long-term relationships, increasing customers, and improving the bank's position.

e. **Compliance and Regulatory Adherence:** The bank is protected from fraud and legal problems by adhering to regulations like KYC and AML. Strict compliance aligns operations with national and international standards, ensures accountability, and encourages stakeholder confidence

f. **Understanding Branch Operations and Work Environment**: professionalism and teamwork indicate how crucial responsibility and cooperation are to accomplishing the bank's objectives. This experience is essential for providing high-quality service and adjusting to the dynamics of the real workplace.

4.3Connection with Academia:

I was able to develop my skills, use my studies in practical work, and feel more confident about my future banking job thanks to this internship. I studied credit risk and documents, and financial statement analysis at university. I applied these concepts: examining revenue, verifying documentation, and computing ratios in actual work. During the internship, I was able to see exactly what I had studied in class applied to real life.

- **Enhancing Analysis and Thought:** During my internship, I worked on tasks that required me to calculate ratios, assess credit histories, and suggest loan approvals. This allowed me to think more deeply than I had in class and gave me the confidence to tackle challenging problems.
- **Learning Professional Culture**: I learned how to collaborate with others, present ideas, and adhere to professional protocol while working with credit officers and attending approval meetings. I had previously only read about these topics in textbooks, but now I have firsthand experience with them.

Chapter -5

Critique and Reflections

5.1 Critical Evaluation of the Internship Experience:

Although I had a short time in the General Banking (GB) division, my primary internship assignment at Mercantile Bank PLC was in the Credit Department. I learned how a bank handles credit approval, monitors loans, and manages risks during my time in the credit division, which made my experience there particularly useful. The credit management system used by Mercantile Bank PLC is systematic and well-structured. Assessing a borrower's creditworthiness, going over supporting documentation, and determining risk using the Credit Risk Grading (CRG) system are the first steps in the process. Before the loan disbursement, the bank follows the correct approval procedures. Following issuance, the loan is closely watched to ensure timely repayment. I was able to pick up knowledge from the staff by watching them at work. With certain tasks, like document checking and creating simple reports, I also obtained practical experience. Despite the fact that the process is still largely manual, the system is organized and risk-reduction oriented. In general, the bank has a solid background in risk management and lending, and it provided me with practical experience in actual banking operations.

Key Challenges Faced During the Internship:

During my internship at Mercantile Bank PLC**,** I faced some challenges that made the experience a bit difficult at times:

- Complex Credit Procedures**.**
- Manual Work and Documentation**.**
- Limited Access to Information.
- Busy work Environment

5.2 Learning from challenges:

The challenges that I had during my internship at Mercantile Bank PLC allowed me to grow significantly, both personally and professionally. Here are some important lessons I learned:

- **Understanding Complex Credit Processes:** In the beginning, I found the credit process difficult because there were many steps and rules. But by asking questions and staying patient, I learned that the bank checks everything carefully to avoid giving loans to risky customers. This showed me how important it is to follow each step properly.
- **Improving Communication Skills:** Since the officers were often busy, I learned to communicate effectively and nicely while asking for help. Additionally, I developed the ability to pay close attention and see how experienced staff members work, which allowed me to learn without interfering with their busy schedules.
- **Manual and Paper-Based Work:** A lot of work, such as organizing files, verifying forms, and producing loan summaries, was done by hand. Despite the time commitment, this assignment taught me the importance of accuracy and how actual financial paperwork is handled.
- **Learning Through Observation and Initiative:** Since I was unable to access all of the bank's systems in the Credit Department, I had to observe how the officers reviewed loan applications and proceeded with loan approval. I assisted with minor duties like document preparation and file organization. This helped me understand how credit works while teaching me to be active, manage my time effectively, and maintain organization.

5.3 Overall Reflection of Credit Management of Mercantile Bank PLC:

Credit Management:

During my internship, I gained significant knowledge about credit management, which is the process of granting loans responsibly while protecting the bank from losses. Mercantile Bank PLC has a comprehensive strategy that includes investigating the histories of borrowers, doing in-depth risk evaluations using the Credit Risk Grading (CRG) methodology, and closely monitoring loans to ensure timely repayment. This structured approach is essential to maintaining the bank's financial health and minimizing non-performing loans.

Factors of Credit Management:

- **Creditworthiness of the Borrower:** The bank checks the borrower's assets, income, loan history, and capacity to repay the loan.
- **Purpose of the Loan:** Evaluates how the loan money will be utilized and values objectives that are profitable and involve little risk.
- **Collateral or Security:** Borrowers frequently have to offer assets or property as security. It helps the bank in recovering the loan balance in the case of nonpayment.
- **Loan Amount and Tenure:** The amount of the loan depends on the loan's size and length. More thorough assessments are conducted for larger or longer-term loans
- **Credit Policy and Guidelines:** To ensure secure and well-structured lending, Mercantile Bank PLC strictly follows both its internal credit policy and Bangladesh Bank regulations.
- **Risk Assessment and Credit Grading:** To evaluate loan risk, the bank uses the Credit Risk Grading (CRG) methodology. It helps in figuring out appropriate loan conditions and monitoring requirements.
- **Economic Conditions:** Mercantile Bank PLC considers the condition of the economy. To lower risk, lending becomes less risky during crises.
- **Regulatory Compliance:** Mercantile Bank PLC meets all regulations set by the Bangladesh Bank, which are essential for managing and approving credit.

Types of Loans in Mercantile Bank PLC:

1. Retail Loans:

To assist with specific financial needs, Mercantile Bank provides a range of lending options. These include:

- **Home Loan:** These loans are designed for home improvement, construction, or purchase and usually have a 25-year payback period. It ranges from Tk. 5 lakh to Tk. 2 crore.

- **Cottage Loan:** These loans provide up to Tk 50 lakh for the building of affordable homes.
- **Personal Loan:** This loan, which has a five-year repayment period and can be used for emergencies, weddings, and medical costs, ranges from Tk 50,000 to Tk 20 lakh.
- **Doctor's Loan:** Up to Tk 20 lakh in loans are available to doctors who want to open or grow clinics.
- **Car Loan**: For monthly payments on the purchase of a new or used car. Education Loan: To cover rising educational expenses
- **Education Loan:** To cover rising educational expenses.
- **House Furnishing Loan:** For furniture purchases or home renovations.

2. Corporate Loans:

These loans help companies with long-term investments or everyday costs.

- **Short-Term Loans:** Help with short-term (one month to one year) financial obligations. include cash credit (CC), secured overdraft (SOD), and bill discounting.
- **Long-Term Loans:** These are used to buy fixed assets like machinery or real estate. includes loan syndication, real estate finance, lease financing, hire purchase, and structured finance.
- **Trade Finance:** By supplying the required capital and paperwork, import and export finance assists companies in conducting business internationally.

3. SME Financing:

- **CHAKA (Term Loan):** Used to purchase fixed assets or machinery.
- **SAMRIDDHI (Continuous Loan):** Used for regular business expenses, such as stock purchases.
- **MOUSUMI:** For periodic business requirements, consider MOUSUMI (Seasonal Loan).
- **ANANNYA (Women Entrepreneurs' Loan):** Dedicated loans for female entrepreneurs.
- **SANCHALAK (Mixed Loan):** For fixed assets and working capital.

4. Agricultural Loans:

Funding for farming and rural businesses to boost rural employment and food security.

- **NABANNO (Krishi / Polli Loan):** For dairy farming, fisheries, poultry, machinery, and crop production.
- **SHAKTI (ETP / Bio-Gas / Solar Energy Loan):** For home or farm renewable energy projects

Lending Procedure of Mercantile Bank PLC:

1. Application Process of Lending Procedure:

During my internship at Mercantile Bank PLC, I observed the following steps in the loan process:

- **Loan Inquiry:** Customers visit the bank to inquire about various loan alternatives. Bank employees describe loan kinds, amounts, interest rates, payback schedules, and required paperwork.
- **Filling Out the Application:** If the customer agrees, they provide their name, address, income, purpose, loan amount, and any outstanding loans on a form.
- **Document Submission:** Customers submit documents like:
  - National ID / Trade License
  - Bank statements
  - Income proof
  - TIN certificate
  - Property papers (if any collateral
- **Loan Evaluation**: The bank checks:
  1. Credit history (CIB report)
  2. Income and expenses
  3. Collateral value
  4. May visit the borrower's business or home
- **Approval Process:** The branch or head office authorizes the loan based on the amount if everything is in order.

- **Loan Sanction & Agreement:** A letter of sanction is sent out. Both parties sign the loan agreement with all terms if the customer agrees.
- **Loan Disbursement:** The customer's account receives the loan amount following signature. Certain loans are provided in periods.
- **Loan Monitoring:** The bank continuously verifies that the loan is being paid back on schedule. The bank acts to recover in the event of issues.

2. Required Documents:

For Personal Loans:

- Filled loan application form
- National ID / Passport / Birth certificate
- 2–3 recent passport-size photos
- Salary or income certificate
- Bank statement (last 6 months)
- TIN certificate (if applicable)
- Utility bill (as proof of address)

For Business / SME Loans:

- Loan application form
- Valid trade license
- TIN and VAT registration (if applicable)
- Bank statement (last 6–12 months)
- Partnership deed/ownership proof
- Business financial reports
- Stock report, list of debtors & creditors
- Utility bill or rent agreement
- Business premises photos

For Corporate Loans:

- Application form
- Certificate of Incorporation

- Memorandum & Articles of Association
- Board resolution for taking the loan
- TIN and BIN certificates
- Audited financial statements (last 2–3 years)
- Bank statements (last 12 months)

- List of directors and shareholders
- Project report or business plan (for new projects)
- Collateral documents

Collateral Documents (if loan is secured):

- Land deed/property documents
- Ownership chain (Bia deed)
- Mutation khatian (Namjari)
- Updated land tax receipt
- Valuation report from surveyor
- Location map & site visit report
- No Objection Certificate (NOC) if mortgaged elsewhere

Loan Recovery and Monitoring:

Loan Monitoring Process:

After the loan is granted, monitoring begins. The bank verifies whether the borrower is making timely loan repayments and using the loan appropriately. The steps are as follows:

- Regular Contact: To evaluate borrowers' financial standing, bank representatives visit or call them.
- Site Visits: To verify operations for business loans, the bank pays a visit to the factory or office
- Financial Review: The bank examines the financial reports that borrowers submit.
- Repayment Tracking: To monitor EMI payments, the bank uses software.
- Early Warning: The bank behaves quickly if there are signs of problems, such as late payments.

- Risk Grading: The Special Asset Management (SAM) group receives high-risk loans for additional oversight.

Loan Recovery Process:

The bank takes the following actions if a borrower misses or delays payments:

- Regular Recovery: If the borrower makes their payments on time, they are collected on time.
- Reminders: SMS, phone calls, or letters are sent for past-due payments.
- Personal Visit: Bank employees may meet with the borrower to address the problem.
- Rescheduling: The bank can change the repayment plan if the borrower experiences shortterm issues.
- Legal action: The bank can take legal action if repayment is unsuccessful.
- Auctioning collateral: The bank may sell the pledged assets or property as a last resort to repay the loan.

Credit Risk Assessment:

Credit risk is the possibility that a borrower won't pay back the loan. The bank may suffer financial losses as a result. Mercantile Bank PLC takes the appropriate steps to assess the borrower's risk before granting a loan in order to prevent this. Key Items on the Bank Checks:

- Borrower's background and reputation
- CIB (Credit Information Bureau) report
- Income and repayment ability
- Purpose of the loan
- Collateral or security
- Guarantor's strength
- Business condition and market situation

Credit Risk Grading (CRG):

Mercantile Bank PLC evaluates a borrower's risk using the CRG system according to

Bangladesh Bank guidelines. It examines:

- Financial Risk: Can income cover loan repayment?
- Business Risk: How stable is the company?
- Management Risk: How capable and trustworthy is the management?
- Collateral Risk: How valuable and genuine is the collateral?
- Relationship Risk: Has the borrower made consistent loan payments in the past?
- Regulatory Risk – Does the borrower follow rules?

Risk Categories:

Based on the score, borrowers are placed into groups like:

- **Superior –** Very low risk
- **Good** – Low risk
- **Acceptable** – Medium risk
- **Marginal –** High risk

Collateral / Security:

Collateral is a valuable subject that a borrower pledges as loan security, such as real estate or cash. The bank can take the collateral to recover the funds if the borrower is unable to repay. Collateral is used by Mercantile Bank PLC to lower risk and guarantee secure lending.

Common Types of Collateral:

- Fixed Deposits (FDR)
- Personal Guarantee
- Machinery/Equipment
- Land and Building

Collateral Checking Process:

- Valuation: The current value is verified by neutral, qualified professionals.
- Legal Check: The bank's legal department confirms ownership and looks for any issues.
- Mortgage Creation: If necessary, the bank registers the property as a mortgage
- Documentation: All the relevant paperwork has been gathered and safely kept.

Collateral Margin (Loan Value vs. Asset Value):

Not all of the asset's value can be borrowed by the bank. It maintains a margin:

- Land/Building: 30–40% margin (loan up to 60–70%)
- FDR: 10% margin
- Shares: 50% margin (due to price changes)

Chapter -6

Five-Year Financial Performance of Mercantile Bank PLC

6.1 Introduction:

The financial performance of Mercantile Bank PLC over five years, from 2020 to 2024, is presented in this chapter. Key financial ratios that show the bank's efficiency, profitability, credit risk, and financial strength are the main focus of the analysis. These ratios help in evaluating how well the bank has utilized its resources to produce returns, managed its loans, and kept costs under control. We can determine whether the bank's financial health is getting better or getting worse by looking at trends in these ratios over time. In order to identify Mercantile Bank's strengths and weaknesses, the chapter also contrasts the bank's performance with industry averages. This analysis will help identify areas that require improvement, particularly in operational effectiveness and credit management.

6.2 Objective:

This chapter's goal is to examine Mercantile Bank PLC's financial performance over the five years between 2020 and 20224 using important financial ratios.

Specific Objectives:

- To examine how important financial ratios have changed between 2020 and 2024.
- To assess the bank's performance in handling credit and financial risk during this time.
- To analyze the following ratios:
    - Credit to Deposit Ratio
    - Capital Adequacy Ratio
    - Non-Performing Loan (NPL) Ratio
    - Cost to Income Ratio
    - Return on Assets (ROA)
    - Return on Equity (ROE)

- To evaluate how Mercantile Bank performed in terms of standards in the industry.
- To determine the bank's strong points and areas in need of development.
- To make recommendations on how to improve the bank's overall financial stability and credit performance

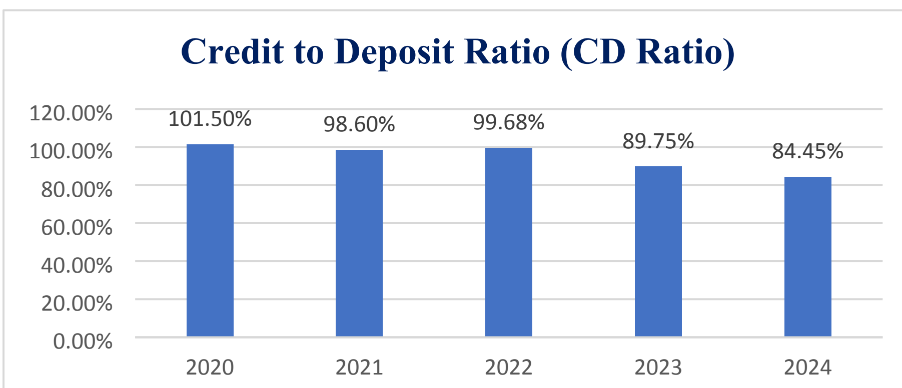
6.3 Key Financial Ratios for Performance Evaluation:

- **Credit to Deposit Ratio (CD Ratio):** This ratio indicates the percentage of a bank's total deposits that are utilized for loan disbursements. It helps in measuring how well the bank is making use of the money it has on hand to make loans.

  Formula:

  CD Ratio = Total Loans and Advances / Total Deposits *100

Figure 6.1: Credit to Deposit Ratio (CD Ratio)



The Credit to Deposit (CD) Ratio of Mercantile Bank PLC is displayed in Figure 6.1 for the five years spanning 2020–2024. This ratio shows the proportion of the bank's deposits used to pay out loans. A higher CD ratio means the bank is lending more of its deposits. The bank was lending more money than it was depositing in 2020, as evidenced by its CD ratio of 101.50%. There is a chance. During 2021 and 2022, the ratio stayed high, ranging from 98% to 99%. Nevertheless, the ratio started to fall in 2023 and ended up at 89.75% in 2024. This shows that Mercantile Bank is now using more precautions.

- **<u>Return on Assets:</u>** ROA measures how effectively a bank or business generates profit from all of its assets. It displays the profit margin for each dollar or taka of assets.

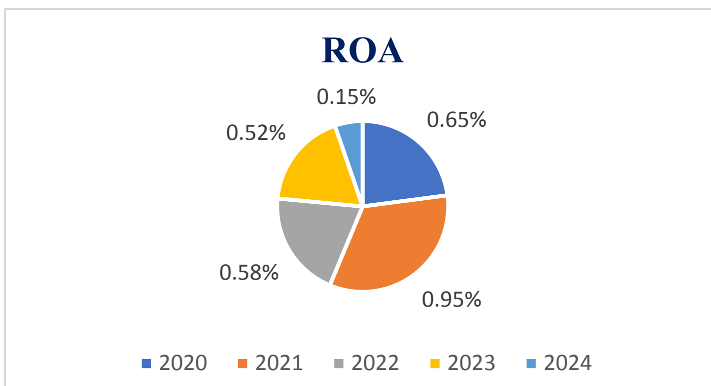
Formula:

ROA = Net Profit / Total Assets *100

Table 6.2: Return on Asset(ROA):

Particulars	2020	2021	2022	2023	2024
ROA	**0.6534%**	**0.951%**	**0.5763%**	**0.52%**	**0.15%**

Figure 6.2: Return on Assets(ROA):



The pie chart in Figure 6.2 shows how effectively the company used its resources to generate a profit from 2020 to 2024. The business earned approximately 0.95 taka for every 100 taka of assets in 2021, when its ROA reached its highest point at 0.951%. However, the ROA did continue to fall in the following years, reaching a low of 0.15% in 2024. This shows a decline in productivity as the company's yearly revenue from assets drops.

- **<u>Return on Equity:</u>** Return on equity measures how much money a business makes from the capital that its shareholders have invested. It indicates how effectively the business is turning a profit with the owners' money.

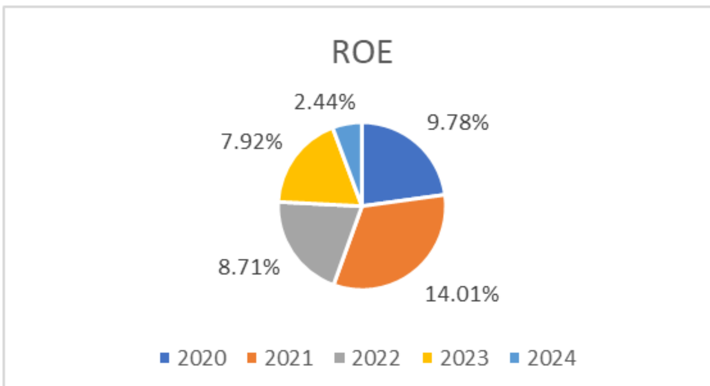
Formula:

ROE = Net Profit / Shareholders' Equity *100

Table 6.3: Return on Equity(ROE):

Particulars	2020	2021	2022	2023	2024
ROE	9.78%	14.01%	8.71%	7.92%	2.44%

Figure 6.3: Return on Equity(ROE):



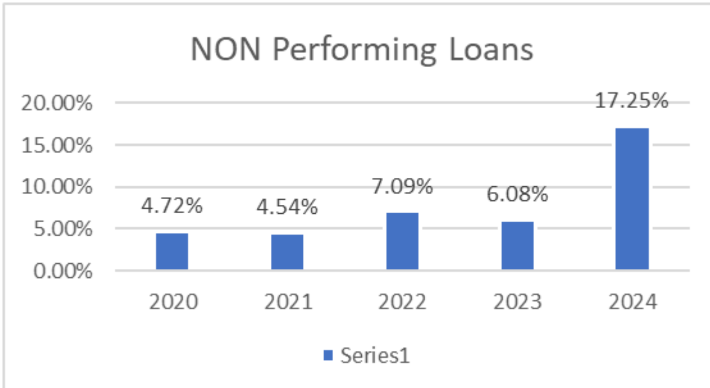
In Figure 6.3, the pie chart shows how well the company used shareholder funds to generate profits between 2020 and 2024. The company made 14.01 Taka for every 100 Taka invested by the shareholders in 2021, when its ROE reached its highest point at 14.01%. However, following 2021, the ROE decreased yearly until 2024, when it dropped to 2.44%. This implies that to make a profit, the company is using shareholders' equity less efficiently.

- **Non-Performing Loans:** A non-performing loan (NPL) is one for which the borrower has not made interest or principal payments on time for 90 days or longer. These loans might not be fully covered and are regarded as having a default risk. A high percentage of non-performing loans (NPLs) raises the bank's credit risk and indicates poor loan quality.

Formula:

NPL Ratio = Non-Performing loans /Total loans and Advances * 100

Figure 6.4: Non-Performing Loans (NPL)



According to Figure 6.4, Mercantile Bank PLC kept its non-performing loan percentage below 5% from 2020 to 2021, demonstrating that most of its loans were being repaid on time. But by 2022, the NPL ratio had risen sharply to 7.09%, suggesting that more borrowers were having trouble making their loan payments. Even though the ratio dropped to 6.08% in 2023, it was still higher than it had been before. The sharp increase to 17.25% in 2024 suggests a substantial increase in bad loans. Since the bank now faces higher credit risk, it must improve its loan management and recovery processes to protect its financial stability.

- **Capital Adequacy Ratio:** This ratio shows how much capital a bank has with the amount of money it has loaned out or taken on. It shows the bank's strength and security. A higher CAR indicates that the bank is more capable of managing losses and safeguarding depositor funds.

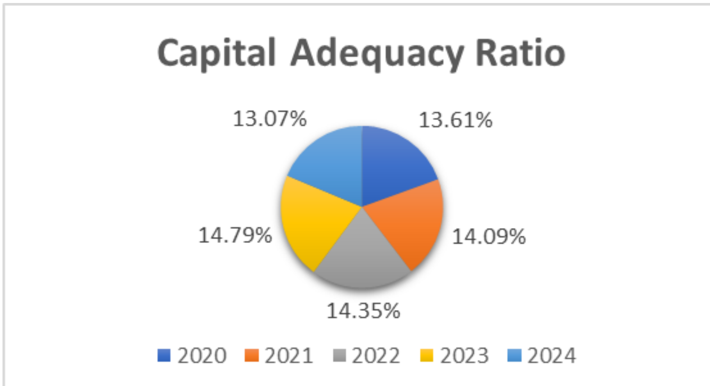
Formula:

CAR = Tier-1 Capital +Tier-2Captal/ Risk-Weighted Assets *100

Table 6.5: Capital Adequacy Ratio:

Particulars	2020	2021	2022	2023	2024
CAR	13.61%	14.09%	14.35%	14.79%	13.07%

Figure 6.5: : Capital Adequacy Ratio(CAR)



According to the pie chart in Figure 6.5, Mercantile Bank PLC's Capital Adequacy Ratio (CAR) stayed above 14% between 2020 and 2023. This demonstrates that the bank had sufficient funds to safeguard depositors and pay for possible losses. Despite a slight decrease of 13.07% in 2024, the CAR is still higher than the necessary minimum. Despite having a generally stable financial situation, the bank should keep a careful eye on and manage its capital to make sure it endures any threats.

- **Cost-to-Income Ratio**: The cost-to-income ratio shows the amount of money a bank must spend to generate revenue. It sets the bank's overall revenue against its operating costs. The bank is more efficient and retains a larger portion of its revenue as profit if the ratio is lower

Formula:

C/I Ratio = Operating Expense /Operating Income *100

Table 6.6: Cost-to-Income Ratio:

Particulars	2020	2021	2022	2023	2024
C/I Ratio	62.56%	54.31%	53.52%	60.65%	60.06%

Figure 6.6: Cost-to-Income Ratio :

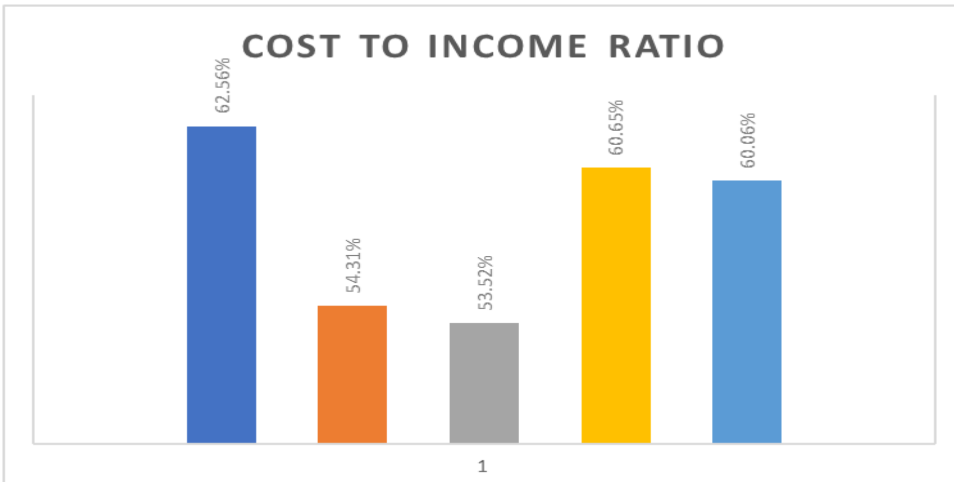


Figure 6.6 displays the bank's cost-to-income ratio for 2020–2024. The ratio shows us how much money the bank makes. A lower ratio indicates efficient cost management by the bank. After reaching a peak of 62.56% in 2020, the ratio rose in 2021 and 2022 before falling to 54.31% and then 53.52%. This implies that the bank operated more efficiently during those years. The ratio increased to 60.65% in 2023 and then slightly decreased to 60.06% in 2024. This indicates that during the past two years, the bank's cost efficiency has declined

6.4 Findings and Recommendations:

With a strong Return on Equity (ROE), Return on Assets (ROA), and Cost-to-Income (C/I) ratio, Mercantile Bank PLC proved strong cost control and profitability in 2021, according to the fiveyear analysis. However, the bank's financial performance began to decline in 2022.

- Each year, ROE and ROA decreased, indicating that the bank is making less money off of its assets and shareholders' capital.

- The Non-Performing Loan (NPL) ratio increased significantly in 2024 to 17.25%, which is a major reason for concern as it is significantly higher than the industry average of about 9%. As a result, more loans are becoming bad debts.

- The bank's capital base remains strong, as evidenced by the Capital Adequacy Ratio (CAR), which ended 2024 at 13.07%, above the regulatory minimum of 12.5%.

The bank is lending carefully now, which lowers credit risk, as evidenced by the Credit to Deposit (CD) ratio, which dropped from over 101% in 2020 to 84.45% in 2024.

- The bank's operating efficiency has declined as evidenced by the Cost-to-Income Ratio, which increased by approximately 60% in 2023 and 2024 in contrast to the industry average of 50–55%.

Ways to Improve the Credit Performance of Mercantile Bank PLC:

Mercantile Bank can take the following steps:

I. Strengthen Loan Recovery Process:

- identify problematic loans early and act immediately.
- Create an expert recovery team for pursuing overdue loans.
- When required, take legal action to recover significant or overdue loans.

II. **Improve Credit Risk Assessment:**

- Use strict guidelines for checking a borrower's financial strength before approving loans.
- Examine credit policies frequently and revise them in consideration of market developments.
- Try to stay out of high-risk industries and concentrate on lending to trustworthy ones.

III. Train and Support Credit Officers:

- Regularly train loan and credit officers in credit analysis and risk management.

- Motivate employees to pay attention to the correct protocols when granting loans.

- To reduce mistakes in loan decisions, keep an eye on their performance and offer feedback.

IV. **Reduce Non-Performing Loans (NPLs):**

- Keep a careful eye on loan accounts to spot early default indicators.

- Establish goals for NPL reduction and regularly evaluate your progress.

- Before a loan becomes non-performing, work with clients to restructure it.

V. **Enhance Customer Evaluation Process:**

- Get complete and correct financial data from loan candidates.

- Verify credit history from reputable sources, such as the Credit Information Bureau (CIB).

VI. **Regular Benchmarking and Review:**

- Examine credit performance to other banks in the sector.

- Establish internal standards for important ratios such as ROA, CD ratio, and NPL • Close performance gaps and improve strategies by using these evaluations.

Chapter -7

Conclusion and Implications

7.1 Conclusion:

Mercantile Bank PLC was an excellent opportunity for me to learn during my internship. I was able to observe how a real bank runs and how each of its departments, especially the Credit Department, operates. I became aware of how the bank offers loans, evaluates risks, and ensures that loans are repaid on schedule. I also came to realize how important it is to follow rules and be trustworthy when handling financial documents. Despite the challenges I faced, such as figuring out complex processes and working in a hectic environment, these increased my self-assurance, patience, and communication skills.. Additionally, I became more self-assured and learned how to work independently. Through this internship, I gained practical knowledge that I could never get just from books or classes. It made it easier for me to relate what I had studied in university to the banking industry. In the end, this experience has helped me better prepare for my future career, and I am thankful that Mercantile Bank PLC gave me this opportunity.

7.2 Implications:

When I worked in the Credit Department of Mercantile Bank plc, I applied a lot of what I had learned in my banking and finance classes. For example, we discussed credit risk grading (CRG), non-performing loans, and loan processing in class. During my internship, I got to see those concepts implemented at work. This made the theories seem more relevant and made it easier for me to see how what I had studied might be used in practical settings.

. I gained knowledge from working in the credit department, including the following:

- To reduce financial risk, each stage of the credit process needs to be completed carefully.
- Before granting a loan, appropriate paperwork and legal checks are essential.

- Regular loan monitoring can lower the likelihood of defaults.
- Simple tasks like document checking are essential and demand your whole focus.

Some difficulties I faced in the Credit Department include:

- The initial credit procedures were complicated, involving numerous steps and documents
- A large portion of the work was done by hand, which took a lot of time.
- I had to learn mostly by observation because privacy policies prevented me from accessing some systems.

Despite these difficulties, I maintained calmness, looked for clarification when necessary, and gained knowledge through taking notes and observing.

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