



Daffodil
International
University

INTERNSHIP REPORT

On

SME Banking of Dutch-Bangla Bank Limited

Submitted To

Mr. Syed Mizanur Rahman

Associate Professor

Daffodil International University

Submitted By

Shimul Kumar Biswas

ID No: 193-14-3066

MBA (Major in Finance)

Department: Master of Business Administration.

Faculty of Business and Economics.

Daffodil International University

Date of Submission: 05th December, 2020

Letter of Approval

05 December, 2020
Mr. Syed Mizanur Rahman
Associate Professor
Daffodil International University.

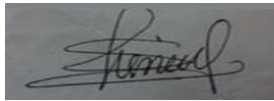
Subject: **Submission of Internship Report on SME Banking of Dutch-Bangla Bank Limited**

Dear Madam,

With utmost respect, I would like to submit this project report on “**SME Banking of Dutch-Bangla Bank Limited**” before for your kind acceptance. I assume myself very fortunate to have had the opportunity to prepare project report under your valuable guidance. Working under your direct supervision has unreached my concept about the assigned topic as well as the overall banking activities. I can never repay my indebtedness to you. This study under your guidance enabled me to gain new insights about how a research work is carried out and to reconcile my theoretical knowledge with practical experiences.

I therefore request you to kindly accept the report.

Sincerely yours,



Shimul Kuma Biswas
ID No: 193-14-3066
MBA (Major in Finance)
Department: Master of Business Administration.
Faculty of Business and Economics.
Daffodil International University

Acknowledgement

For the completion of this study I don't deserve all worth alone. There were many people who helped me by providing valuable pieces of information, advice and guidance for the completion of this report.

First, I obviously would like to express my deepest thanks and appreciation to my honourable supervisor Mr. Syed Mizanur Rahman, Associate Professor, Department of Business Administration for giving his valuable time, guidelines and advice in preparing of my Project Report.

Then I would like to thanks all concerned official of Dutch-Bangla Bank Limited who helped me by giving valuable information in connection about various aspects of banking which facilitated the preparation to report.

In this connection, I would like to thank to all concerned clients to Dutch-Bangla Bank Limited who were interrogated with a view to obtaining some sort of primary data in connection with completion of report.

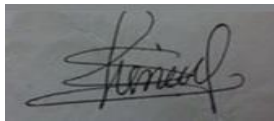
Finally, I convey my sincere thanks & gratitude to my friends who inspired me from various aspects with a view to completing the report and the course as well.

Student's Declaration

I do hereby solemnly declare that the presented project entitled "**SME Banking of Dutch-Bangla Bank Limited**" embodies the result of my own basic works, persuade under the supervision of **Mr. Syed Mizanur Rahman**, Associate Professor, Department of Business Administration Faculty of Business and Economics.

I further reaffirm that the information reported here is original one and it is my own basic work.

I also confirm that, the report is prepared to meet my academic requirement only, not for any other purpose.



.....
Shimul Kumar Biswas
ID No: 193-14-3066
MBA (Major in Finance)
Department: Master of Business Administration.
Faculty of Business and Economics.
Daffodil International University

Supervisor's Certificate

This is to certify that Shimul Kumar Biswas, ID No: 193-14-3066, MBA (Major in Finance), Department: Master of Business Administration, Faculty of Business and Economics, Daffodil International University, has successfully completed the project report on “**SME Banking of Sonali Bank Limited**” under my supervision for partial fulfillment of the requirement for awarding the EMBA degree.

As far I know, he has prepared this report by himself.

I wish him every success in life.



Mr. Syed Mizanur Rahman
Associate Professor
Daffodil International University.

Executive Summary of DBBL

Dutch-Bangla Bank started operation is Bangladesh's first joint venture bank. The bank was an effort by local shareholders spearheaded by M Sahabuddin Ahmed (founder chairman) and the Dutch company FMO.

From the onset, the focus of the bank has been financing high-growth manufacturing industries in Bangladesh. The rationale being that the manufacturing sector exports Bangladeshi products worldwide. Thereby financing and concentrating on this sector allows Bangladesh to achieve the desired growth. Dutch Bangla Bank other focus is Corporate Social Responsibility (CSR). Even though CSR is now a cliché, Dutch Bangla Bank is the pioneer in this sector and termed the contribution simply as 'social responsibility'. Due to its investment in this sector, Dutch Bangla Bank has become one of the largest donors and the largest bank donor in Bangladesh. The bank has won numerous international awards because of its unique approach as a socially conscious bank.

Dutch Bangla Bank was the first bank in Bangladesh to be fully automated. The Electronic-Banking Division was established in 2002 to undertake rapid automation and bring modern banking services into this field. Full automation was completed in 2003 and hereby introduced plastic money to the Bangladeshi masses. Dutch Bangla Bank also operates the nation's largest ATM fleet and in the process drastically cut consumer costs and fees by 80%. Moreover, Dutch Bangla Bank choosing the low profitability route for this sector has surprised many critics. Dutch Bangla Bank had pursued the mass automation in Banking as a CSR activity and never intended profitability from this sector. As a result, it now provides unrivalled banking technology offerings to all its customers. Because of this mind-set, most local banks have joined Dutch Bangla Bank banking infrastructure instead of pursuing their own.

Even with a history of hefty technological investments and an even larger donation, consumer and investor confidence has never waned. Dutch-Bangla Bank stock set the record for the highest share price in the Dhaka Stock Exchange in 2008.



Dutch-Bangla Bank Limited

Contents	Page No.
Letter of transmittal	i
Student's declaration	ii
Supervisor's certificate	iii
Acknowledgement	iv
Executive summary	v
Table of contents	vii
Abbreviations	01
CHAPTER-1 DEFINITION, OBJECTIVE, PRINCIPAL OF SME.	02-07
1.1 Introduction of SME Banking.	03
1.2 Objective of study.	04
1.3 Scope of the study.	04
1.4 Methodology of the study.	05
1.5 Sample size of the study.	06
1.6 Limitation of the study.	06
CHAPTER 2 OVERVIEW OF DBBL BANK LTD.	08-12
2.1 Background of DBBL Bank Ltd:	09
2.2 Corporate Social Responsibility	10
2.3 Corporate Mission.	10
2.4 Corporate Vision.	11
2.5 Corporate Value.	11
2.6 Corporate Objective.	11
2.7 Management of Dutch-Bangla Bank Ltd.	12
CHAPTER 3 BANGLADESH BANK PRUDENTIAL REGULATION OF SME.	15-22
3.1 Definition Of SME.	15
3.2 Objectives of SME Financing.	17
3.3 Principles of SME Financing.	18
CHAPTER 4 SME OPERATIONAL MANUAL.	22-29
4.1 SME Credit Policy.	23
4.2 Marketing Strategy.	23
4.3 Restricted Areas of Business.	24
4.4 Client Selection	25
4.5 Contact Point Verification (CPV)	26
4.6 Security and Support.	26
4.7 Nature and Type of Security.	26
4.8 Quality of Security.	27
4.9 Valuation of Securities.	28
4.10 Required Documents	28
4.11 Limited Company.	29



Dutch-Bangla Bank Limited

CHAPTER 5 BANGLADESH BANK PRUDENTIAL REGULATIONS FOR SME FINANCING	29-35
5.1 Bangladesh Bank Prudential Regulations For SME Financing	31
5.2 Regulation -1	31
5.3 Regulation -2	31
5.4 Regulation -3	31
5.5 Regulation -4	32
5.6 Regulation-5	32
5.7 Regulation-6	32
5.8 Regulation -7	32
5.9 Regulation -8	33
5.10 Regulation -9	33
5.11 Regulation -10	33
5.12 Regulation -11	34
5.13 Regulation -12	34
5.14 Regulation -13	34
5.15 Regulation -14	35
CHAPTER 6 SME OPERATIONAL MANUL & EXAMPLE	36-65
6.1 Fundamental and Planning of Credit	37
6.2 Borrower Selection Procedure.	37
6.3 Recommending of Borrower	38
6.4 Application Assessment	39
6.5 Exception of Loan Policy	41
6.6 Site Inspection	42
6.7 Regulatory Requirements	42
6.8 Risk Management	42
6.9 Liquidity and Funding Risk.	42
6.10 Loan Documentation.	43
6.11 Loan Take Over From Other Bank / Financial Institution	45
6.12 Disbursement	47
6.13 Renewal / Enhancement	47
6.14 Monitoring and Follow-Up	48
6.15 Mis Planning and Reporting.	49
6.16 Recovery	49
6.17 Client Application	52
6.18 Inter Office Memo	53
6.19 Branch Valuation Certificate	63
6.20 Business Synopsis	65
CHAPTER 7 FINDINGS, RECOMMENDATIONS AND CONCLUSION	68-72
7.1 Findings.	69
7.2 Recommendations.	70
7.3 conclusion.	71
7.4 References.	72



Dutch-Bangla Bank Limited

ABBREVIATIONS.....PAGE

ADB	Asian Development Bank
ALCO	Asset Liability Committee
BB	Bangladesh Bank
BCR	Borrower Credit Rating
BR	Board Resolution
BRPD	Banking Regulations and Policy Department
BSCIC	Bangladesh Small and Cottage Industries Corporation
BSTI	Bangladesh Standard Testing Institution
CCU	Credit and Collection Unit
CEO	Chittagong Development Author
CIB	Credit Information Bureau
CPV	Contact Point Verification
CRBO	Chief Retail Business Officer
CRM	Credit Risk Management
DBBL	Dutch-Bangla Bank Limited
DMD	Deputy Managing Director
DSCR	Debt Service Coverage Ratio.
EOL	Excess Over Limit.
ERC	Export Registration Certificate.
FDR	Fixed Deposit Receipts.
GDP	Gross Domestic Product.
IC&CD	Internal Control and Compliance Division.
IGPA	Irrevocable General Power of Attorney IRC Import Registration Certificate.
KDA	Khulna Development Authority.
KYC	Know Your Customer.
LAPK	Loan Application Processing Kit.
MIS	Management Information System.
MOU	Memorandum of Understanding.
MD	Managing Director.
NOC	No Objection Certificate.
OD	Overdue
PPG	Product Program Guidelines
PWD	Public Works Department
RAJUK	Rajshahi Unnayan Karttripkha
RDA	Rajshahi Development Authority.
ADB	Asset Liability Committee.
RJSC&F	Registrar of Joint Stock Companies & Firms.
RMG	Ready Made Garments.
RSD	Riot, Strike & Damage.
SEDF	Southeast Asia Development Facility.
SME	Small and Medium Enterprise.
SMEF	Small and Medium Enterprise Financing.
TIN	Tax Identification Number.



Dutch-Bangla Bank Limited

Chapter # 01

Introduction



1.1 Introduction of SME Banking.

AN OVERVIEW OF SMALL & MEDIUM ENTERPRISE (SME) OF OUR COUNTRY

Small and Medium Enterprises, broadly known as SME. occupy potentially a very important place in the national economy of Bangladesh as sources of non - farm employment and income generation, specially in the rural and semi - urban areas . Certain perceived advantages are attributed to SMEs, such as promises of low cost employment , prospects of income for the poor , establishing linkage between agriculture and industry and upgrading living for the rural as well as semi - urban households, ato Encouragingly , agro - based SMEs appear to have tremendous potentials of exports carrying huge foreign exchanges and improving balance of payment and thus enhancing external competitiveness of the Bangladesh economy.

Contribution of SMEs in Bangladesh economy is yet to be estimated with precision as the sector broadly lacke officially recognized data , a persisting bottleneck for centuries . However , some estimates can be derived based on available empirical evidences. There are 196,727 numbers of CMSMEs availed finance from Bank / NBFi among these 15,099 are women entrepreneurs : Outstanding of CMSME entrepreneurs was Tk .174,564 crore among these Tk 5,218 crore for women entrepreneurs as on March 31, 2017.

The SMEs in Bangladesh operate in a small - scale basis , use relatively simple technologies and require modest amount of fixed as well as working capital . The initial start - up capital required to set - up a Small Enterprise is also modest . The main characteristics of Small business are- they are operated by a family or close group , business owner is the day - to - day decision maker, formal business records are not widely available and even is some formal records are available, Information may not be accurate . Small enterprises are labor intensive businesses and in most of the cases they are able to serve niche market segments that are not covered by the large businesses . It makes innovative use of knowledge , experience local resources and simple technologies to turn local market conditions into business opportunities.

The economic and social impact of the SMEs has been well recognized by the interational development agencies and in academic discussion . It is also recognized that these actors in the economy may be under served , especially in terms of access to finance as most of the financial Institutions are reluctant to offer credit to then due to perceived greater risk information asymmetries etc. Mitigating risk and reducing administrative cost are major challenges for the Financial institutions to make the small enterprises financing profitable . On the other hand , assessing the credit risk of SMEs is a great challenge for the bankers during lending Standardized risk management practices by the bank can reduce risk and adoption of innovative distribution channel of financial products may help the bank to increase profitability



1. 2 Objective of study:

The main objective of the study is to evaluate the SME loan activities DBBL Bank LTD. As part of the prime objective of this study is to know the SME Banking Activities of DBBL. Some Specific objectives of this study are given below

Objective:

- To evaluate the loan appraisal and recovering process of SME loan.
- To know the enterprise selection criteria to provide SME loan.
- To know the term and conditions of SME loans.
- To make some recommendations on the basis of relevant findings.

1.3 Scope of the study:

Scope of the study is clear. SME Department is dealing with all types of small and medium loan activities in the bank; opportunities are there to learn other aspect of SME matters.

- Concept of SME and its impact in overall economy of Bangladesh.
- Entrepreneurship development situation through SME banking.
- Importance of SME banking in the context of Bangladesh.
- Small entrepreneurs of rural-urban spectrum enjoying the DBBL Bank loan facility without the presence of bank at rural area.
- Virtual banking concept through SME banking.
- Other bank,s performance in comparison to the SME banking at DB



Dutch-Bangla Bank Limited

1.4 Methodology of the study:

This report has been preparing on the basis of practical experience gathered from the internship. The study requires a systematic procedure form selection of the topic to preparation of the final report. The process of methodology has given below in the form of a flow chart diagram:

The Process of Methodology Data Source

In order to make the report more meaningful and presentable, two source of data and information have been used widely. These are:

- Primary data
- Secondary data.

Primary Data:

- The primary data is collected from the respective officers and staffs of the branch.
- Informal conversation with the clients.
- Relevant file Study as provided by the officers concerned.
- Study as provided by the officers concerned.
- Observing various organizational procedures, structure.

Secondary data:

- Annual report of DBBL
- Website of Dutch-Bangla Bank Ltd.
- Target population of the study.
- Different manual and synopsis.
- Prior research report.
- Different books and periodicals related to the banking sector.



1.5 Sample size of the study:

Four respective officers out of 22 officers whose transaction was related to consumer banking were selected as sample from the population. The total sample size is 25 from the customer who are somehow related to consumer banking, was determined purposiv

Sampling techniques applied of the study:

Non-random sampling technique namely convenience sampling technique was used for this study. The non-random samples were selected on a basis other than probability consideration as expert judgment, convenience or some other criteria.

This technique was used instead of random sampling because it was not possible to get survey in farms. So convenient sampling is also useful in making pilot studies. Manu customers come in bank to collect or deposit money but they do not make regular transaction. So, that reason a non-random sampling technique is very useful for this report.

Data analysis:

After collecting all the primary and secondary data, it was analyzed by compiling through a spread sheet namely Excel. Sample analysis techniques like percentage mean a graphical presentation method were used to express the output. Finally the report was completed in a common word processor.

1.6 Limitation of the Study

Though they worked hard to prepare this report but there is still some limitation of this study. These limitations are stated below.

COVID-19

In this time i can not move freely and do not able to commonate with target customer and officer of bank who directly involve with SME loan sector.



Dutch-Bangla Bank Limited

Time

Time is most considerable in any type of task. But they got only three (3) months' time to study and prepare this report. They tried their best to prepare the report before the deadline.

Lack of Knowledge and experience

This type of study requires a wide range of knowledge about the banking sector. But as a student of MBA they don't have a vast knowledge about the banking sector of our country.

Inadequate Discussion

As a new comer in this sector they don't has a clear idea about the activity of the bank. But to make a solid report they need to talk with the high official of the bank. But due to their busyness in their regular banking activity they are not able to give them adequate time.

Inadequacy of Data

Data which are required to prepare this report is not sufficient. There are lacks of sources of collect data. Sometimes bank does not disclose the data which are confidential. Due to time limitation there are inadequacy data collections.



Dutch-Bangla Bank Limited

Chapter # 02

Overview of

DBBL Bank Limite



2.1 Background of DBBL Bank Ltd:

DBBL started as a development organization dedicated to alleviating poverty by empowering the poor to bring about change in their own lives. In Bangladesh It was founded in June 3 1996 and over the course of evolution, it has established itself as a pioneer in recognizing and tackling the many different realities of poverty of which **DBBL BANK** is one of the largest operational commercial venture with a **vision**.

DBBL Bank limited started their journey as a commercial bank in June 3 1996, with a clear vision to work as a catalyst for the vibrant yet unbanked SME sector in Bangladesh. DBBL Bank is a commercial bank scheduled bank extending full range of banking facilities as per the directives of Bangladesh bank.

DBBL Bank is one of country's fastest growing banks. With 189 branches, over 4834 ATMs, SME with Branch Banking, DBBL Bank,s operation now cuts across all segments and services in financial industry. With more than 2.2 Million Customers, the bank has already proved to be the largest SME financier in just 03 years with SME Divition. of its operation in Bangladesh and continues to broaden its horizon into Retail, Corporate, SME, Probashi and other arenas of banking.



Dutch-Bangla Bank Limited

2.2 Corporate Social Responsibility:

Building profitable and socially responsible financial institution focused on Market and Business with Growth potential, thereby assisting DBBL and stakeholders to build a just, enlightened, healthy democratic and poverty free Bangladesh. They work for the student by provide financial benefit.

2.3 Corporate Mission:

Dutch-Bangla Bank engineers enterprise and creativity in business and industry with a commitment to social responsibility. "Profits alone" do not hold a central focus in the Bank's operation; because "man does not live by bread and butter alone".

- Sustained growth in Small & Medium Enterprise sector
- Continuous low-cost deposit Growth with controlled growth in retail assets.
- Corporate Assets to be funded through self-liability mobilization. Growth in Assets through
- syndications and investment in faster growing sectors.
- Continuous endeavour to increase non-funded income
- Keep our debt charges at 2% to maintain a steady profitable growth
- Achieve efficient synergies between the bank's branches, SME unit offices and DBBL field offices for delivery of remittance and Bank's other products and services
- Manage various lines of business in a full controlled environment with no compromise on service quality
- Keep a diverse, far flung team fully controlled environment with no compromise on service quality
- Keep a diverse, far flung team fully motivated and driven towards materializing the bank's vision into reality



Dutch-Bangla Bank Limited

2.4 Corporate Vision:

Dutch-Bangla Bank dreams of better Bangladesh, where arts and letters, sports and athletics, music and entertainment, science and education, health and hygiene, clean and pollution free environment and above all a society based on morality and ethics make all our lives worth living. Dutch-Bangla Bank 's essence and ethos rest on a cosmos of creativity and the marvel-magic of a charmed life that abounds with spirit of life and adventures that contributes towards human development.

2.5 Corporate value:

Our Strength emanates from our owner - DBBL. This means, we will hold the following values and will be guided by DBBL as we do our work.

- Value the fact that one is a member of the DBBL family
- Creating an honest, open and enabling environment
- Have a strong customer focus and build relationships based on integrity, superior service and mutual benefit
- Strive for profit & sound growth
- Work as team to serve the best interest of our owners
- Relentless in pursuit of business innovation and improvement
- Value and respect people and make decisions based on merit
- Base recognition and reward on performance
- Responsible, trustworthy and law-abiding in all that we do.

2.6 Corporate objective:

Dutch-Bangla Bank believes in its uncompromising commitment to fulfill its customer needs and satisfaction and to become their first choice in banking. Taking cue from its pool esteemed clientele, Dutch-Bangla Bank intends to pave the way for a new era in banking that upholds and epitomizes its vaunted marquee "Your Trusted Partner"

- Building a strong customer focus and relationship based on integrity, superior service.
- To creating an honest, open and enabling environment.
- To value and respect people and make decisions based on merit.
- To strive for profit & sound growth.
- To work as a team to serve the best interest of our owners.
- To base recognition and reward on performance.
- To responsible, trustworthy and law-abiding in all that we do.
- To finance the international trade both in import and export.
- To develop the standard of living of the limited income group by providing customer credit.



Dutch-Bangla Bank Limited

2.7 Management of Dutch-Bangla Bank Ltd.

<i>Name</i>	<i>Designation</i>	<i>Division</i>
Abul Kashem Md. Shirin	Managing Director & CEO	--
Khan Tariqul Islam	Deputy Managing Director & CFO	--
Shahidur Rahman Khan	Deputy Managing Director & CRO	--
Md. Abedur Rahman Sikder	Deputy Managing Director & CRBO	--
Md. Ahteshamul Haque Khan	Deputy Managing Director & CCBO	--
K.M. Awlad Hossain	Deputy Managing Director & COO	--
Md. Shahadat Hossain	Deputy Managing Director	--
Md. Shah Alam Patwary	Deputy Managing Director	--
Md. Abul Kashem Khan	Senior Executive Vice President & CFIO	--
Md. Abdullah Al Mamun	Senior Executive Vice President	Money Laundering & Terrorist Financing Prevention Division
Mohammed Shahid Ullah	Senior Executive Vice President & CCO	--
Mohammed Shahid Ullah	Senior Executive Vice President	Special Asset Management Division
Mohammed Shahid Ullah	Senior Executive Vice President	Internal Control & Compliance Division
Masud Hossain	Executive Vice President	Credit Risk Management Division-2 (CRMD-2)
Uttam Kumar Saha	Executive Vice President	Corporate Business Division
Uttam Kumar Saha	Executive Vice President	Branch Business Division
Md. Anwar Faruq Talukder	Executive Vice President	e-Business Division
Md. Anwar Faruq Talukder	Executive Vice President	SME Division
Syed Md. Nazmul Huque	Executive Vice President	Credit Administration Division
Md. Shahid Ullah	Senior Vice President	Accounts Division
Mahbub Jan Chowdhury	Senior Vice President	Credit Risk Management Division-1 (CRMD-1)
Abdul Monem	Senior Vice President	International Division (Treasury Back Office)
Abdul Monem	Senior Vice President	Offshore Banking Division (OBD)



Dutch-Bangla Bank Limited

Mohammed Moazzem Hossain Khan	Senior Vice President & DCTO	--
Mohammad Emdadul Haque Khan	Senior Vice President	IT Operation Division-1
Md. Mosharraf Hossain	Senior Vice President	Human Resources Division
Md. Mosharraf Hossain	Senior Vice President	Branch Operation & Liability Division
Md. Mosharraf Hossain	Senior Vice President	Financial Inclusion Compliance Division
Mir Mominul Huq	First Vice President	Public Affairs and Brand Communication Division
Md. Badiul Alam Badal	First Vice President	General Service Division
Mobayana Shireen Mahazaben	First Vice President	Centralized Trade Service Division
Shajeed Md Shafique	First Vice President	IT Development Division
Rashedul Huq	Vice President	Retail Business Division
Md. Mosiur Rahman	Vice President	Alternative Delivery Channel Division
Mohammed Mesbahul Alam	Vice President	Board Secretariat
Pronab Kumar Roy	Vice President	Risk Management Division
Pronab Kumar Roy	Vice President	Research & Development Division
Zahid Ahmed	Vice President	Foreign Remittance Division
Md. Mahabubul Islam	Vice President	Mobile Banking Division
Ahmed Aslam Al Ferdous	Vice President	Agent Banking Division
Arif Mohammad Eftekhari Rashid	Senior Assistant Vice President	Cards Operation Division
Mehedi Hassan	Senior Assistant Vice President	Treasury Division (Front Office)
Md. Mushfiqur Rahman	Senior Assistant Vice President	IT Security Division
Md. Mahabub Ujjaman	Senior Assistant Vice President	IT Operation Division-2
Sadar Uddin Ahmed	First Assistant Vice President	Management Information System Division



Dutch-Bangla Bank Limited

Chapter # 03

Overview of

DBBL SME Bank Limited



3.1 DEFINITION OF SME

Earlier the definition of SME was diverse and different as difference and divided as different national and international bodies defined SME in different ways. Bangladesh Bank in consultation with Better Business Forum had provided a unitary definition for SME. Lastly Bangladesh Bank has received the definition of Cottage, Micro, Small, and Medium, Industry Enterprise vide SMESPO Circular No 12 dated June 24, 2017. According to a Dutch Cortos Micro and SME can be defined in the following manner.

Cottage Industry / Enterprises means an entity constituted by the members of a family meeting the following criteria

Industry/Enterprise	Fixed Assets including Replacement Cost (Excluding Land & Building) or number of persons employed or Turnover
Cottage	Less than TK. 10.00 lac or employed maximum 15 persons mostly within a family

If an entity falls in Cottage industry / Enterprise under one standard, but if it falls in Micro Industry/Enterprise under another standard, then the entity will be treated as Micro Industry/Enterprise "Micro Industry Enterprises means an entity fulfilling the following criteria.

Nature of Enterprise	Fixed Assets including Replacement Cost (Excluding Land & Building) or number of persons employed
Trading	Less than Tk. 10.00 lac or employed maximum 15 persons or yearly turnover up to TK 100 crore
Service	Less than the 10,00 lac or employed maximum 15 persons
Manufacturing	Tk 10.00 lac - Tk 75.00 lac or employed 16-30 persons / less.

If an entity falls in Micro Industry Enterprise under one standard, but if it falls in Small Industry Enterprise under another standard, then the entity will be treated as Small Industry / Enterprise "Small Industry Enterprise means an entity fulfilling the following criteria.

	Fixed Assets including Replacement Cost Excluding Land & Building) or number of persons employed
	Trading TK . 10.00 lac - Tk 2,00 crore or employed 18-50 persons or yearly turnover is greater than Tk 100 crore but not more than TR 12.00 crore
	TK 10.00 lac - Tk 2.00 crore or employed 15-50 persons
	TK . 75.00 lac - Tk . 15.00 crore or employed 31- 20 persons



Dutch-Bangla Bank Limited

If an entity falls in Small Industry / Enterprise on one criterion while it falls in Medium Industry Enterprise based on another criterion, then the entity will be treated as Medium Industry Enterprise. "Medium Industry Enterprise" means an entity fulfilling the following criteria:

Nature of Enterprise	Nature of Enterprise Fixed Assets including Replacement Cost Excluding Land & Building) or number of persons employed
Trading	Note : Medium Enterprises engaged in trading business will not be considered for SME Financing as per SMESPO Circular No. 62 dated June 29 , 2017
Service	Tk.2.00 crore - Tk 30.00 crore or employed 51-120 persons
Manufacturing	Tk . 15.00 crore - TK 5000 crore or employed 121-300 (for RMG max . 1000) persons

If an entity falls in Medium Industry Enterprise on one criterion while it falls in Large Industry Enterprise based on another criterion, then the entity will be treated as Large Industry or Enterprise.



3.2 OBJECTIVES OF SME FINANCING.

- To enter into new customer segment with structured and terminating risk berdina products ,
- To diversity the Bank's overall credit risk
- To impart quick response to SME entrepreneur's funding requirements
- To promote the under - arvad entenpreneurs who can not go a long way due to lack of financial Support
- To increase Banks interest margin .
- To aval the benefits of special Small Enterprise funds refinance from Bangladesh Bank .
- To contribute to the socio - economic development of the country as well as snhance our market share in the economy of Bangladesh through deploying crdit towards Small and Medium Enterprises having potential productivity
- To increase contribution of SME sector to Gross Domestic Product (GDP) To offset potential losses from consumer loans and corporate exposure by prospective gains of SME Landing in the majority of productive economy
- To make a shin in the overall credit policy of the bank towards the deprived but promising segment of the economy on the backdrop of global economy and national urgency for enhancing domestic productivity.



3.3 PRINCIPLES OF SME FINANCING

General Principles

General principles are universal . They are the guiding principles from which all other credit policy follows.

Use judgement and common sense.

No amount of policy in the form of Principles , Rules , Guidelines Risk Assessment Technique Rating Systems , Scoring Systems. etc. will ever replace the use of good judgement and common sense . Judgement gained through experience, combined with sound credit policies forms the proper foundation for credit decisions. It is important, therefore , to understand that the spirit of the Principles Rules and Guidelines is just as important as the letter.

Credit quality is every employee's responsibility.

Credit quality is crucial to the Bank's profitability . It is important for each employee to help maintaining the desired quality of the Bank's portfolio . Although Bank operations are divided by function all employees have a contribution to make the credit quality in any way they can . Only when each employee accepts responsibility , the Bank can be able to achieve its quality and productivity targets.

Credit Process starts only with performance or repayment.

The credit process is a series of steps comprising.

- Strategy.
- Marketing.
- Sales.
- Application.
- Analysis
- Recommendation.
- Approval.
- Documentation.
- Monitoring.
- Collection.
- Full payment or better performance.

Quality can only be maintained if all the steps in the process are performed properly.

Consideration the bank's reputation.

Appropriate due diligence must be conducted to ensure all clients meet normal criteria for establishing a business relationship . The Bank will not make a loan or finance any business or activity that is illegal or that we know is inconsistent with generally accepted standards of ethical or social behaviour



Dutch-Bangla Bank Limited

in the community in which the business or activity is conducted . As well , in assessing credit application , careful consideration shall be given to the reputation and image of the Bank . In any situation where the Credit Analyst or the Risk Manager is uncertain the matter shall be referred to senior management of the Bank where appropriate.

Portfolio Principles.

Portfolio Principles refer to the quality and soundness of the portfolio They are for use by

- Management Committee in controlling the risk inherent in the Bank's credit portfolio
- Credit Officer Analyst Managers in understanding how their decision recommendations fit within the guidelines derived from these principles.

Spread the risk.

The Bank reduces credit risk by diversifying the portfolio across several categories including :

- client
- industry
- product
- geographic area

Borrowers are members of more than one category , therefore , concentration needs to be measured across category boundaries . Changes which adversely affect a specific category or borrower , affect all borrowers in that category . Too much exposure to a particular borrower or category of borrowers creates an imprudent level of risk This could result in material deterioration of the portfolio in a short period of time.

Do not compromise quality for growths.

The Bank wants to grow , although not at the expense of portfolio quality . An acceptable balance must be found between -

- portfolio quality.
- volume or market share.

During times of economic growth questionable transactions may appear acceptable . Studies have shown that the best barometer of problem loans is excessive growth - bad loans are usually made in good times.

Price credit appropriately.

The Bank's responsibilities to depositors , shareholders and staffs require the granting of credit to provide an adequate return over time and only a certain level of loan losses is part of the normal cost of doing business. The earnings from clients business must be sufficient to

- pay interest on deposits.
- provide a good return to shareholders and enough retained savings to support a high credit



rating.

Provide quality resources.

Providing credit requires specialized knowledge and support DBBL does not engage in any business unless it is supported by

- adequate strategies and policies
- appropriate systems and procedures
- people with the right skill and training .

Relationship Principles.

Relations principles refer to the Bank's relationship with client . They apply at the transaction level.

Know Your Customer.

DBBL is in the business of serving clients , but before entering into a new client relationship it is imperative to check the client's

- background
- character
- financial status
- banking history

Appropriate monitoring and review of the client on a continuous basis is necessary to ensure new or changing information which affects the assessment . When clients are unethical , then the risk is inherently increased , and the analysis becomes more difficult . It is critical to avoid these types of client relationships in order to induce cost and losses . The character of the client is paramount importance.

Know the transaction.

Persons involved in recommending , authorizing , processing and monitoring each transaction , it is imperative to fully understand :

- the transaction
- the risks inherent in the transaction
- how the transaction fits with Bank strategies

A proper recommendation ensures that Manager / Credit Officer assumes risk only after full understanding . Pay close attention to the risk dynamics of a transaction

The client must understand the transaction.

DBBL will not enter into a transaction where it believes that the client does not have a reasonable understanding of the transaction

Referrals are not approvals Clients and / or transactions referred by Senior Executives of other



Dutch-Bangla Bank Limited

Officers are subject to the same credit approval standards as from any other source . Senior Executives or other Officers are expected to refer business to the Bank . It is up to the Credit Officers / Manager to assess the risk , and clearly understand that they are fully responsible for their recommendations.

Only cash repays loans

Each lending proposal must identify

- the cash flow to repay the loan firstly.
- alternative sources of repayment subsequently.

Loans and other credit facilities must have clearly defined sources of cash for repayment Financial projections must be based on prudent assumptions , without relying on unrealistic growth to ensure repayment . If a primary repayment source becomes less viable , a secondary source of repayment , such as cash collateral security must always be available . If security is appropriate , always consider it as an enhancement to credit , not a substitute for adequate cash to make repayment.

Complete documentation correctly and promptly.

In order to avoid uncertainty or confusion between Dual and its clients , all credit facilities must be properly documented before or at the time funds are disbursed or obligations are undertaken This can result in the terms and responsibilities not being understood and agreed upon by all parties . There are also legal requirements in the taking of security which must be met These need to be fulfilled before funds are disbursed.

Obtain appropriate collateral.

DBBL taken collateral security and / or other credit support documentation when appropriate to the transaction and clients involved Analysis will indicate what type of collateral security and other credit support is necessary to mitigate risk.

Resolve credit problems.

In cases where a customer fails to perform its repayment obligations , the Bank may have to enforce its contractual rights (including enforcement of security) in order to maximize the recovery of its funds . On the other hand , in some cases working out the financial difficulties of the client through modifications to the credit arrangements offer the best chance of maximum recovery . However , in all cases care should be exercised to avoid weakening the Bank's existing rights until an appropriate alternative arrangement has been fully developed and agreed.

Use credit rating systems.

All clients with whom DBBL conduct risk - related business are scored according to a standard rating system before credit is granted . Ratings should be reviewed regularly , and whenever circumstances change materially



Chapter # 04

Overview of

SME Credit policy



Dutch-Bangla Bank Limited

4.1 SME Credit policy.

Considering the importance of Small and Medium Enterprises in the growth of the economy. Bangladesh Bank vide Barking Regulations and Policy Department (BRPD) Circular no 07 dated 03 November, 2004 circulated and provided a set of Prudential and Development Guidelines for Banks and Non-Bank Financial Institutions Namely Prudential Regulations for Small and Medium Enterprises Financing (SMEF). According to these guidelines, every Bank shall establish separate SME Division for the purpose of assessing risk management capacity, maintaining and monitoring of Small and Medium Enterprise Financing This SME Credit Policy of Dutch-Bangla Bank Ltd will fully comply with Bangladesh Bank's Prudential Regulations for Small and Medium Enterprises Financing (SMEF). These guidelines will be followed in SME Financing of Dutch-Bangla Bank Limited.

4.2 MARKETING STRATEGY

Geographic Location of SME.

The geographical areas for SME Banking of Dutch-Bangla Bank Limited will cover:

- Rural Area
- Semi-Urban
- Area Urban Area

Market Segmentation

Rural and Semi-Urban areas will be the mostly focused areas for SME Financing by the Bank.

Delivery Channel

Branches/Sales units located in Rural & Semi-Urban areas will be more focused for SME Financing the Urban branches/sales units located near the Rural & Semi-Urban areas will provide effort for the same.

Nature of Borrower

Manufacturing and Service sector will be the top priorities for SME Finance. Lending segments under Bangladesh Bank Refinance Scheme should be viewed as potential market Accordingly SME (PPG) Division will concentrate more on Small Enterprises and Woman Entrepreneurs/Woman managed businesses due to funding guarantee from Bangladesh Bank.

Borrowers of the following natures will be eligible for availing SME credit:

- Proprietorship Concern
- Partnership Concern
- Limited Company (Non Public Limited Company)
- Group of Enterprises

Nature of Business.

SME business comprises goods and services produced, recycled, repaired or traded in traditional way. Enterprise of each of the following natures are eligible for availing SME credit:

- Manufacturing Enterprises.
- General Service Rendering Enterprises.



Dutch-Bangla Bank Limited

- Professional Service Rendering Unit as Medical, Engineering Agricultural, etc.
- Trading Enterprise.

Preferred Areas of Business.

Enterprises doing business in the following areas will be entitled for SME Credit of DDBBL

- Food & Beverage Industry
- Textiles Weaving Industry
- Ready Made Garments Industry. value added in terms of Backward/Forward Linkage of RMG Hospitals, Clinics, Diagnostic Centres and Pharmaceutical Industries
- Capital Machinery/Equipment for professional services ie. Medical, Engineering, Architectural, Agricultural, etc.
- Abashon, Construction and Housing Industry
- Telecommunication and Power Sector
- Light Engineering Sector
- Vehicle, Cargo Vessel for business use
- Supplier Finance
- Electronics, Broad Band, Information Technology and Software Development Sector
- Hotel and Tourism Industry
- Leather and Leather Products
- Printing and Packaging Industry
- Service Sector
- Any Export Oriented and Import Substitute Business Any other business areas accepted to the approving authority of the bank

4.3 Restricted Areas of Business

Client engaged in any of the following activities cannot be selected for SME Credit of DDBBL:

- Production, marketing or trading of Alcoholic, Narcotic and other intoxicating Drug or Liquor Production, processing or marketing of luxury goods including such Items as gambling equipment, alcoholic beverages and furs
- Activities related to abortion or involuntary sterilization
- Logging, Mineral Extraction/Mining or other activity that is ethically sensitive
- Production, processing or marketing of materials for explosives, surveillance equipment or weather modification equipment
- Business having any kind of adverse environmental effect
- Business deals with highly perishable goods
- Holding companies
- A Firm/Company where a minor holds the majority share of the business
- Government employees as Police, other law enforcement or military activities
- Entrepreneurs involved in manufacturing/dealing with such products whose market may face difficulty due to anticipated change of international and domestic policy
- Clients listed by Credit Information Bureau (CIB) as defaulters or known defaulters/habitual defaulters
- Exposure is restricted on a SME in which any of its directors, employees or their Immediate



Dutch-Bangla Bank Limited

family members is holding 5% or more of the share capital of the SME. Moreover, client engaged in activities like money laundering, drug trafficking, smuggling and other anti-social activities will disqualify for SME Credit. Branches/Sales unit should ensure that the client is not engaged in any activity which is not permitted under the regulation of Bangladesh Government & Bangladesh Bank.

4.4 CLIENT SELECTION

Eligibility of Client

The objective of SME Financing is to bring the small and medium enterprises under financial inclusions that are less qualified for formal financial support. The potential clients will have the following attributes for preliminary consideration under this program:

- Minimum 3 months' successful business operation in the same place supported by valid Trade License. Satisfactory reason in case of transfer of business place/conversion of business must be clarified
- Age of Entrepreneurs between 21 to 65 years. For renewal purposes maximum age may be considered up to 70 years for Term Loan maximum age may be considered up to 70 years (including the tenor of the facility)
- TIN (Tax Identification Number) Certificate for loan amount more than Tk.5.00 lac.
- At least current year financial statement/summary.
- Satisfactory Cash Flow to repay the loan.
- Excellent succession status of the business or second line of management.
- Viable projects in consideration of Management, Marketing, Technical, Economic/Social, Environmental and Financial aspects.
- Prospects for expansion of business.
- Profitable business with annual sales growth not less than 10% in generate.
- Sufficient income from other sources to ensure smooth repayment of loans in case business income is inadequate.
- Net worth/Debt ratio at minimum 21.
- Liquidity ratio minimum 11.
- Satisfactory CIB report.

Client Selection Process

Branches, Saes units & SME/Agriculture Branches will select the SME clients and take appropriate measures for appraising, scrutinizing and processing of loan applications under SME Financing. Small enterprises generally do not maintain any proper financial. It is difficult to justify creditworthiness and appraise as well as selection of clients for SME Credits in this regard, the borrowers are to be selected in a very careful manner applying own prudence & subjective judgment of Branch Manager/Credit Manager/Sales Team. Some points are mentioned below for selection of clients for SME products:

- The borrower must be well known to the bank.
- The owner(s) must have good market reputation and integrity.
- Borrowers should have sound track record and credit discipline. Proper utilization and timely repayment of previous loan will be considered as a proven track record. Change of net worth



Dutch-Bangla Bank Limited

of the client over last years in the track record will be considered.

- The owners of the enterprise must be energetic and innovative.
- The owners must have entrepreneurship quality
- The owners must have good command over the business & be well conversant in technical know how.
- The owner(s) must be competent in managing the business.
- The enterprise must be 100% privately owned, controlled and operated.
- The business to be financed must be registered in Bangladesh and majority share should be owned by nationals or permanent residents of Bangladesh and/or business entities that are owned by such nationals or residents.
- The borrower's principal place of business must be in Bangladesh.
- Satisfactory Bank transaction of the business preferable with our Bank. If any business fully self-financed by the client and having solvency, Bank statement is not mandatory.

4.5 Contact Point Verification (CPV)

Contact Point of the client must be verified by the Branch/Sales team. Contact point verification includes residence, office and phone number of the client as well as permanent address, Verification is also required to confirm the declared/undeclared information of the client. Format of CPV report is attached in **Annexure-1**, Branches/Sales units will follow Know Your Customer (KYC) and Money Laundering Guidelines of the Bank and rules and regulations provided by Bangladesh Bank from time to time in the selection of SME clients.

4.6 Security and support.

Determining what security is available:

Collateral security involves the pledging of assets by a borrower to a lender.

- When the Bank takes collateral security for a loan, it is protecting its claim to the client's assets against the claims of other creditors. It is also protecting its claim against unfavourable events: For this reason, it is critical to consider the following
- What type of collateral security and other credit support is available or necessary to mitigate risk? Does the collateral security meet the "Loan to Market Value/Assessment Value" ratios? Presently it is 1:1.50. For festival loan "Utshab" loan to collateral ratio shall not be less than 1:1.30 of Market Value/Assessment Value (Including existing facilities).
- Who owns the security and are there any prior charges against that security?
- Will the Bank's rank of the priority over any security held or taken by other creditors?

4.7 Nature and Type of Security:

Primary Security

The following securities may be taken as primary security for granting SME credit facilities:

- Hypothecation of stocks-in-trade, raw materials, work-in-process and finished goods of the enterprise both present & future covering at 200% limit/amount of the facility. Goods having market demand / renowned brand should be considered (may not mandatory for Abashon/ Construction and Housing Industry).
- Hypothecation of book debts



Dutch-Bangla Bank Limited

- Hypothecation of Fixed and Floating assets
- Personal Guarantee / Corporate Guarantee / Counter Guarantee supported by Net Worth Statement Group/Joint & Several Guarantee from all the members of the borrowing group in case of group financing.
- Post-dated cheques covering all instalments or total dues

Secondary Security

One or more of the following securities may be obtained as quasi cash and collateral security depending on the facility, client & its nature of business.

- Lien mark on Fixed Deposit Receipts (FDR) or financial obligations along with Letter of pledge and Letter of authority to an-cash the financial instruments from the owners of the instruments. Financial instrument preferably with first party title issued from DDBBL
- Assignment of possession right of premises as shopping market through Tri-partite Agreement between the Borrower, the Landlord and the Bank (The tri-partite agreement must be vetted by one of our panel lawyers)
- Assignment of security deposit & advance rent through Tri-partite Agreement between the Borrower, Landlord and the Bank (The tri-partite agreement must be vetted by one of our panel lawyers).
- Assignment of bills receivable
- Registered Mortgage along with registered IGPA of landed property lies) (may not mandatory for financing to purchase Vehicle, Cargo Vessel for business use).

4.8 Quality of Security:

For the security aspect the following points to be considered to safe guard interest of the Bank

- Adequate primary and secondary securities must be obtained to secure the credit facility. Both securities must have marketability.
- Perishable items like live stock, fisheries and such other living things should not be considered as security In case of advances allowed against mortgage of properties, Title Deeds and related documents like C.S., S.A RS Parcha, Khatian, Mutation Certificate with DCR, Municipal Holding Tax Paid Receipt (if applicable), NOC from concerned authority (if applicable), Site Plan of fund, Rent Receipt (up-to-date), Non-encumbrance Certificate etc. are to be verified by one of our panel lawyer or legal advisor of the Bank and possession of the ownership over properties, its suitability as security and market value are to be verified. In case of advance against hypothecation and pledge of goods Letter of Hypothecation/Pledge, Letter of Disclaimer etc. are to be obtained.
- Permission for creating mortgage on leasehold properties from RAJUK I CDA KDA / BSCIC I Public Works Department (PWD) or any other Govt. / Semi Govt. / Autonomous bodies is required.
- In case of mortgage of vacant land, the property will be surrounded by boundary wall or at least well demarcated by pillar at the corner of the property.
- Property (ies) in the name of 1st party is preferable.
- Third party property is less acceptable. However, considering the excellent track record and Bank- Customer relationship, third party property can be taken as security by following ways:
 - The relation of the mortgagor and the client is being close and established.
 - The relation may be from Paternal and Maternal side. Father, Mother, Brother, Sister, Wife, Father-in-law, Mother-in-law, Brother-in-law, Sister-in-law and close relative



Dutch-Bangla Bank Limited

- properties will be acceptable as security. Other than close relative's properties is less preferable.
- Family member(s) of the mortgagor will be as witness in the Mortgage Deed in case of third party properties,
-
- Personal Guarantee of all the owners of the property to be mortgaged must to be obtained.

4.9 Valuation of securities.

Valuation of goods and inventory under pledge or hypothecation shall be done by the following methods

- In case of imported goods landed cost or market price, whichever is lower
- In case of domestic goods Ex-Mill /Factory price or market price, whichever is lower.
- Where applicable, government fixed wholesale price or market price, whichever is lower.
- Market value, Assessment value of the tangible security would be at least 1.50 times of the sanctioned limit. For festival loan "Utshab" loan to collateral ratio shall not be less than 1:1.30 of Market Value/Assessment Value (Including existing facilities).

Assessment of value of security is to be conducted as under.

- Value of stock shall be assessed by Branch Manager & Relationship Manager / Credit Officer taking into consideration the procurement cost /market value whichever is lower.
- The property offered as collateral security must be valued by one of enlisted surveyors of the Bank and also jointly by the Manager & Relationship Manager / Credit Officer of the Branch/Sales unit. If the valuation done by surveyor found 10% less value than the branch/sales unit valuation, then branch sales unit will send new proposal to H.O for further evaluation.
- Value of construction of Tin shed/Serni-Pucca Building/Under Construction Building on offered land will be ignored. Only the value of land and complete construction structure will be considered in valuation of property.

Revaluation of securities:

Property (ies) held as collateral security against credit facility (ies) should not be re-valued before 02 years from the date of previous valuation without any valid reason. But, in case of any addition or new construction to the existing security property re-valuation may be done as per normal rules.

4.10 Required Documents

The following documents will be required (when and where applicable) to finalize a client for SME Financing which must be obtained before disbursement

- Copy of National ID Card/Any Photo ID of the owner(s) of business,
- Up-to-date Trade Licence.
- Relevant Licenses (BSTI License Drug License DG Health Certificate/Nuclear Certificate/Environmental License Explosive License Kora! Kort License IRC/ERC License/Banded Warehouse License etc). if required,
- Photograph of the owner(s), business (sales outlet/factory godown) and collateral security.



Dutch-Bangla Bank Limited

Up-to-date Rental Agreement/ Lease Agreement Possession Deed/ Title Deed/ Ownership Deed Power of Attorney/ Up-to-date Rent Receipt of sales outlet/factory/godown premises,

- TIN (Tax Identification Number) Certificate for loan amount more than Tk.5.00 lac,
- Net Worth Statement,
- Bank Statement (if any). Financial Information of the Business,
- Financial audited by recognized Chartered Accountant (for facility amount above Tk 40.00 lac)

Relevant documents for different types of business such as:

Partnership concern:

- Registered Partnership Deed duly certified as true copy from Registrar of Joint Stock Companies & Firms or Partnership Deed at least registered with Govt. Registry Office,
- List of current Partners with photos, address and NID card/ Passport/ Other Photo ID.
- Resolution/Consent of Partners for borrowing and executing loan documents.

4.11 Limited Company

(Non Public Limited Company):

- Memorandum and Articles of Association including Certificate of Incorporation duly certified by Registrar of Joint Stock Companies (RJSC) and attested by the Managing Director of the company accompanied by an up-to-date list of Directors on "Form XII",
- Board Resolution of the company for availing credit facility and authorizing Managing Director/ Chairman/ Director for executing charge security documents with common seal in conformity with Memorandum and Articles of Association of the company.
- An undertaking not to change the management of the company and the Memorandum and Articles of Association of the company without prior permission from our Bank.
- Last 2 years Audited Financials for any amount (if the company is more than 2 years old), Personal Guarantee of all the Directors (other than nominee directors) including the Chairman and Managing Director.
- Certificate of Registration of Charges over the fixed and floating assets of the company duly issued by RJSC,
- Certificate of registration of amendment of charges over the fixed and floating assets of the company duly issued by RJSC in case of loan review or change in terms and condition of Sanction Advice regarding loan amount and securities etc.

A complete Checklist for required documents is attached in **Annexure-2**.

Other Conditions:

- After availing credit facility from our Bank, the SME client will not change the nature and place of business without prior permission of the Bank,
- The Competent Authority of the Bank will have the right for further amendment of terms and conditions from time to time, if required.



Dutch-Bangla Bank Limited

Chapter#05

Overview of

Bagladesh Bank Prudential Regularations For SME Financing



5.1 BAGLADESH BANK PRUDENTIAL REGULATIONS FOR SME FINANCING

All regulations and guidelines for Small and Medium Enterprises Financing (SMEF) provided by Bangladesh Bank from time to time to be complied with for SME lending. Key features of the up to date regulations are as produced below

5.2 REGULATION -1

Source and Capacity of Repayment and Cash Flow Backed Lending

Banks shall specifically identify the sources of repayment and assess the repayment capacity of the borrower on the basis of assets conversion cycle and expected future cash flows. In order to add value, the banks must assess conditions in the particular sector/industry they are lending to and its future prospects. The banks must be able to identify the key drivers of their borrower's businesses, the key risks to their businesses and their ha mitigates.

The rationale and parameters used to project the future cash flows shall be documented and annexed with thee cash flow analysis undertaken by the bank. it is recognized a large number of SEs will not be able to prepare future cash flows due to lack of sophistication and financial expertise. It is expected that in such cases banks assist their barrowers in obtaining the required information and no SE shall be declined access to credit merely on this ground (for details, refer Regulation 10).

5.3 REGULATION -2

Personal Guarantees

All facilities to SEs shall be backed by the personal guarantees of the owners of the SEs. In case of limited companies, guarantees of all directors other than nominee directors shall be obtained.

5.4REGULATION -3

Per Party Exposure Limit

Type of Industry	Nature of Enterprise	Maximum Loan Limit (Fig. in Tk.)
Cottage	All	10,00,000/=
Micro	Manufacturing	1,00,00,000/=
	Service	25,00,000/=
	Trading	25,00,000/=
Smalll	Manufacturing	20,00,00,000/=
	Service	5,00,00,000/=
	Trading	5,00,00,000/=
Medium	Manufacturing	75,00,00,000/=
	Service	50,00,00,000/=



5.5 REGULATION -4

Aggregate Exposure of a Bank on Small Enterprise Sector

The aggregate exposure of a bank on SE sector shall not exceed the limits as specified below:

% of classified SE advances to total portfolio of SE advance.	
a. Below 5%	10 times of equity
b. Below 10%	6 times of equity
c. Below 15%	4 times of equity
d. Below 15%	Up to equity

5.6 REGULATION-5

Limit on Clean Facilities

In order to facilitate growth of smaller loans, banks are free to determine security requirements for loans up to TK 10 lac and for Woman Entrepreneur up to Tk 25.00 lac. Guidelines for security requirements for SME loans are given in Regulation-6.

5.7 REGULATION-6

Securities

Consequent to the regulation stated in Regulation -5, facilities provided to SES shall be secured by banks as follows:

For loan amounting from Tk.0.50 lac to Tk. 10 lac.

As a minimum bank must take charge over assets being financed.

For loan amounting from Tk. 10 lac to Tk.50 lac.

- A. Hypothecation on the inventory, receivables, advance payments, plant & machinery.
- B. Registered mortgage over immovable properties with registered Power of Attorney,
- C. Personal Guarantees of Spouse/Parents/other family members,
- D. One third party personal guarantee,

5.8 REGULATION -7

Loan Documentation

For all facilities, banks must obtain (as applicable) and riot limiting to following documents before disbursement of loan can be made.

- Loan Application Form duly signed by the customer,
- Acceptance of the terms and conditions of Sanction Advice
- Trade Licence.

In case of Partnership Firm:

Copy of Registered Partnership Deed duly certified as true copy or a partnership Deed an non- judicial stamp (as per govt. rules) duly notarized.

In case of limited company:

- Copy of Memorandum & Articles of Association of the company including Certificate of Incorporation duly certified by Registrar of Joint Stock Companies (RJSC) and attested by the Managing Director accompanied by an up-to-date list of Directors,



Dutch-Bangla Bank Limited

- Copy of Board Resolution of the company for availing credit facilities and authorizing Managing Director/Chairman/Director for execution of documents and operation of the accounts,
 - An Undertaking not to change the management of the company and the memorandum and articles of the company without prior permission of the bank.
 - Copy of last audited financial statement up to last 3 years (as applicable and subject to Regulation-
 - Personal Guarantee of all the Directors including the Chairman and Managing Director.
 - Certificate of registration of charges over the fixed and floating assets of the company duly issued by RJSC,
 - Certificate of registration of amendment of charges over the fixed and floating assets of the company duly issued by RJSC in case of repeat loan or change in terms and condition of Sanction Advice regarding loan amount, securities etc.
-
- Demand Promissory Note.
 - Letter of hypothecation of stocks and goods,
 - Letter of hypothecation of book debts & receivables,
 - Letter of hypothecation of plant & machinery,
 - Charge on fixed assets,
 - Personal Letter of Guarantee,
 - Wherever practical, insurance policy for 110% of the stock value covering all risks with bank's mortgage clause in joint name of the bank and client.

5.9 REGULATION -8

Margin Requirements

Banks shall follow to the minimum margin requirement as prescribed by Bangladesh Bank (if any)

5.10 REGULATION -9

Credit Information Bureau (CIB) Clearance.

While considering proposals for any exposure banks should give attention to the credit report relating to the borrower and his group obtained from Credit Information Bureau (CIB) of Bangladesh Bank. The condition of obtaining CIB report will be governed by rules & regulations as prescribed by Bangladesh Bank from time to time.

5.11 REGULATION -10

Minimum Conditions for Taking Exposure

1. Banks shall, as a matter of rule, obtain a copy of financial statements duly audited by a practicing 1. Chartered Accountant, relating to the business of every borrower which is a limited company or where exposure of a bank exceeds Tk:40 lac, for analysis and record, However, financial statements signed by the borrower will suffice where the exposure is fully secured by liquid assets.
2. It is recognized that a large number of enterprises other than limited companies (ie. oie proprietorship/partnership firms etc.) may not have proper books of accounts including balance sheet. profit & loss account and they may not be able to prepare current and future cash flows due to lack of sophistication and expertise It is expected that in such cases, banks shall assist the borrowers in obtaining/developing such books of accounts as per forms formats



Dutch-Bangla Bank Limited

prescribed by each bank.

3. Each Bank shall develop their own Loan Application Form and Borrowers Basic Fact Sheet. Banks shall not approve and/or provide any exposure (including renewal, enhancement and rescheduling) until and unless the prescribed Loan Application form is accompanied by a "Borrower's Basic Fact Sheet under the seal and signature of the borrower.

5.12 REGULATION -11

Proper Utilization of Loan

The Bank should ensure that the loans have been properly utilized by the SE and for the same purposes for which they were acquired/obtained, Banks should develop and Implement an appropriate system for monitoring the utilization of Loans.

5.13 REGULATION -12

Restriction on Facilities to Related Parties.

Banks shall not take any exposure on a SE in which any of its director, employee or their immediate family members are holding 5% or more of the share capital of the SE.

5.14 REGULATION -13

Classification and Provisioning for Assets.

Loans and Advances

1. Banks shall observe the prudential guidelines in the matter of classification of their SME asset portfolio and provisioning there-against.
2. In addition to the time-based criteria subjective evaluation of performing and non-performing credit portfolio shall be made for risk assessment and, where considered necessary, any account including the performing account will be classified, and the category of classification determined on the basis of time based criteria shall be further downgraded. Such evaluation shall be carried out on the basis of credit worthiness of the borrower, its cash flow, operation of the account, adequacy of the security, Inclusive of its realizable value and documentation covering the advances
3. Apart from specific provisioning requirement as prescribed above, banks will create adequate general provision over the entire credit portfolio of Small Enterprise business. Therefore, all banks shall maintain at all times a general provision of 0.25% of SME assets outstanding in its books.

Submission of Returns:

4. Banks shall submit the borrower-wise annual statements regarding classified loans advances to the Banking Inspection Department.

Timing of Creating Provisions:

5. Banks shall review, at least on a quarterly basis, the collectability of their loans / advances portfolio and shall properly document the evaluations so made. Shortfall in provisioning, if any, determined, as a result of quarterly assessment shall be provided for immediately in their books of accounts by the banks on quarterly basis. 18 Chapter 3 Prudential Regulation for SAE SME Credit Manual.

Rate of Provision:



Dutch-Bangla Bank Limited

6. The provision held against classification will only be released when cash realization starts exceeding)
 - I. In case of loss category, the net book value of the assets.
 - II. In case of doubtful category 50% of the net book value of the assets.
 - III. In case of sub-standard category 20% of the net book value of the assets.

Further, the provision made on the advice of Bangladesh Bank will not be reversed without prior approval of Bangladesh Bank.

Verification by the Auditors:

7. The external auditors as a part of their audits of banks shall verify that all requirements of Regulation- 12 for classification and provisioning for assets have been complied with, Bangladesh Bank shall also check adequacy of provisioning during their on-site inspections.

5.15 REGULATION-14:

Procedure of loan repayment for the purpose of smooth repayment procedure against disbursed loans, Banks are advised to follow the procedure as follows:

- I. A letter of authority from the client(s) shall be taken for debiting client(s) account for repayment of loan instalment(s) as per loan agreement.
- II. A memorandum of deposit of Cheque shall be taken from the concerned client.
- III. Fully prepared and valid signed post-dated cheques shall be taken for each instalment stipulating amount and date as per repayment schedule.



Chapter # 06

Overview of

SME Operational Manual

&

A Example of a SME Proposal



SME Operational Manual

6.1 FUNDAMENTALS & PLANNING OF CREDIT

This Operational Manual communicates to employees working in the branch / Sales unit SME (PPG) Division what procedures they must follow and what their responsibilities are : It helps the bank move toward a loan portfolio that can successfully blend multiple objectives , such as promoting the bank's portfolio , controlling its risk exposure , and satisfying regulatory requirements.

DDBBL after analyzing its entire credit portfolio has resolved that SME (PPG) Division will deal with the following clients.

1. a) The clients who will fall under the purview of Cottage , Micro , Small and Medium Enterprises according to the definition set by Bangladesh Bank
2. b) SME (PPG) Division will deal funded business loan as per SMESPD Circular No.02 dated June 29 , 2017. Any other loan (non - funded facilities , agricultural loans etc) will be dealt by the Branch Business Division other related business division of the bank.

6.2 BORROWER SELECTION PROCEDURE.

SME Financing has two important aspects.

It lends money to a person or a group of persons associated under a legal business entity like proprietorship concern , partnership firm , private limited company etc. They are called BORROWER It lends money to the above mentioned borrower for BUSINESS purpose.

Thus it is very important for us to be able to select the right type of borrowers with right business . Both subjective and objective judgments are required for selection of borrower . Please refer to the step - by - step process below as a guide to help Managers determine whether or not to proceed further with the transaction .

Step-by-step process:

1. Borrower Eligibility
2. Nature of Business
3. Ownership Structure
4. Past Track Record
5. Bank Account Details
6. Existing Credit Facility
7. Individual Credit Facility
8. Existing Credit Facility of Sister Concern Business
9. Proposed Facility Details
10. Management & Operations (suppliers & purchaser info)
11. Inventory Control
12. Production Capacity of the Machinery



13. Financial Summary
14. Value of Assets owned by entity company
15. Equity in business
16. Relationship with the Bank

6.3 RECOMMENDING OF BORROWER

Loans are offered only to entity whose office , factory of residence is located at areas where we have branch / sales unit representation Customer has to apply for SME loan through our printed Loan Application Processing Kit (LAPK) . When a client wants to avail facility , branchless unit will supply LAPK to the client.

There are 03 (three) parts in LAPK first part for Loan Applicant middle part for Branch / Sales unit officials use and last part for Head Office Officials use Customer completely fills in his / her part of the LAPK and drops it to the Branch / Sales Unit . Respective Credit Officer / Manager will take measures to check whether the application form is fully filled in and there is no overwriting or amendment without customer's signature.

Credit Officer / In - Charge / Manager of sourcing channel will complete their part of the LAPK . They will also provide signature with Official Seal in the relevant portion on the LAPK . They will also verify customer's signature in the application form mark photocopy attested in the photocopied documents before sending the LAPK to SME (PPG) Division Head Office and will fulfil the documentation checklist attached in the LAPK.

Once the Manager has determined that there's a deal and wants to do the deal , as part of entering into a new client relationship , it is imperative to check client.

Background

- Character
- Financial status.
- Banking history

As a means of satisfying the " Know Your Customer (KYC) guidelines , which forms part of the client acquisition process.

Fundamental to Know Your Customer (KYC) is the interview process with the client to develop rapport and trust . Managers should always speak directly with the client and clearly communicate what information the Bank will need and how long approval will take once the Bank's received all the required information from the client . Each customer situation is unique and additional information may be required as necessary depending on the needs strength and uniqueness of each customer.

The following points may be touched at the time of interviewing **"NEEDS ASSESSMENT"** and before recommendation.

- Business (Nature, Location etc)
- Present and future prospect
- Nature of borrower's own equity
- Experience Purpose of the proposed loan



Dutch-Bangla Bank Limited

- Amount required
- Tenor.
- Source of Repayment
- Terms of Repayment
- Proposed Margin
- Security (both expert opinion as well as branch / sales unit opinion in market value)
- Type of charge available
- Market Information
- Managerial Ability (Conceptual , Human Resources and Operational Skill)
- Age Education

Branch Manager Head of sales unit as well as Credit Officer will analyze and identify the risk associated with lending . They will visit applicant's factory business and offered collateral security , take interview with the client as well as Guarantor (s) . After analyzing the business potentiality and security coverage as well as following parameters , the Credit Officer will prepare credit proposal for onward submission to SME (PPG) Division with recommendation for approval : 3

- Needs Assessment
- Business Summary
- Industry overview
- Consumer trends
- Seasonal factors
- key success factors
- Competition

The key to a successful " Needs Assessment experience is for the Branch Manager / Head of sales unit to approach each transaction request as an opportunity to earn the customer's business and Identity upfront to the client what the Bank's expectations are in terms of what information is required and what will be the timelines for a credit decision

Borrower Credit Rating

Credit Rating of the client to be exercised for SME Loan approval . Borrower Credit Rating is attached with Loan Application Processing Kit (LAPK) and also enclosed in **Annexure-3**.

6.4 APPLICATION ASSESSMENT

Credit Analyst will analyze the application whether it meets with our policy . PPG criteria documents requirement and prudential regulations of Bangladesh Bank and will either recommend for approval of this proposal to the approving authority on recommend for decline.

From the borrowers analysis we get the six " C'S

1. Character : Trust & Confidence
2. Capacity : Ability to Repay
3. Collateral : Security Offered
4. Conditions : Business Status
5. Capital : Financial Solvency & Strength



Dutch-Bangla Bank Limited

6. Credit History : Ability to manage the fund and Reliability.

- Credit Analyst will analyze the Loan Application and will get back to source by email or in writing for further review if any discrepancy is found .
- Credit Analyst will check Negative list Blacklist / Defaulter list and perform / check de - duplication Credit Analyst can return the Loan Application back to source for any document deficiency and credit Analyst can send any query or ask for any clarification from source.
- Credit Analyst will recommend the file to Approving Authority for approval if proposals meet required criteria It is highly advised that the
- Credit Analyst first consider doing a quick " gut check of Borrower Credit Rating (BCR) . The BCR is not the " be - all - and - end - all of the transaction . It is an Indicator of Probability of Default .

It is an indication of how the Bank might rate the deal if the Bank was to do the deal , but first , the Manager needs to decide whether or not to do the deal at all To do this , typically there are 6 key considerations Credit Analyst should take into account.

Borrower

Understanding who the borrower is.

Obtain organization / ownership chart , including percentages of ownership

A clear understanding of the organizational ownership structure

The understanding of who controls the firm / company.

The understanding from where cash will be generated to service the debt.

Client Needs

What their needs are (client's financial needs).

- Where the money to be used for i.e. Operation of the business term and other covenants.
- How much is the client looking to borrow , what term and when do they expect to repay it.

Debt Servicing

Determine if the customer's business can service existing debt and more importantly support new additional debt . Debt Servicing or Debt Service Coverage (DSC) means , " for any fiscal period , the ratio of EBITDA to the total Interest Expense and scheduled principal payments in respect of funded debt Instruments such as cash and / or marketable securities that fully secure a loan and the Bank expects that debt servicing will return or be evident in the near term .

Loans that cannot be repaid from cash generated in the normal course of business operations should not be made , no matter the quality of the collateral. The only exception is in the case of liquid

Leverage

Determine what is the current leverage and more importantly the forecasted leverage after company takes on the additional debt.



Dutch-Bangla Bank Limited

- Leverage refers to the level of a company's total debt in relation to the tangible equity (net worth) of the business.
- The higher the total debt the less likely the business is able to survive in an economic downturn and their ability to pay interest and principal on a continuing basis is uncertain.
- Typically for every Taka 3 of total debt in a business there should be a minimum of Taka 1 in tangible net worth (this may include shareholder loans postponed and treated as equity).
- Is leverage managed and controlled i.e. suggested Debt/TNW is less than 2.75X (maximum is less than 4X as per risk criteria)

Loan To Value Ratios (Loan Margin)

The following loan to value ratios must not be exceeded . Where a range is given the lower is recommended and the higher is the maximum for best quality assets.

When financing working capital: Maximum up to 100 % of the net required working capital or 75 % of the sum total of inventory and receivables , whichever is lower.

When financing inventory (valued at the lesser of cost or market value) :

- Finished goods 25 % - 50 %
- Raw materials 25 % - 50 %
- Work in progress 0 % -25 %
- Perishables - Due to risk of loss , do not pursue this type of asset for margin
- Market livestock 50 % of market value
- Farm supplies 50 % of cost

When financing fixed assets: Maximum up to 80 % of the purchase price for the best quality assets.

6.5 EXCEPTION OF LOAN POLICY

Any exception of the product will be under delegation of Managing Director & CEO. In case of renewal only any document deferral with a maximum of 30 days will be under delegation of concerned CXO / DMD , except Mortgage Deferral.

- Exceptions are defined as the permissible deviation of loan applications that do not fall within the scope of bank credit policy or PPG, but follow its principle and business rationale. These proposals are handled differently than other applications.
- Branch / Sales unit receives the application from the customer and checks to see whether there is enough justification to recommend the loan under exception level . If satisfied , the Branch / Sales unit forwards the loan application to SME (PPG) Division with recommendation.
- In absence of Manager's support the application . Credit Analyst may send back the application or recommend to decline . It is possible that Branch / Sales unit may send applications to SME (PPG) Division without recommending and supporting for the exception level.
- Exceptions to the SME loan features and other credit criteria mentioned in the PPG of different



Dutch-Bangla Bank Limited

loan products and have to follow the exception level from that specific PPG.

6.6 SITE INSPECTION

Manager & Relationship Manager / Credit Officer must carry out an on site inspection at least quarterly and must be documented. SME Loan Application Processing Kit (LAPK) must accompany site visit report / call report containing key information

6.7 REGULATORY REQUIREMENTS

All regulatory requirements must be complied with prior to funding and ongoing as required

6.8 RISK MANAGEMENT

Credit Risk

Credit risk is managed by the Credit & Collections Unit (Cu), which is completely segregated from business / sales. The following elements contribute to the management of credit risks.

The credit risk associated with the products is managed by the following:

- Loans will be given only after proper verification of customer's static data and after proper assessment & confirmation of income related documents which will objectively ascertain customer's repayment capacity.
- Proposals will be assessed by Credit Risk Management (CRM) completely separated from business / sales team.
- Every loan will be secured by hypothecation over the asset financed , and customer's authority taken for re - possession of the asset in case of loan loss.
- The loan approval system is encouraged to be parameter driven as much as possible which will substantially eliminate the subjective part of the assessment procedure.
- There will be dedicated' collection force at the Branch level Head Office that will ensure timely monitoring of loan repayment and its follow up.
- The Credit & Collection activities will be managed by the branch and loan approval authorities will be controlled centrally where the branch managers or sales people will have no involvement.

6.9 Liquidity and Funding Risk.

This risk should be managed and the position monitored by the Asset Liability Committee (ALCO) headed by the Managing Director / CEOs of the bank.

Operational Risk.

For SME loans , the activities of front line sales and behind - the - scene maintenance and support are clearly segregated within the branch Credit & Collections Unit (CCU) at Head Office / Branch level



Dutch-Bangla Bank Limited

manage the following aspects of the product

- a) Inputs , customer file maintenance , monitoring & collections ,
- b) Operational jobs like disbursement in the system including raising debit standing orders and the lodgment and maintenance of securities . Type a jobs and type ' b jobs will be handled by separate teams within CCU therefore the risk compromises with loan / security documentation will be minimal

It will ensure uncompromising checks , quick service delivery , uncompromising management of credit risks and effective collections & recovery activities.

Third Party Risk.

In case of third party deposits / security instruments personal guarantee Branch / Sales unit should verify third party's signature against the specimen attached to the original instrument and Branch / Sales unit will also send the security instrument to the issuing office for their verification and written confirmation on lien marking and encashment of the instrument . Therefore , any inherent risk emanating from accepting third party deposits / security instruments is minimal

Fraud Risk.

There is an inherent fraud risk in any lending business. The most common fraud risk is:

Application Fraud

The applicant's signature may not be verified for authenticity . However , the applicant's identity should be confirmed by way of scrutiny of identification and other documentation Site visit should be conducted by Branch / Sales unit as well Contact Point Verification (CPV) should be in place to verify applicant's residence , office and contact phone numbers etc.

There always remains the possibility of application fraud by way producing forged documents . Considering the current market practices and operational constraints , it may not always be feasible to validate the authenticity of all documentation . However , Branch / Sales unit should be aware of this threat and may consider validating the bank statement (the most important and commonly provided income document) through CPV.

Political and Economic Risk

Political and economical environment of a country play a big role behind the success of business . Banks should always keep a close watch in these areas so that it is able to position itself in the backdrop of any changes in country's political and economical scenario .

6.10 LOAN DOCUMENTATION.

Standard Charge Documents and all other necessary documentation formalities relating to the securities must be obtained before the disbursement of loan Branch Sales unit will ensure that all security documentation complies with the terms and conditions of Sanction Advice Security Documents Checklist is attached in Annexure-2 for reference . However , the following documentation (where applicable) is to be completed before disbursement of SME facilities.



Dutch-Bangla Bank Limited

1. LAPK duly signed and sealed by the client and counter signed by Branch Manager / Head of sales unit.
2. Copy of any photo ID / National D Card Passport and Photograph of the client.
3. Up to date and valid Trade License.
4. Up to date and valid Ownership Deed / Possession Deed / Rental Agreement of the business premises.
5. Relevant Licence (IRCUERC Licence , Drug Licence , Environmental Certificate , Explosive Licence Koral Kol Licence . Bonded Warehouse Licence , BSTI and DG Health Certificate etc) , if required
6. TIN certificate and tax returns (if any) for loan amount above Tk.500 lac.
6. Duplicate copy of Sanction Advice duly accepted by the client
7. Other documents for different types of business such as.

Partnership concern:

- Registered Partnership Deed duly certified as true copy from Registrar of Joint Stock Companies & Firms or Partnership Deed at least registered with Govt . Registry Office ,
- List of current Partners with photos , address and NID card / Passport / Other Photo ID.
- Resolution / Consent of Partners for borrowing and executing loan documents ,

Limited Company (Non Public Limited Company) :

1. Memorandum and Articles of Association including Certificate of Incorporation duly certified by Registrar of Joint Stock Companies (RJSC) and attested by the Managing Director of the company accompanied by an up - to - date list of Directors on Form xir " ,
2. Board Resolution of the company for availing credit facility and authorizing Managing Directori Chairman / Director for executing charge / security documents with common seal in conformity with Memorandum and Articles of Association of the company ,
3. An undertaking not to change the management of the company and the Memorandum and Articles of Association of the company without prior permission from our Bank
4. Last 2 years Audited Financials for any amount if the company is more than 2 years old)
5. Personal Guarantee of all the Directors (other than nominee directors) including the Chairman and Managing Director
6. Certificate of Registration of Charges over the fixed and floating assets of the company duly issued by RJSC.
7. Certificate of registration of amendment of charges over the fixed and floating assets of the company duly issued by RISC in case of loan review or change in terms and condition of Sanction Advice regarding loan amount and securities etc.
8. Insurance Policy for 110 % of the loan amount for covering at least risk of Fire and RSD (as applicable) with Bank's mortgage clause on hypothecated stocks and Fixed Assels (if any). The client will take Insurance policy or provide and undertaking for indemnifying the Bank for other possible risk like Flood , Cycle . Thefts and Burglary,
9. Other usual charge documents as per checklist

A complete Guideline for loan documentation is attached in **Annexure-4.**



6.11 LOAN TAKE OVER FROM OTHER BANK / FINANCIAL INSTITUTION

In competitive environment , loan take over from other financial institution is a regular Banking practice , Considering income prospect and potentiality of the client , loans from other Banks or financial institution can be taken over under SME (PPG) Division

Collateral property mortgaged with other lender

If a property to be mortgaged with us is already mortgaged with other Bank / Financial Institution , the client will adjust his outstanding with existing Bank / Financial institution from his own sources and submit original property documents to our Branch / Sales unit . At the same time , Deed of Redemption on both IGPA and mortgaged properties must be executed by the existing lender . Immediate after receipt of the original property documents , our branch / sales unit will complete necessary documentation formalities including execution of registered mortgage with IGPA on the properties as per opinion and draft provided by one of our panel lawyers.

Pre - take over factor.

The following points will be considered for taking over exposures from other financial institutions:

- Branch / Sales unit will collect and examine sanction advice , loan account statement and statement of related account with loan repayment of the client with other financial institutions.
- Prospective and excellent clients will be considered for loan take over.
- Facilities which are remunerative and excellent in all respect will be qualified for taking over under SME.

Restriction for taking over of loans.

Taking over of exposure is restricted in the following case:

- Loans which have overdue and not regular in the existing Financial Institutions,
- Loans which are already rescheduled / renewal for adjustment purpose by the existing Bank, Financial Institutions.
- Loans which are classified as per CIB report of Bangladesh Bank.
- Taking over of loan from other Bank / Financial Institution is not allowed of those firms / companies whose has , classified loan in its name , its sister concern's name and its director's name . For determining Interest of any director over any company , if the director holds more than 5 % share of a company , it is treated that the director has interest over the company.

Process of taking over of loans.

Settlement of outstanding of clients with existing Bank / Financial Institution by the client's own source is preferable . However in case of taking over of loans by payment to existing Banks / Financial Institutions , Branch / Sales unit after obtaining approval from Head Office will follow the under noted procedure:

- The client will write a letter to their existing lender giving clear instruction to deliver all the documents relating to mortgaged property and other securities to the authorized person (s)



Dutch-Bangla Bank Limited

of our Branch / Sales unit on adjustment of their liabilities . Copy of the letter to be endorsed to our Branch / Sales unit.

- Our Branch / Sales unit will also write a letter to the existing lender to confirm the outstanding liability position of the client with them and the particulars of the mortgage / securities held with them Branch / Sales unit will also ask for the consent of the existing lender of the client to deliver the property documents and other securities relating to the loans to the authorized person (s) of the Branch / Sales unit Upon adjustment of liabilities.
- The client / mortgagor will submit photocopies of all the original documents of the collateral property offered as security to us . On receipt of the above photocopies our Branch / Sales unit will obtain initial legal opinion to the effect that prima face , the documents are in order and may be accepted as collateral security against the sanctioned facilities favoring the client .
- The client will undertake in writing to the effect that they will arrange redemption of the mortgaged property with the existing lender immediately after adjustment of the liability (within sanctioned limit from our Bank) with their existing lender by us and arrange with their existing lender for handing over original title deeds and other chain of documents / papers relating to the property offered as collateral security to the authorized person of our Branch / Sales unit for creation of Mortgage / Charge in favor of our Bank .
- The client shall provide an undertaking that they will complete the Mortgage formalities immediately after receiving of all original documents/papers (from their existing banker / lender) against the sanctioned facilities from us
- An undertaking to be obtained from the client on Non - judicial Stamp to the effect that they will adjust liabilities from their own source on demand by Dutch - Bangla Bank Limited if the existing lender does not redeem mortgages / release securities . The draft of the undertaking to be vetted by one of our panel lawyers .
- The client will sign in advance the proposed Registered Mortgage Deed keeping the date in blank , which may be registered later on getting original documents from the existing lender . NOC from RAJUK or from any other authorities required for creating Registered Mortgage formalities must be obtained before creation of any loan
- Our Branch / Sales unit must obtain Note of Satisfaction of Charges from the existing lender and file for Registration of First Charges with the Registrar of Joint Stock Companies and Firms All relevant forms regarding creation of charges (RJSC & F Form No. XVIII etc.) must be completed and got signed by the client before creating any loan
- Upon receipt of satisfying Legal Opinion from our panel lawyer and consent from the existing lender of the client , our Branch will issue Pay Order in favor of existing lender of the client to buy up the outstanding liability and take delivery of the original property documents directly from the existing lender . Immediate after receipt of the original title deeds and other chain of documents / papers relating to the property to be mortgaged , our Branch / Sales unit will complete necessary documentation formalities including execution of registered mortgage (with IGPA) of the properties as per draft provided by one of our panel lawyer . At the same time Deed of Redemption by the existing lender to be obtained .
- The amount of taking over will be not more than the approved limit from our Bank le , any liability with existing lender of the client excess from sanctioned amount from our Bank will be adjusted by the client's own source



6.12 DISBURSEMENT

Pre – Disbursement.

Disbursement of the approved facilities will be made only after all security documents are in place and complies with all the terms and conditions of the Sanction Advice issued by SME (PPG) Division Head Office . All SME loans will be disbursed centrally from Head Office

Sanction Advice duly accepted by the client to be obtained within 30 days and disbursement will be made within 60 days from the date of issuing of Sanction Advice

Satisfactory cle report of the clierit must be obtained before disbursement . Vetting on the documents of the offered collateral security must be done by one of panel lawyers of Bank . The panel lawyer through vetting the property documents will provide his opinion regarding safeguard of the interest of the bank against collateral security Adequate insurance policy will be taken as appropriate . Phase by phase disbursement will be strictly followed where it is a condition of disbursement

Branch / Sales unit will send copy of Disbursement Kit alongwith **Security Compliance Check List (as per Annexure - 5) and Loan Disbursement / Limit Loading Request (as per Annexure - 6)** in compliance with all terms and conditions of the sanctioned advice to SME (PPG) Division . Head Office before disbursement Letter of Satisfaction issued by one of panel lawyers of the Bank regarding safeguard of the interest of the Bank on loan documents and mortgage formalities (if any) to be attached with the Disbursement Kit.

If any deviation is created from Sanction Advice , it must be referred to SME (PPG) Division , Head Office for further approval . After completing all documentation formalities , Head Office can disburse the approved facilities and the disbursed amount must be posted in the System under appropriate SME products and the accounts must be reflected as SME Loans in all reporting ,

Post Disbursement : Maintenance of Documents

The SME Loan Application Processing Kit (LAPK) and copy of all other documents related to SME loan under single credit file for each client will be held in safe custody by SME Credit Administration Team Head Office . All original copy of security documents will be held at the Branch's / Sales unit's safe custody inside fire - proof cabinet under dual custodianship and recorded in the branch / sales unit safe - in safe - out register for security placement and retrieval

6.13 RENEWAL / ENHANCEMENT

Considering the turnover and satisfactory performance of the continuous nature facilities . Branch / Sales unit will send renewallenhancement proposal to SME (PPG) Division , Head Office before 2 (two months from the date of expiry . For renewal of continuous loan , credit turnover of the account must be at least 3 (Three) times of the limit . 01 (one) time full adjustment of the limit within validity period is preferable . Justification for renewallenhancement to be enclosed with the proposal . Review with enhancement of Term Loan during the tenure of existing term loan , further loan will be allowed after 60 % timely repayment of the installments i.e. after passes of 60 % of the loan term with regular repayment .



6.14 MONITORING AND FOLLOW-UP

SME credit is a supervisory credit scheme . The success of the scheme depends on the extensive and Intensive post disbursement supervision , follow - up and monitoring Recovery of SME facilities depends on the continuous monitoring and follow - up over the client . In other words monitoring can detect problems that could potentially have an adverse impact on the repayment capacity of the client Branch will make continuous monitor and follow - up to the client for timely repayment Credit Officers / Sales team will be dedicated and will ensure timely repayment of loan and follow up ellent's repayment regularly . Monitoring by Branch / Sales unit may be as follows :

- Surprise Shop premises / Sales outlet / Factory / Warehouse / Collateral security visit to be done by the Branch Manager / Credit Officer (preferably jointly by selective Officers) at least once in a quarter and a visit report to be enclosed in the respective client's file . The purpose of the visit will be for strengthening the spirit and loyalty of the client.
- Branches will follow - up proper utilization of fund by the customer for which the facilities were approved Branch will develop and implement a system through which utilization of fund by the client can be monitor . Branch will observe sales status and obtain Stock Report / Fixed Assets list of the client within 10 (ten) days of each quarter - end and will compare growth change from the position before loan availing
- A facility record sheet of the client to be maintained in the respective client's life as an evidence of existing and current facilities :
- In case of Term facility , Branch will contact with the client (at least over phone) before one week of due date of installment
- Credit Officers will generate overdue reports regularly and follow - up accordingly till the facilities are being regularized
- For Pledge facilities , margin as per Sanction Advice , stock of pledged goods after each transaction counting , stacking and recording must be strictly followed . Drawing Power will be determined on the hasis on cost price on market price of goods , whichever is lower
- Any change resulting in reduction of Fixed Assets of the business must be reported to SME (PPG) Division , HO prior to its occurrence or as soon as it comes to the knowledge of the Branch / Sales unit .
- Branch / Sales unit will monitor any change in business linelmanagementshare holding / debt structure of the client and report to Head Office Immediately (if necessary)
- If the value of collateral securities can not be traced or sold or utilized in such a way that their value will be affected , Branch / Sales unit after discussion with the client will send review proposal to Head Office as soon as possible .
- A Signboard in the mortgage properties mentioning Property Mortgaged to Dutch - Bangla Bank Limited Branch must be placed in a conspicuous place of the mortgaged properties and photos including the Signboard & adjoining areas are to be taken and copies are to be retained in the client's respective lile in Branch / Sales unit and Head Office
- Renewal of Insurance policy covering specific risks with Bank's mortgage clause to be done as and when required . A register in this regard to be maintained for follow up
- If there is any irregular repayment of any loan , Branch / Sales team will consider the loan as " Early Warning Signal " of loan default and will take necessary action to regularize the loan



Dutch-Bangla Bank Limited

Above all , Branch / Sales unit will monitor every SME accounts in such a way that none of the documents of any account will become time barred under the law of limitation .

6.15 MIS PLANNING AND REPORTING.

SME (PPG) Division of Head Office will maintain Management Information System (MIG) for obtaining required information and report as and when required . The following Management Information System will be maintained at SME (PPG) Division Head Office

Policy Files include SME Policy including Credit Risk Management (CRM) , Operational Manual Product Program Guidelines (PPG) Business Plan various rules and regulation from Bangladesh Bank from time to time and Agreement / Memorandum of Understanding (MOU) with different bodies .

- Separate file for each SME client and client file register.
- A data base of SME portfolio including name of the business , nature , type , sector , address . disbursement Branch / Sales unit , facilities , date of sanction , entrepreneur's gender etc
- Separate database for inward proposals sanction and outward documents
- Negative / declined files- one for listing the firms and the other for listing the employers must be maintained in the SME (PPG) Division , Head Office to avoid bad clients with bad history ,
- Monthly delinquent report of SME portfolio compiling and maintaining
- Quarterly refinance statement compiling and submitting to Bangladesh Bank .
- Information regarding Refinance from Bangladesh Bank.
- Monitor SME markets and taking necessary measures for development of quality SME portfolio Liaison and complying by providing data with SME Foundation , various Chamber of Commerce and Industries , Southeast Asia Enterprise Development Facility (SEDF) , World Bank (WB) , Asian Development Bank (ADB) etc.
- Contact database of persons significantly involved in SME development of different organizations.

Branch/Sales unit will prepare periodical statements pertaining with SME accounts and ensure correct reporting . Accurate reports to be submitted timely to the reporting authorities . Branch / Sales unit will have to prepare and send the following statements to SME (PPG) Division , Head Office from time to time :

- Quarterly statement of SME loan disbursement for onward submission to Bangladesh Bank .
- Quarterly online statement for onward submission to Bangladesh Bank.
- Quarterly statement of SME funded loan disbursement from Tk.0.50 lac to Tk 50.00 lac to claim refinance from Bangladesh Bank . It may be mentioned here that Bangladesh Bank providing refinance for SME financing at prevailing bank rate , presently which is 5 %.
- Different SME portfolio reporting as and when required by Head Office and Bangladesh Bank .

6.16 RECOVERY

Recovery measures will be taken when a facility is detected under " Early Warning : If a client fails to adjust SME loan or to repay installments within validity period . Branch / Sales unit will arrange



Dutch-Bangla Bank Limited

for adjustment of the overdue amount from the client's Savings / Current Account if there is adequate Credit Balance : A client can be default for many reasons such as immorality of the client , diversion of fund in a non income generating sector , huge family expen etc. these cases , Branch / Sales unit will take immediate and strict action for recovery of overdue amount Default or delinquent of loan can also happen for the cause of natural disasters , Fire and other incidents etc. In these cases , Branch / Sales unit will take recovery measures maintaining good relation with the client and by providing high standard of service . After due verification of the situation . Branch / Sales unit can send proposal for rescheduling to SME (PPG) Division of Head Office.

Recovery Process:

Recovery process of default loan can proceed as follow :

Days Past Due (DPD)	Collection Action
1-14	59 Follow up & Persuasion over phone for repayment.
15-29	1st Reminder Letter (as per Annexure -7) & follow - up
30-44	2nd Reminder Letter (as per Annexure -7) & Single visit
45- 49	Final Reminder Letter (as per Annexure -8) Group Visit by Branch / Sales unit recovery team members Continuous follow - up over phone Letters to Guarantors and Reference if any Warning on legal action by next 15 days
60-89	Call up loan (Annexure - 9) Final Reminder & Serve legal notice Legal proceedings will begin at this stage Repossession starts
90 and above	Telephone calls / Legal proceedings continue Collection effort continues by Officers Letter to different Banks/Associations.

The above process will be continued until a delinquent account becomes regularized by means of payment or closed with full payment amount. **The Credit Administration Division , Head Office will have full authority to classify any loan as default under qualitative basis.**

Agency Management.

All delequent accounts may be placed into a dedicated recovery management team if the Bank enters into agreement with any agency (ies) . The recovery portfolio has sub divided into various collectible and non - collectible pools of accounts . Depending upon the size of the account balance . Branch / Sales unit internal recovery efforts may continue while rest of the portfolio that would be assigned to external agencies including legal agencies to ensure expected recovery.

On every month the responsible officer related to collections , ensures the allocation of the provided accounts to the Individual collectors as well as to the external agencies depending on the prospect of recovery to maximize the recivery.

OVERDUE INTEREST AND LOAN RE-SCHEDULING.

Overdue / Perially interest will be charged on the overdue amount . This charge is 2.00 % higher than the provided interest rate against SME facilities . This Overdue interest will be calculated from the day when a payment was due but not paid . The penalty will be calculated over both the principal and interest Loan rescheduling can be done when necessary as per rules and regulation provided by Bangladesh Bank from time to time.



Dutch-Bangla Bank Limited

LEGAL ACTION

Branch/Sales unit will start legal proceeding when a client will not respond after serving final reminder for regularization of overdue loan . Branch/Sales unit will request Head Office to provide permission to initiate legal proceeding . The legal proceeding against a default client will be done by respective Branch / Sales unit.

INTERNAL AUDIT AND COMPLIANCE

Internal Control and Compliance Division (IC & CD) a segregated internal audit and compliance department of Dutch - Bangla Bank Limited will be responsible for the function of audit and compliance of SME Banking Audits will be carried out on a regular basis or periodically as agreed by the Management to assess various risks and possible weaknesses and to ensure compliance with regulatory guidelines , Internal procedures lending guidelines and Bangladesh Bank requirements.

REVIEW OF GUIDELINE

The Board of Directors may review this guideline at any time . Moreover , if no review is done during the last two successive years , the management will review this guideline and will submit their findings / opinion to the Board of Directors . If any deletion or inclusion or any other subsequent amendment of any clause of the guideline is required , that may be done with the prior approval of the Board of Directors . Notwithstanding anything stated above , the Board of Directors is the only authority to bring on any change amendment of the guidelines.

ENFORCEMENT

Product Program Guide (PPG) of SME (PPG) Division will be considered as integral part of the SME Credit and Operation Manual This SME Credit Policy and Operation Manual will come into force with immediate effect.



Dutch-Bangla Bank Limited

6.17 Client Application

October 01, 2020

The Manager
Dutch-Bangla Bank Limited
New Market Branch
Dhaka.

Subject: Cash Credit (Hypothecation) (Len-Den) limit of Tk 20.00 million (Taka fifteen million) only for Taking over the Liability of Cash Credit (Hypothecation) limit of Tk.20.00 million (Taka twenty million) only From Islami Bank Ltd., Lalbag Branch, Dhaka. Term Loan "Somrihdi" for Tk.8.00 million only for the period of 60 (Sixty) months for Taking over the CC (Hypo) limit of Tk.3.00 million (Taka three million) only and Term Loan liability for Tk.10.00 (Taka ten million) only (present outstanding of Term Loan is Tk.1.75 million approx.) from BRAC Bank Ltd., Islampur Branch, Dhaka.

Dear Sir,

I would like to inform you that it is a great honor to us that your kind office has offered us various credit facilities in heavy discussion with RM, New Market Branch. It would be really an immense pleasure to be a client of your esteemed organization for upcoming time. It is to be mentioned here that currently our business volume has been increased by the grace of Almighty Allah and it goes beyond doubt that we are the best in this sector. However, we are maintaining banking relationship through various banks and financial institution without any default record in the name of various Companies. Moreover, with the course of time, Haji Abdul Latif & Sons has extended its market share as well as client base for which the demand of our products has been increased rapidly. For meeting up our client needs, it becomes essential to increase the supply of our products and offer new and attractive products to our clients as well.

In order to sanction of new facility, we are offering the measuring $7.00+6.90=13.90$ (Thirteen point Nine Zero) decimal residential land thereon as collateral security and also offered collateral within District: Dhaka, Police Station : Kamrangir Chor & Sub-Registration Office: Dhaka, Mouza: Sabek : Jangle Bari, Hall : Baghchankha.

Viewing the above, you are requested for sanction of of CC (Hypo) "Len-Den" limit of Tk.15.00 million & Term loan Somridhi of Tk. 8.00 million for 05 (Five) years for working capital requirement and taking over loan liabilities of Islami and Brac Bank Ltd.

Sincerely yours,



6.18 Inter Office Memorandum

DBBL/275/2020/0292

Date: October 01, 2020

Inter Office Memorandum

From: New Market Branch.
Office, Dhaka.

To: SME Division, Head

Subject: Proposal for

- A)** Sanction of DBBL Cash Credit (Hypo.) "Len Den" limit for Tk. 20,00,000/- (Twenty Lac) only for the period of 01 (One) year to meet up working capital requirement and Term Loan "Somrihdi" limit for Tk. 80,00,000/- (Eighty Lac) only for the period of 72 (Seventy Two) months for take over of Term and CC loan of Brac Bank Ltd and Expansion of existing business on account of M/s. Haji Abdul Latif & Sons (Proprietor Mr. **Hazi Abdul Latif** a client with DBBL, New Market Branch , Dhaka.
- B)** Allowing rate of Interest @ 8.00% p.a. for CC (Hypo.) "Len Den" and interest @ 8.00% p.a. for term loan "Somridhi" with quarterly rests or as revised by DBBL from time to time.

Nature of sanction : New Originating Branch: New Market Branch, Dhaka.

1. Name of client : **M/s. Haji Abdul Latif & Sons**
 2. Address Business (**Own Position**) : 39, Baro Katra, Dhaka.
 3. Go-down Address (**Own Position**) : 387, Nurbag Pulish Fari Road, Kamrangirchar, Dhaka.
 Residence : 41/7, Nurbag, Asrafabad, Kamrangirchar, Dhaka.
 3. Nature business : Monohori
 4 Constitutions : Proprietorship
 5. Date of establishment : 21-11-2000
 6. Capital Structure
 Capital : Tk. 2.01 million (As per Balance Sheet as on 30.06.2020).

7. Particulars of Proprietor: *(Personal Net Worth in Taka)*

Name, Father's and address	Date of Birth	Educational Background	Position	% of Share	Personal Net Worth
M/s. Haji Abdul Latif & Sons Prop: Hazi Abdul Latif Father : Md. Suruj Mia Mother : Joytun Nesa Address: 41/7, Nurbag, Asrafabad, Kamrangirchar, Dhaka	15/07/1958	S.S.C	Proprietor	100%	64.88 million As per declaration of the client

8. Names of Allied Concerns:

Name	Address



Dutch-Bangla Bank Limited

M/s. Haji Abdul Latif & Sons.	41/7,(Ground floor) Nurbag, Asrafabad, Kamrangirchar, Dhaka. (Own Position)
--	--

9. Credit Facilities availed from other banks (in the name of the client/ allied concerns):

Bank	Name of Company	Limit: 45.00 Lac		O/S on 22/09/2019	Validity
		Type	Amount		
Brac Bank Ltd	M/s. Haji Abdul Latif & Sons	Term Loan	100.00 Lac	18.25 Lac	20/10/2020
Brac Bank Ltd	M/s. Haji Abdul Latif & Sons	C. C	30.00 Lac	26.31 lac	29/12/2020
Islami Bank, Lalbag Branch	M/s. Haji Abdul Latif & Sons	C. C	200 Lac	124.10 Lac	20/07/2021

10. (A) Accounts maintained with DBBL (in the name of the client/allied concern):

(Balance in Taka)

Branch	Account Name	Account No #	Date Opened	Balance as on 01.10.2020
New Market Branch	M/s. Haji Abdul Latif & Sons	275.110.4380	12.07.2020	5000/-

B) Account maintained with others Bank (in the name of the client/allied concerned):

Branch	Account Name	Account No #	Date Opened	Balance as on 18.02.2020
Islami Bank, Lalbag Branch	M/s. Haji Abdul Latif & Sons	20503280100134816	01.06.2019	3,793/-
Brac Bank Ltd	M/s. Haji Abdul Latif & Sons	1522203311485001	01.01.2017	4,200/-

11. Existing Credit facilities from DBBL (in the name of the client/allied concern): Nil

12. Proposed Credit facilities from DBBL:

(Figure in Million)

Name of Company.	Limit 100 Lac		Purpose	Expiry	Security/ Collateral
	Type	Amount			
M/s. Haji Abdul Latif & Sons	CC (hypo)" Len Den"	2.0 Million	to meet up working capital requirement	One Year from the date of Disbursement	22.4 (MV)
M/s. Haji Abdul Latif & Sons	Term loan "SOMRIDH I"	8.0 million	Expansion of existing business.	72 (Seventy) months from the date of disbursement.	
Total		10.0 Million			



***** Collateral Security of the above facilities:**

Hypothecation of entire stock in trading stored/to be stored in the shop and of the concern duly insured minimum 110% of the loan amount covering minimum risks of Fire and RSD with Bank Mortgage clause.

- ii) Registered mortgage with registered IGPA (to be executed) of Land measuring 7.00 (Seven Point Zero Zero) Decimal Long with construction three on situated within District-Dhaka, Police Station Kamrangirchar & Sub-Register office : Sadar Dhaka, J.L. No : C.S-346, S.A- 67, R.S-05 & City Jorip 05, Nature of Property : Bari, Mouza : “Sorai Jafrabad” Hal: “Baghchankha” being Khatian No. C.S-10, S.A-05, R.S-383, Dhaka City Jorip-374, Dag No C.S & S.A -20, R.S-09, Dhaka City Jorip- 823, Mutation Khatian No-2348 & Mutation & Separation Case No 697/2014-2015 Dated 21.10.2014, Jot No. 113/12, as owned by Mossamat Kamrun Nahar. Proprietor's Wife of the concerned business which market and force sale value 22.4 million and 17.92 million respectively as per valuation by Real Inspection (an enlisted surveyor of DBBL dated 20.02.2020). which is butted and bounded by:

on the North : 10” wide pucca road.

on the South : 12” wide pucca road.

on the East : 2 Storied commercial cum residential building of Mr.Abdul kader.

on the West : Single Storied building of Mr.Sobhan Mia.

iii) Personal Guarantee of the proprietor of the concern.

iv) Personal Guarantee of Spouse of the proprietor of the concern.

v) Personal guarantee of 01(one) Third Party.

ANALYSIS OF CREDIT PROPOSAL:

13. General Background:

M/s M/s. **Haji Abdul Latif & Sons** is a proprietorship concern owned by A) Mr.Hazi Abdul Latif, a reputed businessman. The client has been engaged in this line of business since 1995 and is a leading whole seller & retailer of different types of Monohary Seller at Lalbag, Chakbazar, Azimpur, Elephant Road, kamrangirchar, saidabad, Jatrabari, Bangla motor , Narayongonj, Chittagong road, Banani, Gulshan, Moakhali & Badda area. As reported by local sources the firm has been doing business with wide reputation and trustworthiness for more than 25 years.

14. Management:

M/s. Haji Abdul Latif & Sons is a proprietorship concern owned by Mr. Hazi Abdul Latif a reputed businessman. The client has been engaged in this line of business since 1995 and is a leading whole seller & retailer of different types of, monohary Seller at Lalbag, Chakbazar, Azimpur, Elephant Road, kamrangirchar, saidabad, Jatrabari, Bangla motor , Narayongonj, Chittagong road, Banani, Gulshan, Moakhali & Badda area. The proprietor has been doing his business with wide reputation and trustworthiness. The proprietor of the firm is very much energetic and hard working man and has been dealing the business of whole seller and retailer of all types of monohary item seller with good market reputation and trustworthiness for more than 20 years. It is reported from the market Mr.Hazi Abdul Latif is financially sound and solvent.

15. Succession of the Business:

In absence of Mr.Hazi Abdul Latif, his wife Kamrunnahar will take over the operation of the business. In order to get experience and develop the ability to control the business- 39, Baro Katra, Dhaka. Generally takes part in important business decisions with her husband. Though 39, Baro Katra, Dhaka, is not involved in the business directly at this moment, but from the conversation with her we come to believe that she is a quick learner and has the ability to handle the business if required.

16. Industry Profile:

The business of different type of three piece item business has good market in Bangladesh. A lot of



Dutch-Bangla Bank Limited

buyers come from different District of Bangladesh to purchase good quality of three piece item from M/s. Haji Abdul Latif & Sons is, business 39, Baro Katra, Dhaka. So the client would be able to grow with experience, skill, channels and overall commitments.

17. Third Party Information:

We also have sent a CIB inquiry of the client to your end as on 01.10.2020

18. Past Financial Information:

The Client has provided us financial data for the year 30.06.2019 & 30.06.2020 Based on the information provided by the client & Income statement has been shown below:



Dutch-Bangla Bank Limited

18. Past Financial Information :

The Client has provided us financial data for the year 30-06-2020 and audited financial statement for the year 30-06-2019 & 30-06-2020 Based on the information provided by the client and auditors report, summary of Balance Sheet & Income statement has been shown below:

(As on 30-06-2018, 30-06-2019 and 30-06-2020)

(Figure in Thousands)			
	30/06/2018	30/06/2019	30/06/2020
Assets			
Cash in Hand	289	345	451
Cash at Bank	364	540	617
Accounts Receivables	4789	5540	9524
Stock	19068	21087	22050
Others	0	0	0
Total Current Assets	24510	27512	32642
Furniture and Fixture	1920	1745	1585
Office Equipment & Machinery	0	0	0
Land & Building	63000	57500	52400
Others Assets	0	0	0
Total Fixed Assets	64920	59245	53985
Total Assets	89430	86757	86627
Liabilities			
Accounts Payables	1150	1230	1250
Bank Loan	12199	13547	20500
Total Current Liabilities	13349	14777	21750
Equity	76081	71980	64877
Paid-up Capital/Investment	2010	2010	2010
Retained Earnings	74071	69970	62867
Director's Loan	0	0	0
Total Liabilities & Equity	89430	86757	86627
Income statement summary:			
	30/06/2018	30/06/2019	30/06/2020
Sales	46980	55271	65025
Cost of Goods Sold	38523.6	44216.8	52020
Gross Profit/Operating	8456.4	11054.2	13005
Net Profit after Taxes	7516.8	9948.78	11704.5
Financial Ratio:			
	30/06/2018	30/06/2019	30/06/2020
Current Ratio	1.84	1.86	1.50
Quick Ratio	0.41	0.43	0.49
Gross Profit to Sales	18.00	20.00	20.00
Net Profit to Sales	16.00	18.00	18.00

Comment on Ratio Analysis:



Dutch-Bangla Bank Limited

Liquidity: Current ratio & quick ratio were 1.84 & 0.41, 1.86 & 0.43, 1.50 & 0.49 as on 30/06/2018, 30/06/2019 and 30/06/2020 respectively, which reveal moderate liquidity position of the concern.

Leverage: Debt-equity ratio reveals that the client has average reliance on own capital.

Profitability: Gross profit margin & net profit margin were 18% & 16 %, 20 % & 18 % , 20 % & 18 % for the year of 30/06/2017, 30/06/2018 and 30/06/2019 Profitability of the concern is still satisfactory.

Strengths/weaknesses of the existing operation:

Proprietor of the concern has 25 (Twenty Five) years of experience in this line of trade and doing business with good market reputation and proven track record of success. Client offers quality, prompt delivery, competitive price etc. These are the main strengths of the concern. Client's weakness is that he does not maintain records of books of accounts in a proper way.

The firm's annual net profit is Tk.11.70 Million, which is 18.00% of sales volume of Tk. 65.25 Million. The overall profitability position of the firm is satisfactory.

19. Assessment of Financing Requirement:

The client has been operating a trading business under the name & title **M/s. Haji Abdul Latif & Sons** for Cash Credit (Hypo.) "Len Den" limit for Tk. 20,00,000/-(Twenty Lac) only for the period of 01 (One) year to meet up working capital requirement and Term Loan "Somrihdi" limit for Tk. 80,00,000/-(Eighty Lac) for the organization. The party has stated that presently in an average he has to maintain stock more than Tk.22.50 million of different types of Monohary item seller .To keep this huge stock he has to make cash payment for purchasing monohory for monohory business. He has to sell goods cash & due payment considering his previous business performance, future business prospect, security coverage and market reputation the proposal of the client seems justified and rational.

The clients stated that if we sanction this limit he can expand and increase his business and profitability. As per financial information received from the client (as on 30.06.2020), inventory & bills receivable were Tk. 22.05 million & Tk. 9.526 million respectively. Analyzing that working capital requirement can be calculated as **under:**

Items	Tide up period	Amount
Sales		Tk 6,50,25,000/-
Gross profit		Tk. 1,30,05,000/-
Cost of goods sold		Tk. 5,20,20,000/-
Bills receivable Turnover	30 days	
Bills Payable Turnover	30 days	
Inventory Turnover	56 days	
Working capital requirement (Cost of Goods sold/245 * 56)		Tk. 1,93,18,857/-
70% Margin, Permissible limit comes at		Tk. 1,35,23,200/-

Considering the above facts and previous performance sanction of the Sanction of DBBL Cash Credit (Hypo.) "Len Den" limit for Tk. 20,00,000/-(Twenty Lac) only for the period of 01 (One) year to meet up working capital requirement and Term Loan "Somrihdi" limit for Tk. 80,00,000/-(Eighty Lac) only for the period of 72 (Seventy Two) months for Expansion of existing business on account of M/s. Haji Abdul Latif & Sons (Proprietor Mr.**Hazi Abdul Latif** a client with DBBL, New Market Branch , Dhaka.



Dutch-Bangla Bank Limited

Sales for the year 2019-2020 was for Tk. 65.025 million as per financial statement 30/06/2020. This type of business requires a considerable amount of seasonal with working capital to keep the flow of business upward. Moreover to run the business smoothly they have to maintain huge stock in trade. Considering sales practice on credit basis of this type of business, a large portion of capital investment remains as sundry debtor among the customers. Considering 245 working days and 56 days tied-up period required working capital 6.74 million is permissible financing limit.

20. Source of repayment:

Primary Source	:	Business cash flow of the client.
Secondary Source	:	Mortgage of landed property valued Tk. 22.24 million. (Forced Sale Value)
Other Source	:	Personal guarantee of the proprietor of the firm.

21. Valuation of Security:

(Value in Lac Taka)

Assets	Value	Valued By
Hypothecation of entire stocks comprising different kinds of three piece a duly insured covering minimum the risks of Fire & RSD with Bank Mortgagee Clause. ii)Registered mortgage with registered IGPA (to be executed) of total land measuring 7.00 (Seven Point Zero Zero) Decimal Long with construction thereon situated within District-Dhaka, Police Station Kamrangirchar & Sub-Register office : Sadar Dhaka, J.L. No : C.S-346, S.A- 67, R.S-05 & City Jorip 05, Nature of Property : Bari, Mouza : “Sorai Jafrabad” Hal: “Baghchankha” being Khatian No. C.S-10, S.A-05, R.S-383,Dhaka City Jorip-374, Dag No C.S & S.A -20, R.S-09, Dhaka City Jorip- 823, Mutation Khatian No-2348 & Mutation & Separation Case No 697/2014-2015 Dated 21.10.2014, Jot No.113/12, as owned by Mossamat Kamrun Nahar. Proprietor's Wife of the concerned business which market and force sale value 22.4 million and 17.92 million respectively as per valuation by Real Inspection (an enlisted surveyor of DBBL dated 20.02.2020). which is butted and bounded by: <ul style="list-style-type: none"> • Personal Guarantee of Spouse of the proprietor of the concern. • Personal guarantee of 01(one) Third Party. 	Tk.22,40,00,000/ - (MV)	Real Inspection Ltd. (an enlisted surveyor of DBBL) dated 20.02.2020.

22. Inadequacy in documentation: None

23. Risk Analysis:

Risks	Mitigates
Business Performance Risk	Key person of the business A) Mr.Hazi Abdul Latif has 25 years experience in Monihari item business. Viewing his experience, the risk level seems to be acceptable.
Repayment Risk	Sales performance of the client is also satisfactory And family expenses is low . Moreover the proprietor of the firm is financially sound. As such repayment risk can easily be mitigated.



Dutch-Bangla Bank Limited

Security Risk	Security worth Tk. 22.40 million has been held against the facility. So the security coverage is 1.20 times. Besides, the stocks of the company shall remain hypothecated with the bank against the facility. Viewing above, the security risk seems acceptable.
---------------	--

24. Of Enterprise:

1.	Size of the Enterprise	Small.
2.	Fixed Assets (Excluding Land & Building):	15,85,000/=
3.	Work Force:	10 Employees permanent 05 & 05 employee temporary

25. Environmental Risk Rating:

a) EnvRR score: Low

b) Migration in the score: N/A

26. Credit Risk Grading on the client:

a) Grading with score : Acceptable & Score-82 dated 01.10.2020

b) Migration in the grade : N/A

27. a) Account Performance with DBBL:

Current Deposit accounts (in Taka) A/c # 275.110.3843

Period of information (from 11.7.2018 to 21.07.2020)

Opening Balance	:	=	3,000/-	
Add Cr. Summation	:	=	46,94,977/-	Cr. Count : 10
Less Dr. Summation	:	=	42,19,948/-	Dr. Count : 20
Closing Balance	:	=	55,700/-	

28. Bank's Earnings / Profitability of the relationship:

(Figures in Taka)

Particulars	Rate	Projected Year	Assumptions
Interest on Term Loan "Somrihdi"	@8.00%	7,20,000/-	100% utilization of Term Loan "Somrihdi"
Sanction of DBBL Cash Credit (Hypo.) "Len Den"	@8.00%	1,80,000/-	100% utilization of CC limit.
Less: ACF	@2.16%	2,16,000/-	
Add: On line Commission		2,000/-	
Net Earnings		6,86,000/-	

29. Recommendation:

Considering the following:



Dutch-Bangla Bank Limited

- Proprietor of the firm is experienced enough in this particular line of business.
- Prospect of getting more business from the relationship.
- Scope of earnings from the facility.
- Facility is adequately covered by the security of acceptable nature.

In view of above, we are recommending for approval of Sanction of DBBL Cash Credit (Hypo.) "Len Den" limit for Tk. 20,00,000/- (Twenty Lac) only for the period of 01 (One) year to meet up working capital requirement and Term Loan "Somrihdi" limit for Tk. 80,00,000/- (Eighty Lac) only for the period of 72 (Seventy Two) months for Expansion of existing business on account of M/s. Haji Abdul Latif & Sons (Proprietor Mr. **Hazi Abdul Latif** a client with DBBL, New Market Branch , Dhaka.

29. Terms and conditions of the facility:

Facility Type-1:

a.	Type of facility	:	Cash Credit (Hypo.) "Len Den"
b.	Limit	:	Tk. 20,00,000/- (Tk. Twenty Lac) only.
c.	Purpose	:	To meet the upcoming winter season with working capital requirement.
d.	Drawing Power	:	50% of the stock value or the facility amount, whichever is lower.
e.	Repayment	:	Time to time from business proceeds or from own sources and finally in full on or before expiry.
f.	Rate of Interest	:	@ 8.00 % p.a. or as revised from time to time with quarterly rests.
g.	Other Charges/ Fees	:	<i>i) As per prevailing schedule of charges of DBBL. ii) In case of overdue in any loan account, whatsoever, supervision and monitoring charge be @0.50% per quarter.</i>
h.	Primary Security	:	Hypothecation of entire stocks comprising different kinds of car conditioner items duly insured covering minimum the risks of Fire & RSD with Bank Mortgagee Clause.
i.	Other Conditions	:	Stock statements to be submitted to the Bank on a monthly basis following the 10 th of the next month.
j.	Collateral Security	:	22.40 Million (MV)
K.	Expiry	:	12 months from the date of Disbursement.

Facility Type-2

a.	Type of facility	:	Term Loan "Somrihdi"
b.	Limit	:	Tk. 80,00,000/- (Tk. Twenty Lac) only.
c.	Purpose	:	To meet the upcoming winter season with working capital requirement.
d.	Drawing Power	:	50% of the stock value or the facility amount, whichever is lower.
e.	Repayment	:	Time to time from business proceeds or from own sources and finally in full on or before expiry.
f.	Rate of Interest	:	@ 8.00 % p.a. or as revised from time to time with quarterly rests.
g.	Other Charges/ Fees	:	<i>i) As per prevailing schedule of charges of DBBL. ii) In case of overdue in any loan account, whatsoever, supervision and monitoring charge be @0.50% per quarter.</i>
h.	Primary Security	:	Hypothecation of entire stocks comprising different kinds of car conditioner items duly insured covering minimum the risks of Fire & RSD with Bank Mortgagee Clause.
i.	Other Conditions	:	Stock statements to be submitted to the Bank on a monthly basis



Dutch-Bangla Bank Limited

			following the 10 th of the next month.
j.	Collateral Security	:	22.24 Million (MV)
K.	Expiry	:	72 months from the date of Disbursement.

***** Collateral Security for the both facilities:**

i) Hypothecation of entire stock in trading stored/to be stored in the shop and go-down of the concern duly insured minimum 110% of the loan amount covering minimum risks of Fire and RSD with Bank Mortgage clause.

ii) Registered mortgage with registered IGPA (to be executed) of Land measuring 7.00 (Seven Point Zero Zero) Decimal Long with construction thereon situated within District-Dhaka, Police Station Kamrangirchar & Sub-Register office : Sadar Dhaka, J.L. No : C.S-346, S.A- 67, R.S-05 & City Jorip 05, Nature of Property : Bari, Mouza : "Sorai Jafrabad" Hal: "Baghchankha" being Khatian No. C.S-10, S.A-05, R.S-383, Dhaka City Jorip-374, Dag No C.S & S.A -20, R.S-09, Dhaka City Jorip- 823, Mutation Khatian No-2348 & Mutation & Separation Case No 697/2014-2015 Dated 21.10.2014, Jot No. 113/12, as owned by Mossamat Kamrun Nahar. Proprietor's Wife of the concerned business which market and force sale value 22.4 million and 17.92 million respectively as per valuation by Real Inspection (an enlisted surveyor of DBBL dated 20.02.2020

iii) Personal Guarantee of the proprietor of the concern

iv) Personal Guarantee of Spouse of the proprietor of the concern.

v) Personal guarantee of 01(One) Third Party.

Submitted for kind approval of Head Office.

(Sk. Mahmud Hasan) SEO & Relationship Manager New Market Branch ,Dhaka	(Muhammad Salauddin Mamun) SAVP & Branch Manager New Market Branch ,Dhaka
--	---

Enclosure:

- Inter Office Memo Stock Report of the Client.
 - Site Visit Report.
 - Client's Application Kit.
 - Trade License for the year 2020-2021
 - Legal & Land Valuation report.



Dutch-Bangla Bank Limited

6.19 Branch Valuation Certificat



Dutch-Bangla Bank Limited

New Market Branch, Dhaka.

Branch Valuation Certificat

Visiting Date: November 03, 2020

We, the under signed, have been visited the following **proposed** collateral security and assessed the feasible value of the same by conversation with the local people around the property according to recent average sell-buy value,

1. Name of the Owner of the land : (i) **Hazi Abdul Latif**
S/O: **Md. Suroj Mia & Joytun Nesa**
(ii) Mossamat Kamrun Nahar
D/O: Hazi Md. Robiullah & Korimunnacha
2. Name of the Borrower : **M/s. Haji Abdul Latif & Sons, Prop: Mr. Hazi Abdul Latif**
3. Name of Mouza : "Sorai Jafrabad" Hal: "Baghchankha"
4. Police Station : Kamrangirchar
5. District : Dhaka
6. Business Address : 39, Boro Katra, Chawk Bazar, Dhaka-1211.
7. JL No : JL C.S-346, S.A- 67, R.S-05 & City Jorip 05.
8. Schedule of the Property :

Schedule:

Registered mortgage with registered IGPA (to be executed) of Land measuring 7.00 (Seven Point Zero Zero) Decimal Long with construction thereon situated within District-Dhaka, Police Station Kamrangirchar & Sub-Register office : Dhaka, J.L. No : C.S-346, S.A- 67, R.S-05 & City Jorip 05, Nature of Property : Bari, Mouza : "jangle Bari" Hal: "Baghchankha" being Khatian No. C.S-10, S.A-05, R.S-383, Dhaka City Jorip-374, Dag No C.S & S.A -20, R.S-09, Dhaka City Jorip- 823, Mutation Khatian No-2348 & Mutation & Separation Case No 697/2014-2015 Dated 21.10.2014, Jot No.123/12, as owned by Mossamat Kamrun Nahar. Proprietor's Wife of the concerned business which market and force sale value 12.19 million and 9.75 million respectively as per valuation by Real Inspection & Consulting Ltd. (an enlisted surveyor of DBBL dated 15.09.2019).

At North : 10 Feet wide Pacca Road.

At South : 12 ft wide pucca road.

At East : 2 Storied Building of Md. Abdul Kader.

At West : Single Storied Building of Mr. Sobhan Mia.

9. Valuation (Market Value & Forced Sale Value) {7.00 (Seven Point Zero Zero) decimal land (Dag# C.S & S.A- 20, R.S 09) & 6.90 (Six point Nine zero) Decimal land (Dag# C.S & S.A- 25, R.S 09)} = 13.90 total (Thirteen Point Nine Zero) Decimal Land are given bellow:

Property Description decimal land	Area of the Land & Value per Decimal	Present Market Value in Tk	Estimated Forced Sale Value in Tk. (20%)
7.00 (Seven Point Zero Zero)	32,00,000/=	Tk. 2,24,00,000/=	Tk. 1,79,20,000/=
Grand Total		Tk. 2,24,00,000/=	Tk. 1,79,20,000/=



Dutch-Bangla Bank Limited

- Schedule: Registered mortgage with registered IGPA (to be executed) of Land measuring 7.00 (Seven Point Zero Zero) Decimal Long with construction thereon situated within District-Dhaka, Police Station Kamrangirchar & Sub-Register office : Dhaka, J.L. No : C.S-346, S.A- 67, R.S-05 & City Jorip 05, Nature of Property : Bari, Mouza : "jangle Bari" Hal: "Baghchankha" being Khatian No. C.S-10, S.A-05, R.S-383, Dhaka City Jorip-374, Dag No C.S & S.A -20, R.S-09, Dhaka City Jorip- 823, Mutation Khatian No-2348 & Mutation & Separation Case No 697/2014-2015 Dated 21.10.2014, Jot No.123/12, as owned by Mossamat Kamrun Nahar. Proprietor's Wife of the concerned business which market and force sale value 12.19 million and 9.75 million respectively as per valuation by Real Inspection & Consulting Ltd. (an enlisted surveyor of DBBL dated 15.09.2019).
- 10. Area of Land: 7.00 (Seven Point Zero Zero) Decimal
- 11. Nature of Land: 4 storied Residential cum Commercial building
- 12. Access Road: Yes, (At North: **10 Feet wide Govt. Pacca Road**)
- 13. **Demarcation: Yes, (Boundary wall)**
- 14. **Market Value: Tk. 2,24,00,000/=**
- 15. **Peachful possession:** During Our Physical inspection, we have been informed by the local people that the subject property is under ***peaceful possession*** of the owner Mrs. Qumrun Naha, (proposed mortgagor spouse of the loan applicant).

SK. Mahmud Hasan SEO & Relationship Manager New Market Branch	Muhammad Salauddin Mamun SAVP & Branch Manager New Market Branch
--	---



Dutch-Bangla Bank Limited

6.20 Business Synopsis

<p>DBBL Proposed Limit & Loan Structure: 230 Lac [TL- 80.00 lac & C.C 150.00 lac as SME Loan] Taking over BDT 200 lac Bai-Murabaha TR Investment from Islami Bank Limited & 100 lac Term + 30 lac CC =230 Lac from BRAC Bank Ltd.</p>	<p>Security Information: CMV: 403.00 Lac [LTV Ratio 1: 1.76] 13.90 Decimal Land Demarcated by Brick wall. District- Dhaka, Police Station- Kamrangirchar & Sub-Register office : Dhaka, Mouza :“Sabek: Sorai Jafrabad” Hal: “Baghchankha”.</p>
--	---

Business Information:

Name of Client: M/S. Haji Abdul Latif & Sons

Name of Key Person/Promoter: Hazi Abdul Latif

Business/Office/Shop/Showroom Address with Status:

Business Address : Shop: Shop # 39, Boro Katra, Chawk Bazar, Dhaka-1211.

Shop # 39, Boro Katra, Chawk Bazar, Dhaka-1211. Status: Owned.

2nd Showroom Address : 497, Nurbag, Kamrangirchar, Dhaka.

Factory location with Status : N/A

Godown/Warehouse Location:

39, Boro Katra, Chawk Bazar, Dhaka-1211.

497, Nurbag, Kamrangirchar, Dhaka., Dhaka. Status: Owned

Total No. of Godown/Warehouse with approximate size: Number of Godown: 2, Size: 3550 sft

Nature of Business: Trading .

Product / Service: Wholesaler & Retailer of “Monohari items (Artificial Hair, Cosmatic, & imitation).

Legal Status: Proprietorship

Year of Establishment: 1985

Major Customers Name : Hazi Md. Shahin Ahmad, Hazi Md. Mohammad Ali,

Major Suppliers Name: M/s. Kashem Enterprise, M/s. Kadiza Enterprise, M/s. Kamal Enerprise.

Existing Bankers: Islami Bank Ltd & Brac Bank Ltd.



Dutch-Bangla Bank Limited

Existing Lenders: Islami Bank Ltd & Brac Bank Ltd.

Total Existing Funded Limit with Structure: 330 lac (Islami Bank Bia Murabaha TR Investment-200 lac & Brac Bank TL- 100 lac, C.C 30 Lac)

Total Existing Non-Funded Limit with Structure: N/A

Total Existing Monthly Debt Burden: BDT.Lac (%) 22.34%

Total Existing Debt Outstanding: Funded (Bia Murabaha TR Investment-124.49 lac, & Brac bank C.C- 20 lac, TL- 16.24 lac= Total 160.73 Lac)

Total Secured Limit: 330 lac (Islami Bank Limited Bia Murabaha TR Investment - 200 lac, Brac Bank Ltd TL- 100 lac & C.C 30. Lac)

Total Unsecured Limit: N/A

DBBL Proposed Limit & Loan Structure & Interest rate : 230 Lac (CC -150 lac & TL 80.00 lac) 11%.

Taking over Amount & Bank/FI Name: Fron islami Bank Ltd Bia Murabaha TR Investment 124.49 lac 14.55% & Brac Bank Ltd. TL 17.50, C.C 20.00 Lac in 13.50%.

Sister Concern Name & Nature of Business: N/A

Financial Information (Approx.):

Annual Sales: 128.56 million

Inventory: 24.75 million

Receivable: 8.72 million

Payable: 1.66 million

Value of Fixed Asset: Machinery/Equipment/Furniture/Fixture/Land & Building (Only business Premises): 66.52 million

Business/Sales Growth Vs. Credit Growth for last three years & Projected Growth with sales reflection in Bank Statement:

Year	Sales (Crore)	Sales Growth in %	Bank Reflection (Crore)	Bank Reflection (%)	Loan/ Credit enjoyed (Crore)	Credit Growth in %
2017	9.28	%	3.94	42.45%	Funded- 3.30 crore	0.00% as it is



Dutch-Bangla Bank Limited

					(CC- 230 lac & TL- 100.00 lac)	carried out since 2017
2018	10.92	17.66%	4.44	25.14%	Funded- 3.30 crore (CC- 230 lac & TL- 100.00 lac)	0.00% as it is carried out since 2018
2019	12.85	17.61%	2.32	18.05%	Funded- 3.30 crore (CC- 230 lac & TL- 100.00 lac)	0.00% as it is carried out since 2019
2020	16.11	20%	3.94	24.45		

Security Information:

Proposed Security Nature: Residential Cum Commercial Land.

Proposed Security Area & Type: 13.90 Land on 5 storage Building.

Proposed Security Location: District-Dhaka, Police Station Kamrangirchar & Sub-Register office: Dhaka, Nature of Property: Bari, Mouse: "jangle Bari" Hal: "Baghchankha"

Proposed Security Value (Approx.): CMV: 403.00 lac, [LTV Ratio 1: 1.76]

Addition Notes/Strength (If any):

- C) Client is the sole distributor of Monohari (artificial Hair, Cosmetics, & imitation)
- D) Started business operation in Dhaka in 1985.
- E) Client is the loyal customer of DBBL since 2020.
- F) After Getting of the SME proposal in 2020, he will take over Cash credit facility from islami Bank & take over from Brac Bank Ltd.
- G) Sales break up: Retail: 20% and Wholesale: 80%
- H) Profit Margin is more than 10 %
- I) Client is maintaining 2 outlets of Branded items in Lucrative places of Dhaka City.



Dutch-Bangla Bank Limited

CHAPTER -7

Findings, Recommendations and Conclusion



Dutch-Bangla Bank Limited

7.1 Findings:

From The data collection the following things are found:

1. DBBL SME authority should carefully choose the proprietors while disbursing the SME loan. Because overly aged persons cannot pay the SME loans. The maximum age limit for taking any SME loan program is 60 years according to DBBL SME policy.
2. Inexperienced proprietors are not encouraged to gain the SME loans. From the data, it was found that most of the proprietors have 5-10 years of experience.
3. Most of the interviewed proprietors use this SME loan for to meet up working capital requirement and Term Loan "Somrihdi" and CC loan for Expansion of existing business.
4. Most of the proprietors (48%) said that it took less than 1(one) month between loan application and sanction. 24% proprietors said that it took around 1 month to get the loan. That means DBBL SME is serving the clients quite well in terms of granting SME loans.
5. According to the proprietors those who apply for the loan, DBBL SME service should be more attractive in time length between loan applications and loan payment. Inexperienced marketing force is also the negative thing to discourage the proprietors to the loans. This means that the DBBL Management should make some proper steps to organize the whole SME marketing and disbursement process for better results.
6. After taking the loans from DBBL, some proprietors said that they are either highly satisfied or just satisfied with the SME loan of Dutch-Bangla Bank Ltd. It means that more than 60% of the proprietors think that the service level of Dutch-Bangla Ltd is quite good and it's also quite satisfactory to the clients.
7. The problems or risks regarding SME loans for the bankers are like flexible repayment options for borrowers, confusion with borrowing terms and conditions, wrong information, risks with guarantee, documentation risk, moral hazard problems with unsecured loans, monitoring activity etc.
8. Dutch-Bangla Bank need to provide unsecured loan because dome proprietor



Dutch-Bangla Bank Limited

09. SME market is highly competitive and DBBL might lose a big portion of its future client portion to the other banks, but DBBL has a strong human resource and experienced SME team which can help the bank achieve the future targets successfully.

7.2 Recommendation.

Dutch-Bangla Bank Ltd. has dynamically been financing the SME Sector with the ambition of supporting and enlarging the SME industry as well as the entrepreneurial potentials of Bangladesh. DBBL has a firm commitment to contribute to every segment of the economy. SME Finance is just one of the steps towards the fulfillment of this commitment.

- Need to introduce unsecured loan in SME banking Division of DBBL.
- In Documentation need more flesible to disburse loan Amount.
- For processing the SME loans the Bank should maintain more simple process to make it easier, less time consuming and affordable for the entrepreneurs.
- Establishing decentralizing the delivery channels, so that branches can process and deliver SME loans by themselves.
- Use multiple channels to collect necessary information of the client before the processing of loan.
- Government as well as Bangladesh bank need to be established a standard format and policy for SME loan proposal and project evaluation. Beside this, close monitoring of the banks activities regarding SME loan evaluation should be more constructive and the banks also should take care of it.
- The interest rate should be lowered. It is must to make easy entrance to SME financing.
- To overcome the constraint of collateral, the banks should have some relaxation considering the collateral requirements and Bangladesh bank also should take steps on this issue.
- Government of Bangladesh should take measures like publicity in media, separate web page design, information office etc. for proving all necessary information regarding SME financing.
- Different training programs, work shop and formal educational curriculum should be included in for increasing entrepreneurial skill and making aware about the potentiality of the industry.



Dutch-Bangla Bank Limited

Moreover, the Bank can set up small booths and service centers in rural areas to finance the small business. It is seen that there are many small business entrepreneurs are expanding their business through SME financing. Setting up SME centers will not cost a lot as it will not work as branch and there will be minimum investment and operating cost. The loan size is small for SMEs so it does not need assign high ranked officials.

The bank should have special officers for monitoring and maintain the SME loans. The concept for Relationship Officer for the SME loan who will look after the portfolio and aware the community about the importance of the sector and facilities provided by the bank.

7.3 Conclusion.

In Bangladesh, SME or CMSME s plays a significant role for the development of our economy by creating employment opportunity. So as a part of our development strategy, we should intensify our efforts to develop this sector. As a third generation private commercial bank, Dutch-Bangla Bank Ltd. has a good possibility to be a leading bank in the economy of Bangladesh. To achieve that, they need to find out the areas where they can expand. In recent years, their performance in SME sector showed a regular growth from 2018 to 2020. This means that they have the possibility to be one of the best banks in SME sector. Dutch-Bangla Bank Ltd. has already started to contribute in the economic development through SME financing and having growth in accordance with industry in investing Trade sector. Dutch-Bank do not provide unsecured loan is the main obsatracal to acure the market so i think that management should take necass step to provide unsecured loan . SME is a successful sector in Bangladesh which can be important for all the banks in the near future. All the banks are always trying to maximize their SME collection. That is why, to keep up with other banks in Bangladesh, Dutch-Bangla Bank Ltd. (DBBL) needs to know the problems of the SME clients and try to find the best possible way which will make good connection with their new clients and achieve their goals.



7.4 References:

1. Published Annual Report of Dutch-Bangla Bank Limited.
2. <https://www.dutchbanglabank.com/>
3. www.bb.org.bd/en/index.php
4. www.assignmentpoint.com
5. www.ask.com
6. www.google.com
7. SME – Asset Operation Manual, DBBL
8. SME -Credit Procedure Manual, DBBL
9. Consumer Banking Policy, DBBL
10. Record Management Team (RMT), DBBL
11. Help of internet.
12. www.articlebd.com