



Daffodil
International
University

Internship Report

On

“Small and Medium Enterprise (SME) Financing

Of Karmasangsthan Bank.”

Supervised By

ReponMiah

Senior lecturer

Department Of Business Administration

Faculty of Business and Entrepreneurship

Daffodil International University

Submitted by

Name: Istiak Ahmed

Id: 142-11-4012

Program: BBA

(Major in Accounting)

Batch: 38th

Department Of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University

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Letter of Transmittal

January 06th, 2019

ReponMiah

Senior lecturer

Department Of Business Administration

Faculty of Business and Entrepreneurship

Daffodil International University

Subject: Submission of the internship report on “Small and Medium Enterprise (SME) Financing of Karmasangsthan Bank.”

Dear Sir,

This is to inform you that, in accordance to your advice I have prepared this report on "Small and Medium Enterprise (SME) Financing" - of Karmasangsthan Bank. I have tried myself to explain my learning and experience.

I sincerely hope that you will accept the report and also hope that my work will come up to the level of your expectations. I will wholeheartedly welcome any clarification and suggestion about any view and conception disseminated through this report. Besides, several recommendations will be included for ensuring future success. This will make the report a complete and an extensive one. Therefore, I am confident of the validity of this study.

Sincerely

Istiaq Ahmed

ID:142-11-4012

Program BBA

Major: Accounting

Batch: 38th

Department Of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University

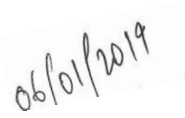
Certificate of Approval

This is to certify that the Internship Report on "**Small and Medium Enterprise (SME) Financing -ofKarmasangsthan Bank** is a bona-fide record and the report is done by **Istiak Ahmed, ID: 142-11-4012, Batch: 38th** as a partial fulfillment of the requirement of BBA degree from the Department of Business Studies, Daffodil International University.

The Report has been prepared under my guidance and is a record of the bona fide work carried out successfully.



.....
Signature of the supervisor



.....
Date

Acknowledgement

First of all I would like to thank the almighty Allah that I am enabling enough to do this report. I am great deal of gratitude to my supervisor Senior Lecturer Repon Miah. He offered me constant guidance and many insightful and constructive observations throughout the study. Basically, his support, encouragement and availability to discuss ideas and problems have contributed much in completing this study. He always kept me on task and pointing out me back to my research objectives. I really appreciate Senior Lecturer Repon Miah, for his patience and high efficiency in guiding me in a proper way in conducting this research. His friendly guidance and cooperation which is inspired me to complete the whole work timely. He preserves my special thanks.

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Thanks to all of the employees of Karmasangsthan Bank, Mohammadpur Branch, and Dhaka for their co-operation during my internship program.

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Finally, I would like to add few more words saying that this report is prepared by novice and naturally there could be unwilling errors and omissions which are extremely belonging to me.

Executive Summary

In the process of economic development Small and Medium Enterprises (SMEs) play a pivotal role in poverty alleviation and rapid industrialization of the developing countries like Bangladesh. In this paper I tried to appraise the Problems and Prospects of SMEs in Bangladesh. I observed from the research that non availability of adequate credit, complex loan granting procedure, inadequate infrastructure facilities, problems of collateral requirements, paucity of working capital, non-availability of skilled work force, poor salary structure, lack of coordination among SME related organizations, lack of appropriate marketing strategies etc. are the major hindrances to the development of the SMEs in Bangladesh. In order to overcome the problems researchers have tried to provide some recommendations for the developments of SMEs in Bangladesh based on sound reasoning.

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Chapter 1

Introduction

1.1 Introduction

Banks are the blood of economy; banking system plays a vital role for a countries economy. The total money circulation for an economy is done by banks. In a developing country like Bangladesh bank YUHs perform key role to make equal distribution of fund in all sectors of the economy. Side-by-side the banks also need to maintain profitability to ensure their continuity. But the intense competition between the banks exposes the banks to more risk and requires them to make innovation to sustain in the economy. SME financing is a new innovation in banking industry of Bangladesh. SME contributes more to the development of a developing country.

Bangladesh is a developing country and the progress of a developing country are depends on the progress of root people. The significance of small and medium enterprises' is very much in the development of the whole economic situation of Bangladesh. Since this sector is labor intensive and the gestation period is smaller that's why it contributes more to increase National income and employment opportunity of the country. In Bangladesh, SME sector performing great job for poverty alleviation and reducing gender discrimination. Now SME is viewed as 'employment generating machine' which helps to accelerate economic growth, reduce unequal distribution and poverty alleviation.

Banking sector has a vital role to play in the economic activities and development of any country. The whole scenario of the economy of a country can be ascertained by examining the condition of the banking sector. To develop SME sector, the contributions of banks and financial institutions are enormous. According to the guidelines of Bangladesh Bank, the commercial banks provide SME financing to the people at flexible terms and conditions to boost this sector. Beside profit motive the commercial banks also perform corporate social responsibility by enhancing SME financing. Not only finance the banks are also provides guidelines and training to the people to enrich their small and medium enterprises.

1.2 Literature Review

SME is the factor to the socio economic development of Bangladesh. Providing loan in SME sector helps to increase our GDP and enhance our national income. Abdul Awal Mintoo said his journal that Least Developed Countries (LDCs) in the east have started refocusing their attention on SMEs to enhance their role in bringing about structural change in their economies. For

Bangladesh SMEs have assumed special significance for poverty reduction program and potential contribution to the overall industrial and economic growth. (Kashfia Ahmed and Tanbir Ahmed Chowdhury (2009) discuss their journal in the context of Bangladesh, the development of Small and Medium Enterprises (SMEs) can be considered as a vital instrument for poverty alleviation and ensure the rapid industrialization. Different countries and organizations explain SME in different manner. Bangladesh government classifies SME sector in two broad groups: Manufacturing enterprise and Non-Manufacturing enterprise. Uddin has stated that the economic efficiency and overall performance of the SMEs especially in the developing countries are considerably dependent upon macroeconomic policy environment and specific promotion policies pursued for their benefit. Chowdhury highlighted that in context of Bangladesh SME is characterized by Low capitalization and limited assets, geographical diversity and high mortality, poor credit knowledge, very limited access to formal source of credit, cash intensity in transactions, very limited record keeping habit, poor financial disclosure on account of tax issues, high risk perception has led to high borrowing costs. Ahmed observed that availability of finance is a major constraint to formation and growth of SMEs in Bangladesh. Banks are reluctant to expand their SME credit portfolio because they do not consider SME lending an attractive and profitable undertaking. This is so because SMEs are regarded as high risk borrowers because of their low capitalization, insufficient assets and their inability to comply with collateral requirements of the banks. Administrative costs are also higher because close monitoring and supervision the SME operation becomes necessary. Bangladesh Bank report says, higher growth of the Small and Medium Enterprises (SMEs) can help cut poverty to a satisfactory level by eliminating various prejudices against labor intensive and creating jobs for the skilled manpower in the SME sector. The key reasons behind the SMEs are not entering into manufacturing are financial constraints, dismal state of utilities, technology and policy discriminations. On the others hand, Bank and others financial institutions generally prefer large enterprise clients because of lower transition costs, and greater availability of collateral. The SMEs also fall outside the reach of micro finance schemes, and thus compelled to depend on formal sources of funds at much higher interest rates, the Bangladesh Bank report said. In Bangladesh the SMEs account for about 45% of manufacturing value addition. They account for about 80% of industrial employment, about 90% of total industrial units and about 25% of total labour force. Their total contribution to export earnings varies from 75- 80% based on the Economic Census 2009-2010. The total number of SMEs is estimated at 79754 establishments,

of which 93.6% are small and 6.4% are medium. (Bangladesh Bank report says Bangladesh Bank has adopted a preferential lending policy to promote the SME sector in line with the government development policies. An amount of Taka 2.27 billion was refinanced through different banks and financial institutions under some schemes during the fiscal 2009-10. In the country, the annual report said, financing small and medium enterprises (SMEs) from banking sector is a long-standing demand that has been high on the agenda of the economists and the policymakers. Dr. Momtaz observed that the present outsourcing

Mechanism, particularly in the field of capacity building, is not working properly. Quality of training is to be ensured instead of increasing the number of training programs. The foundation should focus on the time bound and quality work. Regarding the appointment of new consultant for reviewing the Foundation's Organogram, he advised to do it internally and not by consultants. Najmul Hossain the development of small and medium enterprises (SMEs) in developing countries is generally believed to be a desirable end in view of their perceived contribution to decentralized job creation and generation of output. SMEs constitute the dominant source of industrial employment in Bangladesh (80%), and about 90% of the industrial units fall into this category. The actual performance of SMEs, however, varies depending on the relative economic efficiency, the macro-economic policy environment and the specific promotion policies pursued for their benefit.

1.3 Objectives of the Study

a) Broad Objectives: To know about the SME financing operation of KB.

b) Specific Objectives

The specific objectives are as follows:

- To analyze the SME lending procedures and lending activities of Karmasangsthan Bank.
- To know about SME financing of KB.
- To assess the current status of loan disbursement and monitoring of KB.
- To assess current recovery status and recovery process.
- To identify the problems and recommend suitable measures regarding SME financing of KB.

1.4 Scope of the Study

The study focuses on SME financing of Karmasangsthan bank. The report prepared on the basis of both primary and secondary data.

1.5 Methodology

1. Identifying Data Sources:

(a) Primary sources:

- I. Bank officials
- II. Clients
- III. Manager

(b) Secondary sources:

- I. Annual report of KB
- II. Different publications regarding SME
- III. Website of KB
- IV. Different circulars by Bangladesh Bank

2. **Analyzing the Data:** The data are then analyzed in different angles in the objective oriented process to show true and exact situation of opinions.

1.6 Limitations of the Study

Hardly any report overcomes all the limitations getting complete accuracy. My one is also not exceptional. The limitations of the report are:

- No sophisticated measurement instrument is used.
- Vast scope and descriptive nature of study.
- These types of report need a huge amount of fund and time, which was a problem in this study.
- Bank's does not tell some sensitive data and clue for some reason posed an obstacle to the practical orientation that could be very much useful.
- A lot of people are not helpful and the online information system of Bangladesh is still primitive.

Chapter 2

Profit of KB

2.1 History of Karmasangsthan Bank

In Bangladesh Karmasangsthan Bank is a specialized financial institution. In this sense, it can maintain the fully banking concern. It can receive fixed deposit and other deposits service. It provides loan to solve unemployment problem. So, we can say this bank plays an important role in our country establishment of employment and income generation. Karmasangsthan Bank divided our country into 242 parts so that they can easily provide loan to the branch area's people and they can participate in socio economic activities. On the basis of Act No.7 of 1998 KB established in the year of 1998 with a vision to solve the unemployment problem in our country. The Government enforced this law on 30 June 1998 being empowered to do so by article 1(2) of this Act. In year 1998, 22 September the bank started formally loan disbursement from their main branch Dhaka.

2.2 Mission of Karmasangsthan Bank

- To provide quality services to the customers.
- To set high standards of integrity.
- To cook up quality investment.
- To assure sustainable rise in business.
- To assure that eliminating unemployment youths.
- To assure human appliance development to accommodate the challenges of the time.
- To ensure alleviation of poverty of the country.

2.3 Vision of Karmasangsthan Bank

To be a Specialized Bank in our country and to make important contribution to our national recession and enhance of alleviation poverty of the unemployed youths of the country.

2.4 KB's Goal

Committed to alleviation of the poverty and employment of the youths.

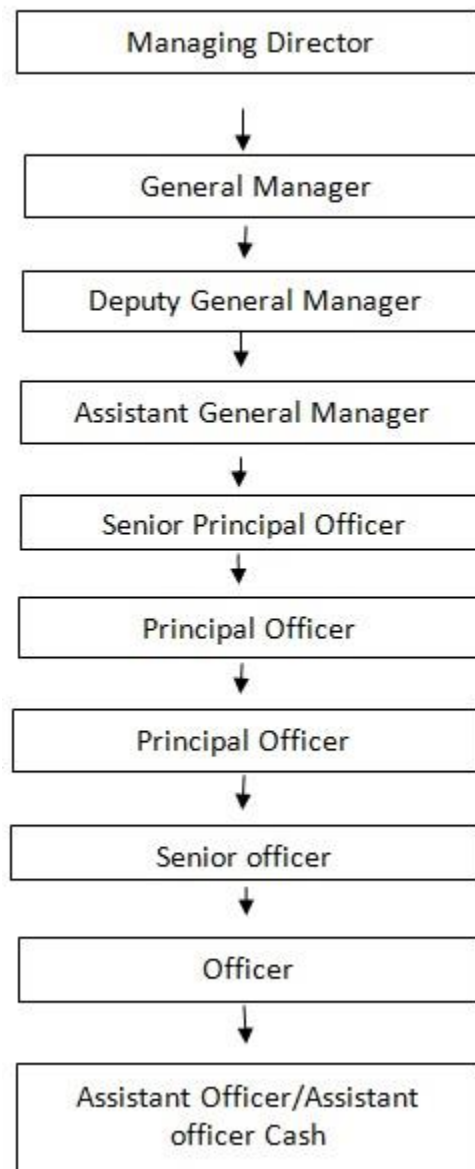
2.5 Target Customer of KB

Target customer of Karmasangsthan Bank are especially age of 18 to 50 are standard. Especially the unemployed people are in the fiscal activities over self-employment opportunities for debt alleviation.

2.6 The Organization Objectives and Organogram

With the objective of alleviating poverty of the unemployed population, especially the unemployed youths, of the country by involving them in economic development activities through providing them with employment opportunities

Company Organogram



2.7 Strategic Direction of KB:

A healthy economy needs Banks to:

01. Facilitate trade across markets

02. Enable corporate clients to conduct complex Business transactions

03. Service the needs of an increasing customer base

04. Capture the unbanked population of the country

2.8 Core Values of KB

2.8.1 For the Customers

- Providing with caring services by being innovative in the development of new banking products and services.

2.8.2 For the Shareholders

- Maximizing wealth of the Bank.

2.8.3 For the Employees

- Respecting worth and dignity of individual employees devoting their energies for the progress of the Bank.

2.8.4 For the Community

- Strengthening the social values and taking environment and social risks and reward into account.

2.9 Human Resources Development of KB

The bank always laid emphasis on human resource development. The Bank believes in the factor that helps the bank's survive is closely interlinked with the quality of service and satisfaction of the requirements of the client and that directly depends on the qualification and efficiency of the employees. As our human resources give the organization a significant competitive edge, we continue our policy of recruiting the best professionals and implement programs to develop and retain high quality employees.

2.9.1 HR Strategy

As an employer, our aims to attract the most talented personnel.

- ✚ We retain competent employees by recognizing, fairly and consistently, the success of professionals working effectively as a team.
- ✚ Provide new employees with appropriate training.
- ✚ Create a strong management team
- ✚ Ensure equal opportunities, with regard to employment, work facilities, assignment, training, job development and salaries.
- ✚ The opportunities we give individuals are based on a shared commitment to devote their

talents to benefiting the business and to develop their own careers.

2.9.2 Work Environment and Culture

KB is committed to maintain a congenial working environment, free from discrimination based on race, religion, creed, sex, age, or any other category. We do not tolerate any behavior that can be perceived as degrading or threatening. It believes in working in a positive, friendly and respectful environment which permits employees to work to maximum effectiveness and to their full potential. The Bank excels the performance of its member of the staff by creating opportunities through providing proper training, rewards and recognition. To attract and retain qualified and efficient staff, the Bank has formulated a number of well thought policies for the welfare of its employees, in the form of Gratuity fund, Social Security Fund, Employees House Building Investment Scheme, Benevolent Fund *and* Employees House Furniture allowance etc. Total number of manpower of the Bank stood at 1311 as on April 2016.

2.9.3 Training and Development

KB organized a little number of training and seminar for the bank employee. The general training offered by the bank is investment, general work for the bank, tread, risk management customer service and some others. Now a days KB started a new training session on anti-money laundering and core banking solution called CBS.

Although KB started some more seminar on a2i and computer hardware. From the point of view skilled manpower KB established a training center in their head office and computer council.

2.10 Management Committee (Mancom) of KarmasangsthanBank

KB has some management committee to control and support banking operation:

Management committee

Risk management committee

Investment Committee

Purchase committee

Asset liability committee

It has some small committee also.

All the committee support the bank so that the bank operation goes more effectively.

2.11 Responsible Customer Services of KB

Karmasangsthan Bank screens all contract forms by the BB rules and regulation to avoid imposition of onerous terms and conditions to the clients, especially whom are in a weaker bargaining position relative to the Bank.

Each of the customers is offered due process and responsible terms and conditions of investment, taking into consideration his ability to repay and the effect on his financial and overall well-being, through assessment of his present disposable income capacity.

Every branch of the Bank keeps a 'Complaint Box 'to facilitate the customers, lodging complaints against services of the Bank or against particular employee(s). A "Customers Complaint Cell" has been formed. All the complaints since received duly verified and resolved meticulously.

Regular meetings are held with the selected customers in different level of Management to discuss on their business issues and to suggest them for further improvement.

As the small specialized Bank KB is very much conscious regarding improvement in its customer services.

2.12 Bank and Customer Relationship

KB deal with customers as a partner and they try to make a good relationship with the customers.

KB invite their customers in many occasions like :

a. KB organized a event in the second or third week of April called “HALKHATA” . In this day KB invite their customers and distribute sweets.

b. In the month of Ramadan KB organized Ifter Mahfill every year. And try to accumulate a maximum number of clients in Ifter Mahfill.

C. Every year KB distribute Calendar, card or diary etc. to the possible customers.

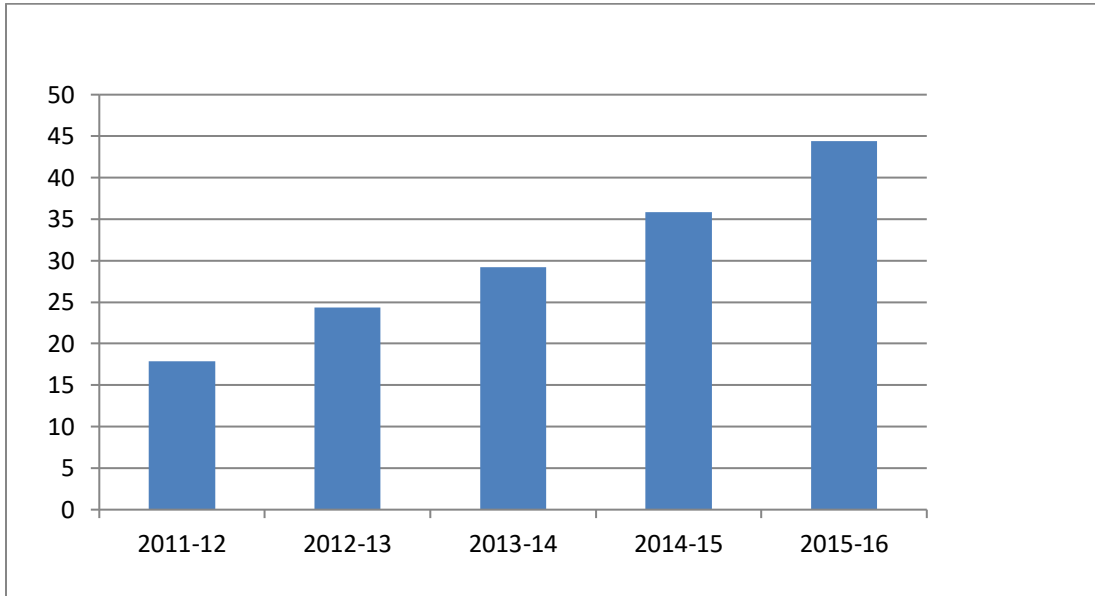
d. KB also organized some service camp or other camp to make a good relationship with the customers.

2.13 Key Indicators of KB Financial and Operational activities

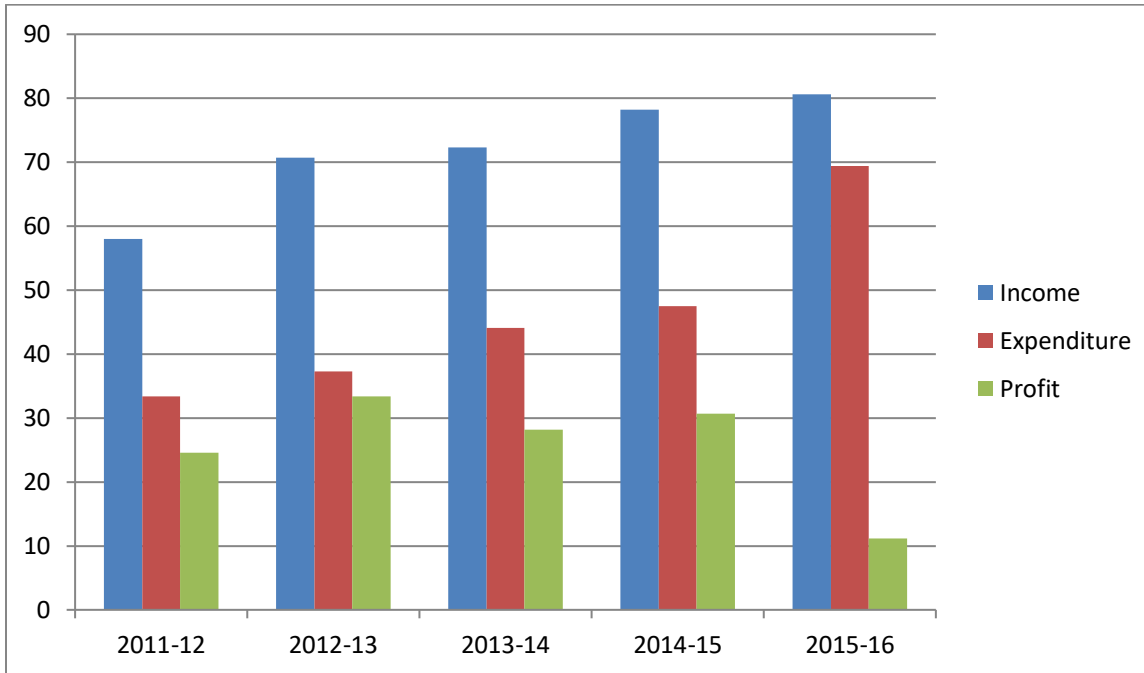
BDT in Crore

| SL | Subject | 2011-2012 | 2012-2013 | 2013-2014 | 2014-2015 | 2015-2016 |
|----|----------------------------------|-----------|-----------|-----------|-----------|-----------|
| 1 | Authorized Capital | 700 | 700 | 700 | 700 | 700 |
| 2 | Call in Capital | 520 | 520 | 520 | 520 | 520 |
| 3 | Paid-up Capital | 420.50 | 420.50 | 474.50 | 499.50 | 499.50 |
| 4 | Receivable Paid-up Capital | 420.50 | 420.50 | 420.50 | 420.50 | 420,50 |
| 5 | Reserve | 46.64 | 55.66 | 59.67 | 67.33 | 71.06 |
| 6 | Deposit | 17.91 | 24.33 | 29.22 | 35.87 | 44.43 |
| 7 | Balance of Loan | 531.97 | 595.20 | 624.22 | 466.63 | 320.35 |
| 8 | Distribution of Loan | 336.30 | 363.99 | 375.10 | 408.23 | 519.98 |
| 9 | Accumulated Loan Distribution | 1478.12 | 1842.11 | 2217.21 | 2625.44 | 3140.33 |
| 10 | Accumulated payable loan | 1261.54 | 1661.90 . | 2109.48 | 2561.53 | 3052.97 |
| 11 | Loan Recovery | 328.43 | 369.41 | 413.13 | 434.92 | 478.62 |
| 12 | Accumulated Loan Recovery | 1168.14 | 1537.55 | 1950.68 | 2385.60 | 2859.91 |

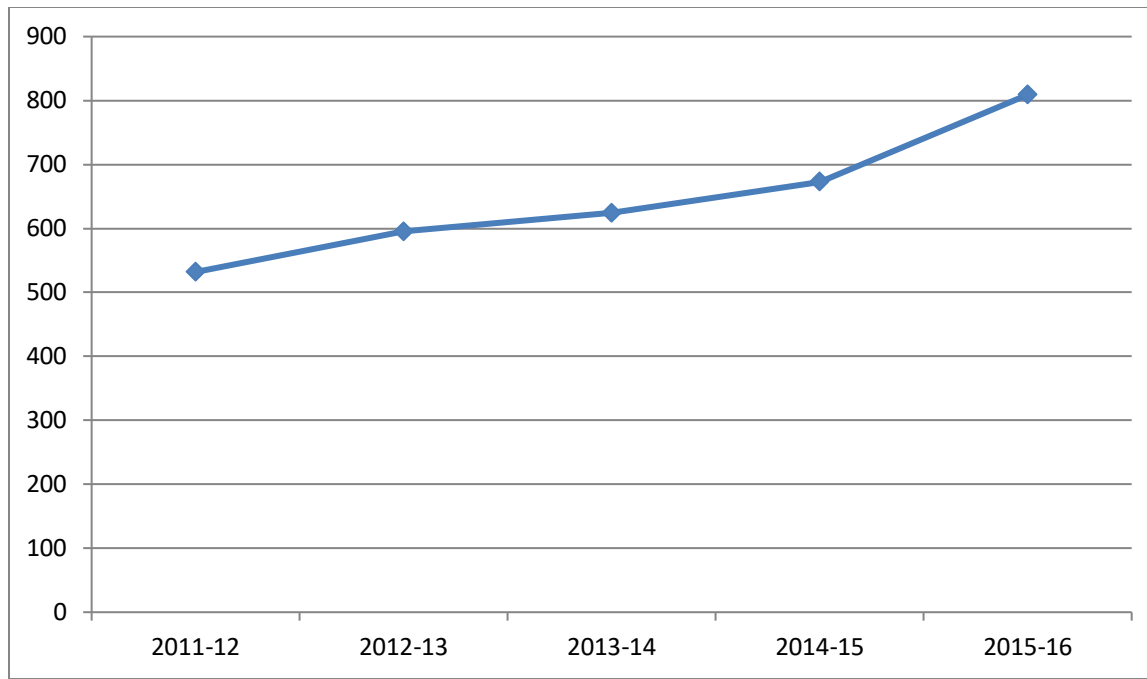
| | | | | | | |
|----|--|------------|-------------|-------------|-------------|-------------|
| 13 | Percentage of accumulated loan Recovery | 93% | 93% | 92% | 93% | 94% |
| 14 | Classified Loan | 28.85 | 38.58 | 60.84 | 62.50 | 61.54 |
| 15 | Percentage of Classified Loan | 5% | 6% | 10% | 9% | 8% |
| 16 | Provision against Loan(mandatory) | 20.90 | 27.80 | 32.77 | 38.64 | 37.21 |
| 17 | Provision against loan(reserve) | 20.90 | 27.80 | 32.77 | 38.64 | 37.21 |
| 18 | Total Operating Income | 58.00 | 70.71 | 72.32 | 78.24 | 80.61 |
| 19 | Total Operating expenditure | 33.40 | 37.29 | 44.13 | 47.52 | 69.42 |
| 20 | Operating Profit | 24.60 | 33.42 | 28.19 | 30.72 | 11.19 |
| 21 | Net Profit | 0.70 | 2.20 | 1.32 | 2.84 | 1.66 |
| 22 | Paid of Income tax | 8.57 | 9.58 | 6.32 | 8.21 | 3.87 |
| 23 | Paid of Accumulated Income tax | 37.89 | 47.47 | 53.89 | 62.00 | 65.87 |
| 24 | Authorized Manpower | 1815 no. | 1815 no. | 1815 no. | 1815 no. | 2648 no. |
| 25 | Existing Manpower | 1280 no. | 1314 no. | 1311 no. | 1269 no. | 1324 no. |
| 26 | No of branches | 209 no. | 211 no, | 212 no. | 212 no. | 232 no. |
| 27 | No of RM office | 15 no. | 15 no. | 15 no. | 25 no. | 33 no. |
| 28 | No of Loan recipient/ Entrepreneur | 37829 no. | 39986 no. | 39318 no. | 40822 no. | 48395 no. |
| 29 | Employment | 136563 no. | 140403 no. | 141938 no. | 147367 no. | 174706 no. |
| 30 | Accumulated no of loan recipient/ entrepreneur | 252338 no. | 292324 no. | 331642 no. | 372464 no. | 414274 no. |
| 31 | Accumulated employment | 898323 no. | 1055290 no. | 1197228 no. | 1344595 no. | 1495529 no. |



2.1 Year to Deposit Trend



2.2 Income, Expenditure and Profit



2.4 : Trend of loan Balance

2.14 Products and Services of KB

1. Different types of Loan services: KB provide loan in some sectors:

- I. **Loan from own project:** Kb provide loan in own project which I describe in chapter four.
- II. **Loan from Bangladesh bank dairy and fisheries Project:** KB also work for Bangladesh Bank. They provide loan to the people in this sector as a agent of Bangladesh Bank. The interest rate is a little bit lower than own project loan.
- III. **3. Self-retirement from** KB provide loan for the self-retirement from which is without interest.
- IV. **Personal loan for employee:**
 - a) Consumer loan: An employee can take loan 24times his basic salary.
 - b) Computer loan: Employee can take loan tk50000/- for buy computer.
 - c) Motorbike loan: Employee can made loan for buy motorbike.
 - d) House Building and Land buying loan: Employee also can take loan for buy land or build house.

2. Savings accounts: People can open a savings account in this bank and can deposit here. Bank provide a check book to the account holder with this book he can withdraw his money from the bank. For some technological barriers account holder can't withdraw his money from any branch of KB. He can withdraw his money from the mother branch only.

3. Karmasangsthan Bank savings Deposit scheme: It is another service from KB. People can make deposit in this bank. And the interest rate is a little bit higher than other bank. And if needed people can withdraw his money any time. Interest rate for 3 years is 7.25% and for 5 years 7.5%.

4. Karmasangsthan Bank Term Deposit: This service is new in KB. This is fixed deposit service. People can fixed their money for a certain time of period. Minimum time for fixed deposit is 3 month. If any person made a fixed deposit for 3 month and after three month if he did not withdraw his money then bank authority make another deposit with the capital money and interest amount automatically. Then the people can gain more interest from the deposit.

Chapter 3

Theoretical Discussion

3.1 Definition of SME

A variety of definitions concerning small and medium enterprises exists in Bangladesh. Different institutions have defined SME in more or less same way. Most of these organizations have used asset size and no. of employees when defining SME. Bangladesh Bureau of Statistics (BBS) have categorized small firms and medium firms in trade and manufacturing activities. Ministry of Industries has defined SME in SME Policy Strategies-2005. And Bangladesh Bank (BB) and Bangladesh Better Business Forum has defined in a quite similar way. In the following the definition of BB and BBS is presented.

Table 3.1

| Enterprise | Sector | Asset Size | No. of Employees |
|------------|---------------|--|------------------|
| Small | Service | Total fixed asset without land and building Tk. 50000-Tk. | Less than 25 |
| | Trade | Total asset worth Tk. 50000-Tk. excluding the value of fixed asset. | Less than 25 |
| | Manufacturing | Total fixed asset without land and building Tk. 50000-Tk. | Less than 50 |
| Medium | Service | Total fixed asset excluding land and building Tk. 5 Million -Tk. | Less than 50 |
| | Trade | Total asset worth-Tk. 10 Million excluding the value of fixed asset | Less than 50 |
| | Manufacturing | Total fixed asset excluding land and building Tk. 15 Million -Tk. 20 Million | Less than 150 |

Statistics Bureau of Bangladesh definition:

Definition used by BBS, SME based on employment size. Establishments employing between 1 and 9 workers are called 'micro'; establishments employing between 10 and 49, workers are called 'small'; those employing between 50 and 99 workers are called 'medium'; and, finally, those employing between 100 or more workers are called 'large'. It is this definition that was used both in the BBS' Economic Census of 2001/2003, whence came the Business Registry - 2005/6. It is also used in the updated BR of 2007, which, authorized by the RFP from ADB, our

team is using. Because the BBS definition has already shaped results from many empirical exercises before, in this implementation, we are using the BBS 'informal' definition. We shall define an enterprise with between 1 and Q workers as a micro establishment; between 10 and 4Q, small; between 50 and 99, medium; and 100 and above, large.

3.2 Objectives of SME financing

1. Hassle-free easy access to SME Loan
2. SME loan commitment Tk. 1.00 core
3. Repayment choice within convenient
4. Expedient installment schedule
5. No hidden fee

3.3 Purpose of the Classification of SME

An important consideration for an industrial policy should be that the enterprises are so grouped that they share broadly similar characteristics. A policy stimulus may then be expected to impinge on the enterprises in the same group in a similar way, and they may also be expected to react or respond to the stimulus in a similar manner. If the classification scheme is so liberal as to include very diverse enterprises in the same category, the same policy could have very different impact on them, and consequently it would be difficult to predict the overall outcome. The policy then loses predictability and effectiveness.

Considering these points it is advisable to revise the definition of the size classification of enterprises for the purpose of SME development policy. It may be helpful to use only one classification criterion. An appropriate criterion could be fixed capital assets of the enterprise. Capital is the scarce factor of production in the country. It is essential that capital should be used sparingly while the abundant factor labor could be used liberally.

Classifying firm size by capital assets gives the authorities some influence over the choice of factor intensity of firms. Attractive concessions to small firms would persuade entrepreneurs to adopt labor-intensive methods of production. Fixed assets also give a fairly good indication of the financial strength and influence of the enterprise. Fixed assets are perhaps less likely to change suddenly than workforce such that sudden changes in size are unlikely to occur if size is based on fixed assets.

Government policies, such as concession loans, interest rate and depreciation, could be employed more predictably if they were based on fixed capital than otherwise.

3.4 Overall view of SME in General

The case for fostering SME growth in Bangladesh is irrefutable as these industries offer bright prospects for creating large-scale employment and income earning opportunities at relatively low cost for the unskilled and unemployed especially in the rural areas strengthening the efforts towards achieving high and sustained economic growth which are critically important prerequisites for triggering an exit from endemic poverty and socio-economic deprivation. The definitions of "small" and "medium" sized enterprises differ from one country to another. SMEs have been defined against various criteria such as the number of workers employed, the volume of output or sales, the value of assets employed, and the use of energy. Other definitions are based on whether the owner of the enterprise works alongside the workers, the degree of sophistication in management, and whether or not an enterprise lies in the "formal" sector. An SME is defined in the economics textbook as, "A firm managed in a personalized way by its owners or partners, which has only a small share of its market and is not sufficiently large to have access to the stock exchange for raising capital". SMEs ordinarily have few accesses to formal channels of finance and depend primarily upon savings of their owners, their families and friends. Consequently, most SMEs are sole proprietorships and partnerships. As with all definitions, this one is not perfect. Depending on context therefore definition of an SME will vary.

3.5 Places of SME in the National economy

Any precise quantitative estimate of the importance of SMEs in Bangladesh economy is precluded by non-availability of comprehensive statistical information about these industries at the national level. The latest BSCIC estimates suggest that there are currently 55,916 small industries and 511,612 cottage industries excluding handlooms, including handlooms, the number of cottage units shoots up to 600,000 units indicating numerical superabundance of the SCIs in Bangladesh. Quoting informal Planning Commission estimates, the SMDF puts the number of medium enterprises (undefined) to be around 20,000 and that of SCIs to be between 100,000 to 150,000. This wide variation in the BSCIC and Planning Commission estimates of the numerical, size of the SME might be due to at least two reasons: (a) different set of definitions of SMEs and (b) different coverage of SME families. This strongly suggests the need for adopting and using a uniform set of definitions for SMEs by all Government agencies to help formulation of pro-active SME promotion policies. Whatever the correct magnitude, the SMEs are undoubtedly quite predominant in the industrial structure of Bangladesh comprising over 90%

of all industrial units. This numerical predominance of the SMEs in Bangladesh's industrial sector becomes visible in all available sources of statistics on them (Ahmed, M.U. (2005), SME in Bangladesh: An overview of the Current Status). Together, the various categories of SMEs are reported to contribute between 80 to 85 per cent of industrial employment and 23 per cent of total civilian employment (South Asia Enterprise Development Facility, 2004). However, serious controversies surround their relative contribution to Bangladesh's industrial output due to paucity of reliable information and different methods used to estimate the magnitude. The most commonly quoted figure by different sources (ADB, World Bank, Planning Commission and BIDS) relating to value added contributions of the SMEs is seen to vary between 45 to 50 percent of the total manufacturing value added.

3.6 Policy for the development of SME in Bangladesh

A uniform set of definitions should be designed and used by all pertinent agencies (i.e. BBS, Ministry of industries/BSCIC, planning commission and NBR) with respect of classification of enterprises by size. In this context, a well thought out decision is needed to ascertain whether "SME" is the correct term to identify "small" "cottage" and "micro" industries in Bangladesh.

The economic arguments for SME should be more broad based and include and emphasize the various special merits intrinsic and specific to their smallness parse.

A sufficiently large sample survey should be carried out to generate a bench mark national level data base both for accurate estimation of the SME contributions to the national economy and formulation of comprehensive policies for the sector.

Given heavy reliance of the national economy on the SMEs for generating employment and income especially for the poor in the rural areas, development of sectorial linkages the SMEs should be declared as a " priority sector" and backed by formulation of a pro-active SME development policy.

Within the SME sector, the 1st growing sub-sectors exhibiting greater dynamism and prospects for sustained future growth should be declared as "thrust sector" and supported by adequate Incentives on a priority basis. In addition to rationalizing the existing policies and institutions. In this context, a strategic "public private sector" partnership and co-operation should be carefully developed keeping in view the current emphasis on fostering industrial development through private enterprises system.

Chapter 4

SME Financing of KB

4.1 Loan Approval and Disbursement Procedure

Agriculture is the most important and profitable sector in Bangladesh. All of our economic activities have been developed based on agriculture. In this case Karmasangsthan Bank is leading financial institution for financing in agriculture.

4.1.1 Getting Credit Information

Karmasangsthan Bank collects credit information about the applicant to determine the credit worthiness of the borrower. The bank collects the information about the borrower from the following

Sources:

- ❖ Personal investigation.
- ❖ Confidential report from other bank Head Office/Branch/chamber of the commerce.
- ❖ CIB Report from Central Bank.

4.1.2 Information Collection

- ❖ The loans and advances department gets a form filled by the party seeking a lot of information. The information is listed below:
 - ❖ Present and Permanent address of the customers.
 - ❖ Name and status of the business.
 - ❖ Address of the business
 - ❖ Business establishment date and background of the business.
 - ❖ Main resource of the business
 - ❖ Partners or employee information.
 - ❖ Experiences of the borrower and his training or others.
 - ❖ About customers personal assets and family background.
 - ❖ Getting information about other liabilities or debts.
 - ❖ Loss or profit statements of the business.
 - ❖ Nature and details of business/products.
 - ❖ Details of securities offered.
 - ❖ Other relevant information.

4.1.3 Analyzing These Information

Following type of information source may use by bank to analyze borrower:

- interview
- Financial statement
- Banks own record
- Income tax office
- Record from other bank
- Registrar of joint stock companies
- Credit information bureau
- Audit firm etc.

Karmasangsthan Bank then starts examination whether the loan applied for, is Complying with Its lending policy. If comply, then it examines the documents submitted and the credit worthiness. Credit worthiness analysis, i.e. analysis financial conditions of the loan applicant is very important.

4.1.4 Proposal analysis:

The Project Proposal is analyzed and decision about the project is taken. The loans and advance department is responsible for the analysis. After preliminary appraisal of the loan project the final approval is Obtain from the manager, If the loan amount crosses a certain amount (no found), managers send the loan project to the principal office for final approval. The experts in principal office find out different projected ratios and developed and understanding about the potentiality of the project. Bank evaluates a loan proposal by considering few predetermined factor. These are:

- ✓ Sources of repayment
- ✓ Safety on security
- ✓ Purpose of loan
- ✓ Profit and profitability of bank
- ✓ Diversification of risk
- ✓ Social responsibility
- ✓ Business ethics

- ✓ National interest (government policy, inflation. Etc.)
- ✓ Recovery possibility(present or future)
- ✓ Liquidity of bank etc.

The most important measure of appraising a loan proposal is safety of proposal. Safety is measured by the security offered by the borrower and repaying capacity of the borrower. The attitude of the borrower is also important consideration. Liquidity means the inflow of cash into the project in

Course of its Operation. The profit is the blood of any commercial institution. Before approval of any loan project the bank authority has to ensure that the proposed project will be profitable venture. Profitability is assessed from the projected Profit and Loss Statement. The security is the only tangible asset remains with the banker. Securing of collateral is the only weapon to recover the loan amount. So bank has to see that the collateral is easy to sale and sufficient to recover the loan amount. Bank cannot sanction loan by only depending on collateral.

The sources of the payment 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 growth.

4.1.5 Collateral evaluation

One of the most important functions of a bank is to employ its fund by way of loans and advances to its customers and a bank's strength depends considerably on the quality of its loans and advances, in order times, when the bankers knew the customers personally and intimately and had complete confidence in the integrity and honesty of a customer, they used to allow loans and advances without a Security, The position is quite different today. Banks having a large number of officers over a wide area cannot allow loans and advances without retention of security in one form or the other.

Though the banks are now expected to lay greater emphasis on the purpose for which the borrower needs rather than security he can afford to give, security continues to be one of the most important

Factors which determines to a significant extent the banker's willingness to lend money,

Security is obtained as a line of last defense to fall back upon. It is meant to be an insurance against emergency. But taking security, bank acquires a claim upon the assets of the borrower if repayment is not made as planned. But what should be the significant securities of loans depends in the guidelines prescribed by the Bangladesh Bank through BCD circular no. 17/1977 and also the negotiation of the respective branch to its borrowers. The most significant categories of security lodged are as:

- Goods and commodities
- FDR
- Real estate
- Stock exchange securities
- Life insurance policies
- Gold and gold ornaments
- Documents of title of goods
- Book debts
- Supply bills

Bank keeps Sufficient Security before final sanctioning of loans and advances.

Bank is very cautious about valuation of the collateral. The bank officials simultaneously evaluate the collateral of the party offered by the private firm. The valuation of the collateral increases the accuracy of its value estimated. Three types of value of the collateral are assumed:

- Current market price
- Distressed price
- Price after five years

The legal officers of the bank check the document ascertain their impurity.

4.1.6 Final decision about loan

If the loan decision remains with the branch level, that branch sanctions the loan and if the approving authority is Head Office then the decision comes to the branch by telex or fax.

4.2 Credit Policy of Karmasangsthan Bank

Karmasangsthan Bank in fiscal year 2009-2010 decided to prepare a five years plan to disburse loan in different sector. The key point of their planning is given below:

4.2.1 To develop and expansion of agriculture the bank will provide loan to all agro-based sector which involve in Agriculture.

4.2.2 To facilitate, modernized, profitable of and to improve the life style of rural people

Karmasangsthan Bank will pay special attention to the 7 sector such as; Crops, Fisheries, Livestock, Agro-equipment and firm machineries, Agro based industries, Continuous loan, Poverty alleviation and Micro-credit program.

4.2.3 To identify different sector which increase the price of agro product and distribution Karmasangsthan Bank work for those sector and give loan to improve the situation.

4.2.4 To face the growing amount of loan demand in every year Karmasangsthan Bank will increase the amount of loan disburse in the agricultural sector.

4.3 Recording transaction and filling documentation of the Loan

These are the most frequently used and common documents of above mentioned charged and for other formalities for sanctioning the loan:.

- Demand Promissory Note: In this written document when bank demand to repay the loan the borrower promise to pay.
- Letter of Arrangement: Here the sanction amount of loan is specified.
- Letter of Continuity: It is used to take continuous facilities as providing continuous securities.
- Letter of Hypothecation: It is the written document of the goods hypothecated thus to put in case of need.
- Personal guarantee: it is another confirmation to repay the loan.
- Resolution of the board of directors: It is used for complete other document.
- Letter of disclaimer: By this document borrower mortgage his property to the bank.
- Letter of Acceptance: In this paper borrower accept the sanction proposal.
- Letter of Disbursement: This paper indicate the disbursement of the loan amount.
- Letter of partnership: If the borrower provide the partnership deeds.
- Letter of Installment: This paper indicate in the payment schedule and the borrowers payment types.
- If borrower pay tax then he provide tax paying papers.
- Any document if described, as essential in the sanctioned advice sanctioned by the Head Office

4.4 Classifications of SME financing of Karmasangsthan Bank

The total credit disbursement of **Karmasangsthan Bank** can be classified into three major groups these are:

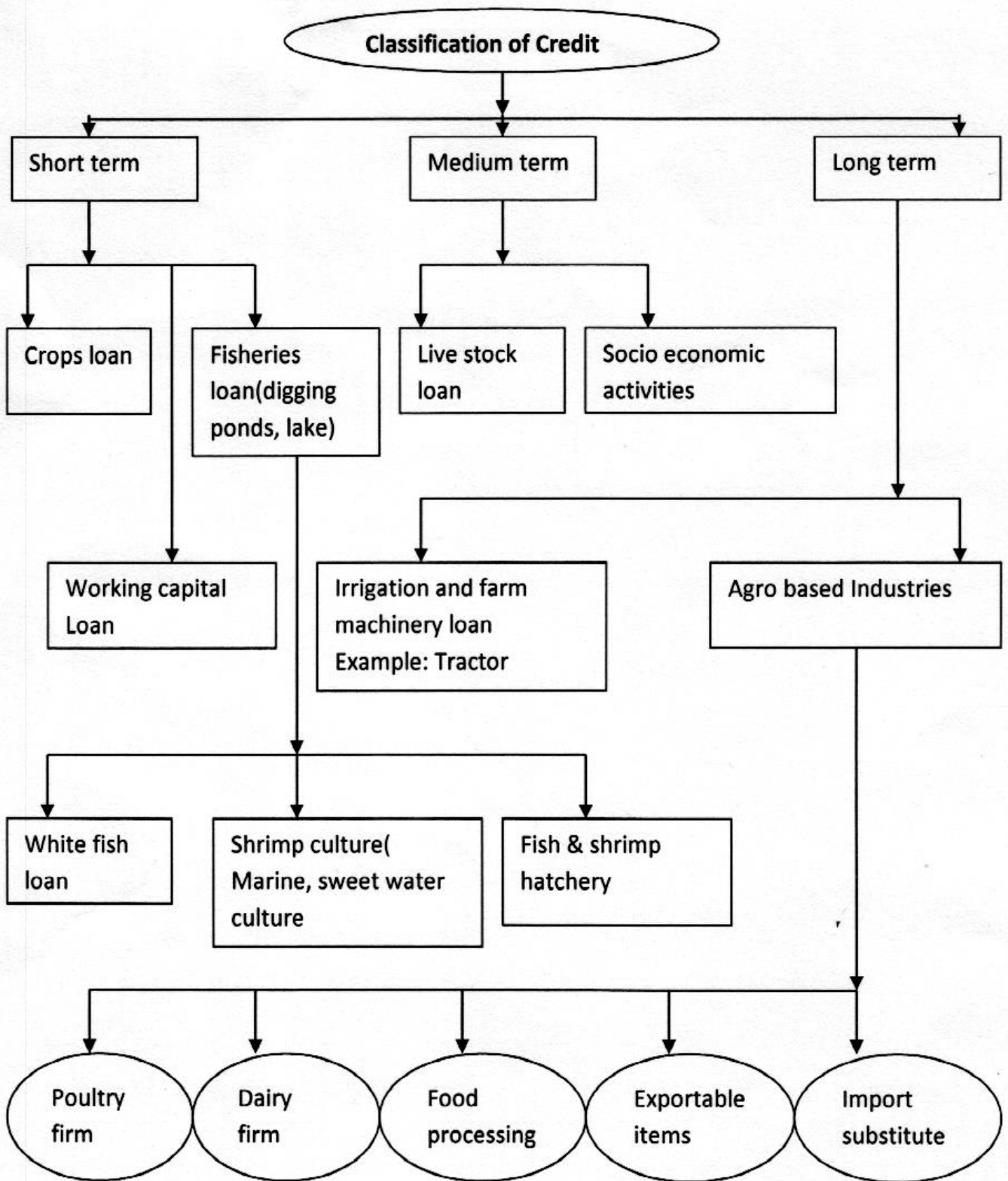
4.4.1 Short term loan

4.4.2 Medium term loan

4.4.3 And long term loan

But for the purpose of making diversification modernized as and marketing oriented of agriculture and above all for the improvement of living standard of the rural people BKB has determined seven crucial sector for the loan disbursement considering their possibility and labor intensive. These are shown below:

- ✓ **Crops**
- ✓ **Fisheries**
- ✓ **Live stock**
- ✓ **Agricultural product *and* equipment**
- ✓ **Agro based industries**
- ✓ **Continuous loan**
- ✓ **Micro credit**
- Milking Cow Credit Program for the women.
- This program was initiated in 1998.
- Under this program one village of a branch area is selected and one woman from each is selected and one woman from each family of the selected village is eligible to get this credit facility.
- In this project an applicant gets maximum Tk.250000 to purchase a calf and its interest rate is 8%.
- This is also a collateral free supervised Credit.
- **Special micro credit program (SECP) for the Retirement Service Holder Of Industries.**
 - This program has been introduced in 2011 for the purpose of income generation and development of socio-economic condition through employment creation for the disabled person.



4.4.1 Short term loan: **Karmasangsthan Bank** provide such loan to all sort of people, especially the poor and marginal farmer as well as low income people for the very short term basis. The duration of this loans are 1 to 23 months. Such loans are Crop loan, Continuous loan, Fishery loan Small Business.

4.4.2 Medium term Loan: **Karmasangsthan Bank** provide such loan for the period of 23 months to 5 years.

4.4.3 Long term Loan: This loan is provided for the period of 5 to 10 years.

Now I will discuss about some of the popular sector **of Karmasangsthan Bank**
Loan in short:

Crop Loan: In case of providing crops loan **Karmasangsthan Bank** playing premier role from its inception. The major feature of this loan disbursement are-

- ◆ Out of total annual allocation of loan portfolio, **Karmasangsthan Bank** assign for crop financing.
- ◆ This program covers all the seasonal crops produced in the country.
- ◆ The rates of interest for this sector is 8%.
- ◆
- ◆ All sorts of farmer including marginal farmer are also eligible for the loan.

➤ **Fisheries loan:** To accelerate fish production **Karmasangsthan Bank** provides various types of credit for-

- ◆ Excavation and re-excavation of ponds.
- ◆ Development of marshy lands.
- ◆ Establishment of fish hatcheries and
- ◆ New fisheries project.

In this case, credit are given in the following sub- sector:

(a) White fish

- ◆ Fish culture in existing pond/ tank
- ◆ Fish culture by re- excavation of old or derelict tank or tank.
- ◆ Fish culture by excavation of new tank.

(b) Shrimp culture

- ◆ Shrimp culture in traditional system.
- ◆ Shrimp culture in scientific system.
- ◆ Shrimp culture in semi- intensive method.
- ◆ Prawn culture in sweet water (Galda).

Irrigational and farm machineries.

In this case **KAMASANGSTHAN BANK** provide both medium term and long term loan for higher and quality production. In this situation BKB provide medium term loan for-

- ◆ Purchasing power tiller, tractor low deep tube-well, low lift pump etc.
- ◆ The rate of growth in the financial year is 9.44 %(According to **Karmasangsthan Bank** accounts).

➤ **Agro-based industries**

- ◆ Generally Karmasangsthan Bank gives long term loan for this sector. Basically bank provide loan in following purpose :
 - For agro based firm enlargement.
 - If needed to buy a large number of product from another country.
 - Material import backup.
 - For unemployed people made a large employment.
 - KB funding for decrease tread gap from other countries.

➤ **Food processing Project**

These types of Credit are

1. Fruit processing, preservation and selling,
2. Corn flakes, flour, biscuit vermicelli and bread and noodles, Chips.
3. Juice, Tomato Ketchup, Jam Jelly, Sauce production and selling,
4. Small food processing industries.

◆ **Exportable Items:**

Exportable items credit includes the following items. These are mention below:

- (a) Fish processing including Freezing plant, Dehydration plant, Salting and dehydration of Jew fish.
- (b) Leather process and leather based products.
- (c) Projects for furniture making.

◆ **Import substitutes:**

- (a) Spinning mills (Cotton processing)
- (b) Fish net or net thread production.
- r
- (c) Insecticide production.
- (d) Garments accessories (Garments allied industries like washing plant, packaging etc.
- (e) Organic fertilizer, mixed fertilizer, urea super granules production and marketing.
- (f) Bio-pesticide, Neem based pesticide production.

➤ **Cash credit or Continuous loan**

Karmasangsthan Bank finance this loan only for short term basis. There is huge demand of this loan because of-

- Continuous operating cost in industries and factories.
- Low interest rate
- Facility in withdrawing money at any time of the banking.

➤ **Socio- economic activities**

Over the last one decade this sector has one of the most top priority sector of **Karmasangsthan Bank** loan financing after Crop financing. This sector is known as micro-

credit. **Karmasangsthan Bank** initiated micro credit programs have been designed to cover all segments of poor population whether-

- Skilled or unskilled such as small or marginal farmers.
- Landless laborers.
- Destitute women.
- Disabled person
- Unemployed youth
- Rural artisan etc.

Main objectives of Karmasangsthan Bank credit financing are given below-----

- Create employments opportunities through income generating activities.
- To empower the rural women's to established their own rights.
- Improve the living standard of the rural people.
- Alleviate poverty of the poor people.
- To make easy access to institutional credit facilities and resources.
- Mobilize rural savings.
- To make optimum utilization rural resources.
- Engage inactive human resources of the rural areas in productive and economic activities.
- To eliminate exploitation done by money landers.

4.5 Loan Disbursement of KB

In fiscal year 2015-2016 KB has disbursed total BDT 519.98 crores. Sector-wise loan disbursements are as follows:

BDT in lac

| SL ' | Sector of Loan | Loan Disbursement | |
|------|--------------------|-------------------|---------|
| | | Number | Amount |
| 1 | Hand Loom | 245 | 282.90 |
| 2 | Poultry and Ducker | 1208 | 1472.21 |
| 3 | Knitting | 1837 | 1822.10 |

| | | | |
|----|---|-------|----------|
| 4 | Handy-craft | 66 | 67.00 |
| 5 | Boutique | 10 | 13.00 |
| 6 | Wood/Steel Furniture | 233 | 273.47 |
| 7 | Pottery | 3 | 2.50 |
| 8 | Embroidery quilts | 5 | 4.50 |
| 9 | Grocery/Stationary/ Departmental Store | 3028 | 3317.27 |
| 10 | Dispensary | 317 | 378.10 |
| 11 | Small Business | 6961 | 7801.58 |
| 12 | Photocopy shop | 23 | 20.70 |
| 13 | Computer service | 120 | 112.50 |
| 14 | Rural Sanitary | 25 | 32.30 |
| 15 | Vehicles (engine driven) | 4 | 3.30 |
| 16 | Rural vehicles | 10 | 9.80 |
| 17 | Repairing radio, TV <i>and</i> electronics accessories | 42 | 43.75 |
| 18 | Normal engine workshop | 201 | 211.75 |
| 19 | Car repairing workshop | 16 | 15.10 |
| 20 | Saloon/ laundry | 43 | 3.60 |
| 21 | Dairy farm | 8024 | 8020.49 |
| 22 | Fishery | 34.13 | 3553.25 |
| 23 | Cow/ goat rearing | 11474 | 11395.05 |
| 24 | Nursery | 113 | 152.25 |
| 25 | Cottage Indus. | 65 | 75.25 |
| 26 | Engraving | 5 | 4.00 |
| 27 | Others | 3553 | 5061.69 |
| | Sub total | 40973 | 44112.91 |
| B | Fishery And Livestock Loan Program | | |
| | a) Dairy | 3042 | 3281.95 |
| | b) Beef Fattening | 2160 | 2242.75 |

| | | | |
|-------------|---|-------|----------|
| | c) Fishery | 1048 | 1234.14 |
| | Sub Total | 6250 | 6758.84 |
| C | Milk Production and Insemination program | 642 | 758.30 |
| D | Loan to Agro-based Project | 17 | 63.47 |
| E | Small loan project for retired/sacked labor/Self retired workers of the Industries or Factories | 513 | 304.16 |
| Grand Total | | 48395 | 51997.68 |

Source: Annual report of KB 2015-2016

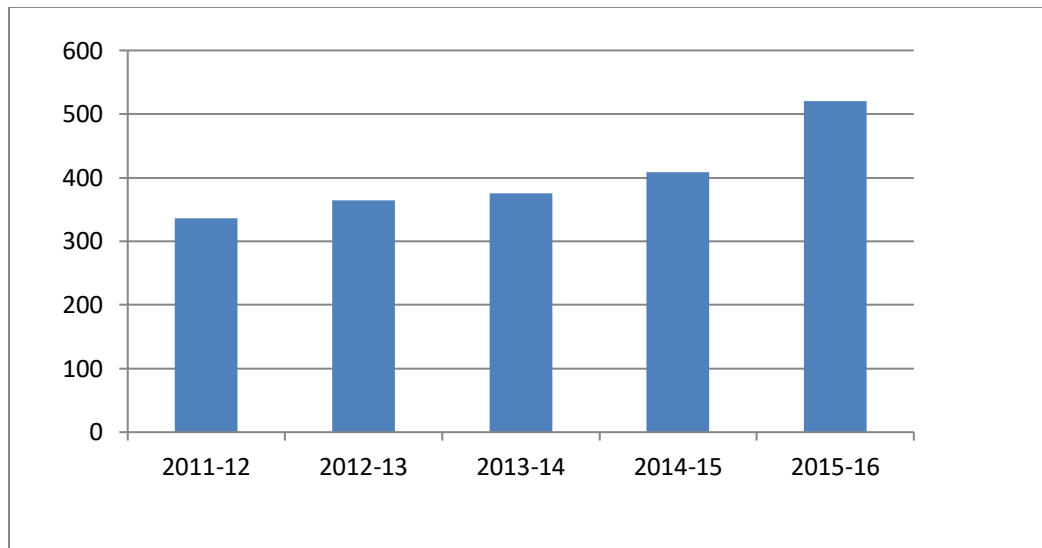


Figure 4.1: Trend of Loan Disbursement.

4.6 Loan monitoring process

Loan monitoring steps-

To achieve loan in a regular basis Karmasangsthan Bank may take some steps sequentially. That Enhances the possibility of credit collection from customers. Some of the steps are given below for understanding:

- a) Letter, Follow up and Persuasion over phone
- b) 1st Reminder letter and SI. No. 1 follows
- c) 2nd reminder letter and Single visit

d) 3rd reminder letter

After that-

- Visits by monitory team
- Investigate over phone
- Inform the higher authority of the Bank
- Warning on legal action by next 15 days

After 15 days-

- Call up the loan
- Final Reminder
- Serve legal notice
- Legal proceedings begin
- Repossession starts

At last-

- Telephone calls/Legal proceedings continue
- Collection effort continues by concerned bank officers.
- Letter to Microcredit Regulatory Authority and network Organizations

4.7 Loan Recovery status of KB

Loans are collected under intensive monitoring. Loans are collected with considering time limit through monthly/quarterly/semi-annually/yearly (permanent) installment. In fiscal year 2015-2016, KB recovered loan of TK. 478.62 crore which is TK. 43.70 crore more than the previous year. The percentage of accumulated loan recovery is 94%.

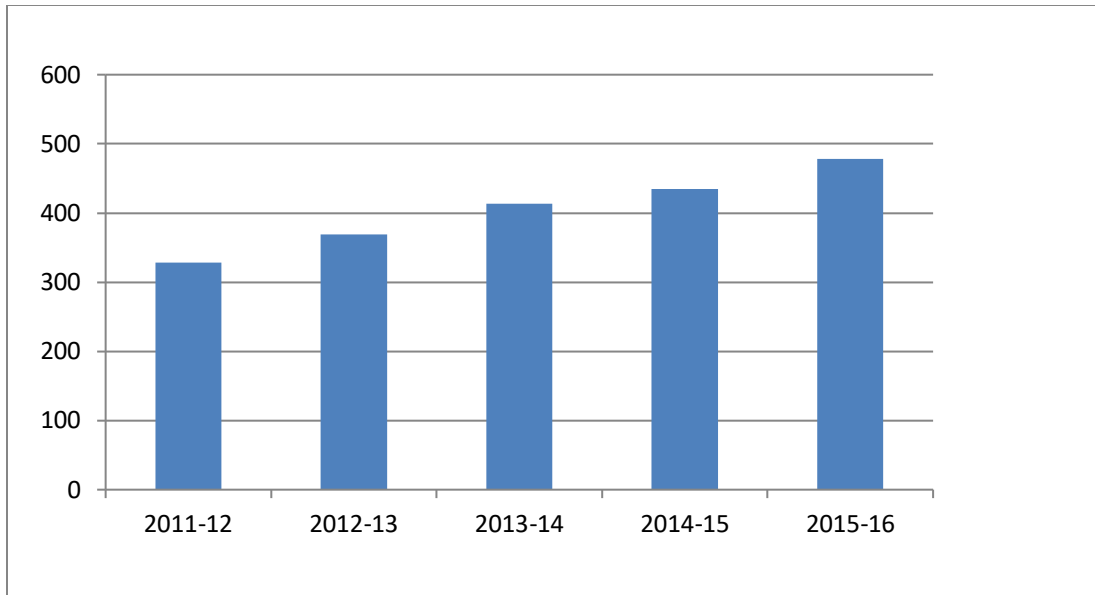


Figure 4.2: Trend of Loan Recovery

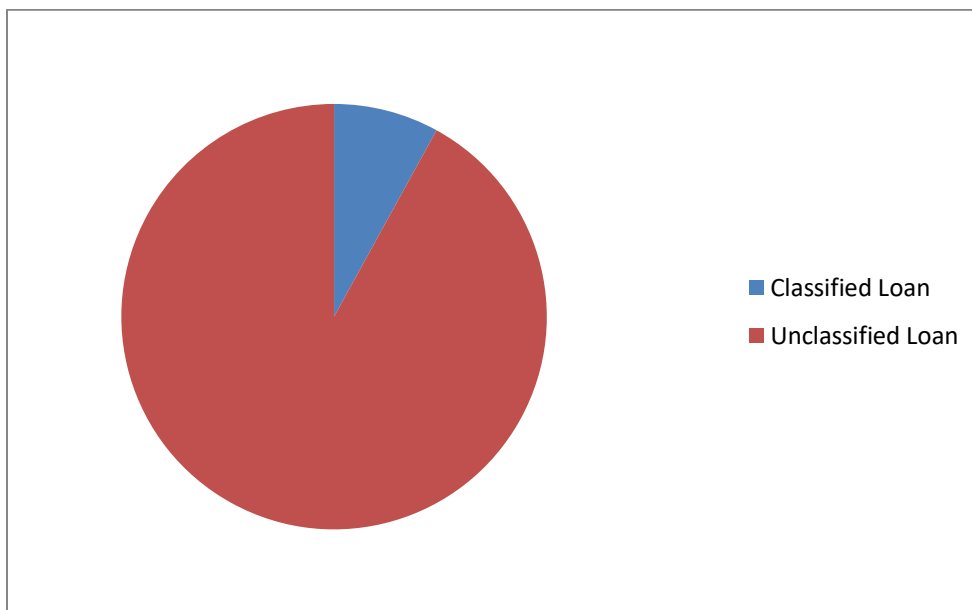


Figure 4.3: Classified Loan Position of June 2016

4.8 Problems in Loan Recovery

a lot of reasons responsible for poor loan recovery of the bank. I think generally problems may be raised in sanctioning procedures of loan. If investigation of the project or investigation of the loans were proper then the possibility of loan recovery will be positive. We can divided The poor loan recovery in four broad types. That's are :

- A. Problem rise by economic environment
- B. Problem created by government
- C. Problems created by the bank:
- D. Other natural causes of poor loan recovery.

The other causes are:

- Early disbursement of loan without proper inspection of the project by the bank or lobbying group.
- Late in disbursement of loan.
- Blindness of borrowers.
- Loan is not given to the actual entrepreneurs.
- Lack of proper monitoring.

- Negative attitude of customers to repay the loan.
- Deterioration of the value system of the borrowers.
- If borrowers use their loan-money in other project etc.

4.8.1 Major reason for none recovery of loan

There are some problems faced by Karmasangsthan Bank continuously in loan recovery:

- ✓ lack of adequate supervision
- ✓ fake securities
- ✓ overvaluation of securities
- ✓ uninsured securities
- ✓ Inappropriate securities
- ✓ Inadequate securities
- ✓ Fall in the price of securities
- ✓ Changing price of asset
- ✓ Improper record of the securities
- ✓ Fake applicant

- ✓ Imaginary project
- ✓ Excessive trust
- ✓ Political decision
- ✓ Bureaucratic favor
- ✓ Legal complexities etc.

4.9 Documents Used By Banks to Minimize Credit Risk

After the proper examination of banks I found that following documents generally used by bank for minimizing risk of default loan.

Commonly used

- Original loan agreement
- Filled up the loan application form
- Financial statements of the borrower
- Credit analysis report
- Proofs of certificate and documents of collateral
- Partnership deeds copy
- The surety from the authorized person of the company
- The copies of the written communication between the bank and borrower

4.9.1 Documents usually used for different types of loan:

- FDR
- Letter of attorney
- Demand promissory note
- Letter of continuity
- Demand of hypothecation
- Letter of guaranty
- mortgage of property
- latest stock statement
- latter of undertaking
- stamped letter of lien
- Standing instruction to the bank for payment of promises to the debit.
- Notes and bond duly endorsed in favor of bank.
- Memorandum of deposits.
- Delivery note of securities.

- Declaration of ownership by the borrower.
- Insurance policy.
- Invoice of good pledged.
- Delivery of possession of going down.
- Mortgage of property, if any for collateral.
- Letter of instructions for collection of bills etc.

4.10 KB makes some provision for unclassified and classified loan. In the Year of 2012-13 to 2016-17 kb makes the following provision:

Provision for Loan and Advance

Amount in BDT

| Particular | Year | 2016-17 | 2015-16 | 2014-15 | 2013-14 | 2012-13 |
|------------------------------------|------|-----------|-----------|-----------|-----------|-----------|
| Provision For Unclassified loan | | 84127799 | 70190999 | 58816632 | 50255286 | 44225495 |
| Provision For classified Loan | | 354531779 | 301940304 | 327610923 | 158782720 | 155322626 |

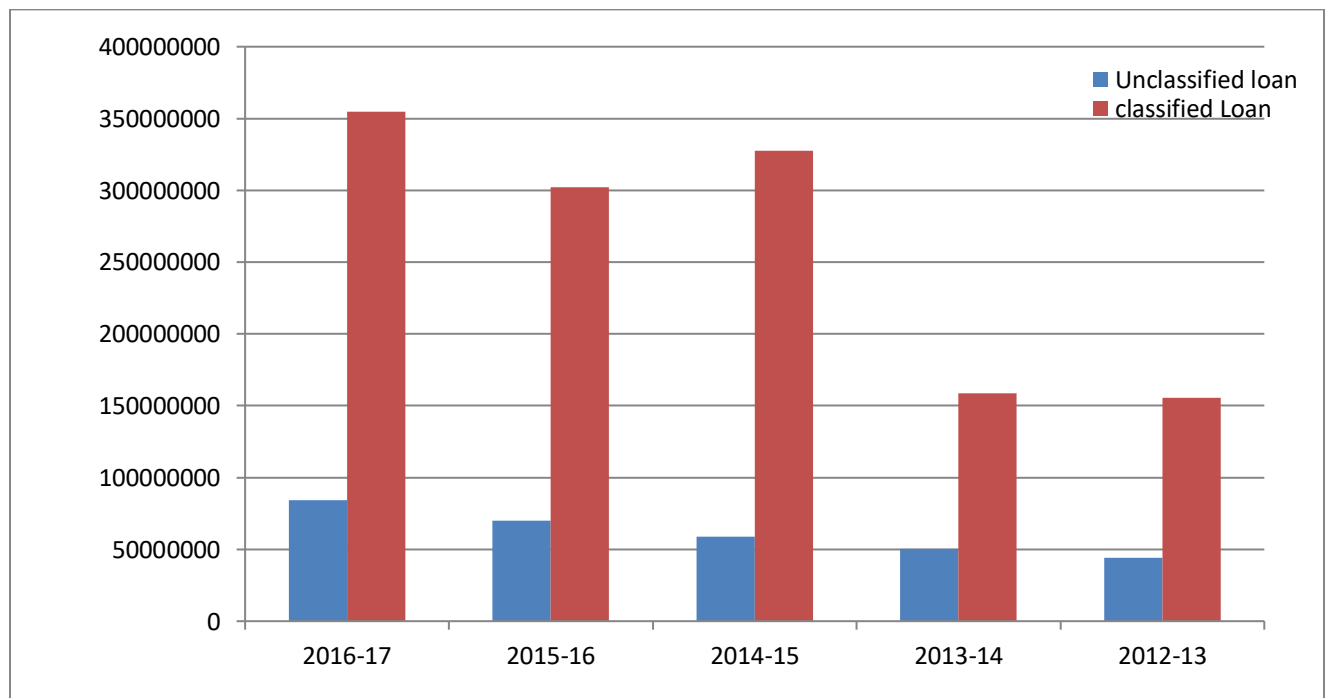


Figure 4.4: Provision for Loan in graph

Chapter 5

Findings

and

Recommendations

Findings

- Although Karmasangsthan Bank gives small loan to the farmers or small business, so that they need a lot of manpower. But KB has a big shortage of Manpower.
- The interest rate is a little bit higher for the small business or other occupations.
- Lack of member in monitoring division.
- The principle amount of loan is too small for the borrowers.
- Due to shortage of branches customers faces some problem and the bank has poor customer service.
- Consumers need to maintain another bank for general banking.
- Only permanent residents in an area can take loan from a branch in that area.
- KB gives loan for business purpose only.
- The bank has technological problem.
- The bank has poor loan controlling system.
- The bank takes long time for legal action against loan defaulters.

Recommendation

Some more recommendation point for KB:

In my study I identified some weaknesses in banking system and my recommendations are–

- KB need to require more employees like other banks.
- KB also need decrease its interest rate so that poor farmers or other people can pay loan easily.
- Supervising and monitoring is very essential for better loan recovery performance for all bank or organization. To increase loan recovery performance of KB should improve its supervision and monitoring activities.
- KB also can increase its principle amount of loan so that consumers can be more benefited.
 - It is essential for KB to open more branches. For lack of branches the quality of its service is not satisfactory in comparison of other banks. To provide better quality services the organization should take more steps I think. So that the organization can reach its goals easily.
- KB need to start general banking as soon as possible.
- In other bank permanent resident of our country can take loan from anywhere from our country but in KB that is not possible. So KB needs these kinds of facilities for customers.
- If KB gives loan in all-purpose then KB can earn more profit and they can expand their bank very quickly.
 - This is the age of computer and technology. But The KB has not advanced technology than other government or non-government banks, so for the profitability the bank should run online banking. But it is a big expenditure for a small bank like KB. If they can do that they would be more profitable.
 - There should have proper controlling methods so that allotment loan can be used in proper objectives. As result of it is hope that the loan recovery is possible to make form seasonal gained wealth.
 - If bank takes legal action against borrowers as soon as possible then the loan recovery will be easy and recovery would be increase.

Chapter 6

Conclusion

and

References

Conclusion

Small and medium enterprises (SMEs) act plays a very big role for the economic growth developing countries like Bangladesh. Financial intermediaries, especially banks have a very important role to play to develop our SME.

Sectors through launching SME Banking. SME banking is one of the latest innovations in our banking sector and now most of the banks provide SME financing.

To ensure the growth of SME authority has taken many initiative but those steps would not enough at all. In this sector government shows a positive attitude. Our government should give more seat on some areas, such as frame applicable legal framework, establish domestic quality policy, arrangement of finance, and provide infrastructure aptitudes.

From the array of this analysis, in economic development SME play an important role in our country. SME sector growth and SME banking of KB will be accelerated if the above mentioned approaches are implemented.

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