



Daffodil
International
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Internship Report On:

Loan and Credit Practice and Performance of Grameen Bank

Submitted To

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Date of Submission :
11/01/2023

Letter of Transmittal

Date:

11/01/2023

To,

Md. Arif Hassan

Assistant Professor & Head

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Faculty of Business and Entrepreneurship

Daffodil International University

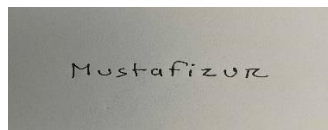
Subject: Submission of Internship Report.

Dear Sir,

It is my pleasure to submit my internship report on “Loan and Credit practice and performance of Grameen Bank”. I have put meticulous effort for the preparation of the report so that everyone can have a clear idea about the report. I am thankful for your valuable suggestions and humble cooperation. I also want to thank you for your support and patience in helping prepare this report.

I sincerely hope that this report meets your approval and fulfils all requirement. Although there may be some mistakes and shortcomings. For any kind of queries, I would be available at your convenience.

Sincerely yours,



.....

Md. Mustafizur Rahman

ID: 181-11-1144

Program: BBA, Major: Finance

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Letter of Approval

This is to certify that, Md. Mustafizur Rahman, ID No.: 181-11-1144, major in finance, is a regular student of Bachelor of Business Administration (BBA) program, Faculty of Business and Entrepreneurship, Daffodil International University. He has successfully completed his internship program at Grameen Bank. He has prepared this report under my supervision. His assigned internship topic is “Loan and Credit Practice and Performance of Grameen Bank”. The report is recommended for submission.

I wish his happiness, good health and every success in life.



.....

Md. Arif Hassan

Assistant Professor & Head

Department of Business Administration

Faculty of Business and Entrepreneurship

Daffodil International University

Acknowledgement

At the very first and fore-most I would like to thank the almighty Allah who created me and gave me the opportunity to be educated and to be the student of the Daffodil International University.

I am grateful to my respectable Supervisor Md. Arif Hassan, Assistant Professor and Head of Department of Business Administration, Faculty of Business and Entrepreneurship, Daffodil International University for permitting me to undertake this research. I am grateful to him for his most constructive suggestions and informative guidance through this time period of making the report.

I also express special gratitude to Mr. Moniruzzaman, Director Manager of International Affairs Program, Grameen Bank, Main Branch for his direct supervisor and guidance. Without their assistance, this report probably won't have been a complete one.

I would like to apologize for my forgetfulness and finally I would like to thank the Internet explorer where information is constant and available about Grameen Bank.

I would like to thank to all of my respectable teachers, administrative personnel, office staff of the department and my fellows who always motivate, support, cooperation and guide me to effort harder for my studies.

Executive Summary

Grameen Bank is a community development bank which founded in Bangladesh. Besides all other usual loan program, Grameen Bank makes small loans which is called Grameen Credit. It is also known as microcredit. At present Grameen Bank has 2568 branches all over the nation and a total 20,138 number of employees.

The fundamental expostulate cause behind the report is to have a general thought regarding loan and credit practice by Grameen bank and performance of this loan and credit by the bank.

Lending is one of the main functions of a bank. Though Grameen Bank is a bank but the banking practices is a little bit different from other commercial bank of our country. The main focus of grameen bank is the poor and needy homeless people who can't get any loan or financial support from banks because of not having assets or required collateral.

The Credit Risk Management office is in charge of maintaining the respectability of the Bank's return profile. The report discusses the nature of various loan and credit function, risk of loan and credit, management system, policies, loan approval process, management committee, credit risk monitoring and performance of loan & credit by Grameen Bank.

The study not only focuses on the loan & credit activities of the bank but also highlights the credit disbursement process and credit risk management system of the bank. In the first chapter of this report contains some description about the banking sector and the perspective of the Grameen bank. The next chapter of this report is about Grameen Bank itself. Their corporate mission & vision. How they exercise their key management profile. The third chapter contains the theoretical background of credit disbursement especially how bank disburse their loan & credit and what type of loan they are providing. The fourth chapter is the analysis part of this report, which contains performance analysis of loan & credit, loan to deposit ratio, Microcredit loan, Standard loan, Doubtful and Bad loan by the bank, customer growth of the bank and the performance in various loan sector by Grameen bank. Fifth and the final chapter includes some positive and negative findings that made based on the analysis part and some recommendation for the improvement of loan & credit performance.

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Chapter - 1

Introduction

1.1 Introduction

Bangladesh is an under-developed country which is desperate to earn its name as a develop country. From the very first moment of the country's independence that has the aim to be something bigger in economy. As any other country, the banking system of Bangladesh has a big effect on its economy as well as creating a balance. Among all the bank there's something different came up which work for the poor. The Grameen Bank which started as a village program focusing on a group of poor people, became a bank later and became very popular in the rural areas of the country and has done a tremendous amount of changes in the economy especially among the poor people. Throughout their many micro financing program which is widely known as micro-credit, they gave opportunities to the poor homeless needy people and let them had a dream. While most of the banking system required securities or guarantee, getting loan from this especial bank do not any collateral. For which a wide range of people get attracted to this type of micro financing. Many become stable in their economic situation based on this type of credit loan program.

1.2 Statement of the Problem

This report is one of the major parts of BBA Program offered by Daffodil International University. In this day and age, instruction isn't simply restricted to books and classrooms. Education now-a-days is understanding the real world and applying knowledge and education for the betterment of the society. So the Internship is such a way, to the point that applies the information and comprehension of the courses and to utilize them in a down to earth field. Grameen Bank gives me this opportunity to be engaged there to gather practical experience about the real business world and to observe different practical aspects of education. Daffodil International University has goals to produce world-class post-graduates within the local environment, with knowledge and skills to provide leadership in enterprise, public service and welfare. A business report is characterized as an organized, target correspondence of data that fills some business need. Along these lines, so as to fill this business need a theme of the report must be unmistakably expressed. The topic that has been defined for studying in this report is in infinitive phase.

1.3 Objectives of the Study

1.3.1 Broad Objective

The broad objective of report is to evaluate the Loan & Credit practice and performance of Grameen Bank.

1.3.2 Specific Objectives

- ✓ To describe different types of loan and credit by Grameen Bank;
- ✓ To describe Credit approval and collection process of Grameen Bank;
- ✓ To analyze the loan and credit performance of Grameen Bank;
- ✓ To identify the problems related to loan and credit performance of Grameen Bank;
- ✓ To make some recommendations to solve those problems.

1.4 Methodology

In this study, the data were collected from the primary sources by conducting field visit and researching many document, files and information provided by the bank. However, besides primary data the secondary data were also compiled for the best result. To set up this report the required data gathered from both essential and auxiliary source. Both the essential and in addition the auxiliary type of information was utilized to set up the report. The details of these sources are highlighted below.

1.4.1 Primary Sources

- ✓ Observation during the total internship period.
- ✓ Face-to-face conversation with the respective officers & clients of the Grameen Bank.
- ✓ Document provided by Grameen Bank.

1.4.2 Secondary Sources

- ✓ Annual Report of Grameen Bank Limited.
- ✓ Internet utilized as a hypothetical wellspring of data.
- ✓ Website & Newsletters used as major sources.

1.5 Scope of the Study

Entry level position encounter assumes a fundamental job for each understudy to execute their hypothetical learning and get pragmatic information from any association. An understudy can execute this entry level position involvement in his future work territory. Grameen Bank gives me the opportunity for gathering practical experience and preparation of the report. Through this report emerging Banks and other Financial Institutes who want to develop an effective and successful loan and credit program as well as business students who want to learn various functions of loan and credit will be benefited.

1.6 Limitations of the Study

The real constraints of this report are as per the following:

- ✓ There was a lack of proper secondary information for Grameen Bank.
- ✓ Annual reports, arrangement rules, site and other related archives don't cover full and adequate data.
- ✓ Within such a short period of time, it was not possible for me to study everything about Grameen Bank's loan and credit programs.
- ✓ In order to guard the secrecy of the bank, the employees of Grameen Bank is not interested to disclose some certain information required for this report.

Chapter – 2

Overview of The Grameen Bank

2.1 Background

Grameen Bank one of the well-known bank in Bangladesh especially in the rural areas of the country. It is widely known as the bank for the poor. Grameen Bank project was born in the village called Zobra, Bangladesh in 1976. In the start it wasn't even a bank. It began as an action research project at Chittagong University. Professor Muhammad Yunus is the founder of Grameen Bank, who was teaching Economics at Chittagong University. Dr. Yunus started this program in a market of Zobra village. Through it was started as a small program in a small village, at 1979 it became a pilot project of Bangladesh Central Bank. In October 1983, Grameen Bank was established as a bank under a special act of the parliament. The mission of Grameen Bank is to alleviate poverty from the lives of the poor people. From that very moment Grameen bank is still working for the poor and known as the bank of the poor.

Day by day the bank has become bigger in size and activities. The total number of branches are 2,586 across the country. The banking facilities are provided in 81,678 villages with 136,090 centers. And the total number of group of the borrowers are now 1,414,600 with a total number of 9,425,359 members all over the country.

2.2 Vision

- ✓ Move out of Poverty and Stay away from Poverty
- ✓ Prepare the future generation with education and knowledge so that the families do not slip back into poverty.
- ✓ Make popular the New Entrepreneurship loan and Higher Education loan program.

2.3 Mission

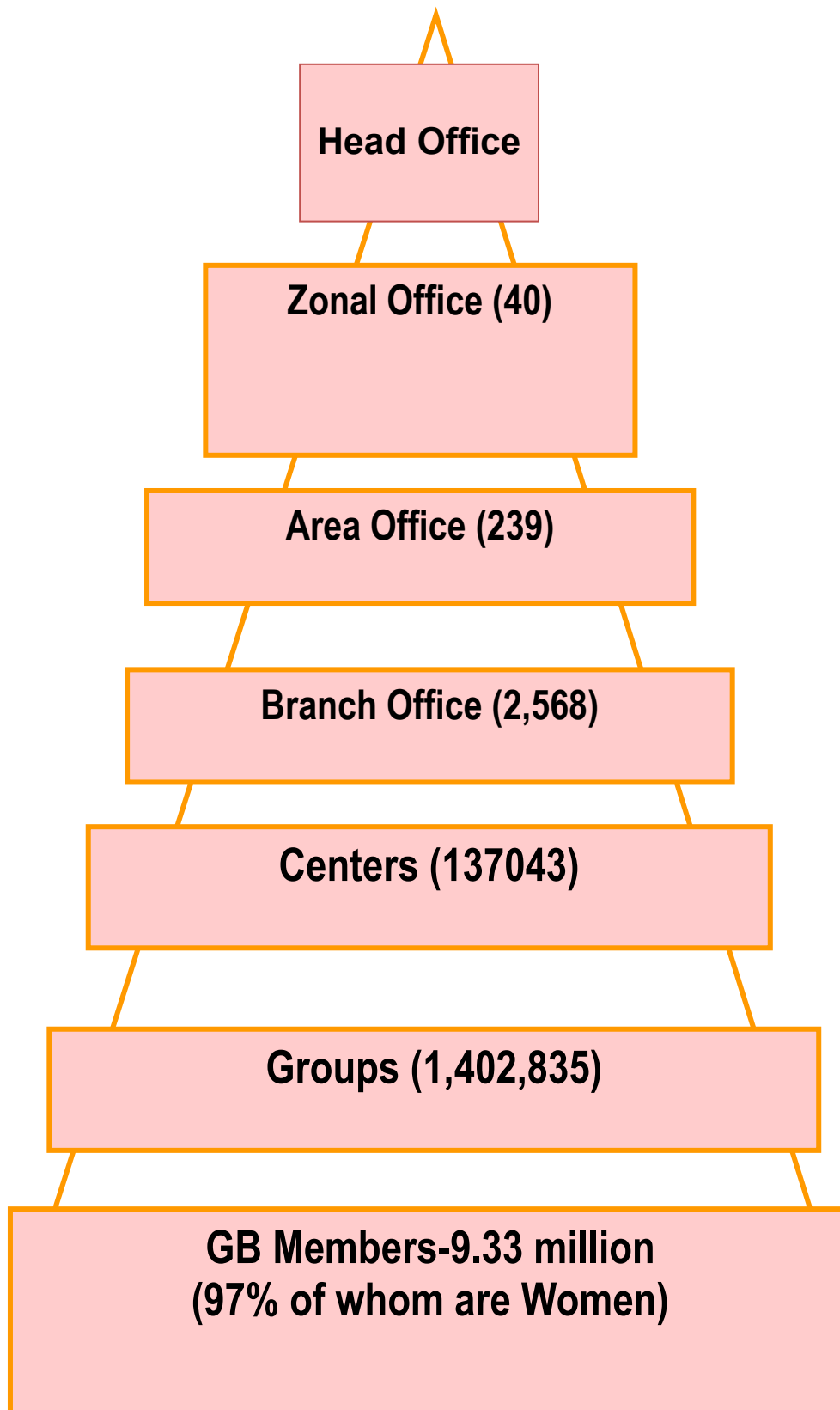
- ✓ Extend collateral and guarantee free banking services to the rural bottom poor.
- ✓ Free poor people from the exploitation of money lenders.
- ✓ Extend banking facilities to poor men and women.
- ✓ Eliminate the exploitation of the poor by money lenders.
- ✓ Create self-employment for the vast unutilized and underutilized manpower resources of Bangladesh.

- ✓ Organize the disadvantaged people into small federation for mutual support and self-sustained socio-economic development.
- ✓ Empowering poor women and involving them in economic activities.

2.4 Board of Directors of Grameen Bank

Elected Representatives of Borrowers	9
Government Nominees including Chairman	3
Ex-Officio Managing Director	1
Total Grameen Bank Board of Directors	13

2.5 Organizational Structure of Grameen Ban



2.6 Grameen Bank Loan Program

2.6.1 Basic Loan

- ✓ Every borrower can take basic loan for any kind of income generating activities.
- ✓ Duration or time period of loan is mutually agreed between the bank and the borrower.
- ✓ Depending on business weekly repayment can be varied according to pre-negotiated repayment schedule.
- ✓ If a borrower is in problem of repayment, she can reschedule the loan.

2.6.2 Higher Education Loan

Grameen Bank introduced higher education loan program in an effort to provide an opportunity for talented children of its borrowers to receive higher education. Up till May 2020, 54481 students from various disciplines have received 3883.45 million BDT loans under this program. And 356 students are still in the service after completing their study. Grameen Bank also provide loans for Diploma and BSc in Nursing Course.

2.6.3 Micro-Enterprise Loan

Grameen Bank provides larger loans, called micro enterprise loans to the fast moving members. Many borrowers are moving ahead in businesses, due to experience and more male members in the family. The total number of Micro Enterprise loans are 15.09 million and the amount is 535,424.92 million BDT.

2.6.4 Beggars Loan

- ✓ Grameen Bank has taken up a special program, called struggling members program, to reach out to the beggars.
- ✓ All loans are collateral and interest-free.
- ✓ Objective of the program is to provide financial services to the beggar to help them to find a dignified livelihood, bring them out from begging in a harmonic way and graduate themselves into regular GB members.

2.6.5 Other loan program of Grameen Bank

General Programs

- ❖ Savings Account
- ❖ Current Account
- ❖ Corporate Account
- ❖ Short Term Deposit Account

Deposit Scheme

- ❖ Special Deposit Scheme
- ❖ Monthly Deposit Scheme
- ❖ Education Scheme
- ❖ Double the amount deposit Scheme

Loan & Credit Scheme

- ❖ General Loan
- ❖ Terms loan
- ❖ SOD
- ❖ Cash Credit
- ❖ Micro Credit
- ❖ Micro Finance
- ❖ Loan against Trust Receipt
- ❖ Housing Loan
- ❖ Small business Loan
- ❖ Personal Loan Scheme
- ❖ Agriculture
- ❖ Processing and Manufacture
- ❖ Livestock and Fisheries
- ❖ Peddling
- ❖ Service & Treading loan

Chapter - 3

Theoretical Framework

3.1 Loan & Credit

Loan and Credit are two different types of financial mechanisms. The both loan and credit are banking products by which a customer or borrower can lend money or capital from bank but differ in terms of objectives.

A loan is a financial product by the bank that allows a borrower to access a fixed amount of money that he borrowed with in one transection with the condition of returning the money back, plus the agreed interest within a time period. Interest will be charged on the total amount of money borrowed. Duration of a loan is usually have a longer time period terms like years. On the other hand, A Credit is a more flexible term of a banking which allows the borrower to access the amount of money loaned according to the needs of the consumers at any given time. In credit, a maximum number of amount is set as limit which the customers can use in part or in full. And the interest will be charged on the amount used. But the interest rate is usually higher in credit than loan. About duration of credit program or scheme, it usually have a year of life time. Some case the time set is higher, but in that case the customer has to renew it each year.

Besides loan and credit, Grameen Bank also runs microcredit loan program. Microcredit is another product of banking finance where the loan will be provided only to the poor and the size of the credit amount will be small. It is not something new in finance. Informal local sources such as moneylenders and Mahajans, from neighbors, and relatives and friends used to provide small loans from time immemorial. Available records suggest that such transactions took place in India during the Vedic period. This age-old practice of moneylending expanded throughout the Mughal and the early British periods due mainly to the absence of formal/institutional providers of rural credit.

3.2 Different Types of Loan Scheme by Grameen Bank

Though Grameen Bank is known as the bank for the poor, because most of their loan program is based on the microcredit scheme. But from agriculture to manufacture, there are several other loan & credit programs practiced by the bank.

In this report various types of loan and credit program which are practiced by the bank will be described.

3.2.1 Basic Loan

Basic loan of GB is a loan scheme where every borrower can borrow a certain amount of money from the bank for any kind of income generating activities. Duration of the basic loan is mutually agreed between the bank and the borrowers which give them more flexibility over the loan scheme. Depending on the business, the repayment can be varied according to the pre-negotiated schedule. In case of emergency, if a borrower faces a problem with repayment, he/she can reschedule the loan. Almost anyone can take a loan from GB under its basic loan scheme. He/she just needs to show a purpose of income generating activities. The loan amount and interest is not fixed and will be set based on requirement and the capability of repayment. In 2020, approximately 33,218 million BDT is provided as loan under basic loan scheme. Basic loan is the second highest sector in credit disbursement, 19% of total loan is given as basic loan in last year.

3.2.2 Agriculture Loan

Agriculture is the heart of living for a nation when in Bangladesh, farmers and workers related to the agriculture are neglected the most. Normal commercial banks do not provide them loan or financial support they required. As Grameen Bank started to grow and become a bank in 1986, it looks at the suffering and opportunities in the agriculture sector. Various types of credit schemes are introduced by the bank related to agriculture. Not only small and individual loans but also a cumulative group loan, instrument related to agriculture is given as loan, Farmer Loan scheme is provided by the bank. Big agro firms also get loan under Agriculture loan sector and the interest rate is very low in every loan under this sector. GB always knew the importance of the Agriculture sector of Bangladesh. As followed, 17% of their total loan is disbursed in this category which is almost 29,721 million BDT in last year only.

3.2.3 Processing and Manufacture loan

From the birth of our country it starts to grow rapidly in manufacturing. Especially in garments manufacture and processing. Though GB is widely known for its contribution among the poor but the bank also invest or provide loan in processing and manufacturing sector. In 2020 the bank provide 7% of their total loan in this sector which is 12,238 million BDT. The year before the amount of loan given under this sector was approximately 18,000 million BDT.

Big manufacturing company or organization usually take this type of loan and the size of the loan is bigger than other loan provided by the bank. The duration of the loan is also longer and usually yearly based.

3.3 Different types of Micro Credit Loan

Microcredit loan is small loan which only provide among the poor. GB is well known for its microcredit activities. There are several micro credit program run by Grameen bank. Grameen Bank is known as the bank for the poor, because of that most of their loan program is based on this micro credit system. 46% of their total loan is disbursed among the poor and needy people via various micro credit scheme. In 2020 the bank provide a total of 80,422 million BDT as microcredit loan. In the 2019 the loan amount was all time high in microcredit, a total of 117,212 million BDT.

Various micro credit program is run by GB and many of them are quite impressive and well effective in our society. Here are the most popular and well known types of micro credit loan programs are described below;

3.3.1 Housing Loan

Grameen bank who introduced its housing loan in the year 1984 and had become a very fascinating program among the poor, mainly the people who lost their home for any reason and not being able to restore the house because of lacking the money or the financial barriers faced by them in the rural area.

When this micro credit program launched, the amount given to rebuild or build a house is BDT 15,000 which increased over the time and now under this credit program a homeless person can get a maximum amount of BDT 50,000 for building a house. This loan can be repaid over a time period, which could be max of 5 years. Borrowers can repay the money in weekly basis return policy.

This housing loan program was awarded Aga Khan International Award for Architecture in 1989.

Cumulative number of houses built with housing loans till December, 2021 is 778,582.



Figure 1 : House built by housing loan of GB

3.3.2 Telephone ladies

Though this project was a very early project taken by the bank where the main idea was to provide a small amount of loan but not in cash but in product which was a cell phone. This was so rare at that time and the main vision was to digitalize the country, especially in the rural area. To-date GB has provided loans to 2,053,615 borrowers to buy a handset or mobile phone and offer them telecommunication services. This micro finance services reaches in nearly half of the villages of Bangladesh where this service never existed before. This program play an important role in the digitalization of our country and improve the telecommunication sector of the country.

3.3.3 Struggling Members loan

Grameen bank has taken up a special program, called struggling members program, to reach out to the extreme poor people. Although the size of this loan amount is very small in size, but the widely spread in all over the country this is a very effective & successful micro financing program run by Grameen Bank.

The main objective of this program is to provide financial services to the poor or begger level people to help them to find a dignified livelihood,

83,357 beggars have joined Grameen beggars program till December 2021 and they have received a total interest free loan of 2.71 million US\$



Figure 2 : A struggling member getting domestic animal as loan

3.3.4 Grameen bank Scholarship Program or Study Loan

Among the various micro financing project of the bank, special scholarship opportunities for the member and Study Loan for everyone is the most effective micro finance program run by the bank for building a better future generation.

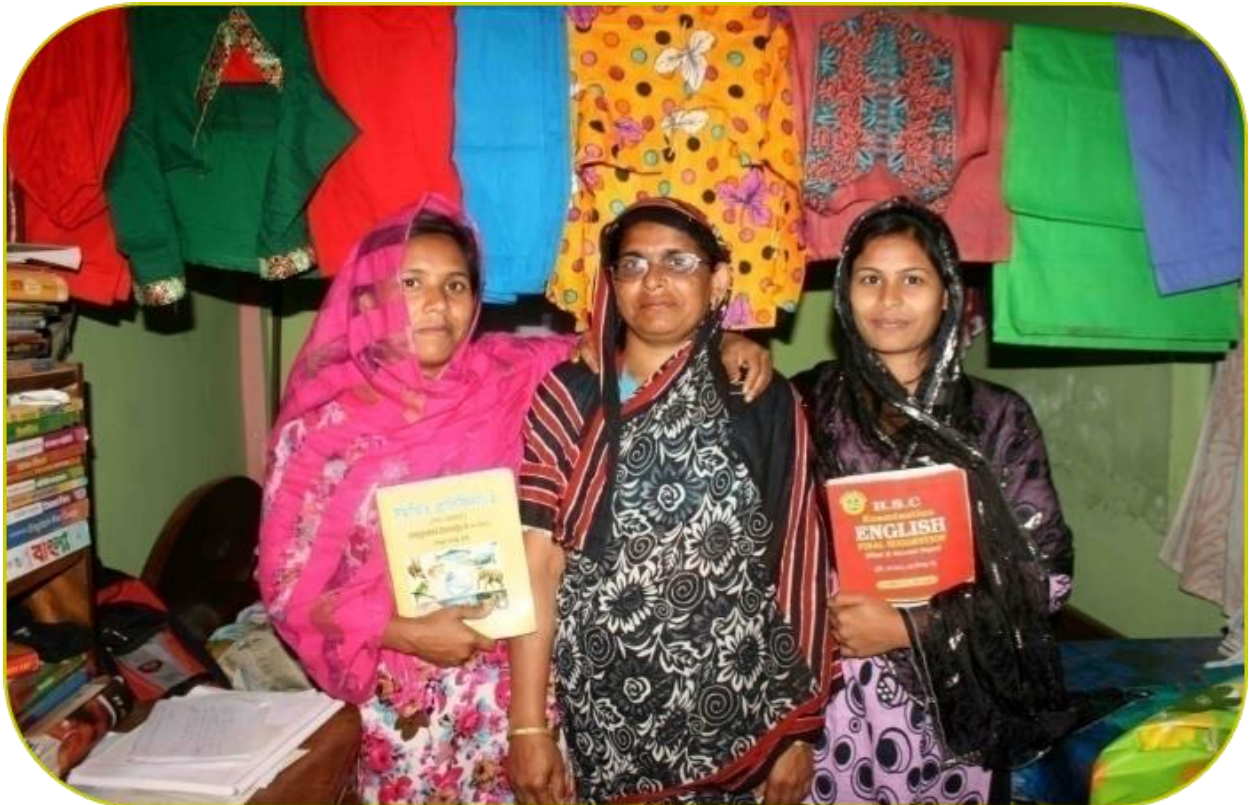


Figure 3: Members of Student Special Scholarship Program

For better education of the children, Grameen Bank offered a microcredit program called as GB scholarship program where members are offered an amount of money as loan for the purpose of education. Only in last month, a total number of 354 male and female members are added into the scholarship program of GB. Up to December, 2021 scholarships program provided a total amount of 667.67 million BDT among 324,480 students.

3.3.5 Loan for Everyone

Grameen bank has launched this program from the time they have been established as a bank. Under this micro financing project, anyone get a loan any time from any center of GB only by being a member of the bank.

There is no need for securities for the borrower to get loan. No matter how poor or homeless a person is, if you become a member you can easily get a loan from the bank.

This type of loan is especially small in the size of the amount because of micro level. One person can get a maximum of 50000 BDT from the bank under this program. The borrower have to return the money in a process of weekly basis. Borrower get approximately 42 weeks to repay the loan.

3.3.6 Micro Enterprise loan

Grameen bank has launched Micro enterprise loan in 1994 where they provide small amount of loan to the small enterprise. This loan program is basically for the startup and very small size businesses.

Till now total number of micro enterprise loans are 16,552,027 BDT which is given among 7,481 micro-enterprise. Among them 7,018 enterprise has repaid the loan already.

3.4 Credit Approval & collection process of Grameen Bank

3.4.1 Credit Approval Process:

The credit approval means to find out who is eligible for getting a loan. But the process to get a loan from Grameen Bank need membership at first. For most of the loan program, Grameen Bank do not take any collateral but a person first has to be a member in any center of GB to become eligible for any loan.

The easiest way to become a member of GB is just be a member with 100 BDT fee. Or else, whenever you get a loan from GB you automatically become a member of Grameen Bank family.

After being a member of the bank, the next process is to find out the best loan for yourself and apply for the loan. Usually people apply in the nearest center of GB for a loan. When the application for loan is done, the employee of that center will forward the application to the branches it's under. Then the branch will forward it to the main office and the Main branch approve for the loan.

Though the credit approval process seems so lengthy and complex, but in general the process is so easy. One just went to the center of a GB, become a member, apply for the loan and he/she gets it. It's that simple.

3.4.2 Credit Collection Process:

The collection process of the loan given to the borrower is not that simple as approving a loan. Usually the loan return installment is a weekly base process where in most of the loan, borrower have to pay a certain amount of interest and principle money each week base on the loan program and loan size. Borrowers have to gather in the center every week. They maintain a book where the information about their loan, installment etc are written.

If a member do not come to the center in that certain date which occurs frequently, the employee of that center has to visit each member house who didn't pay the installment and has to collect the repayment.

If a member die while having attached to a loan program of Grameen bank, that certain loan of that person is forgiven. That means if someone took a loan from GB and die, the bank won't collect it from anyone. No family member of that person or any asset of that person will not be bother at any way.

3.5 Credit risk faced by Grameen bank

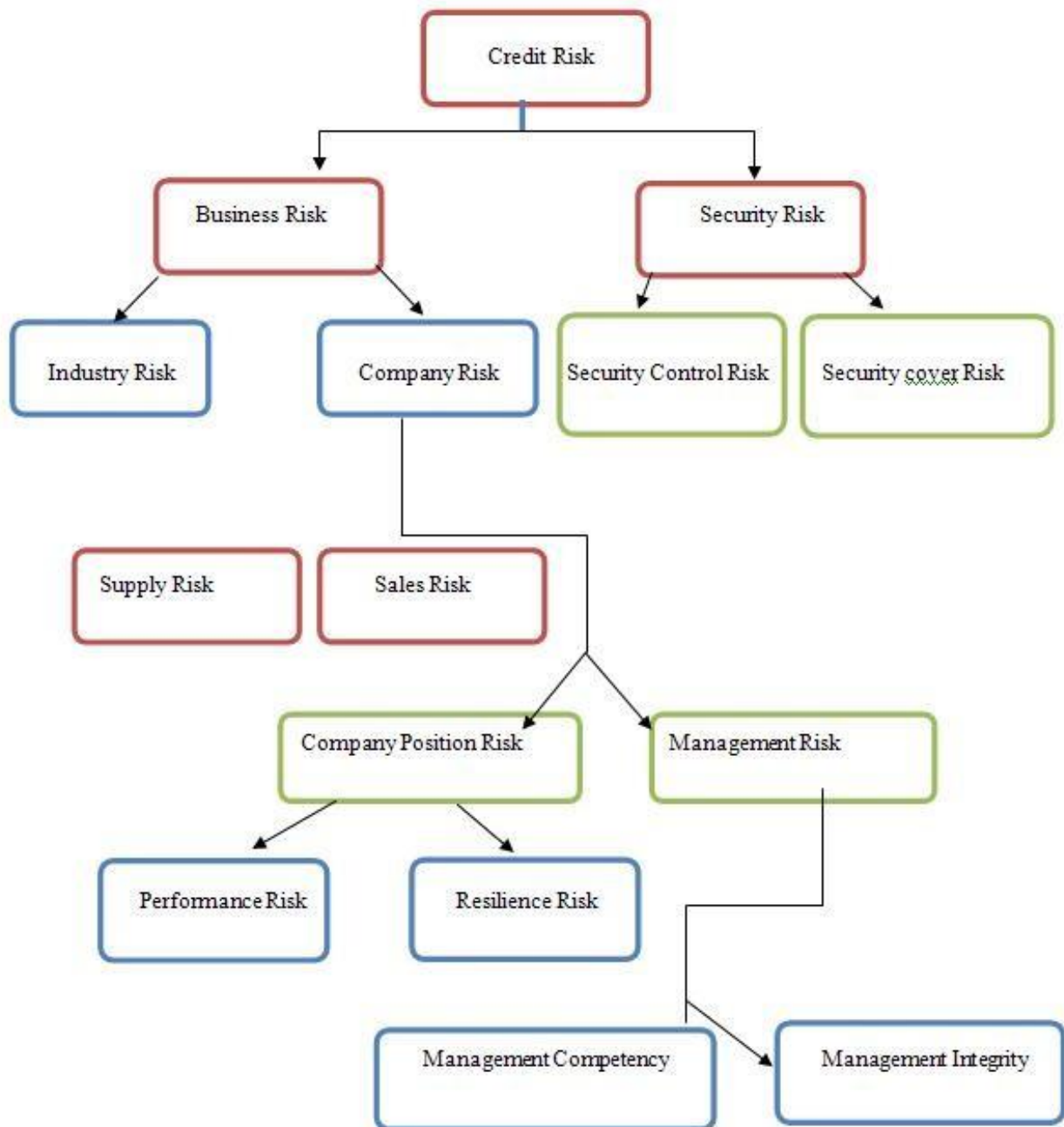
Risk usually defined as reduction in company's value due to the changes in the business environmental situation. Typically, the main reason behind the value loss is given below;

- ❖ Every economic factor is changing like the interest rates, exchange rates, equity and commodity prices are changing in a regular basis nowadays. And this create the market risk for the bank by changing its net asset.
- ❖ Another important risk is Credit risk which also decrease or change the net asset value due to the change in the perceived ability of counter party for meeting their contractual rules and obligations.
- ❖ Performance risk refers to the losses resulting from the failure due to not properly monitor employees or not because of using appropriate methods.

3.6 Internal and External risk factors of Credit risk

All of the bank which is ever created are create for the financial stability. To maintain financial stability bank must provide loan to the person or firm that needed money. And whenever someone or firm lend money to others, it creates a risk which is known as credit risk.

The lending risk is calculated from two perspectives, Business Risk & Security Risk. The business loan again can be divided under two categories of risk known as industrial risk and company risk. On the other hand, security risk can fall under six different categories such as Supply, Sales, Performance, Reliance, Management competence and integrity risk.



3.7 Techniques of Risk Management

GAP Analysis

It is an interest rate risk management based tool which work on the balance sheet that focuses on the verities of net income over a specific period of time. In this method already mature price is repricing scheduled which distributes interest assets, liabilities and off balance sheet position into time bands according to their maturity or fix rate.

These schedules are then use for generating indicators of economics value that are changing. After choosing the time interval, assets and liabilities are staged into those time frame according to the maturity or you can also arrange them base on the re-pricing time. The formula to calculate GAP is;

$$\text{GAP} = \text{RSAs} - \text{RSLs}$$

Value at Risk (VaR)

Value at Risk method is one of the newest risk management tools. This VaR indicates how well can a company generate profitability or how much can a company lose in a given time horizon. Value at Risk indicates financial risk inherent in in portfolios into a simple number.

Risk Adjusted Rate of Return on Capital (RAROC)

This risk adjusted rate of return on capital or RAROC gives an economic basis to measure all the relevant risks and gives manager tools to make an effective and best decision based on the risk or return trade-off in various assets.

RAROC analysis shows how much economics owner different products and firm need and measure the total return on this capital.

Sensitivity Analysis

Sensitivity analysis is very useful when attempted to determine the impact or the actual outcomes of a particular variable and to find out differentiate from the previously assumed. Creating a given set of scenarios, the analyst can determine how changes in which variables will impact the target that required.

Internal Rating system

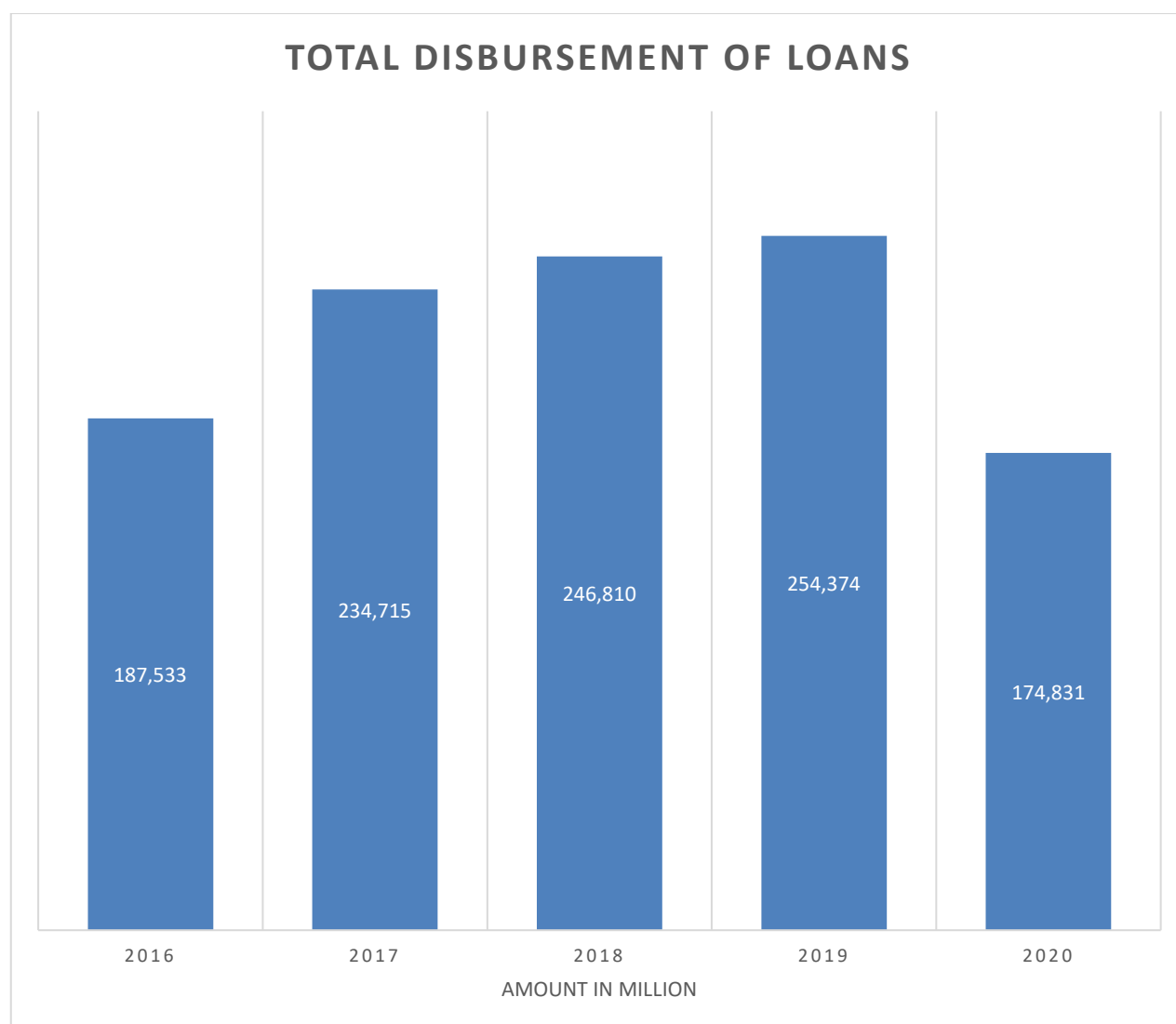
This systems helps the financial institution to manage and control its credit risk which they face through lending and in other operations and managing the credit worthiness of the borrowers. It also looks at the quality of credit transaction.

Chapter 4

Performance

Analysis

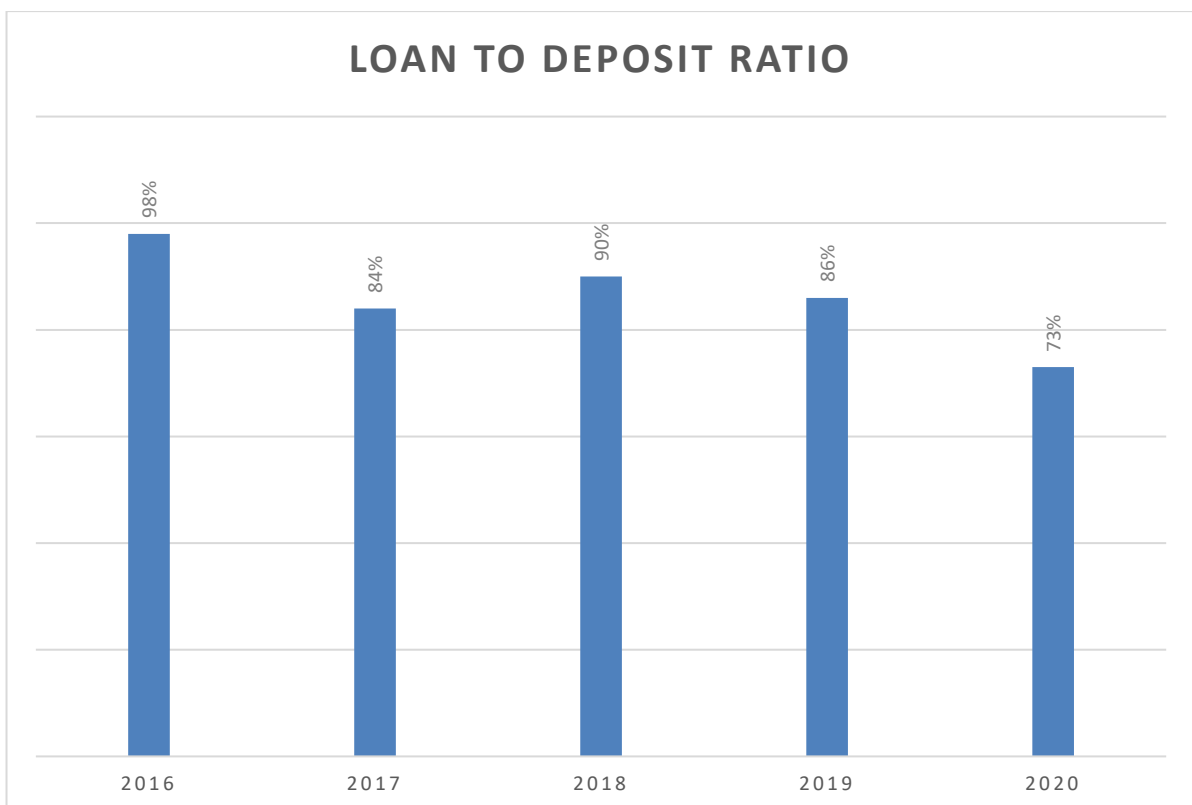
4.1 Total Loan Disbursement of Grameen Bank



Interpretation: From the above figure we can find out that the total loan disburse by the bank fluctuate over the years. Grameen Bank started its loan program from the very beginning. In 2015, the cumulative disbursement of their loan was BDT 1,230,183 million and in 2016 the cumulative loan amount was 1,417,716 million BDT. So in 2016 the total loan disburse by Grameen bank was 187,533 million which increases 1.05% of total loan from past year. From 2017 to 2020 the loan given each year was 234,715 million, 246,810 million, 254,374 million, 174,831 million and at the end of 2020, the cumulative loan figure reached at BDT 2,328,446 million. In 2020 the total loan disbursement amount decreases by 1.46% from previous year because of the covid-19 pandemic.

4.2 Loan to Deposit Ratio

Year	2016	2017	2018	2019	2020
Total Loan (Amount in million)	187,533	234,715	246,810	254,374	174,831
Total Deposit (Amount in million)	189,530	279,497	273,844	293,010	240,990
Loan to Deposit Ratio	98%	84%	90%	86%	73%



Interpretation: Loan to Deposit ratio simply refer to the company’s difference between total deposit and total loan. To be more precise, within a certain period of time how much the bank collect as deposit and from that how much it gives away as loan is calculated as Loan to Deposit ratio. Ideal Loan to Deposit (LDR) ratio for a bank is 80%-85%. A 100% of LDR means that a bank lend every money that it gets as deposit.

For example, Suppose a bank get BDT 100 as deposit within a year. That same year bank provided 80 BDT as loan to the customer. So the loan to deposit ratio here will be 80%. Rest of the 20% deposit will keep as liquidity reserve.

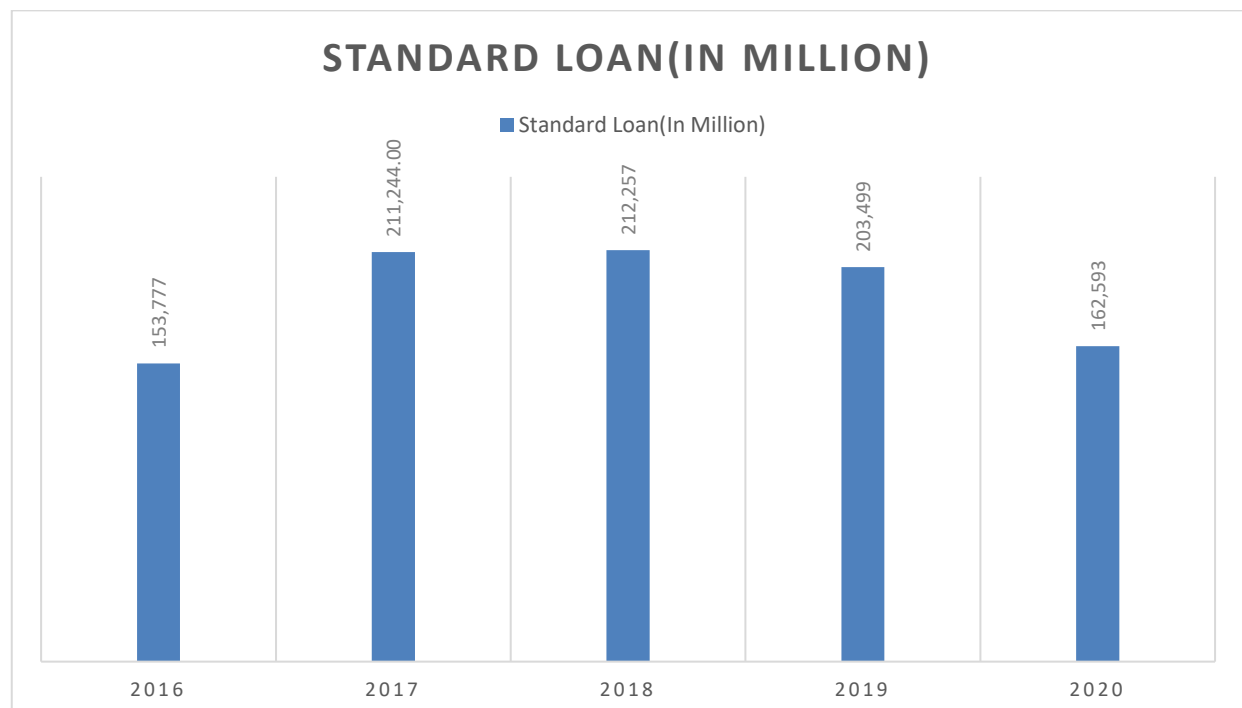
If we analysis the Grameen Bank’s previous year data of LDR we can find out that in 2016 the loan to deposit ratio was 96% which is not a good percentage for a banking sector. 96% of LDR Indicate that the bank is having a hard time with the deposit. All of the money collected from

deposit is given away as loan which can create a liquidity crisis. That is very risky situation for a bank. Higher loan to deposit ratio means the bank is lending almost everything from its deposit. But after that year the bank maintain a good loan to deposit ratio. In 2017 the LTR was 84%, in 2018 the bank performed 90% LTR, in year 2019 the banks LTR was 86% which is good. But in 2020 the loan to deposit ratio was 73% which is also not good performance by a bank. 73% loan to deposit ratio means that the bank still had 27% idle money left which it could use to gain interest or revenue.

4.3 Standard Loan of Grameen Bank

Standard loan is one type of unclassified loan among varies type of loan. The amount bank sure to get return from its borrower is known as standard loan. To be qualified for a standard loan, one must have a record of no past due.

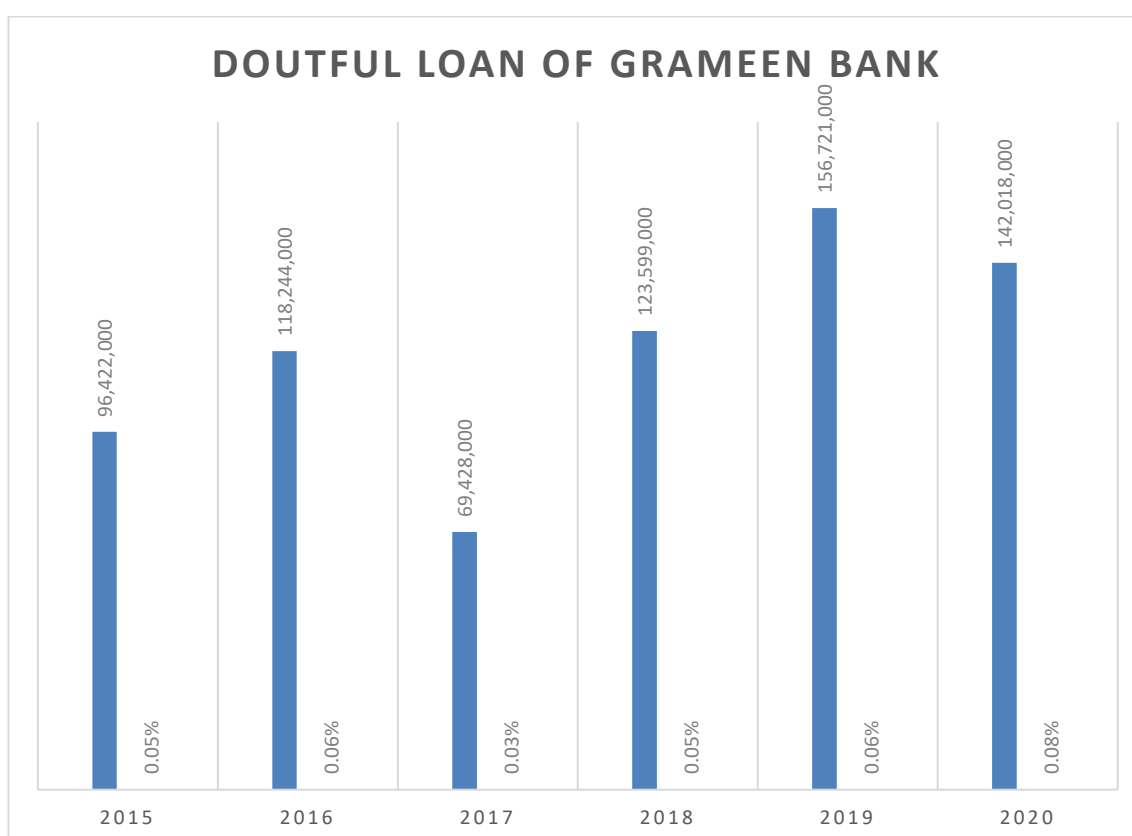
Year	Total Loan & Advance	Amount of Standard loan	Ratio of Standard loan
2016	187,533,000,000	153,777,060,000	82%
2017	234,715,000,000	211,243,500,000	90%
2018	246,810,000,000	212,256,600,000	86%
2019	254,374,000,000	203,499,200,000	80%
2020	174,831,000,000	162,592,830,000	93%



From total loan and credit, standard loan is the loan which a bank is sure to get return the full amount. Here Grameen Bank in 2016 has 82% of standard loan. On that year grameen bank provide a total of 187,533 million BDT as loan and from that 82% or 153,777 million BDT was recorded as standard loan. In 2017 the bank performed an outstanding 90% of standard loan from total loan which is good for any financial organization or banking sector. In 2018 the standard loan of GB was 212,256 million or 86% or total loan. In 2019 and 2020, the bank performed 80% and 93% of standard loan.

4.4 Doubtful Loan of Grameen Bank

Year	Total Loan	Total Doubtful Loan	Percentage of doubtful loan in total loan
2016	187,533,000,000	118,244,000	0.06%
2017	234,715,000,000	69,428,000	0.03%
2018	246,810,000,000	123,599,000	0.05%
2019	254,374,000,000	156,721,000	0.06%
2020	174,831,000,000	142,018,000	0.08%



Interpretation: A doubtful loan is one for which the full return of the loan given money is questionable and uncertain. Doubtful loan is when a borrower remain unpaid his repayment of interest or principal for certain times. Usually when 7 to 12 installment remain unpaid is considered as doubtful loan. If we look at Grameen Bank’s bad debt chart of recent year we can see that in 2015 the amount of bad debt or uncollectible money by the bank was approximately 96.42 million BDT which was 0.05% of total loan. In recent year the amount of bad debt increases due to the pandemic situation. In 2019 the doubtful loan was 156.72 million BDT which was 0.06% of total loan. In 2020 the doubtful loan of Grameen Bank was above 14 million BDT which was 0.08% of total loan. So in 2020 the doubtful loan increase 0.02% from the previous year which is a considerable situation for the bank. The main reason behind the increasing of doubtful loan in recent year was the pandemic.

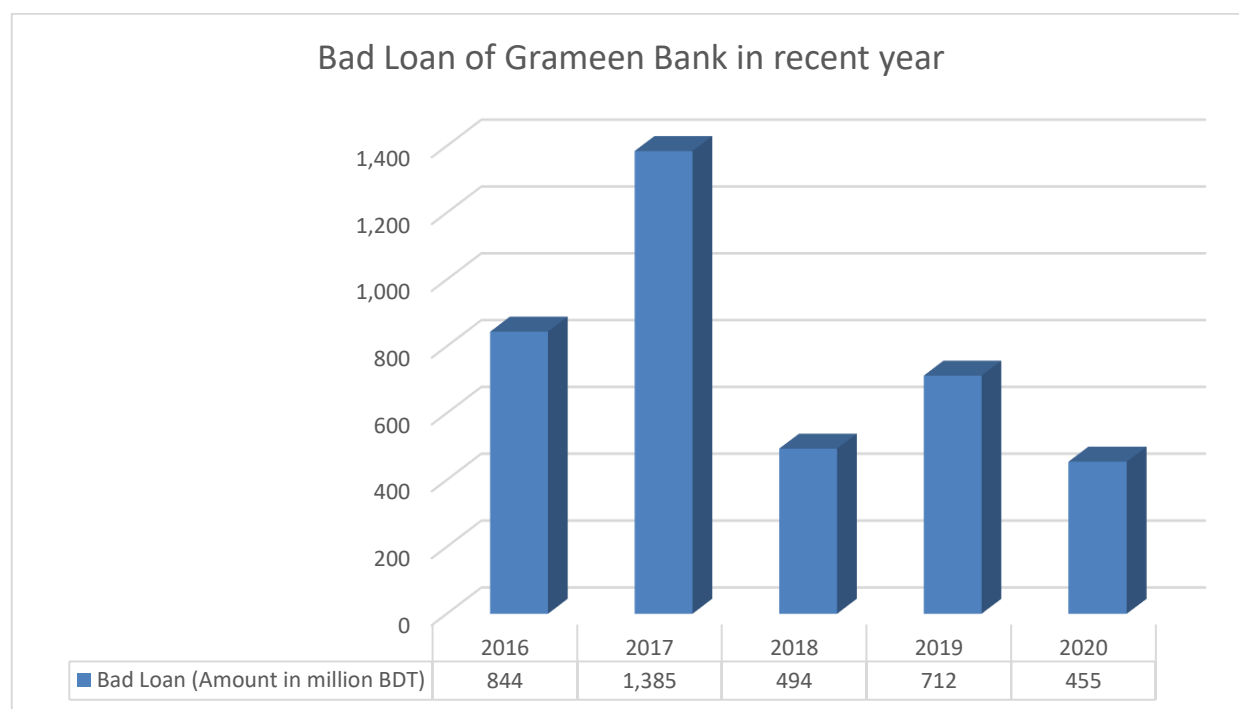
4.5 Bad / Loss loan

A bad loan is a particular loan that will not be recovered. When a bank find out that a borrower will no longer repay his loan is recorded as bad loan. A bank loan is considered as a bad loan when more than 120 or 180 days have passed away without the borrower paying any money, neither the interest nor the principals. The causes of loan becoming a bad or loss loan is high interest rate, inadequate loan sizes, poor appraisal, lack of monitoring and fault in client selection.

Year	Total Loan	Amount of Bad Loan	Percentage of Bad Loan in Total Loan
2016	187,533,000,000	843,898,500	0.45%
2017	234,715,000,000	1,384,818,500	0.59%
2018	246,810,000,000	493,620,000	0.2%
2019	254,374,000,000	712,247,200	0.28%
2020	174,831,000,000	454,560,600	0.26%

Interpretation: The above figure is a display of recent year bad loan performance of Grameen Bank. In 2016 the bank’s bad loan was approximately 844 million BDT which was 0.45% of their total loan given within that year. The next year bank faced a huge amount a bad loan due to lack of credit monitoring. In 2017 the bad loan of GB was almost 1,385 million BDT which was 0.59% of the total loan. But after that back learned its lesson and focus on their credit

monitoring and recovery system. This impact effect the bad loan and in 2018 the bad loan was 0.2% of total loan. In BDT it was 494 million. In 2019 the bad loan recorded as 712 million BDT. In 2020 bank well performed in loan recovery and that year the amount of bad loan was 455 million BDT which was 0.26% of the total loan.



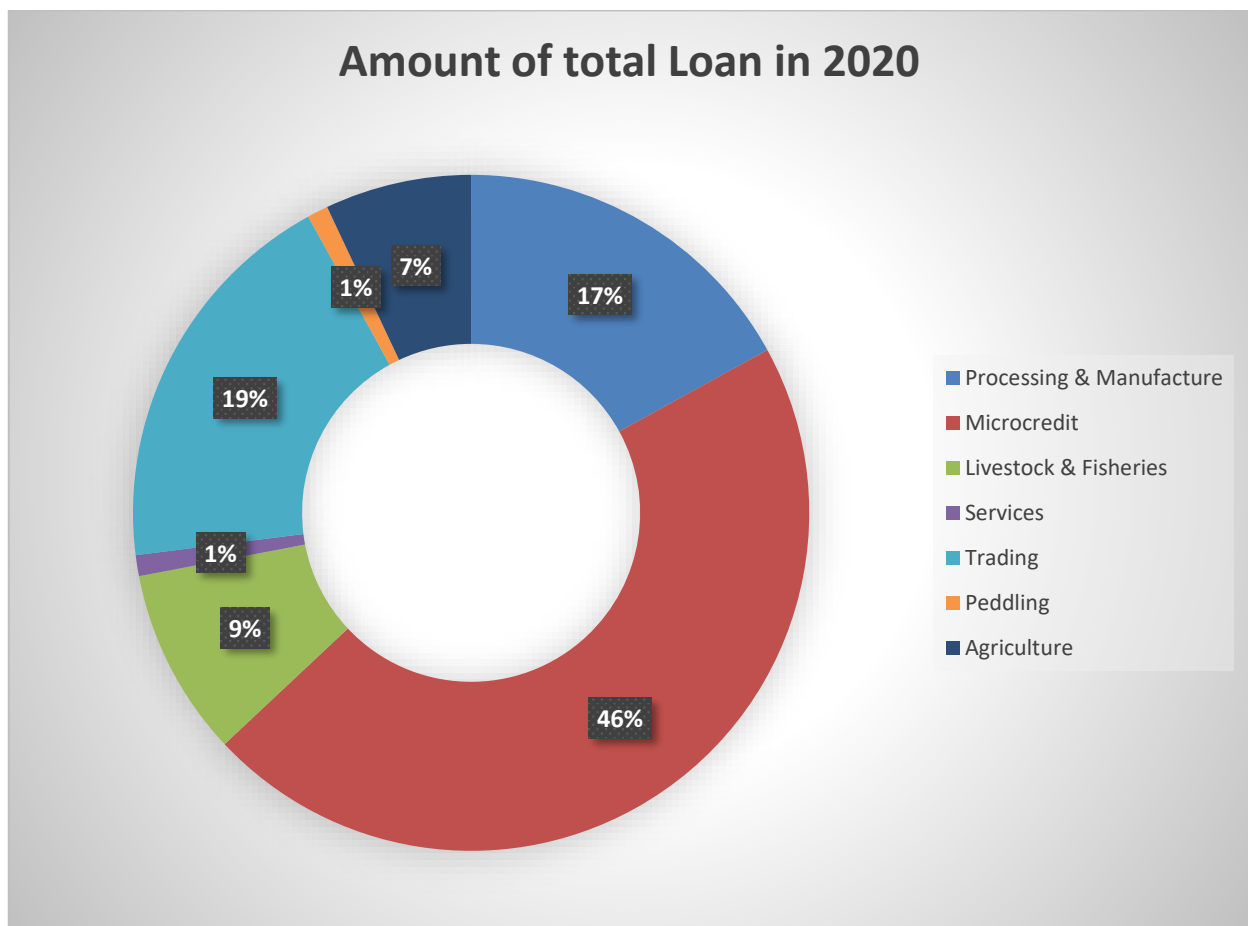
4.6 Microcredit Loan by Grameen Bank

Year	Total Loan	Amount of Microcredit Loan	Percentage of Microcredit Loan in Total Loan
2016	187,533,000,000	90,015,840,000	48%
2017	234,715,000,000	77,455,950,000	33%
2018	246,810,000,000	101,192,100,000	41%
2019	254,374,000,000	117,012,040,000	46%
2020	174,831,000,000	80,422,260,000	46%

Grameen Bank provide most of their loan and credit through microcredit scheme. So the main customers or the borrower of the GB loan program are the needy people. GB maintain a good reputation in disburse loan and credit among the poor. If we follow the recent years data of GB's we can find out that in 2016 the total loan given by the bank was 187,533 million BDT, from which 90,016 million BDT was given as micro credit loan. In 2017 the performance decreases a

little and 33% of the total loan was given as microcredit on that particular year. In 2018 the bank provide 101,192 million or 41% of their total loan. In 2019 before hitting the pandemic, the bank perform an outstanding result in microcredit loan given which was 117,012 million BDT or 46% of their total loan and the highest for GB. In 2020 after the pandemic hit, the total loan was effected as well as the microcredit. But GB maintain its balance and provided 46% of their total loan as microcredit loan. The amount given as micro credit loan was 80,422 million BDT approximately.

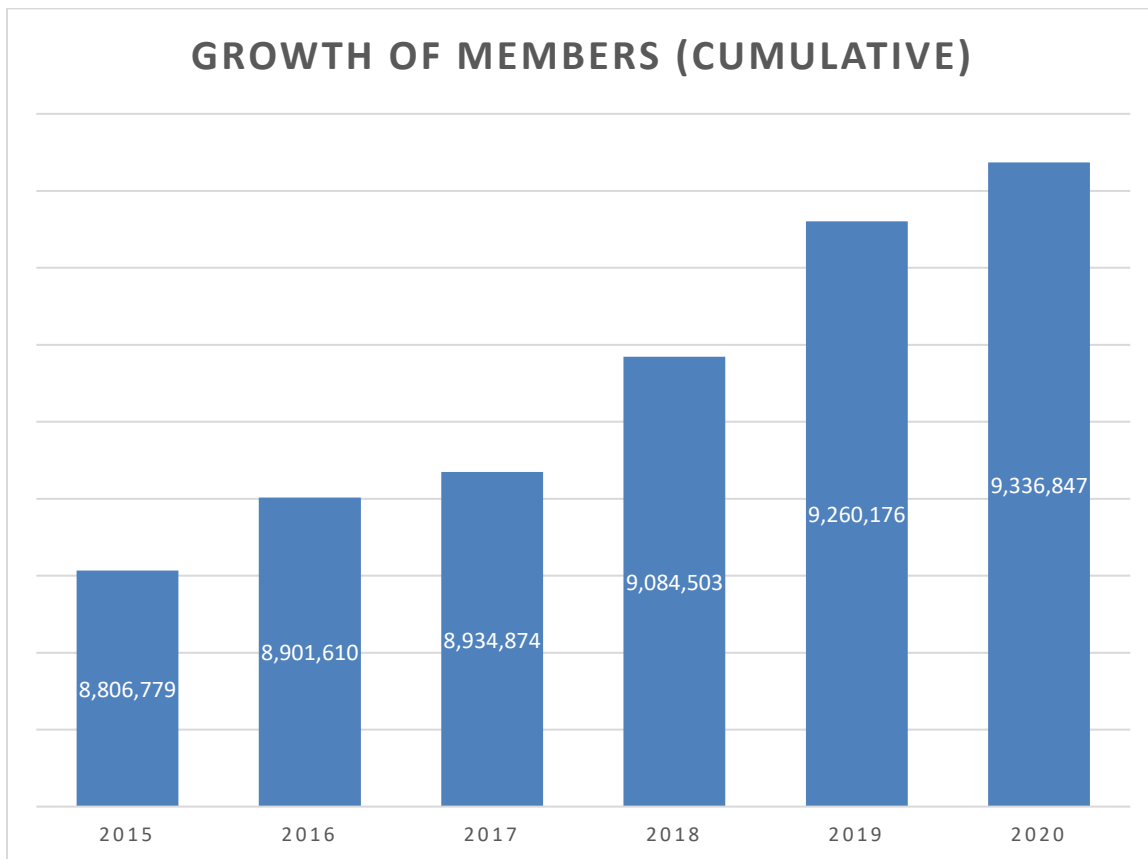
4.7 Sector wise Loan by Grameen Bank



Above pie chart is the percentage based figure which shows the Grameen bank’s total loan disbursement sector in 2020. Grameen bank provide loan in various sector such as Microcredit, Processing & Manufacturing, Trading, Service, Agriculture loan etc. Their highest loan sector is the Microcredit sector where 46% of their loan is given. In 2020 the bank give a total of 80,793 million BDT only in microcredit loan program. Nearly a million number of loan was approved under processing and manufacturing sector and the total loan amount was 29,608 million BDT

and 17% of the total loan. In agriculture sector the bank provide a total of 11,612 million BDT loan which was 7% of the total loan. In trading they provide 32,913 million BDT as loan and it was 19% of their total loan in 2020. Others category such as in Service sector they provide 1% of their total loan. Peddling sector also got 1% and Livestock & Fisheries got 9% which in amount was 15,560 million BDT. The amount of loan in total given in 2020 was 174,614 million BDT.

4.8 Growth of Members/Customers in Grameen Bank



Interpretation: From the start, Grameen Bank never faced behind. Not only the amount of loan increases, but also the total number of members who became a part of the Grameen Bank micro credit scheme also increases. In 2015, the total number of members under microcredit scheme was 8.8 million. After 5 years, at the end of 2020 tis figure increased to a total number of 9.34 million which represent that in the past five years the total increases in members was 6.02% and the average annual growth rate was 1.20% during this five-year time period.

Chapter - 5

Findings &

Recommendation

5.1 Findings

By analyzing the loan and credit practices of Grameen Bank and their performance in past recent years, those are some findings related to the analyze;

- ✓ Grameen Bank provides loan & credit in various sector which produce a boost in the country's economy. Within 2019 only, the bank approved 254,374 million BDT of Loan and credit all across the country.
- ✓ In 2020 the total loan was decrease by 1.46% and the loan given that year was 174,831 million. The reason behind decreasing of loan was also the pandemic for which people are not interested in high interest loan program.
- ✓ The loan to deposit ratio in 2016 was 98% which is extremely dangerous for a financial or banking sector. The bank used all of it deposit as loan given. In 2020 the LTR was 73% which is also not acceptable. It means the bank has 27% of idle money left which has no use. The reason for having such an amount in hand was not having new loan scheme and lack of innovation in loan and credit program.
- ✓ GB has an outstanding result in their standard loan which means the bank can guarantee its return from the borrower. In 2020 the amount of standard loan was 93% of the total loan. Their weekly repayment for credit systems help in this situation.
- ✓ The Doubtful Loan amount is increasing each year for the bank. In 2018 the amount of doubtful loan was 123 million BDT which increases to more than 156.67 million BDT in 2019. In 2020, the doubtful loan was 142 million BDT.
- ✓ GB also gain a respectable percentage of their bad loan. Almost every year the bank has less than 1% of bad loan in total loan and credit which is extraordinary for a bank. In 2018 the percentage of bad loan in total loan was 0.2%, in 2019 it was 0.28% and in 2020 the bad loan of the bank was 0.26% of the total loan.
- ✓ The bank maintain a decreasing rate in the growth of bad loan. In 2020 the bad lon decreases 0.02% from previous year.
- ✓ Microcredit program of Grameen Bank ensure loan for literally everyone. People who couldn't get loan from the bank because of the collateral, now can get loan, can borrow money from this micro-credit facilities. From this micro credit facilities many poor can

now start their own business. On the student loan program, there is literally 0% interest. In 2019 a total of 117,012 million BDT is given as credit loan which was 46% of their total loan. But in 2020 the amount of microcredit loan was 80,422 million. The reason behind decreasing of credit loan was decreasing of total loan amount in 2020 because of Covid-19.

- ✓ Some microcredit loan, especially the beggars loan scheme is very risky project for the bank because, borrowers are not always able to pay back the borrowed money and while there is no security back up needed for the loan of this type, the amount lose in those microcredit is gone permanently. Also this type of loan is very small in size.
- ✓ Agriculture loan program improved and effect the agriculture of our country in various way. Because in agricultural loan system the farmers will not only provide with loan but also help them with various knowledge regarding to the farming. In some cases the bank provide heavy equipment related to agriculture as loan.

5.2 Recommendations

Though Grameen Bank is a successful bank, but there are some problems and lacking that can be improved by the bank. Those are:

- ✓ To increase the loan, the bank should introduce new types of loan and credit program which can attract new customers for the bank. The bank should use the money from deposit efficiently to make sure the maximum use if it. The bank has some idle money left each year which it could use to gain revenue. The bank also can increase the loan size of their credit program.
- ✓ The bank can introduce more loan and credit scheme to attract new borrowers which will help the bank to increase its loan and decrease the idle money left in the bank.
- ✓ Some of the Grameen Banks loan programs are very risky in general because of no security needed for the loan approval and the person they are providing the loan are usually poor. So Grameen Bank should monitor its loan program and borrower more closely. They should focus more in their credit recovery system. Because loan recovery pressure increases the dark side of liabilities among the borrowers.
- ✓ Grameen Bank should focus on their bad debt loan and try to recover the money from the borrower. They can offer some advantage or commission in interest to recover the capital. If not possible then at least they should become more secure while disburse a loan. Because if they examine the borrower before loan given then the chances of a loan becoming bad loan will decrease a lot.
- ✓ From internship I find out that some borrowers of credit scheme are facing problems paying their loan. GB should give them enough opportunity and time to recover which will help the bank in decreasing the doubtful loan. They can provide time extension to the borrower for repayment. Another thing they can do is to decrease the interest percentage which will help the borrower especially the poor to maintain balance and return the loan on time.

5.3 Reference

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