



Internship Report On  
Credit risk management of Rupali Bank Limited

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Date of Submission:

## Letter of Transmittal

Date: January 22, 2021

To,

Dr. Md. Abdur Rouf

Associate Professor of Accounting

Department of Business Administration

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Daffodil International University

Subject: Submission of Internship Report on Credit Risk Management of Rupali Bank Limited.

Dear Sir,

This is my internship report where the topic is on “Credit Risk Management of Rupali Bank Limited.” as you instructed me to prepare this report as a mandatory part of MBA degree. In writing the report I have tried to my best to follow the instruction that you have directed.

This report will facilitate for knowing the role of Credit Risk Management Of Rupali Bank Limited.

I wish that this report will have your approval. I will be blissful to fit out you with any justification if needed.

Sincerely Yours

, \_\_\_\_\_

Faysul Ahmed

ID No. 193-14-172

Program: MBA

Major: Human Resource Management

## Declaration

I hereby declare that the internship report entitled “**Credit Risk Management Of Rupali Bank Limited**” is uniquely prepared by me while I am servicing at Rupali Bank Limited.

I am assuring that, the report is only forwarded for my academic use not for any other purpose. I also declare that this report is not submitted for any degree or diploma or any other certificate in before.

Faysul Ahmed

ID No. 193-14-172

Program: MBA

Major: Human Resource Management

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### **Certificate of Approval**

I am pleased to certify that the Internship Report on “Credit Risk Management of Rupali Bank Limited”. Faysul Ahmed Roll No.193-14-172 Major in HRM, MBA Program Department Faculty of Business Entrepreneurship has been approved and defense. Under my supervision Ziaul Haque work with Rupali Bank Limited as an intern.

I am pleased to hereby certify that the data and finding present in the report are the authentic work of Faysul Ahmed. I strongly recommend the report presented by Faysul Ahmed for further academic commendations and defense.

#### **Supervisor**

.....

**Dr.Md.Abdur Rouf**

Associate Professor of Accounting

Department of Business Administration

Faculty of Business and Entrepreneurship

Daffodil International University

## Acknowledgement

First, I want to pay my gratitude to almighty Allah for enabling me to prepare the report successfully. Then I would like to express my sincere gratitude and cordial thanks to some specific persons who helped me to organize this report and for their kind opinion, suggestions, instructions and support and appropriate guidelines for this.

I want to thank my parent; whose support and motivation carry much meaning in my life.

Then, I'm very much thankful to my Internship Supervisor Dr. Md. Abdur Rouf, Associate Professor of Accounting & Director, MBA Program, Department of Business Administration, Faculty of business and Entrepreneurship, Daffodil International University for his continuous guidance and assistance in preparing the report on Credit Risk Management of Rupali Bank Limited. His valuable advice has helped me a lot in writing this report. I am immensely thankful to him for the supports he has provided during my Internship period.

Next, I am thankful to all officials and staff of Rupali Bank Ltd, Nandail Branch, and Mymensingh for their huge cooperation and I would also like to express heartfelt gratitude to my organizational supervisor at Rupali Bank Ltd, Ziaul Haque, (SPO) Nandail Branch, and Mymensingh. He directed me towards the right information and regularly reviewed my progress in preparation of this report. He has provided the information about the organization helped me for the report.

Finally, I would also like to thank to the authority Department of Faculty of Business and Entrepreneurship, Daffodil International University for their kind co-operation.

## Letter of Acceptance

This is to certify that the internship report entitled “**Credit Risk Management of Rupali Bank Limited.**” prepared by **Faysul Ahmed ID: 193-14-172, Batch-54th** a student of the Department of Business Administration under the Faculty of Business and Entrepreneurship, Daffodil International University. He has successfully closed his internship program at **Rupali Bank Limited** and he has prepared this internship report under my superintendence. I am pleased to state that his commitment was very promising in preparing this report. The data and findings presented in the report supposed to be authentic. To the best of my knowledge, he bears a gentle character and good personality.

I wish him for every achievement throughout his life.

**Dr.Md.Abdur Rouf**

Associate Professor of Accounting

Department of Business Administration

Faculty of Business and Entrepreneurship

Daffodil International University

## **Executive Summary**

Credit risk management is the main topic in the report on Rupali Bank limited. Beginning in this report discuss in the topic scope, origin, objective, methodology, limitation are chapter one. The main objective in the report practical knowledge credit risk management on Rupali bank limited. Work different desk and collect data and we collect data in annual report.

Chapter two we discuss overview of Rupali bank .we discuss organizational profile and present situation. The bank is established in 1972.Rupali bank has various product and service.

Credit risk management activities are Credit Process, Credit Sanction, Credit Document, Credit Administration, Disbursement, Individual Credit monitor and Control, Monitoring Credit Portfolio, Classified of Credit, Classified of loan, Recovery of loan. Discuss in the report. Another chapter describe what is credit, types of credit and how can bank manage credit risk. And loan recovery process

Ending the report findings, recommendations and conclusions are discussed. It's can be recommended bank should concentrate more on proper documentation of all types of loans. The documents supporting the security against the loan have to be verified properly.

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# Chapter-1

# Introduction

## **1.1 Conceptual framework the study**

Internship program is a part of MBA program. Internship program duration is three months. Within this three

months I have prepared a report on "**Credit Risk Management Of Rupali Bank Limited**" There I worked on general banking section, credit division, remittance section. Internship report is compulsory for the fulfillment of MBA program in Daffodil International University. The main purpose of the internship program is to relate theoretical knowledge with real life work.

Generally students are placed in different organizations for internship program. Internship program covers 12 weeks of organizational attachment. I was placed in Rupali Bank limited. Through completing different courses we have gathered theoretical knowledge and internship helps us relate this with real life work. This is the actual purpose of internship program. Rupali Bank is one of the leading government banks of Bangladesh. The credit department of any bank is very important because bank gets maximum profits from providing loan to its borrowers. The goal of. Credit risk management is to maximize a bank's risk-adjusted rate of return by maintaining. Credit risk exposure within acceptable parameters. Credit risk management is the most important part of Rupali Bank limited. Credit Risk critically anatomizes the credit proposal in risk management weighted point. Loan sanctioning and approvals are ensuring to credit portfolio in high Quality. Bank wants to know maximize bank risk adjusted rate and by maintaining credit risk. Rupali Bank can manage credit risk policy is the challenge on the Bank.

## **1.2 Need and Significance of the Procedures**

This is a great opportunity for me to prepare this report through using my theoretical knowledge into the practicum arena. I have completed this report as partial fulfillment of course Internship. The aim of this research is to know about "**Credit Risk Management of Rupali Bank Ltd**"

## **1.3 Purpose of this report**

I am a student of MBA department of DIU- Daffodil International University containing major HRM. But I want to know the banking sector and I also want to improve my knowledge.. Here I

try to relate my theoretical knowledge that I get from different courses of DIU and various documents from bank.

## **1.4 Objective of the Study**

The main objective of the report is to identify and evaluate the credit risk management system of Rupali bank limited, which includes the following specific objectives:

## **1.5 Specific Objectives**

- ❖ To know the practices of credit structure of the Rupali Bank Limited.
- ❖ To measure the effectiveness of the bank in the utilization of available resources.
- ❖ To assess the credit structure of the Rupali Bank Limited in practice.
- ❖ To identify the recovery performance of Rupali Bank Limited.

## **1.6 Scope of the report**

This report contains background of the organization, SWOT analysis, customer satisfaction and performance of this bank. This report actually tells about Credit Risk Management Loan sanctioning and approvals are ensuring to credit portfolio in high quality. Bank wants to know maximize a bank's risk-adjusted rate and by maintaining credit risk. This report mainly focused on Credit Risk Management of Rupali Bank Limited.

# **CHAPTER-2**

## **Organization and Credit Risk Management**

## **2.1 Historical Background of Rupali Bank Ltd.**

Rupali Bank was established 1972 in the Bangladesh Bank Order. Rupali Bank got registered with the Joint Stock in DSE 19-8-1987 and CSE 10-10-1995. Rupali bank limited has Registrars and restructured it as a public limited company with the name Rupali Bank Limited in 2007. .579 branches across in Bangladesh in Rupali banklimited.5490 employee in Rupali bank .location of Rupali bank is 34 Dilkusha Commercial Area, Dhaka 1000.

## **2.2 Vision of Rupali Bank Ltd:**

- Expand our loyal customer base by being known as the financial partner of choice that constantly exceeds customer expectations.

## **2.3 Mission of Rupali Bank Ltd**

- Develop a long-term relationship that helps our customers to achieve financial success.
- Offer rewarding career opportunities and cultivate staff commitments.
- Uphold ethical values and meet its customer's financial needs in the fastest and most appropriate way and continue innovative works in order to achieve human resource with superior qualities, technological infrastructure and service packages.

## **2.4 Values of Rupali Bank Ltd.**

- Rupali Bank Ltd following the values of guideline in this job.
- Create the environment is honest and enabling.
- Rupali Bank limited focus relationships and integrity.
- Work as a team to serve the best interest of their owners.
- Base recognition and reward on performance.
- Responsible, trustworthy and law-abiding in all that they do.
- Strive for profit & Sound growth.
- Relentless in pursuit of business innovation and improvement.
- Value and respect people and make decisions based on merit.



## **2.5 Services of Rupali Bank Ltd:**

Rupali Bank Ltd offers the banking facilities and services to its customers and employee. The Bank with its different network and spreading in the country has a unique feature of Savings account, from deposit and then investing them into loan portfolios. Rupali Bank Ltd. ranging branch network comprehensively in our country. Bank skilled and personalized services are some like as: 1. Telegraphic Transfer on banking. 2. Demand Draft. 3. Transfer Mail 4. Pay Order. 5. Receipt on Security Deposit. 6. Special arrangement of fund Transfer.

## **2.6 Export Finance:**

Rupali Bank Limited has been given various kinds of assistance to exporters in the world . Some points are discus below:

Exporter's business interest bearing and non-interest bearing in world.

- Export provided motivation Program.
- Export Processing Zone in banking sector.
- Foreign investment 100%. And joint venture for establishment of export industry.
- Financing program and software data entry and service in the main export .
- Admission rate and interest rate are exports Finance.
- L/C under certified Warehouse efficiency.

### **Export Trend:**

Year	Taka in Cores
2015	8,865
2016	11,851
2017	15,375
2018	15,652
2019	15,325

Table 1: Export trends of Rupali Bank Ltd

## **2.7 Import Finance:**

Import is the very important part good number of the Authorized Dealer Branches on 1198. Foreign currency earns world wide Rupali Bank Limited. Rupali bank has been extending full range import and financial service facilities.

## **2.8 Import Items:**

- To increase Capital Flow & Lubricants. Deferent Machineries and Garmented raw materials.
- Average goods & Service.
- Machine spare parts and deferent equipments.

## **2.9 Import Trend:**

Setting Industrial vision to facilitate optimally, bank's involvement has been showing sharp rising trend as under:

Year	Taka in Cores
2015	11,852
2016	18,374
2017	19,728
2018	18828
2019	17667

Table 2: Import Trend of Rupali Bank Ltd

## **2.10 Branches of Rupali Bank Ltd:**

Rupali Bank Limited has 580 branches in our country. Urban areas 310 branches and situated in urban areas. They have 270 branches are in rural areas.

Bangladesh division	Urban zone	Rural zone	Total
Dhaka	80	40	120
Chittagong	50	40	90
Rajshahi	35	25	60
Sylhet	39	20	59
Khulna	34	30	64
Barisal	35	30	65
Rangpur	40	27	67
mymensingh	30	25	55
Total			580

Table 3: Branches of Rupali Bank Ltd

## **2.11 Organizational Structure of Rupali Bank Ltd:**

Every Organization has organization structure Rupali bank foremost duty top management is to makes all the major decisions. Boards of directors are topmost level of organizational. They have structure plays and important policy role in successful. Day-to-day operations of the bank are development.

### **Rupali bank Structure:**

Managing Director, MD
Deputy Managing Director, DMD
General Manager, GM
Deputy General Manager
Assistance General Manager, AGM
Senior principal officer
principal officer
Senior officer
officer
Junior Officer
Office Assistant

### **Graph no: 1- Rupali bank Structure**

## **2.12 Investment:**

Rupali bank can invest in different sector. They can invest in business sector it has provide lone .some time they can invest different government project in our country. Rupali bank invest money export ,import and foreign business sector.

### **Investment wise Portfolio**

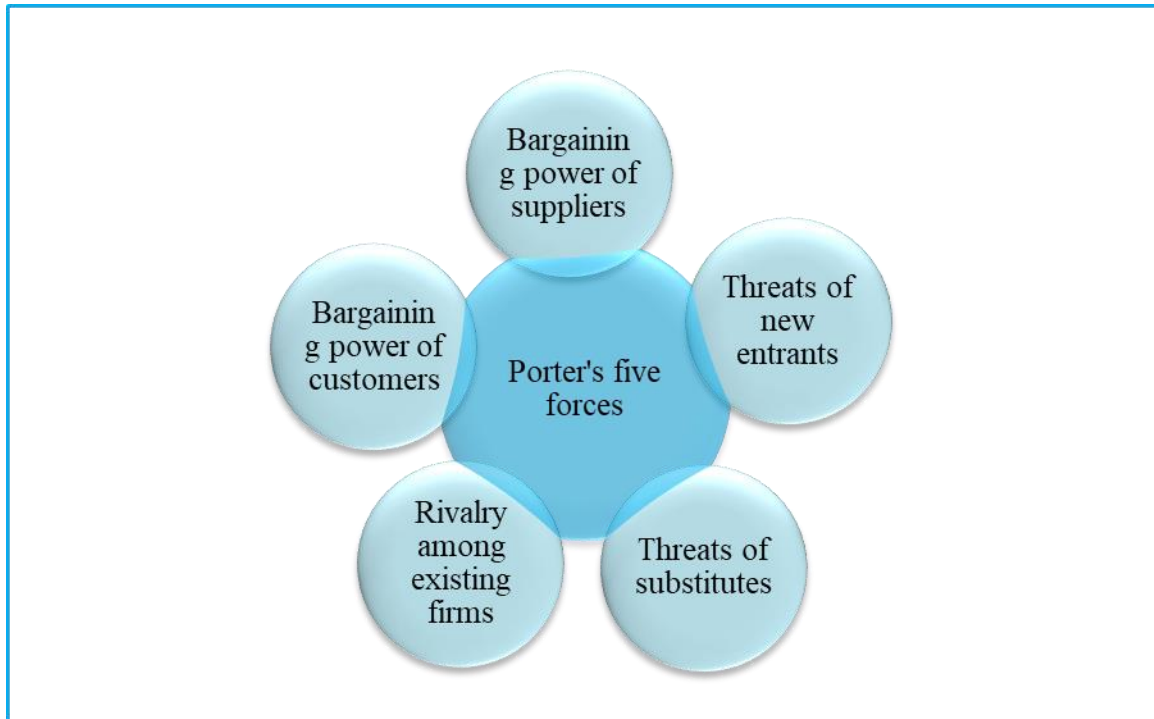
SL	Particulars	2019 (TK)	%	2018 (TK)	%
1	Government bond	108982298.39	89.19	70383615.59	91.05
2	Debentures	404932.8	0.33	349959.68	0.45
3	Corporate Bonds	1196236.56	0.98	927419.35	1.20
4	Shares	11577782.26	9.48	5618736.56	7.27
5	Others	24045.7	0.02	24045.7	0.03
	Total	122185295.7	100	77303776.88	100

Table 4: Investment wise Portfolio

## **2.13 CSR Activities of Rupali Bank Ltd:**

Rupali Bank is playing a leading role in Bangladesh. Corporate Social Responsibilities activities amid owner commercial banks. Rupali Bank Limited has been allocated Tk115.68 millions in the year 2018 and TK 292.20 millions in 2019. Different sectors and different people can help in Rupali bank limited .Number of trodden people benefited in 2017 is 3899. Rupali bank limited can provided health care and education. They also another considered as thrust sectors. Rupali Bank emphasized in the Information technology sector. Rupali bank honor of titled freedom fighters 20 city in our country. Freedom fighters education, shortage alleviation, and their history of liberation war sufficient importance in the society. They can help poor people. Rupali bank provide money poor student for your education

## **2.14 porters Five Forces Model:**



### **Bargaining power of customers (Low)**

In banking industry the bargaining power of the customers are low. Customers can not change the rules and regulation of the bank. The interest rate and the charges are also set by bank. Though there are lots of options in the market. But customers don't want to change the bank because the switching cost is high as the process is also a hassle.

### **Bargaining power of suppliers (High)**

Bargaining power of suppliers is high. The main supplier of Rupali bank ltd is its depositors. Depositors can deposit their money in any other bank as there are lots of available options. So they can choose as their requirement.

### **Threats of new entrants (Low)**

Threats of new entrants are low. Because it's not easy to open new bank. There are many rules and regulation to open a bank. In recent time some new bank are opened but they are not major threat.

### **Threats of substitutes (Moderately Low)**

Substitute of banks can be non-banking financial institutions. In Bangladesh there are some non-banking financial institutions. They are not much in number. So the treat from substitutes is moderately low for Rupali Bank Ltd.

### **Rivalry among existing firms (High)**

In Bangladesh banking industry there are lots of strong competitors. They are offering attractive products and services to attract customers. So the rivalry among existing firm is high.

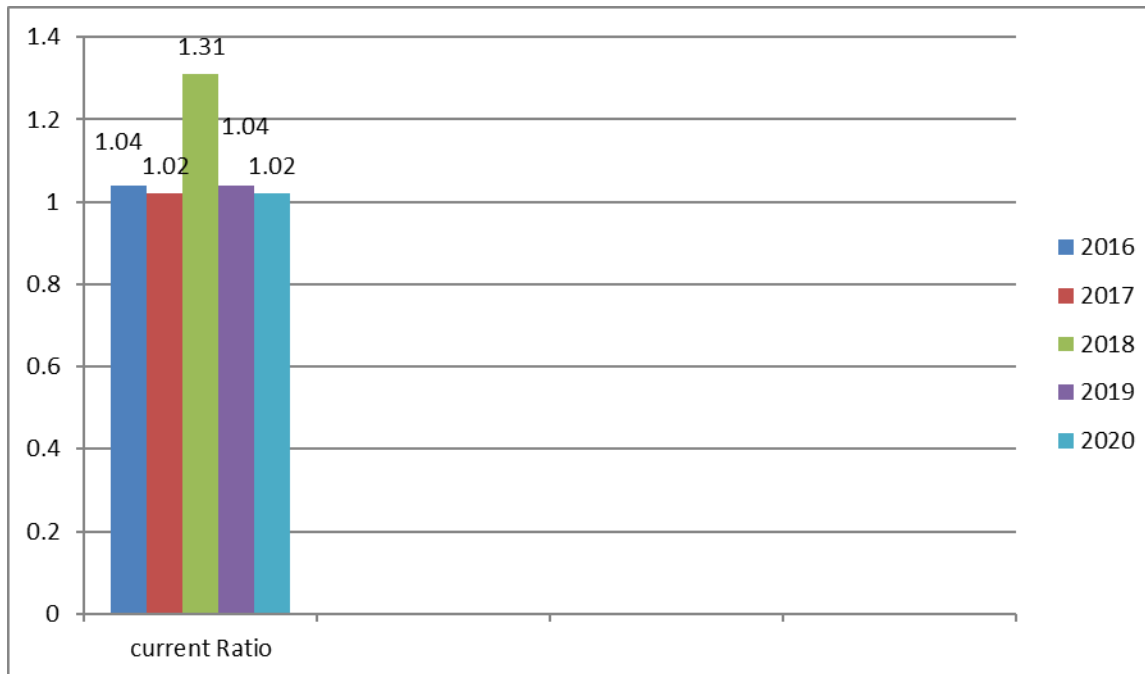
## **2.15 Ratio Analysis:**

### **1. Current ratio:**

Current Ratio= Current Asset /current Liabilities

Particulars	2019	2018	2017	2016	2015
Current assets	426,636.64	345,385.82	314,186.75	285,730.53	227,309.99
Current liabilities	410,503.03	335,978.66	305,702.73	275,583.75	219,102.72
Current ratio (times)	1.04	1.02	1.31	1.04	1.02

Source: Rupali bank Annual Report (2015-2019)



**Effect:** The higher the current ratio is more liquid the company is considered to be, but Rupali Bank current ratio is not good enough at present time, because it couldn't maintain the standard of current ratio that is 2:1. Thus it has a negative effect on balance sheet of Rupali Bank Ltd.

**Recommendation:** Normally banks maintain current ratio 2:1 and we have seen that RBL maintains current ratio more than 1:1. It indicates that liquidity position is not bad, but is not good enough to meet all the obligations and to run its smooth operations. The directors or the top management have to find out why in 2017 the ratio was increased and why again its fall down. The bank needs to collect the entire short term loan that has been distributed among the customers and has a risk of default.

### **Return on Asset (ROA):**

Return on assets ratio of a bank gives an idea of how efficiently a bank is using its assets to generate profit.  $ROA = \text{Net Income} / \text{Total Asset}$ .

Year	2019	2018	2017	2016	2015
Net profit after tax	2,605.48	4,807.88	3,813.15	9,551.39	(15,280.34)

Total Assets	778,603.91	690,667.66	628,415.27	586,082.98	511,129.41
Return on Asset	0.33%	0.70%	0.61%	1.42%	(2.99%)

Source: Rupali bank Annual Report (2015-2019)

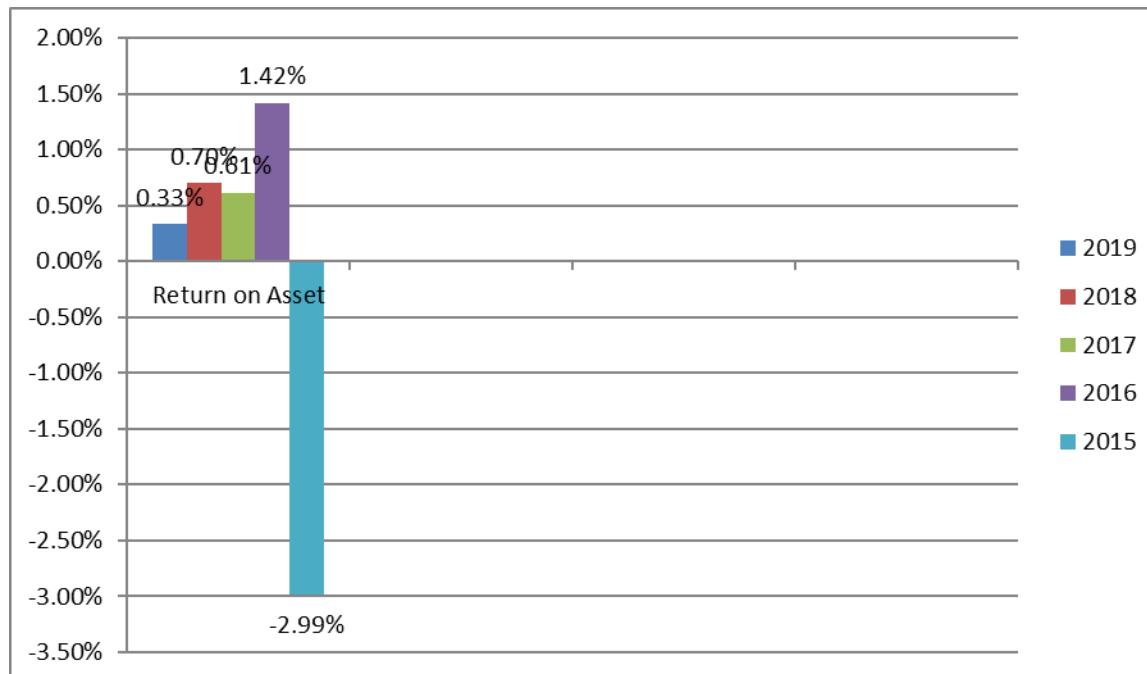


Figure: Return on Asset

**Interpretation:** Changes ROA ratios of Rupali bank limited were fluctuating over 2015 to 2019. The ROA was a worst full situation in 2015 (2.99%). In 2016 RBL got out from the negative situation that year return on assets was 1.42%. From 2017 to 2019 the ROA was 0.61%, 0.70% and 0.33%

Effect ROA measures how efficiently a company can manage its assets to generate profits during a period. A higher ratio is more favorable to investors. A positive ROA ratio indicates an upward profit trend.

**Recommendation:** Return on assets result is in the way of improvement. The bank needs to utilize its assets in the appropriate sector.



## Return on equity (ROE):

The return on equity measures the profitability by disclosing how much profit generates with the money shareholders have invested.

Year	2019	2018	2017	2016	2015
Net profit after tax	2,605.48	4,807.88	3,813.15	9,551.39	15,280.34
Total shareholder equity	49,889.66	49,547.44	39,455.70	37,116.20	17,476.66
Earning per share (EPS)	5.22%	9.70%	9.66%	30.09%	(49.74%)

Source: Rupali bank Annual Report (2015-2019)

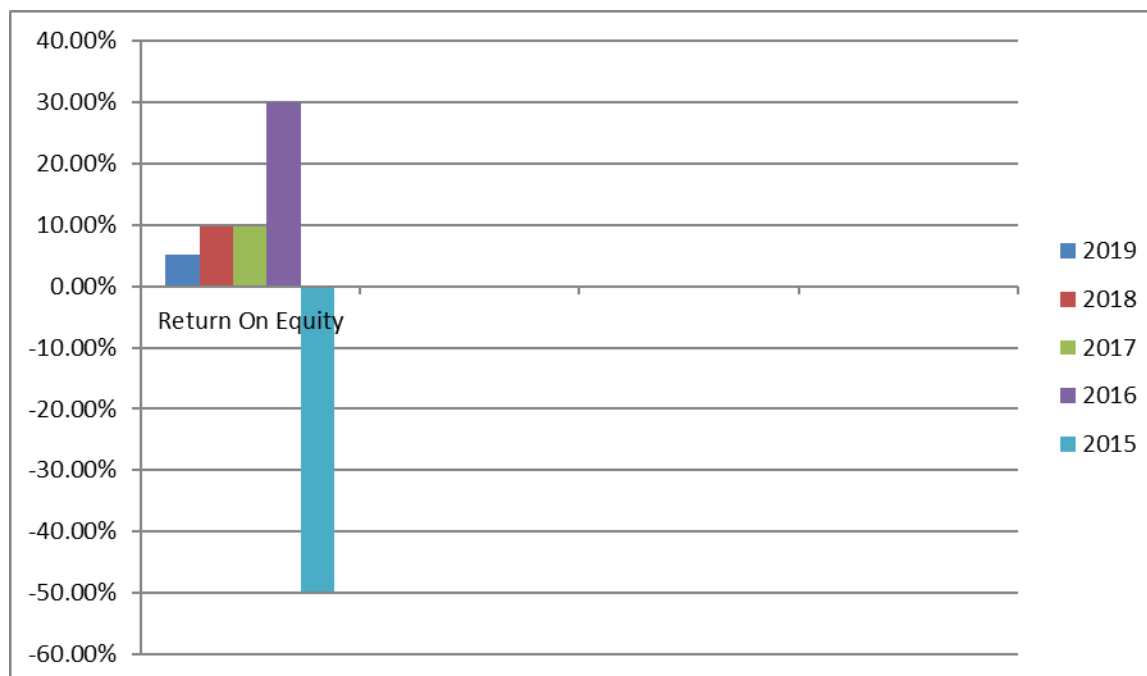


Figure: Return on Equity

### Changes

The return on equity was decreased in the year 2015 (49.74%) that was totally worst full. In 2016 it's higher increased 30.09%, on the contrary, 2017, 2018 and 2019 decreased 9.66%, 9.70% and 5.22% than 2019.

**Effect: Higher ROE** indicates the favorable position that the company is effective in generating income or new investment. It has an impact on stockholder's equity section.

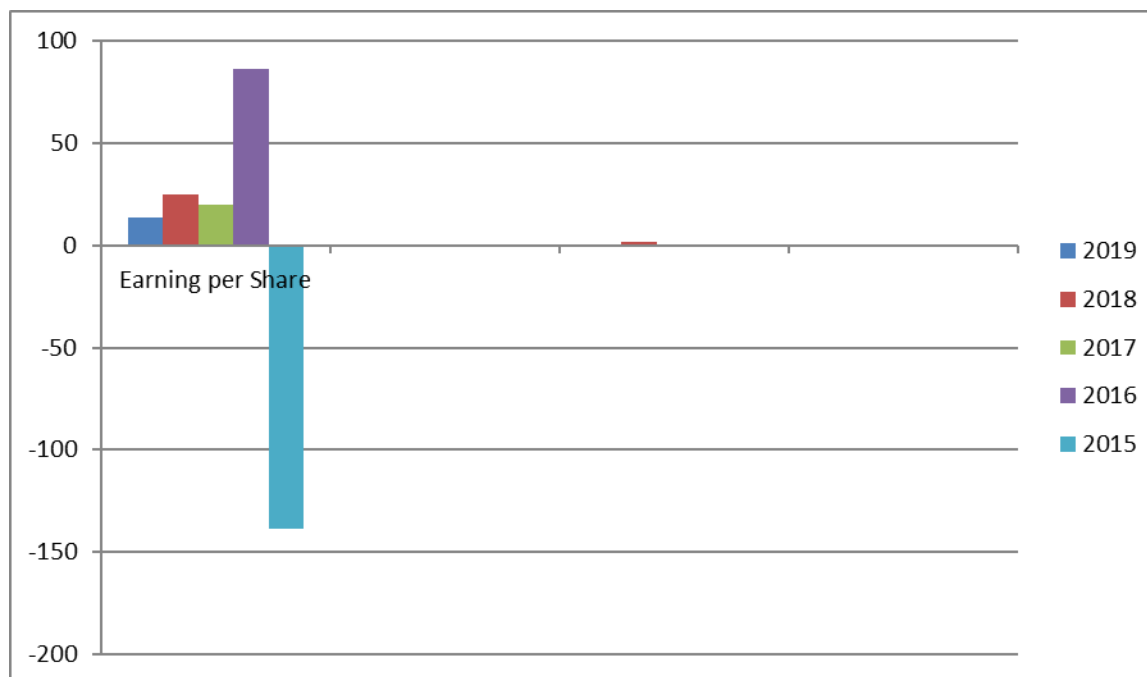
**Recommendation:** The bank has to find out the possible way to maximize the possibility of return.

### Earnings per Share (EPS) :

Earnings per share (EPS) are the portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability.

EPS is calculated as:

Year	2019	2018	2017	2016	2015
Net profit	2,605.48	4,807.88	3,813.15	9,551.39	(15,280.34)
No. of shares	191.40	191.40	191.40	191.40	110.00
Earnings per share (EPS) (in BDT)	13.61	25.12	19.92	86.31	(138.91)



**Interpretation:**

**Changes:** Here the graph above shows the Earning per Share (EPS) of RBL from the year 2015 to 2019. In 2015 EPS were (138.91); it was worst full. In 2016 86.31 that was totally outstanding but from 2017 to 2019 EPS fluctuated 19.92, 25.12 and 13.61. Effect: This change has an effect on income statement.

**Recommendation:** Needs to maximize the profit to maximize Earning per Share through taking some strategic decision over the banking process.

## **RUPALI BANK LIMITED CREDIT RISK**

### **MANAGEMENT PROCESS**

#### **2.16 CREDIT RISK MANAGEMENT PROCESS:**

Credit Risk Management is the most important part of Rupali Bank limited. Credit risk critically anatomizes the credit proposals in risk management weighted point. Loan sanctioning and approvals are ensuring to credit portfolio in high quality. Bank wants to know maximize a bank's risk-adjusted rate and by maintaining credit risk. Bank needs to manage their credit risk. Rupali bank maintain following tasks:

1. Credit Process. 2. Credit Sanction. 3. Credit Document. 4. Credit Administration 5. Disbursement 6. Individual Credit monitor and Control. 7. Monitoring Credit Portfolio 8. Classified of Credit 9. Classified of loan 10. Recovery of loan.

#### **2.17 Credit Process:**

Credit process is the 1'st stage lone sensation required information on credit risk management. Credit process to gather and application. Rupali bank Credit application forms should be ability detailed information needed for credit process. Financial institutions should have a 1 required information and detail are given there. Financial institutions should be set out prequalification information in part of the credit process.

General role are:

- Amount and purpose on sources of repayment process
- Reputation in the applicant and his legal capacity to assume the credit process.
- Industry sector to economic facility are risk profile of the borrower and the sensitivity.

Credit Sanction:

Rupali Bank have some must have written process and the approval individuals or committees as well as the basis of those decisions in business. Credit Sanction Depending on the size of the financial sector. Credit develops and risk specialists who have high level expertise and experience. The demand for judgment in approving and managing credit risk in Rupali Bank Limited.

## **2.18 Credit Document:**

Credit Document is the essential part of the credit process. Credit cycle, including credit risk application, credit analysis, credit process, credit monitor. Credit impairment recognition, froec of impaired loan and realization in the process on of security on loan. The credit files format is the must be regulated and maintained with an appropriate system on the Rupali Bank Limited. Financing institution should be maintained their credit police and checklist. Bank can show that all their procedures policies and credit application receiving to the disbursement of funds. Credit document are involved in the decision-making process in loan.

## **2.19 Credit Administration:**

Rupali Bank flow Credit Administration function are control critical or ensuring that proper documentation. Some people approvals their document place prior to the loan facilities loan facilities and loan disbursement. For this reason, Credit Administration function essential that strictly segregated from Relationship Management order to avoid the probability .Bank controls being compromised not being highlighted at the correct level.

- The bank credit facilities are disbursed only after all the contractual terms and conditions have been met and all the required documents have been received.

- Borrower flow Repayments on interest and principal payment Timely.
- Bank can maintain and procedures as well as relevant laws and regulations policies.

## **2.20 Disbursement:**

Credit disbursement one of the importance credit is approved. The customer terms and conditions should be advised of the of the credit process by way of a letter of offer. The duly signed duplicate letter should be and returned to the institution by the banks customer. The disbursement process facility should start only upon receipt of this letter and should involve, inter alia, the completion on documentation, formalities regarding the registration of collateral, institution's favor on insurance cover in the institution's favor and the vetting of document by a legal expert.

Credit Information
Information Collection
Analyze the Information
Lending Risk Analysis
Proposal Analysis
Collateral Evaluation
Final Decision on Project
Proper Supervision on the Project
Documentation on loan
Creation of Charges for Securing Loan

Graph: Credit Disbursement Process

### **Monitoring and Control of Individual Credits:**

Bank safety is the financial institutions against potential on losses. Consumer Credit problem facilities are to need to be identifying early. Proper Credit monitoring system can be provide the

basis for taking prompt corrective actions in a bank. When consumer warning symbol point to deterioration in the financial health of the borrower.

## **2.21 Monitoring activities are below:**

- Borrower financial condition is regularly tracked and management advised they payment on timely.
- Regularly assessed and the borrower's financial health more important on the monitoring activity.
- The current condition of the customer and bank internal risk ratings reflected.

## **2.22 Monitoring the Overall Credit Portfolio:**

Credit risk management is an important element of sound analyzing what could potentially go wrong. With individual bank credit and the overall bank credit portfolio environment. Which borrowers Manage change significantly? The result on credit risk analysis should then be assessment of the adequacy of provisioning and capital of the institution part on bank credit policy:

- Downturns the significant economic sector
- Hostile market-risk events.
- Unfavorable liquidity conditions.

## **2.23 Credit Classification:**

Credit classification required is the board of directors of Rupali bank limited “establish credit risk management policy, and credit impairment recognition and measurement policy, the associated internal controls, documentation processes and information systems;”.

## **2.24 Classified Loans:**

Rupali Banks are providing financial service. They producing and selling professional management of the public's funds on bank. Bank perform many other roles in the economy in Bangladesh .Now-a- days Rupali banks are not performing their activities smoothly for a large

burden of default loan. Rupali Bank Every year distributes taka among individuals and organizations etc.

Classified on loan-

- Collateral coverage on Shortfall in, key factor in the decision-making are important particularly.
- Key-owners withdraw of or personnel management.
- Bankruptcy on dissolution Company filing for.

## **2.25 Recovery of Loan:**

Loan of Recovery process on Rupali Bank Limited are the final combination of time, Essay of money. Rupali bank are followed several procedural steps on loan recover lending amount. Bank taken some recovery process on legal institutions and society. Bank taken several programs on the loan recover and the loan disbursed.

# **CREDIT RISK MANAGEMANT OF Rupali BANK** **Limited Nandail BRANCH, Mymensingh.**

## **2.26 What is Credit?**

Credit is a agreement between borrower and receive something of value now and agree to repay lender. Lender taken some later date with condition with interest. In other sentence, credit is the power to repayment command goods or services of another income-back for commitment to pay such goods or services at some specified time in the future.

## **2.27 Types of Credit Offered by Rupali Bank Limited:**

Cash Credit the mortgage on the property or security taken loan it's called hypothecation. Legal transaction on hypothecation goods are made available on lending banker as security. Equitable charge on stocks only banker, which nothing practically means.

Loan (general) Rupali Bank Limited considers the loan more than one year it is general. Loan facilities are the financial facility from installment to its production only big industries.

Working Credit Bank Employee taken loan on suitable for this loan. The maximum amount of taka are disbursed Tk 60,000 on 2 years for a period.

House Building Loan House building loan is provided against 100% cash collateral in bank, house building loan besides on the land & building are also mortgaged with the bank. 9% interest rate on per year.

### **Small Loan Scheme:**

Rupali Bank Limited introduced new three small loan

. i. House Renovation loan ii. Personal loan iii. Small Business Loan

### **Special Credit Schemes of Nandail Branch:**

Entrepreneurship Development Program

### **Women spatial program:**

now-a –days women started on doing business. Under this scheme bank can financing small and cottage industry.

### **Other special credit programs:**

#### **Credit for Employees:**

these types of credit given to the employee to provide loan. Bank meet emergency need at 9% interest rate. Monthly salary and consider as security that is 24 installments.



## **How the banks manage its credit risk in Rupali bank limited?**

Rupali bank can manage credit risk policy is the challenge on the bank. The credit policies are agility in adapting economical sector. Bank can maintain best practices outlined in this article are follow:

1. Ideal credit risk Environment Set up. 2. Credit Process are full proof. 3. Confirm over credit risk control. 4. Trained Human Resource department 5. Effective information system

### **1. Ideal credit risk Environment set up.**

Rupali bank ideal credit risk Environment should involve the responsibility of periodically reviews the credit policy. The policy maintains should clearly state the bank tolerance level for risk.

### **2. Credit Process is full proof:**

Credit process for Rupali bank to operating well-defined credit criteria. These criteria should clearly bank target market, credential requirements, credit structure, and the source of repayment.

### **3. Confirm over credit risk control.**

Credit control is the most important intended to provide valuable insights on whether the bank credit granting functions. Rupali bank should be a streamlined system in place for openly detection activities, and for corrective current action on deteriorating credits.

### **4. Trained Human Resource department**

Human Resource department in Rupali bank limited responsibility of the management to ensure that credit risk .the management human resources are train employee can flow in the credit process on bank.

### **5. Effective information system**

Rupali bank limited must have an information system in place to effectively manage their credit risks in its activities on banking.

Rupali bank information system:

- High exposures report
- Account Performance and track the status.
- Limited control and monitoring

## **2.28 Problems in Loan Recovery**

There are a lot of reasons for which loan recovery of the bank. In most cases problem well be raised procedures of loan. Individual loan and joint loan are different problem are disbursements are follow:

Problems created by government the following problems government are can take some loan an the bank for the long term and short term loan.

## **2.29 Problems created by the bank:**

Lack of analysis of business risk: business sector Rupali bank has provide loan day by day are the long term business project

### **Other general causes of poor loan recovery:**

The specific reasons creating problems that loan some general causes are below:

- Lack of evaluation feasibility of the program.
- Lack of Credit allowed actual entrepreneurs.
- Supervision is not good.
- Borrowers of illiteracy

# **Chapter-3**

# **Methodology of the Study**

### **3.1 Problem statement:**

My research objective is to find out the procedure Rupali Bank improper credit risk management reduce the bank profitability, affect the quality of its asset and increase loan losses.

### **3.2 Background of the problem:**

Rupali Bank Limited is one of the leading state owned banks in Bangladesh. Rupali Bank borrowed money in different sector. Rupali bank credit risk management affect the quality of its asset and increase loan losses and non-performing loan which may eventually lead to financial distress.

### **3.3 Project Timeline**

I took 90 days to prepare my report. I have done these following activities. These are given below. These are:

**Table 03: Project Timeline**

<b>Description of activities</b>	<b>Time ( Beginning – Ending)</b>
<b>Information collection along with hypothesis and questionnaire development</b>	Week One
<b>Personal interview and survey</b>	Week Two
<b>Data analysis and research survey</b>	Week Three
<b>Report development and presentation</b>	Week Four

### **3.4 Gantt chart for project timeline**

<b>Task</b>	<b>Week One March 08-12</b>	<b>Week Two March13-18</b>	<b>Week Three March 18-27</b>	<b>Week Four March28-April 12</b>
Information collection along with hypothesis and questionnaire				

development				
Personal interview and survey				
Data analysis and research survey				
Report development and presentation				

Table 04: Gantt chart

### **3.5 Budget Information**

Budget information helps to understand how much is spent for which purpose. All information about budget is given below. They are:

**Table 05: Budget Information**

Serial Number	Particulars	Amount
<b>1</b>	Transportation	300
<b>2</b>	Mobile Bill	200
<b>3</b>	Internet bill	200
<b>4</b>	Printing and binding of the report	600
<b>5</b>	Others expense	500
<b>6</b>	Total	1800

### **3.6 Research Methodology**

During conducting research of credit risk management and risks associated with it, I collected data from both primary and secondary sources. The way of the research is described below. They are.

### **3.7 Research approach**

This is quantitative research because data have been collected though conducting survey.

### **3.8 Research Philosophy**

I use this data only for preparing this practicum report that I have collected from bank during my internship. Even I do not share the data with other that I collected from bank. The philosophy of this practicum report is positivism because I would like to find positive result and if I find out any problem, then I will try appropriate suggestion to Credit risk management of Rupali Bank Limited. The recommendation may help the bank to solve the problem that is associated with credit risk management of..

### **3.9 Types of research**

Types of research are **explanatory and survey**

### **3.10 Method of data collection**

For preparing the practicum report, data have been collected from different sources.

They are:

#### **Primary data:**

Primary data have been collected through working in the Mymensingh Corporate branch of Rupali Bank Limited and also asking different types question to the bankers, customers and clients.

- Face to face conversation with the bankers.
- Face to face conversation with the clients and customers
- Observing the tasks of the employees.
- Practical experiences of working in the bank.

### **Secondary data:**

Secondary data have been collected from the following sources. They are given below. They are:

- Official website of Rupali Bank Limited
- Annual report of Rupali Bank Limited.
- Different reports and journals of Rupali Bank Limited.

## **3.11 Research procedure**

I select some people randomly for conducting my research among employees of the banks and customers.

**Sample frame:** Sample frame indicates from where sample is collected. This report is prepared of credit risk management with it. Sample frame will be the customers and potential customers of Rupali Bank and employees of Rupali Bank the particular bank who assist borrower to take loan.

**Population size:** For conducting research of credit risk management, I have taken the sample size from the customers and employees of Nandail, mymensingh corporate branch of Rupali Bank. Population size is equal to 73.

**Sample Size:** Out of 73 people I have taken 40 as my research sample.

**Procedure of sampling:** To determine the possibility of sampling accurately, I have chosen simple random sampling because each population has equal chance to be included in the simple. I would like to know whether respondents are:

- i. Strongly disagree
- ii. Disagree
- iii. Neither agrees on disagree
- iv. Agree
- v. Strongly agree

## **3.12 Research instrument**

1. Questionnaires with structured question
2. 5 Likert scale

### **3.13 Research limitation**

I have faced some problem when I conducted this research. Limitations are given below. They are:

1. Employees of Rupali Bank Limited do not feel comfortable to talk about bank related issues because bankers always try to maintain privacy regarding their customers.
2. They do not have enough time to talk with about credit risk issues because they are in work pressure.
3. Limitation of time.
4. Lack of experience is the main constraint for me because I conduct research first time.
5. Some people became annoyed because they felt uneasy to give the answer of the question.

### **3.14 Hypothesis development**

1.	<b>HA: The bank is constantly expanding and improving its performance.</b>
2	<b>HA: checking loan document is done regularly at the branch.</b>
3	<b>HA: credit sanction and loan disbursement procedure is quite lengthy.</b>
4	<b>HA: it is difficult to collect accurate and formal documents and financial statements from client.</b>
5	<b>HA: lack of systematic, timely monitoring and appropriate documentation checkup.</b>
6	<b>HA: growing competitor and high rate of interest.</b>



# Chapter-4

# Data Analysis

## 4.1 Data analysis and interpretation

For analyzing the data MS word and MS excel has been used.

**Hypothesis testing:** In this research, Z test is used because the number of sample size is more than 30. Z test formula is given below.

$$Z \text{ Test} = \frac{\bar{x} - \mu}{\frac{\sigma}{\sqrt{n}}}$$

Where,

$\mu$  = mean value

n = sample size

$\sigma$  = Standard deviation

$\bar{x}$  = Average

### **Hypothesis Range**

Strongly Agree	5
Agree	4
Neither Agree nor Disagree	3
Disagree	2
Strongly Disagree	1

## 4.2 Hypothesis testing calculation

Table: Hypothesis testing calculation

Likert Scale	H1	H2	H3	H4	H5	H6
<b>5=Strongly Agree</b>	5x14=70	5 x10=50	5 x8=40	5 x6=30	5 x9=45	5 x11=55
<b>4=Agree</b>	4x10=40	4 x16=64	4 x14=56	4 x10=40	4 x11=44	4 x15=60

<b>3=Neither Agree nor Disagree</b>	3 x5=15	3 x4=12	3 x3=9	3 x2=6	3 x6=18	3 x1=3
<b>2=Disagree</b>	2 x6=12	2 x7=14	2 x9=18	2 x13=26	2 x10=20	2 x11=22
<b>1=Strongly Disagree</b>	1 x5=5	1 x3=3	1 x6=6	1 x9=9	1 x4=4	1 x2=2
<b>Total</b>	142	143	129	111	131	142
<b>Average (<math>\bar{x}</math>)</b>	3.55	3.58	3.22	2.78	3.28	3.55
<b>Variance (s)</b>	2	1.54	1.92	2.02	1.75	1.66
<b>Standard deviation (<math>\sigma</math>)</b>	1.41	1.24	1.38	1.42	1.32	1.29
<b>Z-test value</b>	4.71	5.51	3.30	1.24	3.74	5.15

## 4.3 Graphical representation

### Hypothesis# 1

HO: The bank is not constantly expanding and improving its performance.

HA: The bank is constantly expanding and improving its performance.

**Step 1:** To Find Total:

$$1 \times 5 = 5$$

$$2 \times 6 = 12$$

$$3 \times 5 = 15$$

$$4 \times 10 = 40$$

$$5 \times 14 = 70$$

$$\text{Total} = 142$$

**Step-2:**

$$H_0: \mu = 2.5$$

$$H_A: \mu > 2.5$$

$$n = 40$$

To find average ( $\bar{x}$ ): = Total / (Sample size)

$$(\bar{x}): = \text{Total} / (\text{Sample size})$$

$$= 142 / 40 = 3.55$$

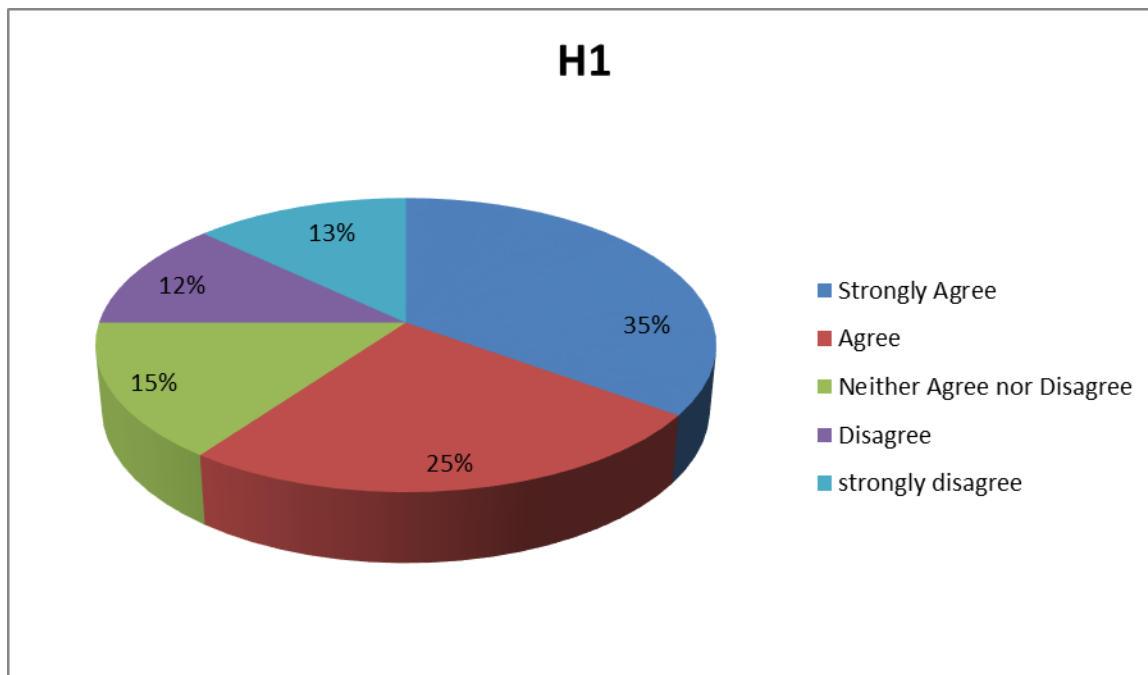
**Step-3: Standard deviation**

$$5(1-3.55)^2 + 6(2-3.55)^2 + 5(3-3.55)^2 + 10(4-3.55)^2 + 14(5-3.55)^2 = 79.9$$

$$\sigma = 79.9 \div 40 = 2 = \sqrt{2} = 1.41$$

Step-4: To find z value =  $\frac{(\bar{X} - \mu)}{\frac{\sigma}{\sqrt{n}}}$

Z value = 4.71



**Interpretation:** At the 5% level of significance, the value of Z in Z- distribution table is  $Z_{0.05}=1.645$ . Since  $Z_{cal}>Z_{tab}$ , the null hypothesis is not accepted because  $Z_{cal}$  is greater than  $Z_{tab}$ . So at 5% level of significance, it can be said that-. The bank is constantly expanding and improving its performance.

Approximately, 60% respondents had acknowledged that the bank is constantly expanding and improving its performance.

## **Hypothesis# 2**

HO: checking loan document is not done regularly at the branch.

HA: checking loan document is done regularly at the branch.

### **Step 1: To Find Total:**

$$1 \times 3 = 3$$

$$2 \times 7 = 14$$

$$3 \times 4 = 12$$

$$4 \times 16 = 64$$

$$5 \times 10 = 50$$

-----

$$\text{Total} = 143$$

### **Step-2:**

$$H_0: \mu = 2.5$$

$$H_A \mu > 2.5$$

To find average ( $\bar{x}$ ):

$$(\bar{x}) = \text{Total} / (\text{Sample size}) = 143/40 = 3.58$$

### **Step-3: Standard deviation**

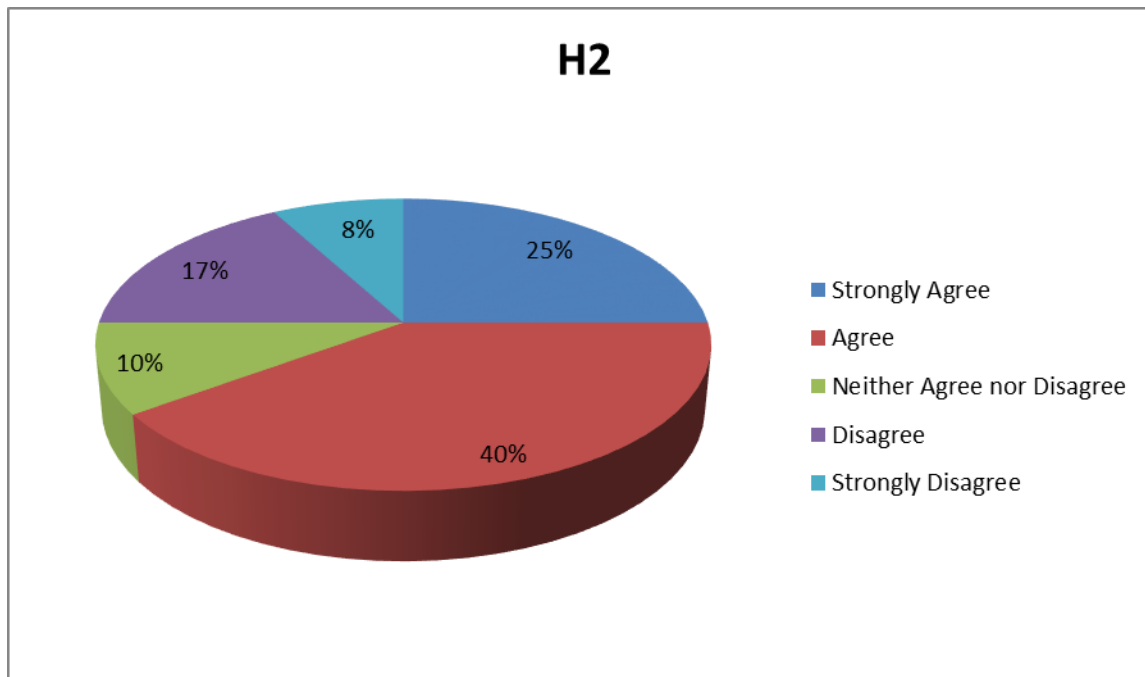
$$3(1 - 3.58)^2 + 7(2 - 3.58)^2 + 4(3 - 3.58)^2 + 16(4 - 3.58)^2 + 10(5 - 3.58)^2 = 61.78$$

$$\sigma = 61.78 \div 40 = 1.54 = \sqrt{1.54} = 1.24$$

Step 4: To find Z value =  $\frac{(\bar{X} - \mu)}{\frac{\sigma}{\sqrt{n}}}$

$$= (3.58 - 2.5) \div (1.24 \div \sqrt{40})$$

$$= Z \text{ value} = 5.51$$



**Interpretation:** At the 5% level of significance, the value of Z in Z- distribution table is  $Z_{0.05} = 1.645$ . Since  $Z_{cal} > Z_{tab}$ , the null hypothesis is not accepted because  $Z_{cal}$  is greater than  $Z_{tab}$ . So at 5% level of significance, it can be said that- checking loan document is done regularly at the branch.

Around, 65% respondents had acknowledged that checking loan document is done regularly at the branch.

### **Hypothesis# 3**

HO: credit sanction and loan disbursement procedure is not quite lengthy.

HA: credit sanction and loan disbursement procedure is quite lengthy.

**Step 1: To Find Total:**

$$1 \times 6 = 6$$

$$2 \times 9 = 18$$

$$3 \times 3 = 9$$

$$4 \times 14 = 56$$

$$5 \times 8 = 40$$

-----

$$\text{Total} = 129$$

**Step-2: To find average ( $\bar{x}$ ):**

$$(\bar{x}) = \text{Total} / (\text{Sample size})$$

$$= 129/40 = 3.22$$

$$H_0 : \mu = 2.5$$

$$H_A \mu > 2.5$$

$$\text{Step-3: Standard deviation } 6(1 - 3.22)^2 + 9(2 - 3.22)^2 + 3(3 - 3.22)^2 + 14(4 - 3.22)^2 + 8(5 - 3.22)^2 = 76.98$$

$$\sigma = 76.98 \div 40 = 1.92 = \sqrt{1.92} = 1.38$$

$$\text{Step-4: To find z value} = \frac{(\bar{X} - \mu)}{\frac{\sigma}{\sqrt{n}}}$$

$$= (3.22 - 2.5) / (1.38 \div \sqrt{40})$$

$$Z \text{ value} = 3.3$$

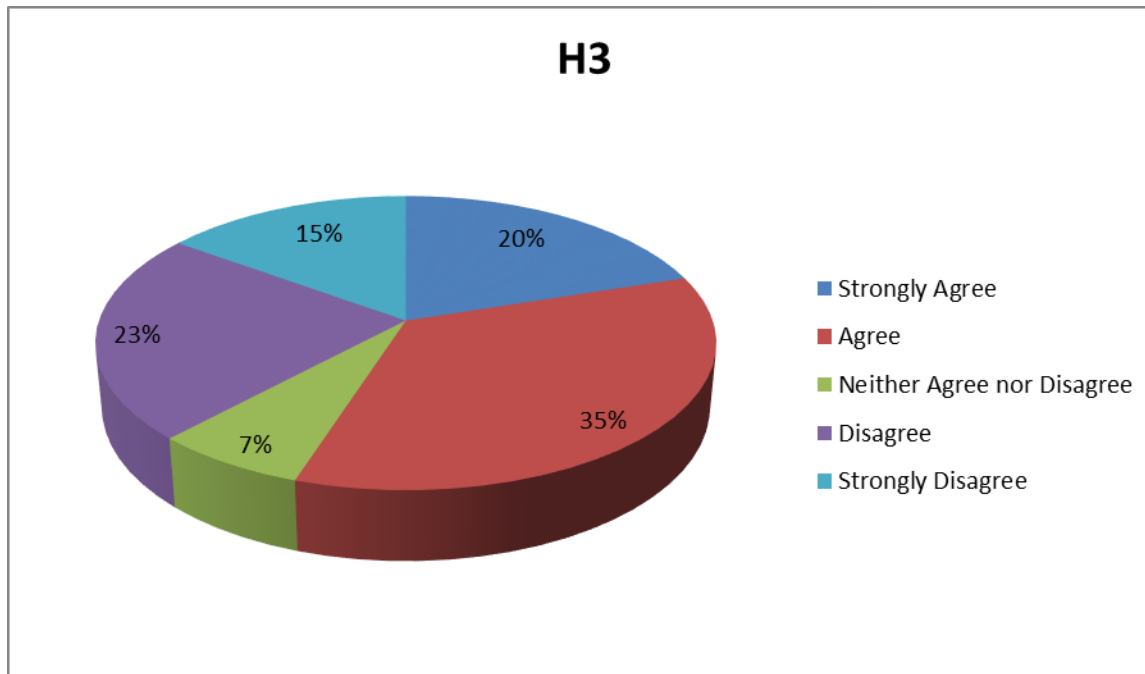


Figure: Hypothesis: 3

**Interpretation:** At the 5% level of significance, the value of  $Z$  in  $Z$ - distribution table is  $Z_{0.05} = 1.645$ . Since  $Z_{cal} > Z_{tab}$ , the null hypothesis is not accepted because  $Z_{cal}$  is greater than  $Z_{tab}$ . So at 5% level of significance, it can be said that- : credit sanction and loan disbursement procedure is quite lengthy

Nearby, 55% respondents had acknowledged that: credit sanction and loan disbursement procedure is quite lengthy.

### **Hypothesis# 4**

HO: it is not difficult to collect accurate and formal documents and financial statements from client.

HA: it is difficult to collect accurate and formal documents and financial statements from client.

**Step 1: To Find Total:**



$$1 \times 9 = 9$$

$$2 \times 13 = 26$$

$$3 \times 2 = 6$$

$$4 \times 10 = 40$$

$$5 \times 6 = 30$$

-----

$$\text{Total} = 111$$

**Step-2: To find average ( $\bar{x}$ ):**

$$(\bar{x}) = \text{Total} / (\text{Sample size})$$

$$= 111/40 = 2.78$$

$$H_0 : \mu = 2.5$$

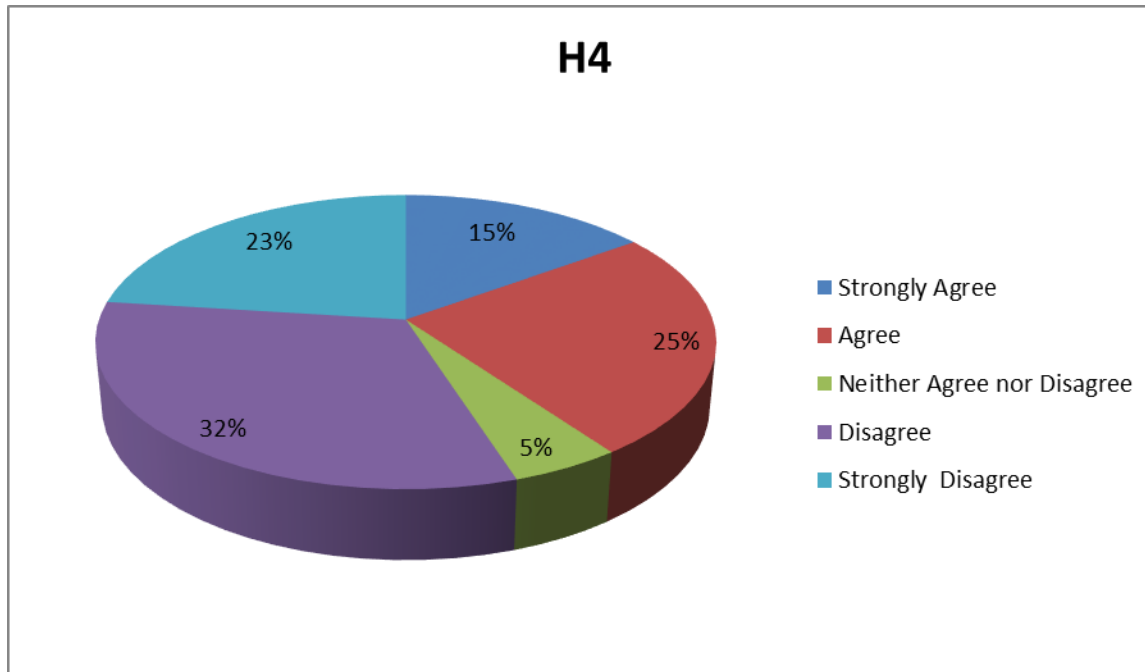
$$H_A \mu > 2.5$$

**Step-3: Standard deviation**  $9(1 - 2.78)^2 + 13(2 - 2.78)^2 + 2(3 - 2.78)^2 + 10(4 - 2.78)^2 + 6(5 - 2.78)^2$

$$= 80.98$$

$$\sigma = 80.98 \div 40 = 2.02 = \sqrt{2.02} = 1.42$$

**Step-4: To find z value**  $\frac{(\bar{X} - \mu)}{\frac{\sigma}{\sqrt{n}}} = (3.22 - 2.5) / (1.42 \div \sqrt{40}) = Z \text{ value} = 1.24$



**Interpretation:** At the 5% level of significance, the value of Z in Z- distribution table is

$Z_{0.05}=1.645$ . Since  $Z_{cal}>Z_{tab}$ , the null hypothesis is not accepted because  $Z_{cal}$  is greater than  $Z_{tab}$ . So at 5% level of significance, it can be said that- it is difficult to collect accurate and formal documents and financial statements from client.

Nearby, 55% respondents had acknowledged that- it is difficult to collect accurate and formal documents and financial statements from client.

### **Hypothesis# 5**

HO: lack of systematic, timely monitoring and appropriate documentation not checkup.

HA: lack of systematic, timely monitoring and appropriate documentation checkup.

#### **Step 1: To Find Total:**

$$1 \times 4 = 4$$

$$2 \times 10 = 20$$

$$3 \times 6 = 18$$

$$4 \times 11 = 44$$

$$5 \times 9 = 45$$

-----

$$\text{Total} = 131$$

**Step-2:** To find average ( $\bar{x}$ ): Total/ (Sample size)

$$= 131/40 = 3.28$$

$$H_0: \mu = 2.5$$

$$H_A \mu > 2.5$$

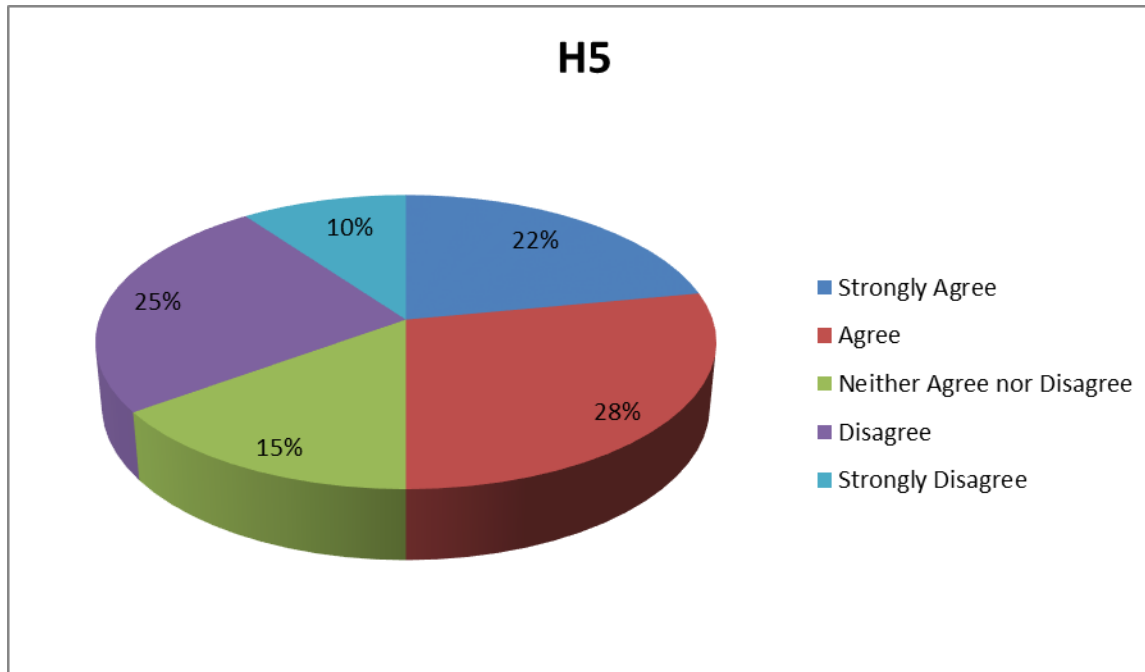
**Step-3:** Standard deviation  $4(1 - 3.28)^2 + 10(2 - 3.28)^2 + 6(3 - 3.28)^2 + 11(4 - 3.28)^2 + 9(5 - 3.28)^2 = 69.98$

$$= 69.98 \div 40 = 1.75 = \sqrt{1.75} = 1.32$$

**Step-4:** To find z value =  $\frac{(\bar{X} - \mu)}{\frac{s}{\sqrt{n}}}$

$$= (3.22 - 2.5) / (1.42 \div \sqrt{40})$$

$$Z \text{ value} = 3.74$$



**Interpretation:** At the 5% level of significance, the value of Z in Z- distribution table is  $Z_{0.05} = 1.645$ . Since  $Z_{cal} > Z_{tab}$ , the null hypothesis is not accepted because  $Z_{cal}$  is greater than  $Z_{tab}$ . So at 5% level of significance, it can be said that- lack of systematic, timely monitoring and appropriate documentation checkup.

Almost, 50% respondents had acknowledged that lack of systematic, timely monitoring and appropriate documentation checkup.

## **Hypothesis# 6**

HO: growing competitor and not high rate of interest.

HA: growing competitor and high rate of interest.

### **Step 1: To Find Total:**

$$1 \times 2 = 2$$

$$2 \times 11 = 22$$

$$3 \times 1 = 3$$

$$4 \times 15 = 60$$

$$5 \times 11 = 55$$

$$\text{Total} = 142$$

**Step-2: To find average ( $\bar{x}$ ):**  $x = \text{Total} / (\text{Sample size})$

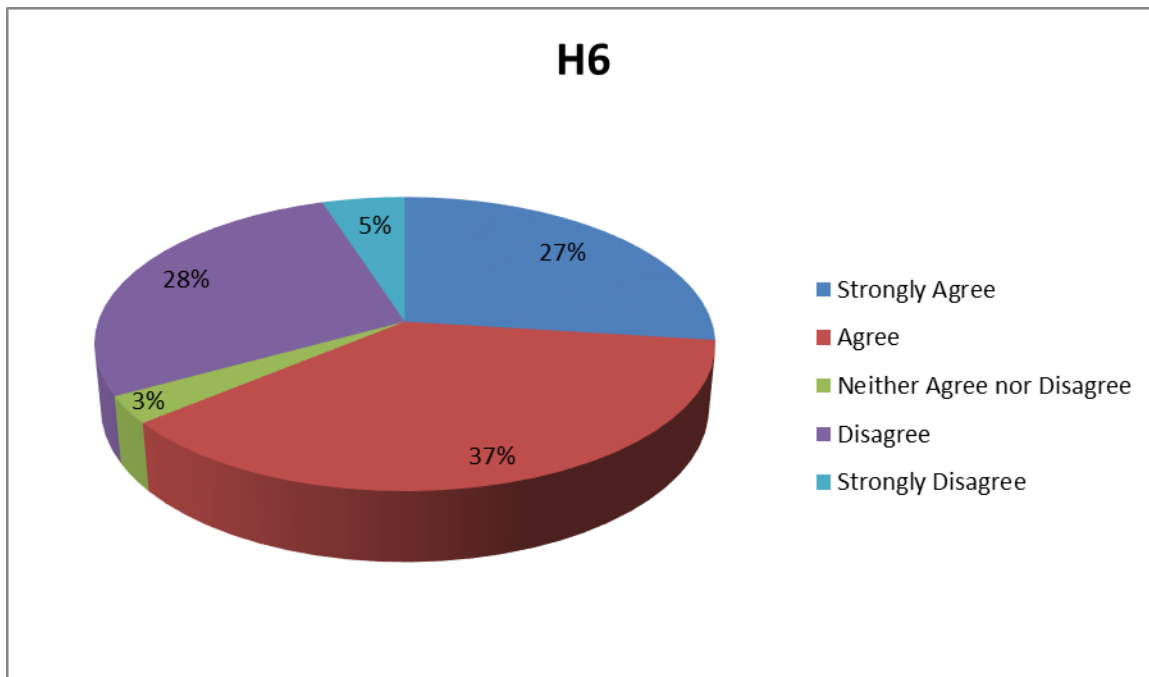
$$= 142/40 = 3.55$$

**Step-3: Standard deviation**  $2(1 - 3.55)^2 + 11(2 - 3.55)^2 + 1(3 - 3.55)^2 + 15(4 - 3.55)^2 + 11(5 - 3.55)^2 = 66.51$

$$\sigma = 66.51/40 = 1.66 = \sqrt{1.66} = 1.29$$

**Step-4: To find z value**  $= \frac{(\bar{x} - \mu)}{\frac{\sigma}{\sqrt{n}}}$

$$= (3.22 - 2.5) / (1.29 \div \sqrt{40}) = Z \text{ value} = 5.15$$



**Interpretation:** At the 5% level of significance, the value of Z in Z- distribution table is  $Z_{0.05} = 1.645$ . Since  $Z_{cal} > Z_{tab}$ , the null hypothesis is not accepted because  $Z_{cal}$  is greater

than Ztab. So at 5% level of significance, it can be said that- growing competitor and high rate of interest.

Almost, 64% respondents had acknowledged that growing competitor and high rate of interest.

# Chapter-5

## Findings and Recommendations

## **5.1 Findings and Analysis**

5.1 Findings of the Report The objective of the report are to make a comment on the credit risk management of the Rupali bank limited. I am try to collect data for the report and find out the reality. I have to summary to finding on the report:

- 1.** According to the answer of the responders of my first survey question, I found that 60% (35% strongly agree and 25% agree) respondents are saying Rupali bank is constantly expanding and improving its performance's also found that 28% (disagree 15%, strongly disagree 13%) are not agree with the statement and 12% remains neutral.
- 2.** Checking loan document is done regularly at the branch. From this hypothesis, I found that 65% (25% strongly agree and 40% agree) respondents are considered that other hands, 25% (17% disagree and 8% strongly disagree) and 10% respondents are neutral on this statement.
- 3.** At 23% of respondents disagreed, 15% strongly disagreed, 7% neutral, and 55% respondents (20% strongly agreed and 35% agree) are deemed that the credit sanction and loan disbursement procedure is quite lengthy.
- 4.** Almost 55% (32% disagree and 23% strongly disagree) respondents are disagreeing that the it is difficult to collect accurate and formal documents and financial statements from client.
- 5.** At 25% of respondents disagreed, 10% strongly disagreed, 15% neutral, and 60% respondents (22% strongly agreed and 28% agree) are believed that lack of systematic, timely monitoring and appropriate documentation checkup.



## **5.2 Recommendations:**

Credit risk management system are flow some recommendation below:

1. In hypothesis 01, 60% respondents give positive response that Rupali bank is constantly expanding and improving its performance So in this situation Rupali Bank is better position to improve performance and profitability. And my recommendation is constantly exceed customer expectation.
2. In hypothesis 02, 65% respondents consent that checking loan document is done regularly at the branch. So my recommendation is verification of the document should be done honestly. And also need document required for home loan –proof of our identity address and income are some of the key documents.
3. In hypothesis 03, 55% people give positive response that credit sanction and loan disbursement procedure is quite lengthy. My recommendation is the actual amount of loan disbursed may differ from the amount sanctioned as per the agreement.
4. In hypothesis 04, 55% people give negative response that the it is difficult to collect accurate and formal documents and financial statements from client. My recommendation is RBL should provide more attractive product and service to the client and keep rate of interest competing with other bank to satisfy their client.
5. In hypothesis 05, 50% respondents consent that lack of systematic, timely monitoring and appropriate documentation checkup. My recommendation is employees have to properly maintain their important documents such as file, paper related with credit.
6. In hypothesis 06, 64% respondents give positive response that growing competitor and high rate of interest. My recommendation is RBL should have to provide more attractive product and service to the client .and keep high rate of interest competing with other bank to satisfy their client.

### **5.3 Conclusion:**

Credit Risk Management of Rupali Bank Limited is the most important policy in our country. Economic policy is very important part on Rupali bank limited. Credit occurred in the borrower and lender a written document. Credit is the most important part on business. . Because credit is an inherent risk, therefore exact utilization of the loans are necessary to meet the requirements of the borrower. Rupali bank can flow different policy on loan applied on borrower utilization the fund. Bank has provided various kind of loan. Bank can flow different way manage credit risk policy is the challenge on the bank .credit evaluation is a very lengthy process, credit administration and credit division is the process on credit. Minimizing loss and maximizing profit to improve their credit various measures are undertaken to develop the credit management

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# Appendix Part

## **Questionnaire Survey:**

Sir,

I am **Faysul Ahmed**, a student of **MBA (Major in Human Resource Management)** under Business of administration in **DIU- Daffodil International University**. I am going to conduct a report on the topic “**On Credit risk management of Rupali Bank Limited**” for my Practicum Defense. I need your co-operation for fulfillment of my report.

Name:.....

Age:.....

Designation:.....

### **1. The bank is constantly expanding and improving its performance.**

- Strongly Disagree
- Disagree
- Neither Agree nor Disagree
- Agree
- Strongly agree

### **2. Credit sanction and loan disbursement procedure is quite lengthy.**

- Strongly Disagree
- Disagree
- Neither Agree nor Disagree
- Agree
- Strongly agree

**3. It is difficult to collect accurate and formal documents and financial statements from client.**

- Strongly Disagree
- Disagree
- Neither Agree nor Disagree
- Agree
- Strongly agree

**4. Lack of systematic, timely monitoring and appropriate documentation checkup.**

- Strongly Disagree
- Disagree
- Neither Agree nor Disagree
- Agree
- Strongly agree

**5. Growing competitor and high rate of interest.**

- Strongly Disagree
- Disagree
- Neither Agree nor Disagree
- Agree
- Strongly agree

## Abbreviations

RBL- Rupali Bank Limited

EPS- Earning Per Share

CSR- Corporate social Responsibilities..

ROE- Return on Equity

ROA - Return on Asset.

DIU- Daffodil International University

END