



Loan Disbursement and Recovery System of Mercantile Bank, Kawran Bazar Branch.



Internship Report on
**Loan Disbursement and Recovery System of Mercantile Bank
Limited, Kawran Bazar Branch**

Submitted to:

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Letter of Transmitter

Mr. Anowar Ullah,

Senior Lecturer,

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Subject: Submission of Internship report **Loan Disbursement and Recovery System of Mercantile Bank Limited, Kawran Bazar Branch.**

Dear Sir

Here is the report on “**Loan Disbursement and Recovery System of Mercantile Bank Limited, Kawran Bazar Branch.**”. It was pleasure for me to work on such an interesting topic. This opportunities provide me with the scope to implement our knowledge about business world. I tried my level best to collect the information to prepare this report.

I wish my report will meet your needs and as well as impress you a lot.

Yours sincerely

Saurav Sarkar

ID:103-11-1748

.....

(Signature)

Student Declaration

I am Saurav Sarkar, ID: 103-11-1748, hereby declare that this report entitled **Analysis of Loan Disbursement and Recovery System: A Study on Mercantile Bank Limited, Kawran Bazar Branch** is prepared by me after successfully completion of three months of internship in Mercantile Bank Limited, Kawran Bazar Branch, under the kind supervision of Mr. Anwar Ullah, Senior Lecturer, Daffodil International University.

I also confirm that the report is only prepared by me to meet that academic requirement not for any other purpose. It will not act anything that will hamper Bank's confidentiality and interest. It might not be used with the interest of opposite bodies of Mercantile Bank Limited.

I am hopeful that my respected faculty will consider my mistakes with graceful perspective.

.....

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Bonifide Certificate

This is certify that this report entitled **Analysis of Loan Disbursement and Recovery System: A Study on Mercantile Bank Limited, Kawran Bazar Branch** submitted to **Daffodil International Uniersity**; in connection with the institution's internship program is a bonafide record of work done by “Saurav Sarkar” under supervision at the “Mercantile Bank Limited, Kawran Bazar Branch, from 6th April 2014 to 6th July, 2014.

.....
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Acknowledgement

First of all I pray a special thanks to our almighty God for giving me the strength to successfully attend the internship program at Mercantile Bank Limited, Kawran Bazar Branch and made me able to complete this report within the scheduled time. It is very difficult to express my feelings that helped in completion of this report.

I pay gratitude to the supervisor of my report, Mr. Anwar Ullah, Senior Lecturer, Daffodil International University. for his whole – hearted supervision during my organizational attachment period. And I specially owe an enormous debt to my honorable faculty teachers who are always ready to lend their helping hands to me.

I also express my warm gratitude and cordial thanks to the management and some officials of Mercantile Bank Limited, Kawran Bazar Branch, who have given me the opportunity to work with them and help a lot by providing the important information and enabling me to prepare this report. I have received their generous help and support. So special thanks to Md. Abul Bashar, Branch Manager; Md. Abul Hossain, Assistant Vice president; Md. Mahatab Uddin, First Vice President and all the head officers of the Kawran Bazar branch, for giving me this opportunity to study regular work.

It last but not least, during our preparation of the report work I have come to very supportive touch of different individual (respondents from Mercantile Bank Limited) & our family and friends who lead their ideas, time and caring guidance to amplify the report's contents. I want to convey my heartiest gratitude to them for their valuable responses.

EXECUTIVE SUMMARY

This report is prepared as a requirement of the internship phase of BBA program of Daffodil International University. This report focuses three months working experiences in Mercantile Bank Limited, Kawran Bazar Branch. This report will give a clear idea about the Loan Disbursement process & Loan Recovery at Mercantile Bank Limited at Kawran Bazar Branch (MBL).

Here first chapters basically discuss about the background of the report, objectives, and methodologies used in preparation of the report and limitation faced at preparation. Second chapter is analysis & finding loan disbursement & loan recovery. In this part I show compression of two years loan disbursement, procedure recovery graphical expression of the MBL performance. Third chapter is covered the conclusion and Recommendations. For preparing this report the main objective is to concentrate on the activities related with Loan Disbursement & Loan Recovery of Mercantile Bank Limited in Kawran Bazar Branch. I learn about the Loan Disbursement & Loan Recovery of Mercantile Bank Limited and use of these in the organization.

From my practical experience, observation and discussion with the employees I try to find out the Loan Disbursement process & Loan Recovery of Mercantile Bank Limited at Kawran Bazar Branch in chapter four. From 1999 to 2009 it has been ten long years of journey for MBL. They have made strong initiatives in banking sector. They can be one of the best private banks in Bangladesh, if they will match the expectation of their clients through their best banking service. I hope that the authority always aware about employees so they can provide excellence service with efficiency, accuracy and proficiency to the clients and meet the ultimate objectives of MBL.

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1.1 Introduction:

In recent days the Small, Medium and Large Organization (SML) Financing has become an important area for Commercial Banks in Bangladesh. To align its corporate policy with the regulation of Central Bank, banks have become more concerned about SML and opened windows to conduct business in this particular area. This study has been conducted to fulfill the requirements of BBA program and gain an insight about the present condition loan disbursement and recovery system.

In the internship report I am trying my best to focus on the functions and performance of all Divisions in the assigned branch & work with Loan Disbursement and Recovery System of Mercantile Bank Limited. This report is generated under the supervision of Mr. Anowar Ullah, Senior Lecturer of Accounting, Faculty of B&E, Daffodil International University, Bangladesh.

1.2 Background of the Report:

Business world is becoming very much complex day by day. Without sufficient practical experience business becomes difficult and in some cases impossible. The whole world is moving because of business relation. Business plays a very important role in developing economy of a country. So, in the business world, practical experience is regarded as a media through whom we have an acquaintance with the real world. Through this internship an individual can expect to have a good knowledge and understanding on the various methods of operation performed by Mercantile Bank Limited particularly in the area of Financial Institutional Services.

1.3 Objectives:

Without objectives any study cannot be considered as the successful one. There are basically two objective of any study, broad or main and specific. This report is also prepared based on two objectives.

1.3.1 Main Objective:

The main objective of the study is to fulfil the requirement internship and achieving academic and practical knowledge about how organizationnare managed in real life and also know about Loan disbursement and Recovery system of Mercantile Bank Limited. This report has also some other specific objectives, these are

1.3.2 Supporting Objectives:

- To find out basic appraisal of Approval loan.
- To know the enterprise selection criteria terms and conditions to provide loan.
- To know the disbursement and recovery procedures of Approval loans.
- To know the success factor of approval credit, loan disbursement and recovery system banking at Mercantile Bank Limited.
- To make some recommendations and conclusion to further the development of loan disbursement and recovery system of the Mercantile Bank Limited.

1.4 Significance of the Study:

This program is held to understand the organizational norms, corporate culture and investment decision and customer satisfaction of an organization. Banking in the new century is even more prosperous than the past owing to revolutionary advancement in technology, as well as, the development of new ideas and systems. I expect that internship experience has assisted me to enhance my career development.

1.5 Methodology:

Research methodology is a way to systematically solve the research problem. After collecting necessary data this report is prepared on the basis of analytical way. Some trend analysis are also used.

1.6 Data Collection:

To prepare the report and find out problem required data is collected from two sources are below.

1. Primary sources
2. Secondary sources

❖ **The Primary Sources:**

- Face-to-face discussion with the relevant officials.
- Practical/ hands-on experience of working at the Credit and Recovery department.
- Study of background material and relevant files provided by the officers concerned.
- Some question answer over telephone from customers.

❖ **Secondary Sources:**

- Annual report of Mercantile Bank Limited
- Unpublished data (daily, monthly and yearly statements, ledgers) received from different sections
- Different text books
- Official web site of Mercantile Bank Limited and other bank.

❖ **Data processing and analysis:**

To find out the final result from the collecting data, I am used the following computer programs:

1. Ms word
2. Ms Excel

3. SPSS program.

1.7 Scope of the study:

Mercantile Bank Limited is a large Banking organization. It has several departments. It is not possible for an internee to cover the entire departments of Mercantile Bank Limited in his or her study within the short period of time of internship and they do not get access to all departments also. The writer is focused on the small medium enterprise loan scheme of Mercantile Bank Limited and on its present status, problem and prospects in details. It is not discussed about the investment scheme, deposit scheme or other scheme in the report.

The study is provided the scopes of knowing the followings:

- The entire concept of SME, House, Car, Line of credit etc.
- Characteristic of SME loan as a sophisticated area of finance.
- Recent performance level of the Mercantile Bank Limited loan disbursement and Recovery system in the country.
- Problem with Credit approval loan disbursement and Recovery system.

1.8 Limitation of the Study:

I faced the following obstacles while preparing this report.

- Loan and Advance department of MBL is highly confidential for the employee.
- Sufficient records, publications or website regarding customer services were not available for Loan and Advance department of MBL.
- The information of Loan and Advance department of MBL not found in a structured way.
- There were some restrictions to have access to the information confidential by concerned authority.

1.9 Abbreviation:

MBL	: Mercantile Bank Limited
ALCO	: Asset Liability Committee
ATM	: Automated Teller Machine
BB	: Bangladesh Bank
BCD	: Business Credit Division
BDT	: Bangladeshi Taka
BIL	: Business Installment Loan
CDA	: Call Deposit Account
CC	: Credit Card
CIB	: Credit Information Bureau
DD	: Demand Draft
FDR	: Fixed Deposit Receipt
GB	: General Banking
IBP	: Inland Bill Purchase
IPO	: Initial Public Offering
KYC	: Know Your Customer.
LC	: Letter of Credit
LTV	: Loan of Total Value
NGO	: Non – Government Organization
NPL	: Non Performing Loan.
OD	: Opening Date /Over Draft
OSA	: Operating Savings Account
PIN	: Personal Identification Number
PL	: Personal Loan

PO	: Pay Order
R&D	: Research & Development
SME	: Small & Medium Enterprise
SOD	: Secured Over Draft
STD	: Short Term Deposit
TIN	: Telephone Identification Number, Tax Identification Number
VAT	: Value Added Tax
A/C	: Account
CIB	: Credit Information Bureau
OBC	: Outward Bills for Collection

Chapter 2

Loan Disbursement and Recovery of MBL

2.1 Loan Disbursement and Recovery:

Mercantile Bank Limited performs all types of banking activities by its various sections to achieve and fulfill its objectives of earning profit, economic development as well as to strengthen its position.

Disbursement: The act of paying out or disbursing money. Disbursements can include money paid out to run a business, spending cash, dividend payments, and/or the amounts that a lawyer might have to pay out on a person's behalf in connection with a transaction.

Recovery: In finance the term **recovery** refers to collection of amount due. The normally recovery depends on the purpose; time and condition, business running process etc. Normally loan amount will be recovered on installment basis. The manager can fix installment period on the basis of nature of their business.

2.2 Different categories of Loan:

MBL has segmented its credit schemes into different categories, which are as follows:

A) Continuous loan:

Cash credit (CC hypothecations): This loan is given to the businessmen. It is a continuous lending facility. Borrower is allowed to borrow money up to a certain limit and can't withdraw the sanctioned

amount at once. They are to keep mortgage against loans. Interest is charged on the withdrawal only. Document of this loan may be as follows:

- Pay slip
- Demand promissory note
- Letter of arrangement
- Letter of authority
- Letter of undertaking
- Letter of guarantee
- Letter of continuity
- Letter of Hypothecation
- Supplementary agreement for letter of hypothecation
- Letter of revival
- Memorandum of deposit of title de

Disbursement procedure:

- Client must have an account in the stated bank
- Trade license is also required
- Written application for regarding loan
- A/C statement
- CIB report from Bangladesh bank
- Confidential report from local banks
- Field verification report
- Personal net worth statement
- stock report
- Land valuation

Mortgage:

- Registered mortgage of land
- Irrevocable power of attorney for sale mortgagee property
- Legal opinion
- Current rent receive

- Original deed
- CS, RS, SA
- Non-encumbrance certificate with money receipt.

B) Term loan:

House Building: This loan is restricted for only making house building of business. The term of this credit is up to 18 years. The amount of given loan is 70% of total value.

Lease finance: This loan is sanctioned for purchasing factory equipments, automobile and other machineries:

SOD/Loan secured: This type of loan is given against DBDS, MSS, MSP, FDR and others scheme for the term one year only. In such case, the amount of loan given by a branch is 80 % of the above instrument.

C) Personal Loan:

This loan is restricted on service holders only, holders must be officer rank except insurance and NGO's.

Procedure: A credit holders need one granter, the loan must be repaid with 12-36 installments, and Monthly installment must not exceed 50% of monthly net salaries.

D) SME Loan:

This type of loan is sanctioned to the businessmen only. Two granters & Business documents are required in such case. The amount of given loan is 50,000 to 5,000,000. The loan must be repaid with 12/24/36 installment.

Some other credit facilities are available in MBL given below:

- Staff loan house building.

- SOD against work order
- SOD general earnest/other.
- LTR
- Doctors credit scheme etc.

E) Loan facilities in MBL Kawran bazar branch:

The bank’s loan and advance portfolio also indicates an impressive growth. There are various type of loan facilities. The main loan elements have been show in the following table.

Table : Type of loan & interest rate

Type of Loan	Interest Rate
Staff loan house building	5%
Staff loan car	5%
SOD Agt. FDR	11-15.50%
SOD Agt. Work order	16%
SOD Agt. Special scheme	15.50%
SOD Agt. Earnest money	16%
SOD Agt. Others/general	16%
P.A.D Cash	16%
C.C Hypothecation	16%
Loan secured	16%
Personal Loan	16%
House building loan	16%

F) Loan Disbursement Procedure:

Bank provides loan by collecting deposits and other sources of fund. This branch has various types of loan disbursement programs. Before disbursing loan bank follows the following sanctioning process.

1. Application for Loan: A borrowers first applies for loan to sanction certain amount of loan allowing with certain required papers & documents.

2. Credit Investigation: Bank lends its depositors money; therefore, it is required to return back in the ordinary course of business.

Selection of the borrower: A careful and systematic study of the affairs of the intending borrower is needed to the right selection of borrower. Therefore lending banker should analyze 5C of borrower- Character, Capacity, Capital, Collateral and Condition.

Lending Principles: The banker should consider lending principles. These are- Safety, Security, Liquidity, Profitability, Purpose, National Interest, Diversity.

Personal Interview: For assessing attitude, Skill, Achievement needs, Knowledge etc.

Collect Information From Various Sources: Bank's own record, borrowers' loan application, spot verification, reports from friends & relatives other sources.

3. Credit proposal appraisal:

- The following have to be considered for these feasibility testing-
- Location, land & building, product, raw material
- Profitability , cost, demand of sales
- Cash flow, income statement
- Planning, organizing, marketing etc.

4. Documentation:

The security offered for an advance is only a caution. A banker would not normally like to recover the advance from the safe of security. A banker accepts properly as security, which is highly liquid, easily realized, easily marketable, sound title, easy to store, stable in its market price.

The bankers create charge on the security by following methods:

Lien: It is the right to retain the property or goods of the borrower as security until the debt are adjusted. In this case the banker can only hold the possession of the goods; he can sell them after giving reasonable notice to the borrower.

Ledge: It is created only for movable property like goods, document etc. In case of it the ownership of goods remains with the banker but possession of goods rests with the loan.

Mortgage: Only immovable properties are kept under mortgage total possession of the property is not transferred, only the interest is transferred. In case the mortgager fail to repay the loan the bank gets right to recover the debt out of the sell of the mortgage property.

-Hypothecation: In this case both possession and ownership remains with the borrower.

Classification of securities:

- Personal: Personal bond, promissory note, letter of acceptance etc.
- Impersonal: Land, shares, building, stocks, goods etc.
- Direct/Indirect: Direct security is deposited by the customer himself and the indirect is deposited by the third parts.
 - Advance against FDR.
 - Advance against insurance policies.
 - Advance against hypothecation and pledge.

Collateral: It means these securities, which runs parallel to or side by side with personal right of action against a debtor in respect of on advance. These types of securities are – Share certificates, bearers bind, insurance policies, and legal mortgage.

Guarantee: At times when the personal security and collateral is not considered sufficient to a banker then he may ask for a guarantee of third party whose financial ability and credit is acceptable to the bank.

Execution of Documents:

It is the procedure of stamping a document. If mistake arises it is to be cancelled. So it is to be properly signed and correctly filled by the executants. The following are to be observed at the time of execution-

- The documents filled by the executants correctly.
- Specimen signature.
- The entire page is to be signed by all the executants.
- Should not have cutting, overwriting.
- Documents should be kept safely.

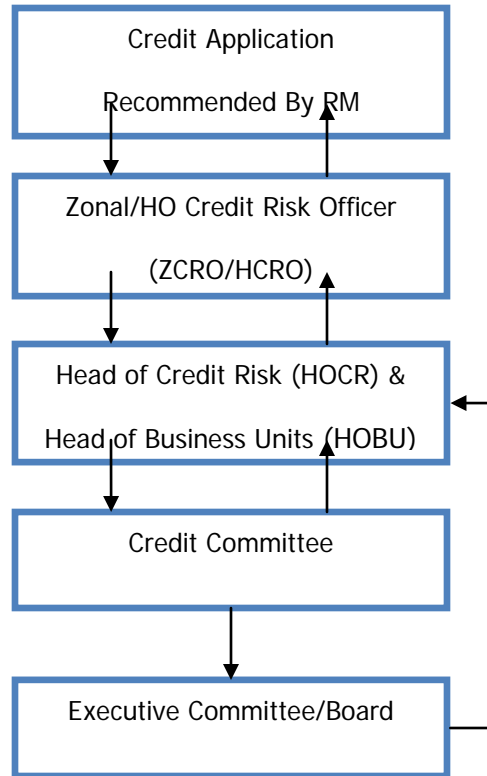
2.3 General Procedures of Loan:

Approval Process

The approval process reinforces the segregation of Relationship Management/Marketing (RM) from the approving authority. The responsibility of preparing the credit application is rest on the Relationship Management. Credit Applications are recommended for approval by the RM team and forwarded to CRM for their review and assessment. The credit subsequently approved by proper approval committee.

MBL has established various thresholds, above which, the recommendation of the Head of business unit is required prior to onward recommendation to CRM and subsequent appropriate authority for approval.

The procedure for all the business units is as shown in the next page:



- Application forwarded to Zonal Office or Head Office for review by the ZCRO or HCRO.
- Advise the review to recommending branches.
- ZCRO/HCRO supports & forwarded to Head of Business Units (HOBU) within their delegated authority and to Head of Credit Risk (HOCR) for onward recommendation.
- HOCR advises the review to ZCRO.
- HOCR & HOBU supports & forwarded to Credit Committee.
- Credit Committee advises the decision as per delegated authority to HOCR & HOBU.
- Credit Committee forwards the proposal to EC/Board for their approval within their respective authority.
- EC/Board advises the decision to HOCR & HOBU.

The approval process may vary in, MBL depending on the types of products and exposure. For example, lending to Corporate and SME's is mostly unstructured due to diverse nature of risk exposure. On the other hand, consumer lending is mostly structured by standardizing the product and risk aspects of

individuals. As such applications for consumer lending may be done within the head of consumer unit subject to delegation of authority to do so.

2.4 Loan Monitoring:

Loan monitoring implies that the checking of the pattern of use of the disbursed fund to ensure whether it is used for the right purpose or not. It includes a reporting system and communication arrangement between the borrower and the lending institution. The following steps are followed by respective officer.

- Regular checking the balance of SB/CD/STD accounts of the borrower.
- Regular communication with the defaulter customers and guarantors physically over telephone.
- Issuance of letter to customers immediately after dishonor of cheque.
- Issuance of legal notice to the defaulter customers and guarantors prior to classification of the loans.
- Issuance of appreciation or greeting letter to the regular customers.
- Periodical visit with the customers to maintain relationship and supervision of supplied articles.
- Legal action to be taken after failings all possible efforts to recover the bank's due.

2.5 Loan Recovery Procedures:

It is the duty of the Bank to recover the landed fund within the stipulated time and if the borrower fails to repay the money within the said period Bank will declare him as a defaulter and recover the fund by selling the securities given by the borrower or by freezing his account or make a suit against him.

Strategies for recovery

Recovery of loan can be made in the following 3 methods.

- 1) Persuasive

- 2) Voluntarily
- 3) Legally

1) Persuasive recovery:

If the borrower didn't paid the due amount of loan in time then the first step of bank is private communication with him. It creates a mental pressure on borrower to repay the loan amount. In this case bank can provide some advice to the borrower for repaying the loan.

2) Voluntarily recovery:

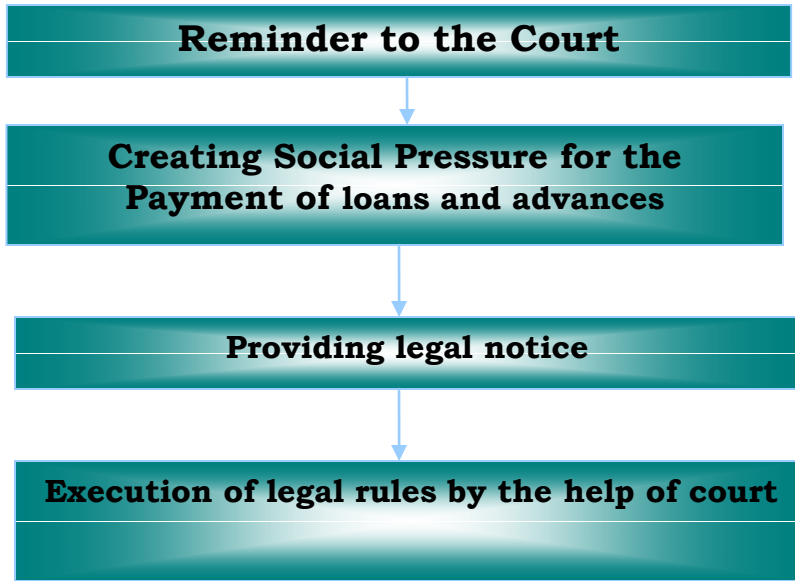
In this method, some steps are followed for recovering loan. This are-

- Building Task Force
- Arranging seminar
- Loan rescheduling policy
- Waiver of interest rate

3) Legal recovery:

When all steps fails to keep an account regular and the borrower does not pay the installments and interests then bank take necessary legal steps against the borrower for realization of its dues. In this case "Artha Rin Adalat Ain-2003" plays an important role for collecting the loan.

Recovery procedure of MBL is the ultimate combination of time, effort of money. It follows four procedural steps to recover the lending amount, which is joint effort of Bank, society and legal institutions, which are shown below:



3) Others:

- ✓ Visit borrower office
- ✓ Remind indirect by phone call
- ✓ Invite to borrower for cup of tea etc.

2.6 Loan Risk Evaluation:

A comprehensive and accurate appraisal of the risk in every credit proposal of the Bank is mandatory. No proposal can be put on place before approving authority unless there has been a complete analysis. In order to safeguard Bank's interest over the entire period of the advance, a comprehensive view of the capital, capacity, integrity of the borrower, adequacy, nature of security, compliance with all regulatory /legal formalities, condition of all documentation and finally continues and constant supervision on the account are called for. It is absolute responsibility of the Credit Officer/RM to ensure that all the necessary documents are collected before the proposal is placed for approval. Where Loans/Advances/

Credit facilities are granted against the guarantee of the third party, that guarantor must be subject to the same credit assessment as made for the principal borrower. While making lending decisions, particular attention shall be given to the analysis of credit proposals received from heavily leveraged companies and those dealing in non-essential consumer goods, taking special care about their debt servicing abilities.

Emphasis shall be given on the following several loan principles:

- a) Present and future business potentiality for optimum deployment of Bank's fund to increase return on assets.
- b) Preference for self liquidating quality business
- c) Avoiding marginal performers
- d) Risk depression is basic to sound credit principle and policies. Bank shall be careful about large and undue concentration of credit to industry, one obligor and common product line etc.
- e) Personal guarantee of the principal partners or the Directors of the Company shall be obtained.

2.7 Risk Area:

The following risk areas shall be considered for analyzing a loan proposal. Borrower Analysis (Management/Ownership/Corporate Structure Risk):

The majority shareholders management teams and group or affiliate companies shall be assessed. Any issues regarding lack of management depth, complicated ownership structures or inter-group transactions shall be addressed, and risks to be mitigated. The following questions may be asked to assess the Management Risk.

- Who is the borrower? Does any particular/special characteristic of borrower need particular attention. For example, if the borrower is a Trust, this calls for examination of Trust Deed.

- Are there adequate abilities and experience in senior management?
- Is there adequate depth and succession planning?
- Is there any conflict amongst owners/senior managers that could have serious implications?
- Is the Manager/Credit Officer satisfied about the character, ability, integrity and experience of the borrower?

1. Industry Analysis (Business and Industry Risk)

The key risk factors of the borrower's industry shall be assessed. Any issues regarding the borrower's position in the industry, overall industry concerns or competitive forces (demand supply gap) shall be addressed and the strengths and weaknesses (SWOT Analysis) of the borrower relative to its competition to be identified. For the above purpose the Credit Officers/RM may obtain/collect data from the statistical year book/ economic trends of Bangladesh Bank/public report/newspaper/journals etc. The following questions may be asked to assess the Business and Industry Risk.

- Are there any significant concentrations of sales (by customer, industry, country region)
- How does the borrower rate with its competitors in terms of market share?
- Can increased direct production costs be easily passed on to customers?
- Does the borrower deal in any specific product that may be subject to obsolescence?
- Is the purpose of borrowing consistent with the objectives of the Company?
- Is the purpose legal? Does it contravene any rules and laws of the country and any instruction issued by the Bangladesh Bank/Head Office?

2. Supplier/Buyer Analysis/Market Risk

Any customer or supplier concentration shall be addressed, as these could have a significant impact on the future viability of the borrower.

3. Market Risk

The sufficient market data is to be obtained to identify clients/borrower's market share in the industry/demand-supply gap in the market.

4. Technological Risk

The product that is manufactured must be technologically viable i.e. whether the technology applied is updated. The product's stage in its life cycle must be understood. Technical Aspects of the products must be addressed. The Credit officer/ RM must be satisfied with the mitigating factors of technical and technological risk, associated with the products.

5. Security

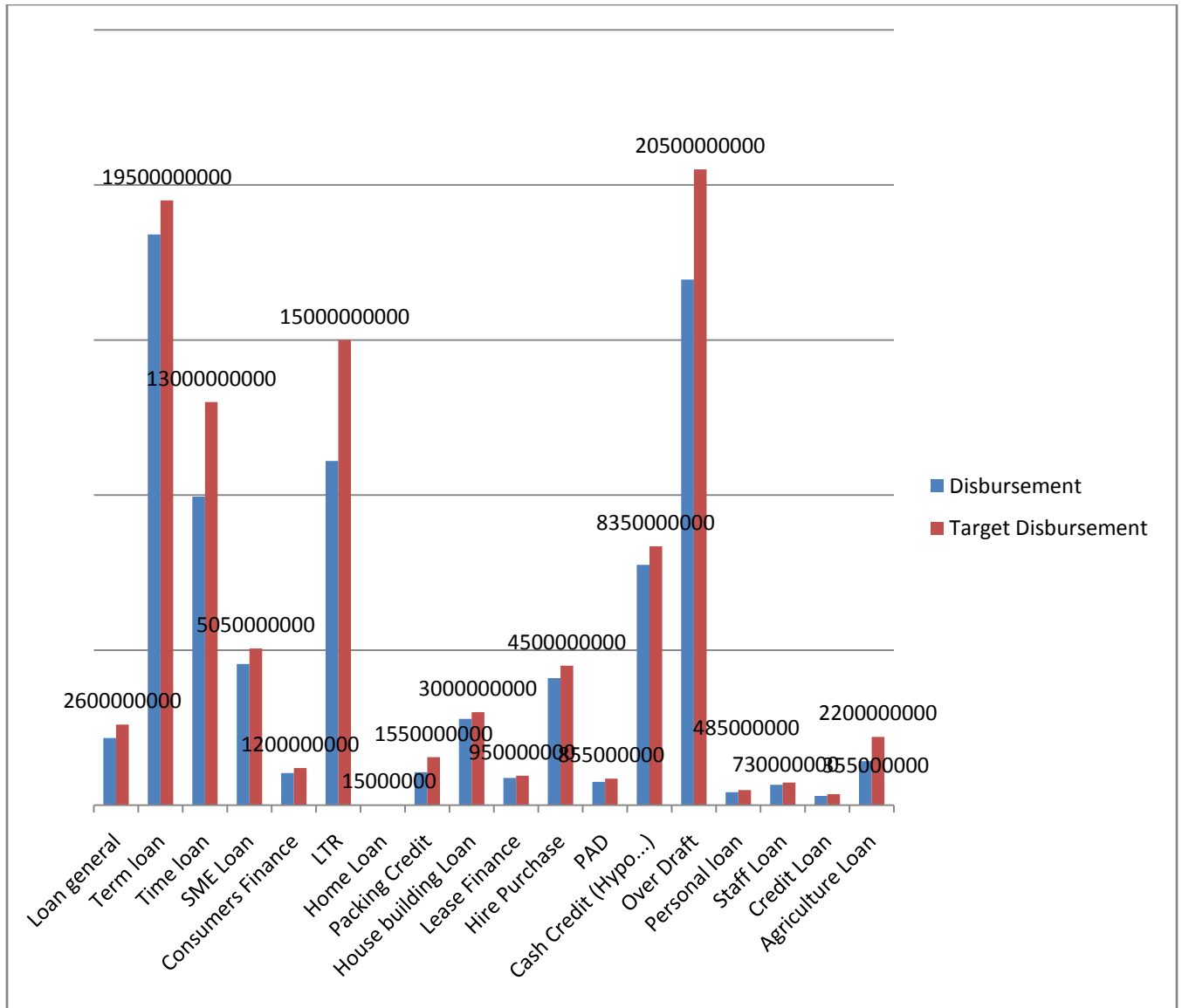
A current valuation of collateral must be made by Bank's approved enlisted surveyors and the quality and priority of security being proposed shall be assessed properly. Loan shall not be granted solely on security consideration. Adequacy and the extent of the insurance converge shall be assessed. The Credit Officer/RM must look into the client's interest/dependability on the collateral offered as security.

- Is security offered acceptable and adequate?
- Has all security been perfected in accordance with the loan application?
- Have any valuation and inspection been undertaken since the last application?
- If you hold guarantee, do you consider it has value?
- Has the credit rating of the Borrower deteriorated and have you considered the requirement for additional security?
- Can a valid charge be obtained on the security?

2.8 Loan Disbursement for Mercantile Bank:

Types of Loan	Target Disbursement in 2012(Tk.)	Target Disbursement in 2012(Tk.)
Loan general	260,00,00,000	2,165,983,241
Term loan	19,50,00,00,000	18,403,831,083
Time loan	13,00,00,00,000	9,953,358,564
SME Loan	505,00,00,000	4,553,055,917
Consumers Finance	120,00,00,000	1,035,609,944
LTR	15,00,00,00,000	11,102,073,057
Home Loan	150,00,000	11,22,356
Packing Credit	155,00,00,000	1,064,289,254
House building Loan	300,00,00,000	2,785,580,197
Lease Finance	95,00,00,000	880,278,521
Hire Purchase	450,00,00,000	4,099,675,433
PAD	85,50,00,000	752,690,638
Cash Credit (Hypo...)	8,35,00,00,000	7,748,915,389
Over Draft	20,50,00,00,000	16,949,604,965
Personal loan	48,50,00,000	421,618,255
Staff Loan	73,00,00,000	658,571,014
Credit Loan	35,50,00,000	299,528,417
Agriculture Loan	2,20,00,00,000	1,421,175,853
Total	99840000000	84296964098

Source: Account of Statement of Affairs and annual report 2012



Graph: Loan Disbursement of MBL 2012

Comment: Above the chart and graph shows that MBL management team have amount target for disbursement in 2012, but they are able to disburse the loan within their limitation. Not too much far there speculation. It can be said that they have strong capability to assume target of MBL.

Chapter # 3

Mercantile Bank, Kawran Bazar

3.0 Mercantile Bank, Kawran Bazar Branch History:

Mercantile Bank Limited, Kawran Bazar Branch, Kawar Bazar has started its, business form 06 September, 1999 as the 3rd branch of the bank. Since the 1st year, this branch has proven it as a consistent performer in the market of Kawran Bazar. Mercantile Bank Limited has stepped on its 13 year of continuous success. The factors, which played a vital role behind this success, were modern & developed customer service and use of latest banking technology. It may be mentioned that Mercantile Bank Limited has created a new dimension in the banking arena of Bangladesh through extensive use of Online Banking, Computer, Fax, SWIFT, ATM, CC TV along with other latest technologies and a team of expert bankers.

Registered Office : Dhaka Trade Centre, 99, Kazi Nazrul Islam Avenue, Kawran Bazar, Dhaka-1215.

Head of the Branch : MD. Abul Bashar

Establishment : 06 September, 1999

No, of Employees : 34

3.1 Some Features of MBL, Kawran bazar Branch:

MBL is engaged in conventional commercial banking. It is the pioneer in introducing and launching different customer friendly Deposit Schemes to tap savings of the people for channeling the same to the productive sectors of the economy for uplifting the standard of living of the limited income group of the population, the Bank has introduced Consumer Credit Scheme by providing financial assistance in the form of loan to the consumers for procuring household durable, which already have encouraging responses. The Bank is committed to continuous research and development so as to keep pace with modern banking. The operations of the Bank are computerized to ensure prompt and efficient services to the customers. The Bank has introduced camera surveillance system to strengthen the security services inside the Bank premises.

3.2 Financial Performance of MBL, Kawran Bazar Branch:

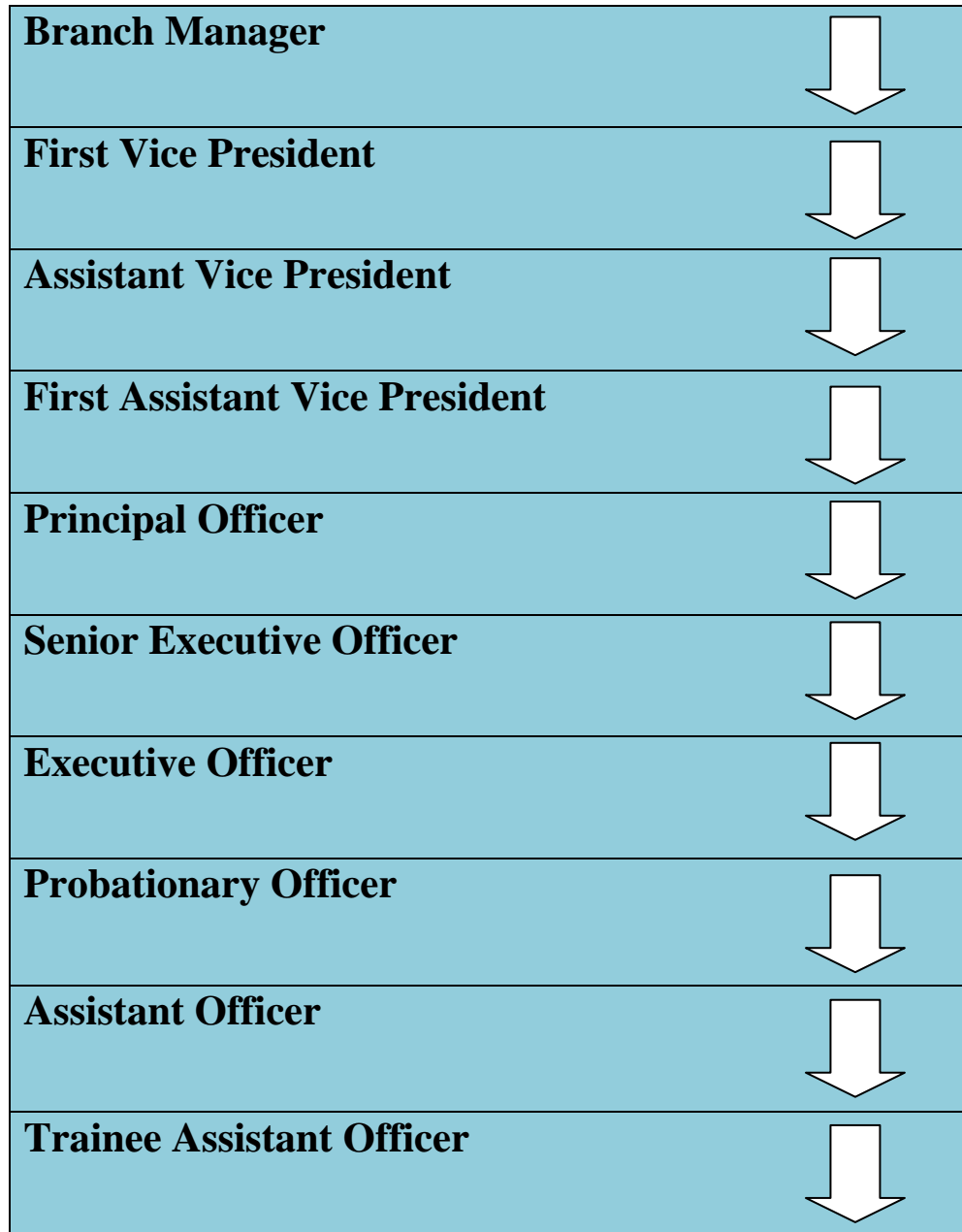
The Mercantile Bank Kawran Bazar branch is one of the most successful private commercial bank in our country, though it started its operation only fourteen year back. It has achieved the trust of the general people and made reasonable contribution to the economy of the country by helping the people investing allowing credit facility.

Performance of the Branch at a Glance (Figure in Lac BDT)

Sl No.	Year	Deposit	Advance	Total Income	Total Expenditure	Profit/ Loss
01	2004	1148.33	508.20	65.48	85.39	-19.91
02	2005	1623.40	1020.78	160.22	137.94	22.28
03	2006	2769.51	1615.90	300.77	235.60	65.17
04	2007	4847.83	3565.97	551.38	447.31	104.07
05	2008	6104.17	3829.33	719.24	569.04	150.21
06	2009	7844.34	4852.33	952.04	737.36	214.68
07	2010	9128.07	6609.09	1238.98	923.71	315.27
08	2011	10263.73	5346.14	1353.49	1080.63	272.86
09	2012	13627.59	5066.67	1734.60	1426.28	308.32

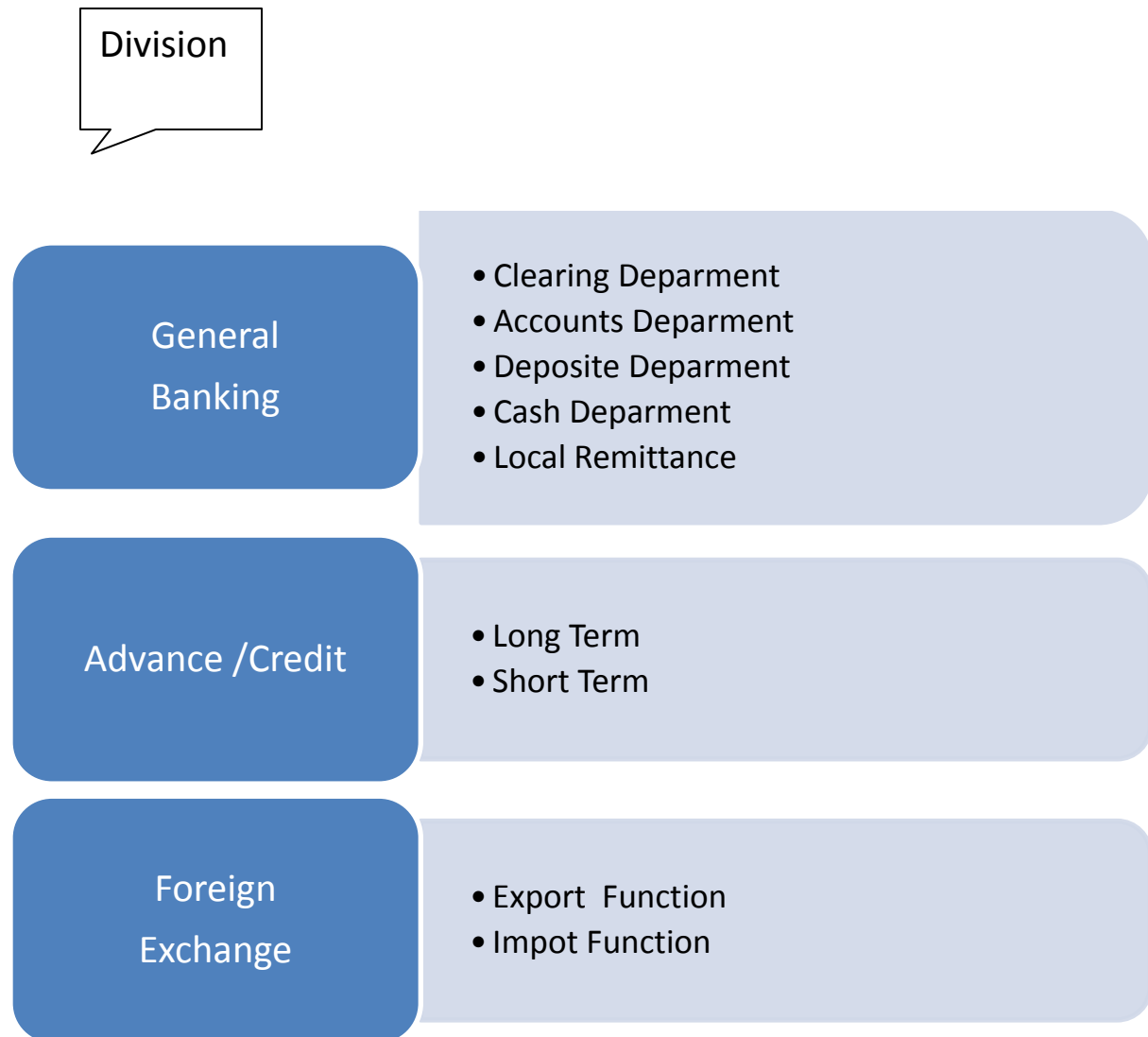
Source: Account of Statement of Affairs 2004-2012

3.3 Hierarchy of MBL, Kawran Bazar Branch:



Source: Hierarchy of Mercantile Bank Limited, Kawran Bazar Branch

3.4 Number of Division, MBL, Kawran Bazar Branch:



Source: Organization chart of kawran Bazar, Branch

3.5 Department of MBL, Kawran Bazar Branch:

1. Account opening Department	2. Local Remittance	3. Financial Control & Accounts Department (FCDA)
<ul style="list-style-type: none">• Current Account• Savings Bank Account• Current Deposit Account• Special Noticed Deposit Account• Fixed Deposit Account• Double Benefit Deposit Scheme• Family Maintenance Deposit• Mashik Sanchaya Prokalpa• Quarterly Benefit Deposit Scheme• 1.5 Times Benefit Deposit Scheme• Advance Benefit Deposit Scheme• Special Savings Scheme (SSS)• School Banking• Education Planning Deposit Scheme• Super Benefit Deposit Scheme	<ul style="list-style-type: none">• Payment of Cash Through Western Union & Money Gram• Telegraphic Transfer (TT)• Sanchay Prtra (SP)• Outward Bill collection• Inward Bill collection	<ul style="list-style-type: none">• Prepared weekly, monthly, quarterly statement• Expense statement• Cash position• Deposite position• Daily voucher checking• Prepare daily expense voucher• Salary statement preparation• Salary affairs checking

4. Cash Department

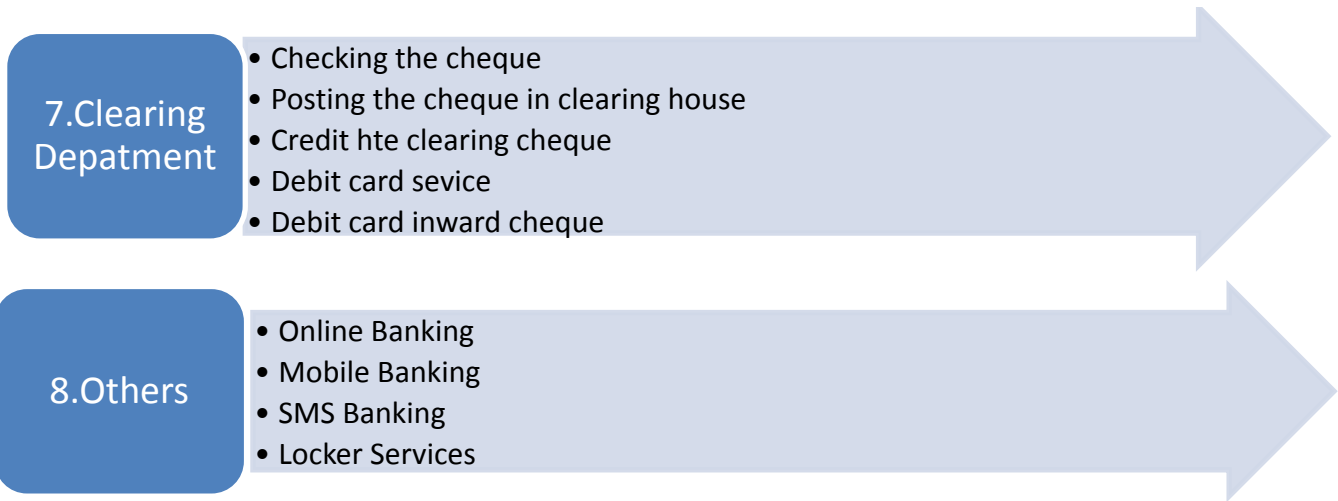
- Cash Receipt
- Cash Payment

5. Credit Department

- Doctors Credit Scheme
- Consumers Credit Scheme
- Rural Development Scheme
- Lease Financing
- Any Purpose Loan
- Education Loan
- Car Loan
- Home Loan
- House Furnishing Loan
- Cottage Loan
- Overseas Employment Loan
- E T P / Bio-Gas / Solar Energy Loan
- Krishi / Polli Loan
- CHAKA (Term Loan)
- SAMRIDDHI (Continuous Loan)
- MOUSUMI (Short Term Seasonal Loan)
- ANANNYA (Women Entrepreneur's Loan)

6. Foreign Exchange Department

- Pre-Shipment Credit/Finance
- Post-Shipment Credit/Finance
- Structured Finance
- Project Finance
- Syndication
- Loan Syndication
- Foreign Currency Deposit Scheme
- Remittance Info



Source: Department of Mercantile Bank Limited, Kawran Bazar Branch

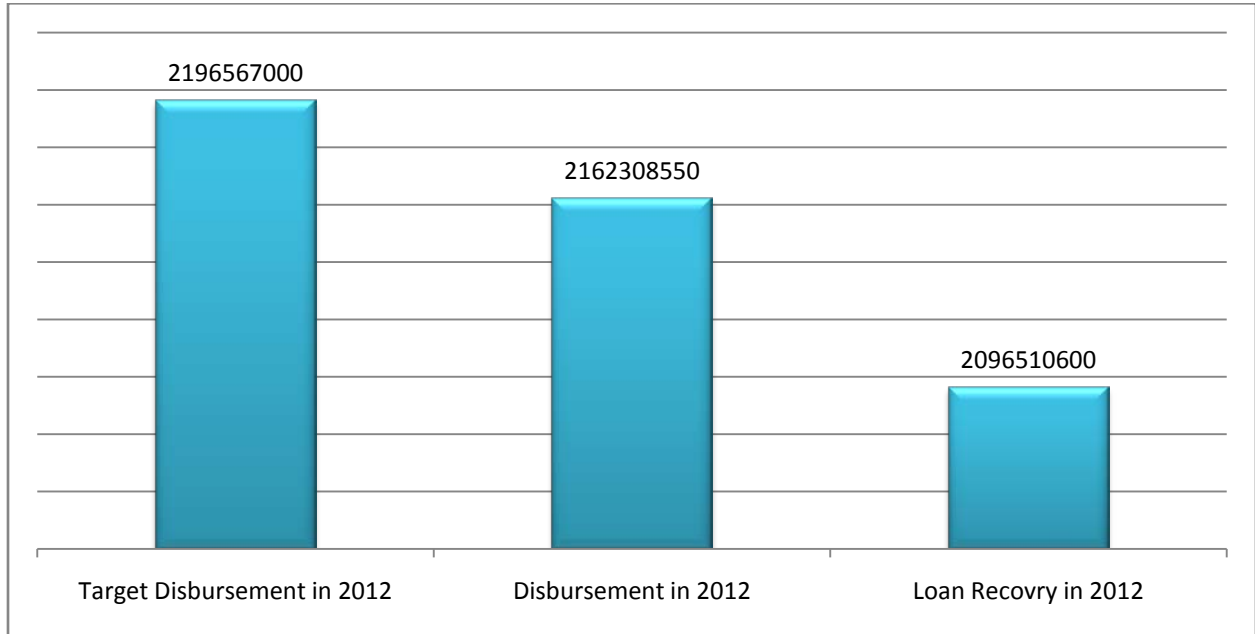
Chapter 4

Loan Recovery from Loan disbursement in Kawran Bazar Branch

4.1 Loan Recovery from Loan disbursement for Kawran Bazar Branch:

Types of Loan	Disbursement in 2012(Tk.)	Loan Recovery in 2012 (Tk.)	Recovery in 2012 (%)
Loan general	205050000	204550000	99.75%
Term loan	145700000	139705000	95.88%
Time loan	62950000	59955000	95.24%
SME Loan	33855000	31865000	94.12%
Consumers Finance	8569700	8500700	99.19%
LTR	95980000	90900000	94.70%
Home Loan	134156000	114056000	85.01%
Packing Credit	1100950	1100000	99.91%
House building Loan	5500000	5395000	95.72%
Lease Finance	27851000	27790000	99.78%
Hire Purchase	76280000	73280000	96.06%
PAD	32952000	32590000	98.90%
Cash Credit (Hypo...)	1046520000	1026500000	98.08%
Over Draft	5395000	5095000	94.43%
Personal loan	176220000	174200000	98.85%
Staff Loan	16590000	15990000	96.38%
Credit Loan	22088900	20288900	91.85%
Agriculture Loan	65550000	64550000	98.47%
	2,16,23,08,550	2096510600	

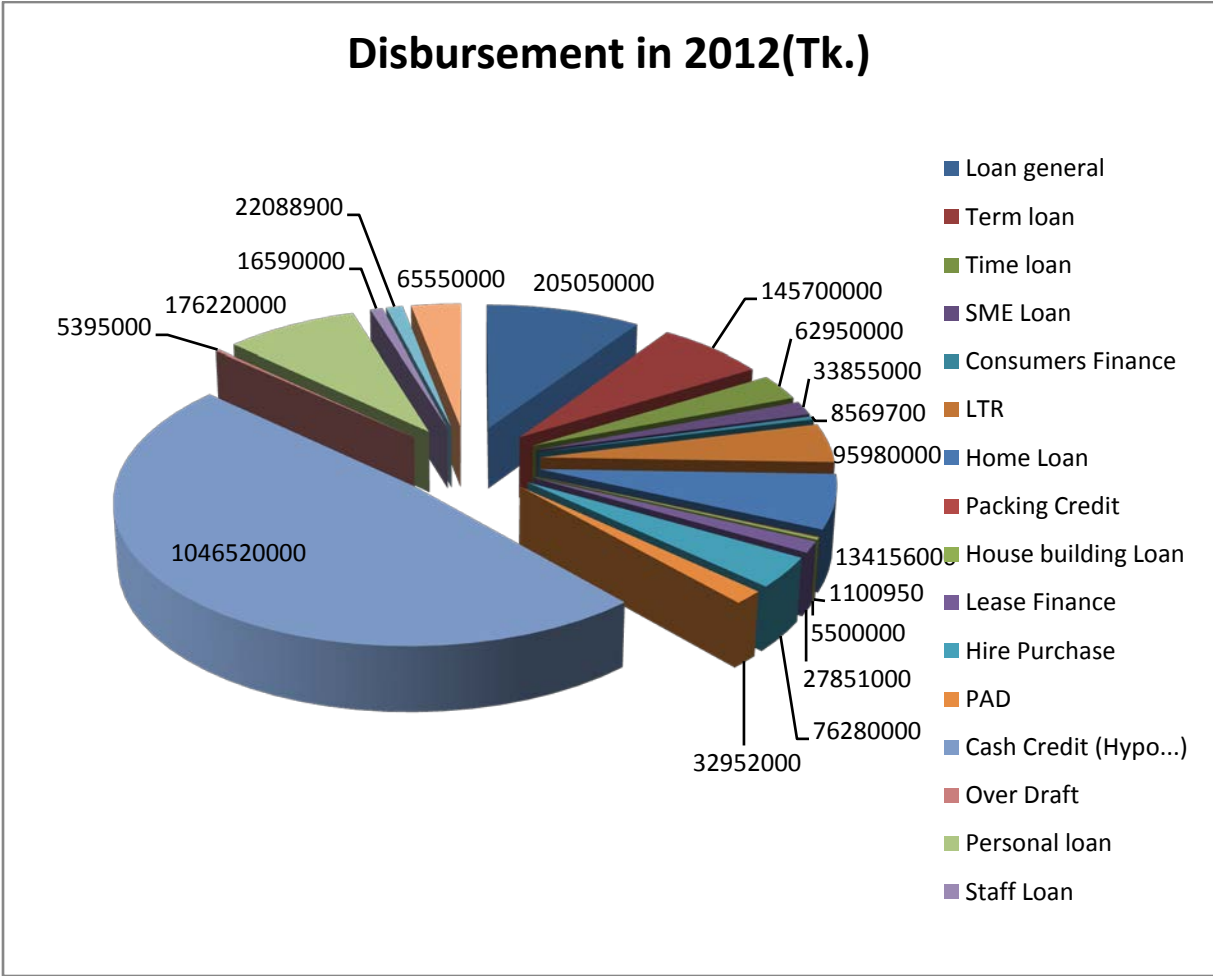
Source: Account of Statement of Affairs 2012



Graph: Target Disbursement, Disbursement and Recovery-2012

Comment: Above the graph shows that target loan disbursement is 2196567000 but they are disbursed their loan within their limitation is 2162308550, also they are rapidly recover all most loan disbursement. It is a positive mark for the Kawran bazar branch. We can say that MBL kawran bazar branch credit management is more active and strong.

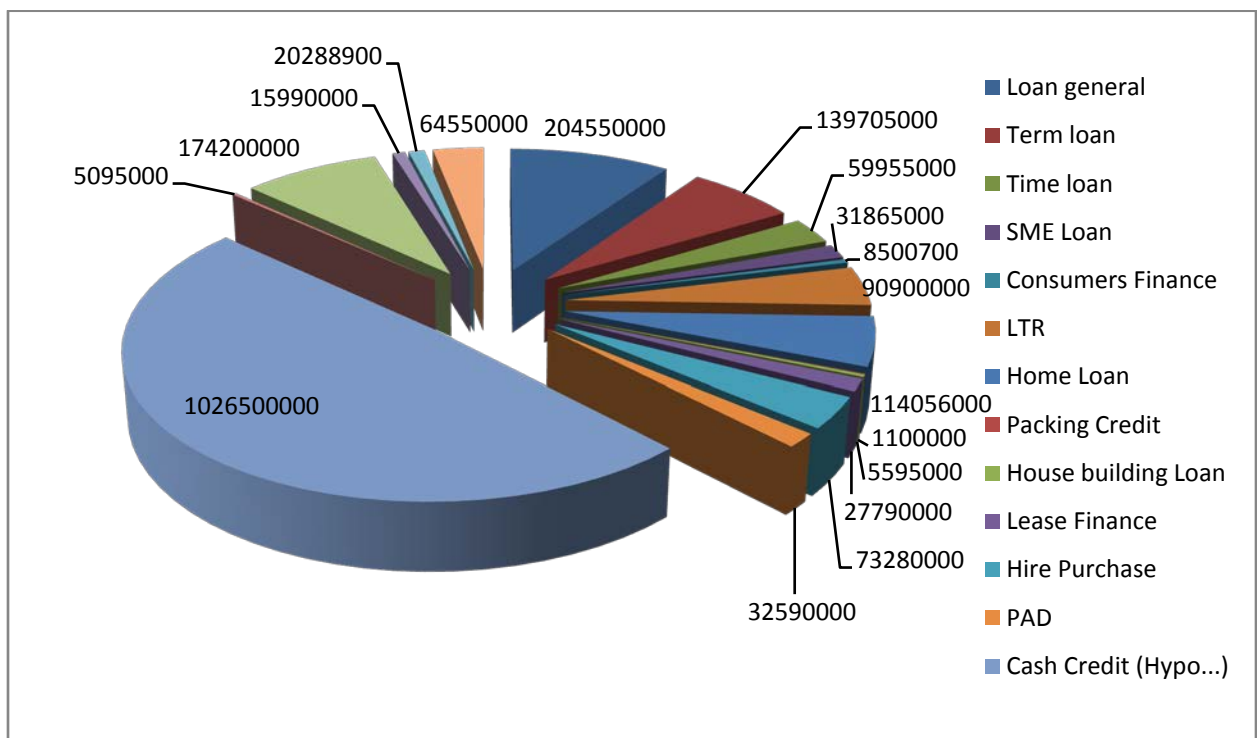
4.2 Loan disbursement for various purpose for Kawran Bazar Branch:



Graph: Loan disbursement for various purposes

Comment: Above the graph shows that there loan disburses are various sectors in 2012. Some sectors are higher than other sectors because all sectors are not same required.

4.3 Loan Recovery for various purpose for Kawran Bazar Branch:



Graph: Loan Recovery for various purposes

Comment: Above the graph shows that Kawran Bazar branch loan disburse their loan for various purpose and also quickly loan recover from the various sector.

Chapter 5

Conclusions and Recommendations

5.1 CONCLUSION:

Mercantile Bank Limited has started its journey as a full-fledged commercial Bank in 1999 to provide efficient banking service with a view to improving the socio-economic development of the country. They have already passed nine long years of their Banking life. MBL has already developed an image of goodwill among its clients by offering its excellent services. The Bank constantly looks for ways and means to improve productivity by rendering to its clients in order to remain competitive in the market. The success is resulted from dedication, commitment, and dynamic leadership of its management over the periods.

I completed my internship program from the Kawran Bazar Branch of Mercantile Bank Limited. As part of the MBL this branch is also developed an image of goodwill among its clients by offering its excellent services. As my main objective is to concentrate on the activities related with Loan Disbursement and recovery in the Kawran Bazar Branch, of MBL, from my practical experience, observation and discussing with the employees I learn about the Loan Disbursement and recovery and use of these in the organization.

As message from the Founder Chairman, Human Recourse policy of the Bank is focused on recruitment, training, and development. The human capital of the Bank has continuously been nurtured and properly managed to bring out the best. They are also committed to the performance culture where recognition, promotion, and rewards are based on individual merit and demonstrated performance. So, from the statement of the top authority it is understandable that how much they aware about the proper use of Loan Disbursement in Mercantile Bank Limited. I hope that the authority always aware about employees so they can provide excellence service with efficiency, accuracy and proficiency to the clients and meet the ultimate objectives of MBL.

5.2 RECOMMENDATION:

Mercantile Bank Limited has been successful in all of its operation since its inception. It has outperformed all its peer and competitor and peer banks in virtually all area of its activities. Still there is scope for improvement for the bank and the any or all of the following could be which Mercantile Bank Limited can implement to better its performance:

- The bank may employ an outside company for recovery of its dues because it takes a great amount of time for the bank's employees to recover stuck up loans.
- The bank can increase its retail credit loan by allowing credit to more customers. This can be possible through relaxation of credit norms like waiver of guarantee from third parties.
- The bank can attract more lease finance customer through reduction of cost of borrowing on the part of the customer. This will provoke customers to repay the loan timely.
- The bank can enhance its asset quality through offering rebate on interest rate and hence provocation of timely repayment by the customers. This will be offered only to regular customers.
- The loan sanction process can be more easier that the clients can feel convenient to take loan from the bank.
- Consumer loan should be continuing.
- Decision should be decentralized. Manager should be considering the opinion of the subordinate.

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