



Daffodil
International
University

“Credit Risk Management of IFIC Bank Limited”

Prepared by

Ahosan Habib Redoy

ID: 212-14-299

Program: MBA Major in Finance

Department of Business Administration

Daffodil International University

Supervised by

Dr. Md. Abdur Rouf

Associate Professor &

Director MBA Program

Department of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University

Date of Submission: 12 January, 2023

Letter of Transmittal

12 January, 2023
Dr. Md. Abdur Rouf
Associate Professor &
Director MBA Program
Department of Business Administration
Faculty of Business & Entrepreneurship
Daffodil International University

Subject: Submission of Internship Report on “Credit Risk Management of IFIC Bank Limited”.

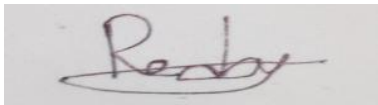
Dear Sir,

I am delighted to submit my internship report on “Credit Risk Management of IFIC Bank Limited” as per our Masters in Business Administration (MBA) Program requirement. I had completed my internship program in IFIC Bank Limited in Darus Salam Road Branch, Dhaka.

While preparing the report I, enthusiastically and sincerely devoted my best effort. Surely, it enriches my knowledge and promotes study.

Thank you for giving me such an opportunity for working on the topic.

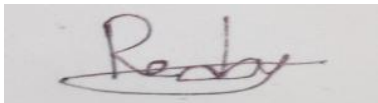
Sincerely Yours,



.....
Ahsan Habib Redoy
ID: 212-14-299
Program: MBA Major in Finance
Department of Business
Administration Faculty of Business and Entrepreneurship
Daffodil International University

Student's Declaration

I am Ahasan Habib Redoy, hereby declare that the report of internship titled "**Credit Risk Management of IFIC Bank Limited**" is prepared by me after completion of three months works in IFIC Bank Limited. also, I worked here since 2020. I would like to confirm that, the report is prepared exclusively for academic purpose not for any other motive.



.....
Ahasan Habib Redoy

ID: 212-14-299

Program: MBA Major in Finance

Department of Business

Administration Faculty of Business and Entrepreneurship

Daffodil International University

Certificate of Supervisor

This is certifying Ahosan Habib Redoy ID: 212-14-299 has done the internship program under my supervision. He has made a report "**Credit Risk Management of IFIC Bank Limited**" submitted it to me. I think on the basis of declaration the student given this work in his own and he has fulfilled the rules and regulations of the internship as per.

I there certify that, Ahosan Habib Redoy fulfill the partial required of the award at the MBA degree.



.....
Dr. Md. Abdur Rouf
Associate Professor &
Director MBA Program
Department of Business Administration
Faculty of Business & Entrepreneurship
Daffodil International University

Acknowledgement

My heartiest thanks notation will first go to my supervisor Dr. Md. Abdur Rouf, Associate Professor, Department of Business Administration for providing his gentle instruction, proper suggestion and corrections for improvement the report.

I am grateful to Mr. K.A.R.M. Mostofa Kamal, Head of HR Development & Talent Management, IFIC Bank Ltd., Head Office, Dhaka for giving me permission to work in IFIC Bank Ltd., Darus Salam Road Branch, Dhaka. I would also like to thank Ms, Tasnuva Khaleque (Senior principal Officer and Branch Manager, IFIC Bank Ltd, Darus Salam Road Branch), and Ms. Nasima Sultana (Officer & Manager Operation) of IFIC Bank Ltd, Darus Salam Branch.

I am also really thankful for the knowledge I gained during my close association with expert bankers on different sectors, especially Mya Sing Marma (GB), Mrs. Fahmida sharmin (Clearing), Mr Md. Jamal Uddin (Loans & Advance), and other officials who helped me by sharing their rich banking experience during the period.

Executive Summary

International Finance Investment and Commerce Bank Limited (IFIC Bank Limited) is a first-generation bank in Bangladesh that came in banking sector with big promise. IFIC Bank Limited is one of the oldest commercial banks, started its journey on August 3, 1983, operating nationwide with 166 branches & 901 Uposhakha.

The main objective of the report is to provide a basic idea on Credit Risk Management of IFIC Bank Limited. The report will also present the different terms and conditions of maintaining the different credit service of IFIC Bank Ltd.

Now a day, Credit Risk Management is vital part for a bank to earn revenue and here in this report, I have tried to explain the services of IFIC Bank Ltd. in the view of Credit Risk Management.

As I am an employee of this bank, I have worked in loan and advance section. I have already known about loan & advance portfolio.

I have gone through different analysis on Credit Risk Management. In Darus Salam Road Branch, the amount of loans provided is following an increasing trend but still not enough in compare to deposits in various sectors it shows decreasing trends. However, the amount of loans in CF category also increases because of Home Loan.

Table of Content

Contents		Page No
Letter of Transmittal		ii
Student's Declaration		iii
Certificate of Supervisor		iv
Acknowledgement		v
Executive Summary		vi
Chapter 1: Introduction		(01-04)
1.1.	Introduction	2
1.2	Rational of the Study	3
1.3	Objectives of the Study	3
1.4	Scope of the Study	3
1.5	Methodology of the study	4
1.6	Limitation of the study	4
Chapter 2: Company Profile		(05-08)
2.1	An Overview of IFIC Bank Limited	06
2.2	Ownership Structure	06
2.3	Value of IFIC Bank Limited	06
2.4	Board of Directors	06
2.5	Policy Committee	07
2.6	Corporate Culture	07
2.7	Different Department	07
2.8	Overseas Operations	08
Chapter 3: Credit Operations & Management of IFIC Bank Limited		(09-26)
3.1	Lending Principles of IFIC Bank Limited	10
3.2	Credit Department Function	12
3.3	Direct Facilities	12
3.4	Indirect Facilities	20
3.5	Business Analysis	21
3.6	Selection of Borrower	22
3.7	Procedure for giving advance	23
Chapter 4: Credit Risk Management of IFIC Bank Limited		(27-31)
4.1	Credit Risk Management	28
4.2	Credit Approval	29
Chapter 5: Findings, Recommendations & Conclusion		(32-35)
5.1	Findings	33
5.2	Recommendations	34
5.3	Conclusion	35

Chapter-01

Introduction

1.1 Introduction

For the economic improvement commercial banks need to make their investment in the area that raises maximum output which is most important for Economy. However, the banks should focus on credit allocation in various economic sectors in Bangladesh.

If the credit assessment and monitoring is not enough, the result would go to the higher debt defect and make the situation bad to the whole financial activities. Though the bank push to give their best for improving their financial situation, the bank faces a lot of problems such as different sources that are not matched and use of capitals, too much focus on consecutive securities that are same, the credit delivery system that are highly politicized, deficiency of the procedures to maintain the debts, deficiency of governments other opportunities, perfect use of technology. They try to make themselves at a high percentage for the financial growth of financing so that they can achieve higher durability not only for favoring but also for the economy. It is difficult to maintain the higher stability into the whole financial intermediation procedure because it is too much expensive.

'Bangladesh: Agenda for action' It is published by World Bank in 1996 where the bank provided various types of recommendations for the growth of the economy. The solicitations are totally different for emendation of bank. The bank advised that the introduction of any management procedure of any should be following-

"Professional sings the banking business will generate huge, long-term payoffs in the form of a more efficient banking system apart from functional and technology-related training required the commercial banks."

I worked at IFIC Bank Ltd. for two years. I got a lot of real and practical experiences during these two years. I work in the credit department the manager helps me a lot to do the report.

1.2 Rational of the Study

The internship makes sense when the report fulfills a basic requirement of MBA, Daffodil International University. The topic that is given is "Credit Risk Management of IFIC Bank Limited". The topic is assigned and supervised by Md. Abdur Rouf, Associate Professor, Department of Business Administration, and Daffodil International University.

1.3 Objectives of the Study

Main Objective:

The main meaning of the report is to identify and evaluate the credit risk management system of IFIC Bank Limited, which includes the following specific objectives:

Specific Objectives:

- To know the loan recovery system performed by the bank.
- To assess and highlight the legal actions flowed by the Branch in terms of credit recovery.
- To identify the problems related to credit risk management of IFIC Bank Limited.

1.4 Scope of the Study

A Bank has various types of products, a lot of services and different customers. As I was a experienced employee, my scope was wider than other internee. But I had to maintain some official formality for the collection of data of my report. I had the opportunity to work only at the IFIC Bank Ltd., Darus Salam Branch. The report is based on my studies during my internship period in Darus Salam Branch of the IFIC Bank. The studies covers the Bank's several areas of Service of IFIC Bank & its other department such as General Banking, Loan and Advance, Account opening, Clearing.

1.5 Methodology of the Study

There are two sources of data that has been used for this report.

Primary sources:

- I. Direct conversation with the executive manager and other responsible employees of the bank
- II. Direct conversation with the clients of the bank.
- III. Real work that has been done by me from different desk that contains different information. The relevant data that has been provided by the officer

Secondary sources:

- I. Annual Reports of IFIC bank limited.
- II. Periodicals of Bangladesh Bank.
- III. Different books, articles, compilations etc. regarding credit risk management.

1.6 Limitations of the Study

- One of the major limitations is the shortage of internship period. To prepare report on this topics takes much time but in practice we are given a short time for this report.
- The study was conducted only on the Darus Salam road Branch. Overall banking performance could not be evaluated only on this one branch.
- Finally, the lack of the depth of my knowledge and the analytical capacity for doing this type of report is also a shortcoming of this report.

Chapter-02

Company Profile

2.1 An Overview of IFIC Bank Limited

International Finance Investment and Commerce Bank Limited (IFIC Bank Ltd.) is a banking company incorporated in Bangladesh at 1983 with limited liability. It was set up at the instance of the Government in 1976 as a joint venture between the Government of Bangladesh and private sector with the objective of working as a finance company within the country and setting up joint venture banks/ financial institutions abroad. The Government held 49 percent shares and the rest 51 percent were held by the sponsors and general public. In 1983 when the Government allowed banks in the private sector, IFIC was converted into a full-fledged commercial bank. The Government of the People's Republic of Bangladesh now holds 32.75% of the share capital of the Bank. Leading industrialists of the country having vast experience in the field of trade and commerce own 11.31% of the share capital and the rest is held by the general public.

2.2 Ownership Structure

Ownership of the bank is held by the sponsors in the private sector and Government of Bangladesh. Sponsors and individuals now about 67.25% of the share capital and the Government own a little more than 32.75% of the share.

2.3 Value of IFIC Bank Limited

- To work as a team to serve the best interests of the organization & customers.
- To value and respect employee and make decision based on merit.
- To have a strong customer focus and to build strong relationship based on integrity.
- To work for continuous business improvement of the Bank.
- To provide recognition and reward on performance such as promotion and Bonous.

2.4 Board of Directors

Board of Directors of IFIC Bank Limited is a unique combination in which both private and Government sector experience. Currently it consists of 9 Directors. Of them three represent the sponsors and public and three senior officials in the rank and status of Additional Secretary/ Joint Secretary represent the Government. Managing Director is the ex-official Director of the board.

2.5 Policy Committee

All matter relating to the principles, policies, rules and regulation etc. for operation and management of IFIC Bank Limited is recommended by the committee to the board of Directors Of the Bank.

2.6 Corporate Culture

IFIC Bank Limited is one of the disciplined Banks with a good Corporate Culture. Here it believes in shared meaning, shared understanding and shared sense making. IFIC Bank's people can see and understand events, activities, objects and situations in a distinctive way. They maintain their manners and etiquette, character individually to fulfill the purpose of the Bank and the needs of the customers who are first priority to them. Employee in the Bank see themselves as a family that believes in working together for growth. The corporate culture IFIC Bank belongs has not been imposed; it has rather been achieved through IFIC Bank's Corporate Culture.

2.7 Different Department

- Human Resources Management Department
- Retail Risk Management
- Credit Risk Management
- International Division
- Internal control & Compliance
- Branch Banking
- Neighborhood Banking

2.8 Overseas Operations

Oman International Exchange LLC (OIE):

Oman International Exchange LLC (OIE), a joint venture between IFIC Bank Limited & Oman nationals, was established in 1985 for remittance facility by Bangladeshi wage earners in Oman. IFIC Bank holds 25% shares, and the balance 75% is held by the Omani sponsors. The exchange company has a network of 15 branches covering all the major cities/towns of Oman. The operations of the branches of oman exchange are fully computerized having online system. The affairs and business of the company is run and managed by the Bank under a Management Contact.

NIB Bank Ltd., Pakistan:

IFIC Bank Limited had two branches in Pakistan, one in Karachi and the one in Lahore. Karachi Branch was opened on 26th April 1987, on the other hand Lahore Branch was opened on 23rd December, 1993. To meet the Minimum Capital Requirement (MCR) of the State Bank of Pakistan, the Overseas Branches in Pakistan have been amalgamated with a reputed leasing company in Pakistan named National Development Leasing Corporation (NDLC) Ltd. Therefore, the existence of the above Overseas Branches has ceased on 2nd October 2003 and a new joint venture bank named NDLC-IFIC Bank Ltd. Emerged in Pakistan on 3rd October 2003. The Bank was subsequently renamed as NIB Bank Ltd. IFIC Bank presently holds 0.23% equity in the Bank.

Nepal Bangladesh Bank Ltd. (NB Bank):

Nepal Bangladesh Bank Ltd. (NB Bank), It is a joint venture commercial bank between IFIC Bank Ltd. And Nepal nationals, started operation with effect from June 06, 1994 in Nepal with 50% equity from IFIC Bank Ltd. The Bank was so far opened 85 branches at different important locations in Nepal. IFIC Bank presently holds 40.91% shares in NB Bank inward foreign remittance from United Kingdom. The company has recently reached break-even despite lot of challenges.

Chapter-03

Credit Operations & Management of IFIC Bank Limited

3.1 Lending Principles of IFIC Bank Limited

Principles of lending is accumulation of certain expected time-tested standards, which ensure bank the proper use of fund in a profitable way and its timely recovery. Different authors described different principles for sound lending.

IFIC Bank follows seven principles in its lending activity, those are:

- Safety
- Liquidity
- Purpose
- Profitability
- Security
- Diversification
- National interest

Safety:

Safety is the most important thing in making advances-whether the money would definitely come back to the Bank. It should get the prior significance in the time of sanctioning the loan at the time of some of the borrower may not pay or may unable to pay the loan amount. Therefore, at the time of sanctioning the loan adequate securities should be taken from the borrowers to recover the loan. Banker should not compromise with safety for profitability.

IFIC Bank limited exercises the lending function only when it is safe and that the risk factor is adequately mitigated and covered. Safety depends upon:

- The security offered by the borrower &
- The repairing capacity and willingness of debtor to repay the loan with interest.

Liquidity:

The borrower must be in a position to repay within a reasonable time- on demand or as per arrangement. Banker should consider the liquidity of the loan at the time of sanctioning it. Liquidity is necessary to meet the consumer need.

Purpose:

Purpose should be productive so that the money not only remains safe but also provides a reliable source of repayment. Purpose should ensure generation of sufficient cash repayment of advances. IFIC Bank Limited exercises its lending function only on productive purpose. IFIC Bank also considers national aspect of any project while financing they take utmost care so that the project can't be injurious to the society as well as to the nation.

Profitability:

Profit is important. Bank is in business and profit is needed for long-term survival and growth. The banker should consider the interest rate when go for investing. Banker should fix such an interest rate for its lending which should be higher than its saving deposits interest rate. Lending cap now 9%. So deposit rate should set according to this.

Security:

For advances, purpose is important which should be productive to ensure repayment. But even then, security is more necessary to ensure safety. Banker should be careful in the selection of security to keep the safety of the loan. Banker should properly assess the proper value of the security. If the assessed value less than or equal to loan amount, the loan should be given against such securities.

Diversification:

Diversifying the risks to a large number of borrowers and different business is a means of reducing risks by diversify this loan to a lot of segmented customer. Banker should reduce portfolio risk by putting its fund in the diverse sectors. If banker put its total loan fund in one sector it will increase the risk. If this sector faces any problem in any sector, it can be protected by the profit of another sector.

National Interest:

Banking sector has significant role to play in the economic development of a country. So IFIC Bank charge lower interest rate on export or other priority areas.

3.2 Sound Principles of Lending:

Sound principles of lending are obvious to avoid loan default tendency and risk elements to safeguard of public money as well as business of a bank. So, there must be a principle of advance and efforts should be made to make it a sound one for which in depth study must be made on the following points of the bank:

- When loan & advances is to be given?
- Why loan & advances is to be given?
- How the loan & advances is to be given?
- What will happen after disbursement of the loan amount?
- Generally, what happen after disbursement of the loan amount?
- It is hopeful that the borrower will repay the loan in time.
- Whether the loan should be given only the private sector or also in government sector as well.
- Whether secured loan will be extended or provision should be kept for clear loan also.
- Whether short term and midterm loan should be considered or long term will be considered.

3.2 Credit Department Function

One of the main functions of commercial bank is sanctioning of credit to the potential borrowers. Bank credit is an important for bringing about economic development of a country. Without suitable finance, there can be no growth or maintenance of a stable economy. Bank lending is important for the economy, because it makes possible the financing of agriculture, commercial and industrial activities of a nation. Hence, it is very clear that, IFIC Bank Limited plays a significant role to move the economic wheel of the country. There are different types of loan & advances, which is provided by the bank, but those are the collective form of the following item.

3.3 Direct Facilities:

Continuous Loan:

IFIC Bank gives in the following Continuous Loan:

- Cash Credit Hypo (CC HYPO)

- Secured Overdraft (Against FDR)
- AAMAR Account OD
- Premium Over Draft of IFIC
- Aamar Rin(Easy loan)

Cash Credit Hypothecation (CC HYPO)

- Cash credit(also known as a CC Loan) is given through the cash credit account. Cash credit is an active and running account where deposits and withdrawals may be made frequently. The debit balance of the account on any day cannot exceed the agreed limit for one year period.
- The instrument is hypothecation Deed.
- In general 50% margin requires opening a CC account.
- Operation of cash credit is same as that of overdraft. The purpose of cash credit is to meet working capital needs of traders, farmers, and industrialist for short time.
- It is granted only the trusted party.
- It is charged against a property where neither the ownership nor the possession is passed to the bank

Secured Overdraft (SOD):

Advance is granted to a client against financial obligations like FDR, DPS, and PSS. The security of advance is granted to the person to whom the instrument belongs and third Party lien also allowed. The discharged instrument is lien to the bank along with a letter signed by holder /holders authorizing the bank to appropriate the proceeds of the instrument on due date towards the repayment of the advance. The bank's lien is prominently noted face of the instrument under the signature of an authorized bank official. The instrument is issued by another branch of IFIC Bank limited or any branch of some other bank, and then the concerned branch in each intimated to lien mark the instrument.

AMAR Account OD:

It is a unique transactional account of IFIC Bank where both deposit and overdraft facility are enabled in a single account. IFIC Bank introduces this type's account first time in Bangladesh which will ultimately decrease the account operation cost of the customer with numerous benefits in a single account. The aamar account also provide dayily basis interest.

Features of "AMAR Account"

- Deposit and loan (overdraft) are facilitated in a single account.
- Slab wise deposit interest facility start with more than 25000 BDT
- Deposit interest will be calculated on daily basis and paid after every month.
- One card will be used for all types of transaction.

The overdraft facility associated with "Amar Account" is named as smart draft which is actually the alternative of credit card with less than half interest rate 9%. Overdraft is allowed for all credit worthy individuals of Bangladesh who have urgent financial needs.

Features of Overdraft for "Amar Account"

- Alternative of credit card with less than half interest rate (9%)
- Maximum limit of up to BDT 500,000/-
- 100% cash withdrawal facility.
- Can be used in VISA logo POS/ ATM outlet for purchase in both inside & outside Bangladesh free of charges.
- Interest Pay only for the amount utilized
- No cash advance fee for ATM or other types of withdrawal.

Term Loan

IFIC Bank offers in the following Term Loan:

- Industrial Loan
- Others loan
- Staff House Building Loan (SHBL)
- Staff loan against Provident Fund (SLPF)
- IFIC Aamar Bari
- IFIC Home Loan/ Home Credit/ Home Loan Takeover

Industrial Loan:

IFIC considers the loans, which are sanctioned for more than one year as term loan. Under this facility, an enterprise is financed from the starting to its finishing like as from setting up to its production. IFIC offers this facility only to big industries. Interest rate is 9%.

The loan term as follows:

- Short term: up to and including 1 year.

- Medium term: more than 12 months up to and including 5 Year.
- Long term: more than 60 months.5 Year.

Others Loan

Loan & advances provided for other purposes which is productive and less risky than industrial sector is treated as others loan. The terms and conditions of these types of loan & advances are same as industry loan.

Staff House Building Loan (SHBL)

150 times of basic salary is provided as SHBL. 5 % interest is charged to the loan amount. Repayment adjusted from their monthly salary. Repayment is made at equal monthly installment.

Staff Loan against Provident Fund (SLPF)

10% of basic is contributed by employee and 10% of basic is also contributed to the PF by the Bank. Repayment is adjusted from their own salary. But this type of loan facility is presently stopped by the bank.

IFIC Amar Bari

This loan is provided against 100% cash collateral. Alongside, the land and building are also mortgaged in the bank. Rate of interest is 9%. This loan is also given for the construction of building house. It is given for twenty 1-25 years at equal monthly installment.

Small Enterprise Financing (SEF)

IFIC Bank gives loan in the following important sectors of Small Enterprise:

- Letter of guarantee
- Letter of credit
- Loan against imported merchandise (LIM)
- Loan against trust receipt (LTR)
- IFIC Protyasha (Loan for women entrepreneurs)
- IFIC Prantonari (Loan for grassroots women entrepreneurs)
- IFIC Krishi Shilpo (Loan for Agro based industries)
- IFIC Shilpo Sohay (Loan for Cottage & Micro Enterprise)

IFIC Protyasha (Loan for women entrepreneurs):

Any Type of business purpose loan for business Enterprises (other than Public Limited Company) incorporated in Bangladesh own and run by women entrepreneurs (at least 51% share of a business hold by women), engaged in manufacturing/ trading/ service business.

Eligibility:

- Woman entrepreneurs with two years' experience in the same line of business
- Monthly cash flow to support loan repayment.

Nature of the Loan

Term Loan, OD & Demand Loan

Loan Size

- Upto Tk.25,00,000/- collateral free
- Above Tk.25,00,000/- to upto Tk.50,00,000/- with collateral.
- **(Loan Period)**
- Maximum 60 (sixty) months for Term Loan. Maximum 12 (twelve) months for OD
- 03 (three) months to 06 (six) months on the basis of business nature for Demand Loan.

Grace Period

03 (three) months to 06 (six) months on the basis of business.

Interest Rate

9 % p.a. with quarterly rest, if refinance available from Bangladesh Bank or Interest rate as set by bank from time to time if refinance is not available from Bangladesh Bank.

Repayment

By equal monthly installments effective from completion of grace period for Term Loan. OD & Demand Loan to be repaid within the validity.

IFIC Prantonari (Loan for grassroots women entrepreneurs)

Any types business purpose loan for Cottage, Micro & Small Enterprise owned & run by grassroots women entrepreneurs involved in manufacturing unit of jamdani, nakshikatha, boutiques and other handicrafts, service unit of beauty parlor, catering service and other income making trading activities and those who have no access to financial facilities from commercial banks.

Eligibility

- Grassroots Women Entrepreneurs having a two years' experience in same line of business.
- Monthly cash flow for repayment of loan.

Nature of Loan

Term Loan.

Loan Limit

- Minimum Tk.20,000/- BDT to maximum Tk.50,000/- for cottage industry (collateral free)
- Minimum Tk.100,000/-BDT to maximum Tk.5,00,000/- (collateral free)
- Above Tk.500,000/- BDT but up to maximum Tk.20,00,000/- (with collateral)
*
- Minimum Tk.200,000/-BDT to maximum Tk.5,00,000/- (collateral free for group of five members).
- Minimum Tk.1,00,000/- BDT to maximum Tk.2,00,000/- for cottage industry

Loan Period

- Minimum 24 (twenty- four) months to maximum 36 (thirty- six) months for loan up to Tk.3,00,000/-BDT.
- Minimum 36 (thirty- s ix) months to maximum 60 (sixty) months for loan above Tk.3,00,000/-BDT.

Interest Rate

9.00% p.a. with quarterly rest, (as directed by Bangladesh Bank subject to availability of refinance).

Repayment

Equal Monthly Installment (EMI).

IFIC Krishi Shilpo (Loan for Agro based industries)

The loan product has been designed for Small & Medium Enterprises engaged in business of General & Aromatic Rice Mill (semi-automatic, automatic), Flour Mill, Oil Mill, Feed Mill, Milk processing, food and fruit processing unit/ industry and other rural based Agro- processing industry as declared by Bangladesh Bank.

Nature of the Loan

Term Loan/ Lease Finance / OD / CC/ Demand Loan.

Loan Limit

Small: Up to Tk.50.00 lac BDT (with collateral)

Medium: Above Tk.50.00 BDT lac to maximum Tk.5.00 crore (with collateral).

Loan Period

- Maximum 60 (sixty) months for Term Loan & Lease Finance. Maximum 12 (twelve) months for OD & CC.
- Maximum 04 (Four) months for Demand Loan.

Interest Rate

9% p.a. with quarterly rest for Term loan, OD & CC if refinance available from Bangladesh Bank (applicable for the project located other than all Divisional Town & Narayanganj Town) or Interest rate as set by bank from time to time if refinance is not available from Bangladesh Bank.

Repayment

- By equal monthly installments effective from completion of grace period in case of Term Loan & Lease Finance.
- OD, CC & Demand Loan to be adjusted within the time.

IFIC Shilpo Sohay (Loan for Cottage & Micro Enterprise)

Loan for any Bangladeshi potential entrepreneurs or group of entrepreneurs (maximum 05) who has the business of Cottage & Micro Enterprise i.e., Pottery, Cane

& Bamboo, Handloom, Goldsmith, Handicrafts, Jewelry and other manufacturing, service & trading business and has minimum 01 (one) years business experience in particular activity or line of cottage & micro sized business or other kind of business.

Consumer Financing (CF)

IFIC Bank Ltd. introduced Consumer Financing Scheme for its customer during 1999 duly approved by the Board of Directors of the bank in their 251st meeting held on April 4, 1999 with the following loan products:

- Auto Loan
- Domestic appliances loan
- Office equipment loan
- Entertainment purpose loan
- Loan for intangible loan
- Others

Guidelines under the prudential Regulation and Direction of Bangladesh bank have been formulated. These guidelines will assist the branches as to how the CFs loan port-folio should be managed.

The committee studied existing products available in the market. Considering the market demand and investment opportunities in Consumer Financing Sector, the committee has formulated the following 12 (twelve) products for IFIC Bank to be launched under Consumer Financing Scheme:

- Easy loan (Secured Personal loan).
- IFIC Home Loan/ Home Credit/ Home Loan Takeover
- IFIC Salary Loan
- IFIC Auto loan

IFIC Easy Loan:

Our Easy Loan is to serve any personal financial needs. The loan is absolutely hassle free & paid against financial securities.

IFIC Aamar bari

IFIC Home Loan" is a lucrative home & mortgage-based loan facility named IFIC Aamar Bari for those who want to buy Flat/Building, It's also available for existing home/flat construction or renovation purpose.

Product Features

- Credit Limit is 0.5 Million to 20.00 Million also will get POD 20.00 Million.
- Flat Interest rate 9.00% for the all customer.
- Take Over From other bank are completely Processing Charge Free and new loan form IFIC has 0.33% to 0.50%.
- Hassel Free and fast Approval of Loan.

IFIC Auto Loan

Credit Limit Up To- 2.00 Million and this auto loan mortgage backed and having 10.00%. Customer Can Easily Avail this Loan by Mortgage any property including Flat, House, and land. Easy 60 Months Installments tenure for repayment system. This Convenient loan Helps People to fulfill their dream of owner of a car.

3.4 Indirect Facilities:

Guarantee:

This Non-funded Facility given to customer for supplies goods to run business smoothly. Lots of vendors do not supplies without guarantee of bank. Lots of business needs guarantee for Business. IFIC gives them Guarantee.

Tender or Bid bond guarantee:

This Guarantee gives the guarantee tender will maintain all the terms and condition of the contract with the time period of tender.

Advanced payment guarantees:

There are a lots of work order and payments have to maid on advance on this work order but there are always have a risk that work will not be done after advance payment. In this case who give advance payment wants guarantee for this advance payments. After submitting the guarantee then the working company get their work order and get advance payment. IFIC bank gives this advance payment guarantee.

Letter of credit:

This facility also a guarantee provided to customer for import/Export purpose, this is guarantee if importer or exporter have issue with payment then bank will pay.

3.5 Business Analysis

Interest rate in Loan and Advance: Types of advances	NEW Interest rate	Old Interest rate
Agri Based Loan	9.00%	11.00%
Term Loan (SME)	9.00%	12.50%
Term Loan (Small Enterprises)	9.00%	13.50%
Working Capital (SME)	9.00%	12.00%
Working Capital (Small Enterprises)	9.00%	13.50%
Export	7.00%	7.00%
Trade Financing: (SME)	9.00%	15.00%
(Small Enterprises)	9.00%	15.00%
Purchase and Discount rate OF Bill	9.00%	12.50%
Aamar Bari	9.00%	13.45%
Banijjik Bastu Rin	9.00%	11.49%
Consumer Credit	9.00%	15.00%
Credit Card	20.00%	24.00%
Credit to NBFi	10.00%	14.00%
Lease Finance	9.00%	14.00%
Lending against Financial Obligation:Against FD/FD Scheme of IFIC Bank	FD Rate+2%	FD Rate+2%
Lending against other Financial Obligation (FO)	FO Rate+3%	FO Rate+3%

Table 1: Interest rates in Loan and Advance

3.6 Selection of Borrower

5 C's Method Used for the Selection of the borrower

- Character.
- Capacity.
- Cash.
- Collateral.
- Condition.

Character is the most important point of select a customer, character define as willing to pay the loan, if the customer character isn't good than capacity, cash, collateral, condition, will not work, his intention is very much important, there are some customer pay the amount but always did this payment at late which create classified loan of a bank.

Capacity:

Is the management have enough capacity to generate cash, in which all obligation can be full filled.

Cash:

Cash Flow is the most important part of giving loan or select a customer, because a healthy company having huge assets and enough revenue will not be able to repay the loan if the company will not be able to generate adequate cash, so for repayment of loan cash generate will added great value for selection of a borrower.

Single borrower / Group Limits/ Large Loan/ Syndication:

There is a limit a bank can give loan to its customer, this cap called single borrower exposer, the single borrower can take up to 25% of bank capital amount, in which Funded facility is 15% and non-funded facility is 15% which was reduced in 2021 before that funded facility was 15% non-funded facility was 20% which is total 35% this is for large loan,

For example a company wants to take large loan from, bank cannot finance whole amount of which they have as their deposit, and even the company is worthy to take it, because of this single borrower cap.

Funded facility means which given in form money and non-funded facility is like guarantee.

3.8 Procedure for giving advance:

Step 1:

Customer who wants to take loan have to fill up loan application form all types of loan have different loan application form and this loan application need to be fill up by customer with details information:

- Borrower Name
- Borrower Address
- Borrower Present & Permanent Address
- Introducer Details
- For corporate loan date of commencement of business.
- Details of trade license
- Information of income tax return
- Firm/Company constitution.
- In case of business organization there have to be details information of all partner, director, chairman and others.
- Partner, Director, chairman experience and background.
- Personal net worth of the Partner, Director, chairman
- Details information of sister concern and subsidiary.
- Nature of business and total value of the business.
- Loan information about, amount, time, repayment schedule.
- Market value of the security.
- Is there any liability with IFIC Bank and other bank NBFi.
- Previous 3 year Balance sheet, income statement, cash flow statement.
- Any other information.
- Applicant signature with matched SS card.

Step 2:

At this stage , after completing loan application, there send a report called Credit information bureau, this CIB report given to us by Bangladesh Bank, in which we can see whole credit history of the borrower, is there any loan taken by them , is there any

classified loan in their name, we can't give loan to any defaulter of the loan.

After assessing the CIB report we take decision can we give him loan or not.

Step 3:

After having report of CIB we get ahead of the loan process, we assess all the documents provided by the borrower, is there any lapses in documents, if found we want this document from the borrower. And ensure the fulfillment of the documents.

Step 4:

Now we came to loan processing stage, with some exact information. This part call Making Loan proposal with below information.

- Borrower Name
- Nature of Loan
- Purpose of Loan.
- Extent of Loan
- Collateral Security
- 70% Security limit.
- Loan Rate.
- Repayment Schedule.
- Tenor.

Darus Salam Branch has the power of approved SOD Up to 10 lac , amount more than this have to take approval form head office form Retail risk management.

- Customer can take UpTo 95% Limit of his security.
- This can be taken against FDR, Aamar Bovishat, and PSS.

Manager approval power of Limit Depend on the Branch manager Rank, Darus Salam Road Branch, Branch Manager Rank is Senior Principal Officer and his Limit is 10 lac. SOD can Give Different types of instrument like a customer have an FDR and an DPS both amount will be accumulate for the Limit.

Step 5:

When loan get approval from head office or branch then Charge document collection stage come, and documents related to security also taken at this stage:

A.) Loan (general):

- Promissory note which describe promise to pay the amount,
- Letter of authority to Debit for debating customer A/C.
- Letter of Authority for renewal in case of continuous loan.
- Letter of guarantee of borrower and guarantor of the loan.
- Letter of hypothecation for CC Loan.
- For SOD loan letter of lien.
- Letter of Encashment of FDR & DPS.
- For LC letter of guarantee of LC.
- Bond charges.
- Documents of original deed Reception.
- Third party guarantee for hypothecation goods.

Step 6:

Charge documents as required for the different types of advances, are mentioned below: Loan (general):

- Promissory note Signed with 50 taka revenue stamp.
- Letter of disbursement for amount disburse to customer account.
- Hypothecation for goods.
- Taking LC Related charge documents.
- Charge documents of transfer of original Deed.
- Demand promissory note.
- Deed of partnership.
- Letter of ownership of business.
- Letter of transfer authority.
- CC Pledge documents.
- Undertaking which one needed.
- Letter of authority for empowerment.

- Documents for transfer of ownership of stocks.

Cash credit (Hypothecation):

- Hypothecation letter for goods.
- Permission letter for inspection of goods.
- Stock report of business signed by the borrower.
- Non encumbrance report of hypothecated goods.
- 110% Insurance coverage for goods if wanted flood insurance exemption then there will be need of undertaking.

Step 7:

Limit Loading Management disburse the amount of borrowed money to the loan account..

Step 8:

Credit disbursement:

After Create account of loan for disbursement by LLM Branch Head office disburse the amount to customer account and also ready a repayment schedule for the loan repayment.

Step 9:

Work need to be done after disbursement of the loan,

- Supervision of the borrower.
- Continuous assessment of working capital.
- Monthly stock report signed by customer.
- Analysis of Break Even Point.
- If need there will be reschedule or adjustment of loan.

Step 10:

If the Loan Didn't pay in time then notice, reminder legal notice have to be sent to customer.

Chapter-04

Credit Risk Management of IFIC Bank Limited

4.1 Credit Risk Management

In IFIC Bank we have central CRM Division, they have vast resource to control, monitor total Loan of IFIC Bank Limited. They work for mitigation of risk which create by giving a loan, they work before loan starts to end of the loan. Mitigation of risk of the loan begins with the when customer applied for the loan, then when branch starts assessment for loan, do some screening and finally when head office do analysis about the loan and customer. Our Product program guideline are very specific and very strong risk can be mitigate as we work as per our product program guideline. Our very specific PPG help us to make a clear and risk free. Though our PPG is very strong and specific but it's not possible to show every risk arises to loan. CRM policy works for the mitigation of risk, there are a lot of tools used for this risk mitigation processor, Credit Risk grading is one of the tool for risk mitigation:

Credit Risk Grading

- Credit Risk grading called CRG.
- Credit risk grading have some scale to measure risk arises from the loan, and shows the scenario of a loan in a specific pre determine manner.
- CRG shown its report in numeric way its risk arises from loan.
- Credit risk management developed CRG module of risk mitigation.

Functions of Credit Risk Grading:

Credit risk grading helps bank to taking actual decision about loan, CRG shows a numeric position of customer or a firm who wants to take loan, which shows how much risk they produced, how much credit worthy, so this helps to taking decision by showing the figure of risk borrower exposed.

Use of Credit Risk Grading:

Credit risk grading applied on the individual or any group, branch, bank its have some preset ideal to measure factor to judge on them.

Credit risk grading associate to individual credit selection. CRG also shows specific exposor of borrower the facility is rated. The decision connected to the specific credit facility there can some exception.

Credit Risk grading also used for internal use of bank for assessing branch or whole bank risk, monitoring the loan portfolio, Assessing others factor associate with risk of loan.

The suggested CRG scale consists of 8 categories with short names and Numbers,

Those are,

- Superior(SUP)
- Good(GD)
- Acceptable(ACCPT)
- Marginal(MG)
- Special Mention(SM)
- Sub Standard(SS)
- Doubtful(DF)
- Bad & Loss(BL)

4.2 Credit Approval

Credit policy mainly determine bank health , credit portfolio and repayment policy shows the how good bank is going if repayment is good then all the factor came to a good position. So repayment quality should be asses accurately before assessing the credit approval. And the credit approval process should be made on product program guideline of the bank.

Credit Evaluation Principles: To have the optimum returns from the deployed funds in different kinds of lending, more emphasis shall be given on refund of loans and advances out of funds generated by the borrowers from their business activities (cash flow) instead of realization of money disposing of the securities held against the advance which is very uncertain and time consuming. Accordingly, the credit evaluation principles must be adhered to at every level of approval. The lending risk analysis tool containing analysis of both the business risk and security risk provides overall rating of risk in a particular loan under the following lending process:

- Repayment capacity of the borrower.
- Take decision of approval of the loan as per PPG.
- After approval disburse the loan and have a very strong repayment capability or recovery system.

Credit Risk Evaluation/Assessment: There are some preset standard to measure risk or assessment of the risk and this. This standard mainly set by head office Credit risk management division, and it was updated time to time.

Lending Authority: To assure proper and orderly conduct of the business of the Bank,

the Board of Directors will empower Managing Director and other Executives of the Bank to lend up to certain terms, and condition and conditions at their discretion. The lending officers are broadly categorized as follows:

Managing Director, D.M.D, S.EV.P, E.V.P (credit), Manager, and Assistant Manager.

The amount and scope of each officer lending authority is a function of the amount and extent of authority required by the officers to carry out his/her responsibilities to the bank and its clients in a prudent, effective and efficient manner.

It must be emphasized that an officer will not be delegated lending authority only on the basis of his position. Specified lending authority will be delegated by the Managing Director to various Executives after taking consideration his proven credit judgment, knowledge and experience.

Approval under Dual Signature: All approval of credit facilities must be conveyed under dual signature. Ideally both the signatories must have the required lending authority; if, however, two lending officers of the required lending authority are not available, one of the signatories must have the lending authority.

The responsibilities for credit policy, procedure, approval & review shall vest amongst the following groups:

- Board of Directors:
- Executive Committee
- Head Office Credit Committee Constitution
- The Head Office Credit Committee (HOCC) consists of members appointed by the Executive Committee. The maximum number of members of the HOCC will be six and the minimum number will be four. The HOCC would meet as often as necessary or at such intervals as it may decide. The minimum Member HOCC will be four. The decision will be arrived at by consensus of all members present.

Function:

- To process credit proposals in accordance with the credit Approval Authority as delegated by the Board of Directors.
- To establish, monitor and review the credit policy.
- To oversee the functioning of credit administration at Head office and Branch levels.
- Branch Credit Committee
- Responsibilities

BM hold the biggest liability for the loan, so BM should know about the loan which is

given, the customer who take the loan, Details about loan. This is the information should know by manager according to bank company act.

- Important things to check that customer personal history.
- PNW should be taken from all customer/partner.
- CIB report should be checked for details history of the loan.
- If any information need have to take from customer.

All types of Security legal affair should be maintain proper way, Terms and condition of a loan maintain priority basis.

- Credit Officer and Branch manager should review all existing loan regular basis every monthly.
- All loan should maintain Product Program Guideline.
- Monitoring the transaction of CC and SOD loan.
- Monthly stock report signed by customer and branch manager.
- Visit Business venture every month to assess stock, profitability business situation.
- All terms and condition off approval of loan should abide by accordingly. Tenure, Limit, should be maintain properly.
- Loan of Directors will not be made.
- Director of the bank will not be able to take any loan from bank which is declared by Bangladesh bank.

Chapter-05

Findings, Recommendations & Conclusion

5.1 Findings

I am an employee of IFIC Bank Darus Salam Road Branch, I have been working here 2 Years so I have lot of knowledge about this bank and specially this Branch, so this branch gives me a lot of experience so I have some findings about the branch and this bank and I want to clarify about this,

- Safety of a loan is the vital priority, and there is no lacking they have made to take highest level of safety.
- Though there is a lot of supervision for repayment but always there were some client who doesn't pay their installment in time.
- Because of lack of knowledge about banking, there is always have some misunderstanding of customer about their loan procedure, legal procedure. There is some misunderstanding of repayment, interested incurred from customer account.
- Sometimes it takes more times for procedure a loan because of documents lapses.
- They give higher priority for documentation process of the loan.

5.2 Recommendations:

- I. Selection of a borrower is the most important part, bank should emphasize of 5c's technique for the selection of the borrower.
- II. Bank should supervise continuously those customers, who doesn't pay their loan. For high risk customer supervision should be more intensive.
- III. Bank should keep their terms and condition in Bangla format, and made it easy for uneducated person
- IV. The Bank shall sanction and disburse loan to the borrowers in proper time and should avoid any extra document Hassel.
- V. Documentation process is good but they should more sensitive about this.

5.3 Conclusion

Banking industry in Bangladesh are huge. IFIC bank is the one of them, they have huge network with more than 1200+ Branch and uposhakhs all over the country trying to give their best to economic growth of Bangladesh, and this growth not only for business, they give agriculture loan with 4% interest giving CMSME loan to improve small business in Bangladesh giving service to big corporation which create employment in country. Their uposhakha are now in rural area in Union level which connect our rural people with banking sector. They also provided a lot of amount to CSR which helps all the country they are taking green banking policy.

References

Websites:

- I. www.bangladeshbank.org
- II. www.ificbank.com.bd
- III. <http://www.investopedia.com>

Books:

- I. Dr. A. R. Khan - "Bank Management", Progati Prakashani, 2nd edition.
- II. Financial institution and Markets, Jeff Madura, 9th edition.

Others:

- I. Annual Report of IFIC, 2021
- II. Credit manual of IFIC Bank.
- III. Manual and brushier of International Finance Investment & Commerce Bank Limited.
- IV. Personal conversation with Mr. Jamal Uddin (JO and Head of Credit), IFIC Bank, Darus Salam Branch.