

Internship Report
On
Loan & advance Management
Of Dutch Bangla Bank Limited
Performed at Uttara Branch,Uttara,Dhaka.

Prepared by

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ID NO.:123-14-363

Masters of Business Administration (MBA)

Major in Finance

Prepared for

Professor Dr.Md Abul Hosssain

Coordinator (MBA Program)

Faculty of Business & Economics

Daffodil International University



Daffodil International University

Uttara Campus , Dhaka- 1230.

Date of Submission : June,2014

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Letter of Transmittal

Date: 12th June, 2014

Professor Dr. Md Abul Hossain
Coordinator (MBA Program)
Faculty of Business & Economics
Daffodil International University.

Subject: Submission of internship report entitled Loan & Advance Management of Dutch Bangla Bank Limited.

Dear Sir,

It is a great pleasure for me to submit the report to you entitled “loan & Advance Management of Dutch Bangla Bank Limited”, which is a partial requirement of my course. It has been a great pleasure for me to work on this report as it provides much information about how Dutch Bangla Bank is playing a significant role in employment generation, poverty alleviation and overall economic growth, especially for a developing economy like ours through Loan.

I hope and sincerely believe that this report will serve the purpose of my Internship program. Finally, I also believe that this report will satisfy you.

Sincerely yours,

Nowrin Naila

ID: 123-14-363
Masters of Business Administration (MBA)
Major in Finance

Acknowledgement

First of all I would like to thank our Almighty Allah, because His blessings were always with me and so I was able to complete this report.

I am indebted to many people for providing me encouragement and support during my learning process and my internship period while making this report and I want to express my gratitude to these people.

I am very much grateful to **Professor Dr. Md. Abul Hossain**, my internship supervisor, who provided me the opportunity to do this report. It would not have been possible for me to prepare this report without his sincere permission, continuous support and inspiration. I express my deepest appreciation for his support.

My cordial thanks to all of the respondents who are actually some of the Clients of Dutch Bangla Bank Limited; they helped me and gave me all kinds of support and important information related to my report. I acknowledge **Mr. Md. Shahadat Hossain**, Executive Officer of Dutch Bangla Bank Limited, Uttara Branch, who has continuously helped me in case of any need of information that I have asked for. Also I would like to acknowledge **Mr. Md. Amir Hamja**, Principle Officer of Dutch Bangla Bank limited, Uttara Branch, whose constant guidance and support has helped me in preparing this report successfully.

I would also like to thank all of my teachers whose guidance and blessings were with me throughout my MBA life, and also my family, friends and peers for their encouragement, support, and suggestions which helped me in making this report an effective one.

Declaration of the Student

I hereby announce that the extensive study on Internship Report entitled
Loan & advance Management of Dutch Bangla Bank Limited, Uttara Branch

(Conducted on the supervision of Professor Dr.Md.Abul Hossain)
Is prepared in partial fulfillment of the requirements for the degree of
Masters of Business Administration.

Masters of Business Administration
From
Daffodil International University

Nowrin Naila

ID: 123-14-363

Masters of Business Administration(MBA)

Major in Finance

Certificate of Academic Supervisor

This is to certify that Nowrin Naila ,student of MBA program of our University bearing ID # 123-14-363 has successfully completed the report on Loan & Advance Management of Dutch Bangla Bank Limited in Bangladesh. In this regard she practically worked in Uttara Branch of the Dutch Bangla Bank limited from July 2013 to September 2013 under my supervision and instruction.

This report supports the topic title and fulfils the entire requirements. I instructed her to prepare .Here by, I accept the report as the successful completion of the internship program.

During the program she was sincere proactive and attentive to her work and I wish her every success in life.

(Professor Dr.Md Abul Hosssain)
Coordinator (MBA Program)
Faculty of Business & Economics
Daffodil International University

Abstract

Dutch-Bangla Bank is a second generation commercial private Bank. The Bank commenced its banking business with one branch on July 4, 1996. As a part of my under graduation program, I have completed my internship in this organization. Throughout the period of my internship, I had been working in several departments. However, I was officially appointed to work in the credit department. The report will reveal the background of the company, description of the loans, findings and recommendations based on the experience gathered.

One of my major responsibilities was to assist the clients in opening new accounts. Alongside, my work was limited to Account opening section, Bills and clearing section and Local Remittance section. I had been given access to unique software, called Flex cube. I would be required to log in with username and password, and then search for specific clients. In one hand, I was assigned to provide account opening related information to the new customers. Every day, one of my responsibilities was to capture new or existing information related to account opening and then, disseminate those information to the clients who are interested to open accounts in DBBL. On the other hand, I was assigned to keep a database of the information collected. Alongside, I prepared and fill up new and existing files for the department.

The report is based on my critical observation while working in the credit division of DBBL. Lending is one of the principal functions of the bank. Sound lending practice therefore, is very important for profitability and success of a bank. For the sake of sound lending, it is necessary to Develop a sound policy and modern credit management techniques to ensure that loans/ advances are safe and the money will come back within the time set for repayment. For this purpose, proper and prior analysis of credit proposals is required to assess the risk.

The success of a bank depends on the quality of the services it offers. All the commercial banks, therefore, try to provide quality services with competitive interest rates. DBBL is not an exception. Although, the comparative analysis shows that DBBL is in better position, but there are some obstacles it faces to sustain the position. However, the continuous improvement of the services will certainly place the bank in the best position in one decade.

TABLE OF CONTENTS

Topics: “Loan & Advance Management of Dutch Bangla Bank Limited”	Page
Letter Of transmittal	I
Acknowledgement	1
Declaration of the Student	III
Certificate of academic supervisor	IV
Abstract	1
Chapter 1 Introduction	
1.1 Introduction to the study	3-4
1.2 Rationale of the Study	4
1.3 Objectives of the Study	5
1.4 Scope of the Study	5
1.5 Methodology of the Study	6-7
1.6 Limitations of the Study	7
Chapter 2 Organizational Background	
2.1 About Dutch Bangla Bank Limited	10-11
2.2 Current Position	11-12
2.3 Company Profile	12
2.4 Strategies & Objectives of DBBL	13
2.5 Members of DBBL management Committee	14
2.6 Organogram of Dutch Bangla Bank Limited	15
2.7 Social cause programs	16
2.8 DBBL financial performance in several years respectively	16-17

2.9 Graphical presentation	17-18
2.10 About Uttara Branch	18
2.11 Distribution of Shareholders	18
Chapter 3 Review of Related Literature	
3.1 Loans & Advance section	21
3.2 Types of Loans and Advances Offered by Dutch Bangla Bank Limited	21-22
3.3 Products and Services	22-26
Chapter 4 Analysis and Interpretation of the data	
4.1 Credit Rating of Dutch bangla Bank limited	29
4.2 Depository products	29-30
4.3 Credit Sanction & Appraisal Procedure	30-31
4.4 Lending policies of Dutch Bangla Bank Limited	31-32
4.5 Lending procedures of Dutch Bangla Bank Limited	32-35
4.6 Lending Risk Analysis (LRA)	36-37
4.7 Loan classification	37
4.8 Statement Prepared by the Credit Department	38-40
4.9 According to the last AGM report 2013 classified loans and advance of DBBL is	40-41
Chapter 5 Findings, suggestions and conclusion	
5.1 Findings	44
5.2 Suggestions	45
5.3 Conclusion	46
Bibliography	i
Appendix	ii

Chapter 1

Introduction

Chapter 1

Introduction

1. **Introduction to the Study**
2. **Rationale of the study**
3. **Objectives of the Study**
4. **Scope of the study**
5. **Methodology**
6. **Limitations**

1.1 Introduction to the study

There is no denying the fact that the financial system plays a significant role in the economic development of a country. The importance of an efficient financial sector lies in the fact that, it ensures domestic resources mobilization, generation of savings, and investments in productive sectors. In fact, it is the system by which a country's most profitable and efficient projects are systematically and continuously directed to the most productive sources of future growth. Financial sector in Bangladesh, like most in developing countries, is dominated by banking institutions. With recent gains in financial fronts Bangladesh's financial sector is now comparable with most of the countries in South and East Asia in terms of financial deepening. Bangladesh, like other developing countries, still has an underdeveloped financial system and is facing serious problems with the operation of its financial system and poor financial intermediation presents significant disincentives to foster economic growth

One of the primary functions of commercial banks is the sanctioning of credit to borrowers; bank credit is a catalyst for bringing about economic development. Without adequate finance there can be no growth or maintains of a stable output, bank lending is important to the economy, for it makes possible the financing of agriculture, commercial, industrial activities of a nation. At the same, a bank will, therefore distribute its funds among various assets in a manner as to derive sufficient income.

The increased number of bankruptcy cases worldwide, both corporate and personal, is the main reason for the renewed interest in credit risk management. A bad loan situation often arises from a combination of factors, amongst which the major one is the absence of an adequate system to classify loans properly and to identify problem loans promptly so as to minimize the potential defaults and consequent losses. More defaults mean more missed loan payments and a reduction in profitability for banks. Poor management of credit risk is considered to be the major cause of banks' bad performance and often the reason for their bankruptcies economic growth.

The emergence of Dutch Bangla Bank Limited in the private sector was an important event in the Banking arena of Bangladesh. Dutch-Bangla Bank is a second generation commercial private Bank.

During the period of its operation, this bank creates a milestone of success in banking sector. This bank holds an experienced team of banking professional. They achieve this success because of their experienced banking professional team, proper management & so on.

Dutch-Bangla Bank Limited is a Bangladesh–Netherlands joint venture scheduled commercial bank established in Bangladesh with the primary objective to carry on all kinds of banking business in and outside of Bangladesh.

As a mandatory educational requirement I am undertaking this internship. My organization is Dutch Bangla Bank Limited, Uttara Branch. So, this report is linked with my duties and responsibilities that I have to perform as a member of corporate credit team of DBBL's Uttara Branch.

1.2 Rationale of the Study

As to complete the MBA program, every student is required to do an internship as a course and based on that submit a report. So, to fulfill that requirement I am proposing a study to my supervisor so that it is accepted and after that I can work on it. Since I am a student of Finance, so my internship in a bank can be a great deal of experience and studying on a function of it can be even helpful for my future career. The report is based on my critical observation while working in the loans and advancement division of DBBL. The report reveals the various types of loan scheme and the criterion to get the loan and the risk grading system. Being a student of Daffodil International University it is my duty to work on this study properly with diligence and gather knowledge and thereby be a hardworking and smart worker in future.

1.3 Objectives of the Study

Everyone has a goal, to full fill that goal we need to setup objectives. This study also has some objectives for completing this research report.

The Objectives are divided in two part- The General Objective & the Specific Objectives.

I. The General Objective

To achieve a wide knowledge of the various types of loan scheme, credit assessment procedure and risk grading system of DBBL bank.

II. The Specific objectives

1. To examine the knowledge level of clients regarding the services of credit division. To investigate employees views regarding the quality and standard of the services offered by credit division.
2. To know the documents those are maintained by a bank in providing loan.
3. To identify the gaps between the services and solutions that clients want from this segment and those which are actually being provided by credit division.
4. To suggest ways of improving the services and solutions offered by credit division to accommodate the rapidly growing client base of Dutch Bangla Bank.

1.4 Scope of the Study

This study will mainly focus on the Loan & Advance Management of Dutch Bangla Bank Ltd. The scope of this report is not only limited to the Risk grading system but also the report focused on the various types of Loan scheme and the criterion to get loan. So for preparing the report the required information will be collected from Dutch Bangla Bank Ltd. and the clients of the Bank.

1.5 Methodology of the Study

The nature of this report is descriptive. So instead of doing any survey, observation method is used to complete this qualitative research. I have tried to collect all such information that will reflect the actual situation of the bank for any report. I have collected various types of primary and secondary data while I was performing my job. I have collected various data from various sources by face to face interview with the employees working in different departments of Dutch Bangla Bank Limited, Uttara branch.

Data Sources

Primary sources of data

Primary data sources are the clients those who have taken the loan from Dutch Bangla Bank Limited. As the loans are sanctioned through the different branches of the Bank, Uttara branch office was chosen from where the clients were chosen as respondents to do the research on. To actually identify the requirements of the study, a short survey was conducted taking a sample of size of 30 based on a questionnaire developed to address the client.

Secondary sources of data

1. Published booklet of DBBL.
2. Various published document.
3. Daily Affairs.
4. Website.
5. Annual report of DBBL.

In order to build up theoretical premise, standard textbooks, reference books, journals and other related literature will be consulted.

The whole system of data collection and analysis included the following procedures:

Technique Used

Population

The population of the study is the existing loan Clients of Dutch Bangla Bank Limited.

Data Administering Method

The respondents were the clients of the Bank who were personally interviewed. They were interviewed with a structured as well as some open ended questions to meet the requirements of the report.

Analytical tools

To make the report more understandable and give a nice look, different analytical tools have been used to prepare the report. A number of flowchart, graph, and table are used.

1.6 Limitation of the Study

Since this research is only for academic purpose, there will be some limitations in this study. These are mentioned below:

- Many up-to-date data and documents may not be available, which could have made the study more informative.
- It may not be possible to contact with busy bankers and to collect data or to have discussion with them.
- As being an intern, it also created some problems as I was unable to acquire hands-on-experience in all the departments, due to the bank's policy of maintaining secrecy and also because I did not get the opportunity in all the departments.
- It's mandatory to complete this study within a short period of time which may not be sufficient to get all data which will assist to make my report successful.

Chapter 2

Organizational Background

Chapter 2

Organizational Background

- 1. About Dutch Bangla Bank Limited**
- 2. Current Position**
- 3. Company profile**
- 4. Strategies & Objectives of DBBL**
- 5. Members of DBBL management committee**
- 6. Organogram of DBBL**
- 7. Social cause programs**
- 8. DBBL Financial performance in several years respectively**
- 9. Graphical presentation**
- 10. About Uttara Branch**
- 11. Distribution of shareholders**

2.1 About Dutch Bangla Bank Ltd.

Dutch-Bangla Bank Limited (DBBL) is Bangladesh's most innovative and technologically advanced bank. DBBL stands to give the most innovative and affordable banking products to Bangladesh. Amongst banks, DBBL is the largest donor in to social causes in Bangladesh. It stands as one of the largest private donors involved in improving the country. DBBL is proud to be associated with helping Bangladesh as well as being a leader in the country's banking sector.

Dutch-Bangla Bank Limited is a scheduled commercial bank. The Bank was established under the Bank Companies Act 1991 and incorporated as a public limited company under the Companies Act 1994 in Bangladesh with the primary objective to carry on all kinds of banking business in Bangladesh. The Bank is listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited. DBBL- a Bangladesh European private joint venture scheduled commercial bank commenced formal operation from June 3, 1996. The head office of the Bank is located at Senakalyan Bhaban (4th floor), 195, Motijheel C/A, Dhaka, Bangladesh. The Bank commenced its banking business with one branch on 4 July 1996.

DBBL's focus is to provide one counter service to clients covering: Commercial Banking (Deposit Accounts), Consumer Banking (Retail Banking) - Traveler Cheques- Foreign & Inland' Remittances, Financial Services, Corporate Banking, Asset & liability management, Liquidity & capital Resources Management, Information technology, Human Resources. DBBL Internet banking enables customer to access his/her personal or business accounts anytime anywhere from home, office or when traveling. Internet Banking gives customer the freedom to choose his/her own banking hours. It can save time, money and effort. It's fast, easy, secure and best of all. DBBL, since its inception was active in various social activities, which increased manifold over the period of time and its growth. It is one of the fast growing leading online banks in private sector. The emergence of Dutch-Bangla Bank Ltd. in the private sector is an important event in the banking area of Bangladesh. The Netherlands Development Finance Company (FMO) of the Netherlands is the international sponsor of the Bank. The FMO is the Dutch development bank of the Netherlands specialized in the financing of private enterprises in

Asia, Africa, Latin America and Eastern Europe. Dutch-Bangla Bank Ltd. came into existence with joint venture as a public limited company incorporated in Bangladesh on June 26, 1995 with the primary objectives to carry on all kinds of banking business in and outside of Bangladesh. DBBL has started its business with foreign bank. DBBL commenced its business as scheduled bank with effect from July 04, 1995 with one branch-Motijheel Branch, Dhaka, with a motto to grow as a leader in the banking arena of Bangladesh through better counseling and effect service to clients and thus to revitalize the economy of the country. All the branches are currently providing truly On-Line banking facility. DBBL resumed its operational activities initially with an authorized capital of Tk.400 million and paid up capital of Tk.202.14 million.

2.2 Current Position

Dutch-Bangla Bank started operation is Bangladesh's first joint venture bank. The bank was an effort by local shareholders spearheaded by M Sahabuddin Ahmed (founder chairman) and the Dutch company FMO. From the onset, the focus of the bank has been financing high-growth manufacturing industries in Bangladesh. The rationale being that the manufacturing sector exports Bangladeshi products worldwide. Thereby financing and concentrating on this sector allows Bangladesh to achieve the desired growth. DBBL's other focus is Corporate Social Responsibility (CSR). Even though CSR is now a cliché, DBBL is the pioneer in this sector and termed the contribution simply as 'social responsibility'. Due to its investment in this sector, DBBL has become one of the largest donors and the largest bank donor in Bangladesh. The bank has won numerous international awards because of its unique approach as a socially conscious bank. DBBL was the first bank in Bangladesh to be fully automated. The Electronic-Banking Division was established in 2002 to undertake rapid automation and bring modern banking services into this field. Full automation was completed in 2003 and hereby introduced plastic money to the Bangladeshi masses. DBBL also operates the nation's largest ATM fleet and in the process drastically cut consumer costs and fees by 80%. Moreover, DBBL choosing the low profitability route for this sector has surprised many critics. DBBL had pursued the mass automation in Banking as a CSR activity and never intended profitability from this sector. As a result it now provides unrivaled banking technology

offerings to all its customers. Because of this mindset, most local banks have joined DBBL's banking infrastructure instead of pursuing their own. Even with a history of hefty technological investments and an even larger donation, consumer and investor confidence has never waned. Dutch-Bangla Bank stock set the record for the highest share price in the Dhaka Stock Exchange in 2008.

2.3 Company Profile

Corporate Mission

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

Corporate Vision

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

Core Objectives

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

Slogan

The slogan of Dutch Bangla Bank Limited is ""Your Trusted Partner"". These three words denote enormous trust on the organization.

2.4 Strategies & Objectives of DBBL

Strategies of DBBL

1. To manage and operate the Bank in the most efficient manner to enhance financial performance and to control cost of fund.
2. To strive for customer satisfaction through quality control and delivery of timely services.
3. To identify customers' credit and other banking needs and monitor their perception towards our performance in meeting those requirements.
4. To review and update policies, procedures and practices to enhance the ability to extend better service to customers.
5. To train and develop all employees and provide them adequate resources so that customers' need can be reasonably addressed.
6. To promote organizational effectiveness by openly communicating company plans, policies, practices and procedures to employees in a timely fashion
7. To diversify portfolio both in the retail and wholesale market.
8. To increase direct contact with customers in order to cultivate a closer relationship between the bank and its customers.

Objectives of DBBL

1. To earn and maintain CAMEL Rating 'Strong'
2. To establish relationship banking and improve service quality through Development of Strategic Marketing Plans.
3. To remain one of the best banks in Bangladesh in terms of profitability and assets quality.
4. To introduce fully automated systems through integration of information technology. To ensure an adequate rate of return on investment
5. To keep risk position at an acceptable range (including any off balance sheet risk)

2.5 Members of DBBL management Committee

Name	Designation	Division
K. Shamshi Tabrez	Managing Director	Head Office
Abul Kashem Md. Shirin	Deputy Managing Director	Head Office
Md. Sayedul Hasan	Deputy Managing Director	Head Office
Khan Tariqul Islam	Deputy Managing Director	Head Office
Khan Tariqul Islam	Chief Financial Officer	Head Office
A.K.M Shah Alam	Executive Vice President	CAMLCO
Iqbal Amin	Executive Vice President	Human Resources Division
Mohd. Rafat Ullah Khan	Executive Vice President	Credit Division
Md. Abul Kashem Khan	Executive Vice President	Mobile Banking Division
Shamsul Azam	Executive Vice President	General Service Division
Engr. Shamsur Rahman Chowdhury	Executive Vice President	Information Technology Operation Division
Mohammad Harun Azad	Senior Vice President	Vigilance Cell
Md. Shamsuddin Yousuf Khaled	Senior Vice President	Internal Control & Compliance Division
Masud Hossain	Senior Vice President	International Division (Treasury Back Office)
Jalal Uddin Ahmed	Senior Vice President	Treasury Division (Front Office)
Md. Monirul Alam	Senior Vice President	Board Secretariat
Muhammad Muhibullahil Baqi	First Vice President	Credit Administration Division
Mahbub Jan Chowdhury	First Vice President	Corporate Banking Division
Md. Kamruzzaman	First Vice President	Personal Banking Division
Mir Mominul Huq	First Vice President	SME Division
Md. Iftekhar Uddin	Vice President	Credit Monitoring & Recovery Division
Iqbal Hossain	Vice President	Alternative Delivery Channel Division
Md. Sharif Al Kashem	Vice President	Cards Operation Division
Md. Moazzem Hossain Khan	Senior Assistant Vice President	Information Technology Development Division
Mr. Pronab Kumar Roy	Assistant Vice President	Risk Management Division

Table: 1.1

2.6 Organogram of Dutch Bangla Bank Limited

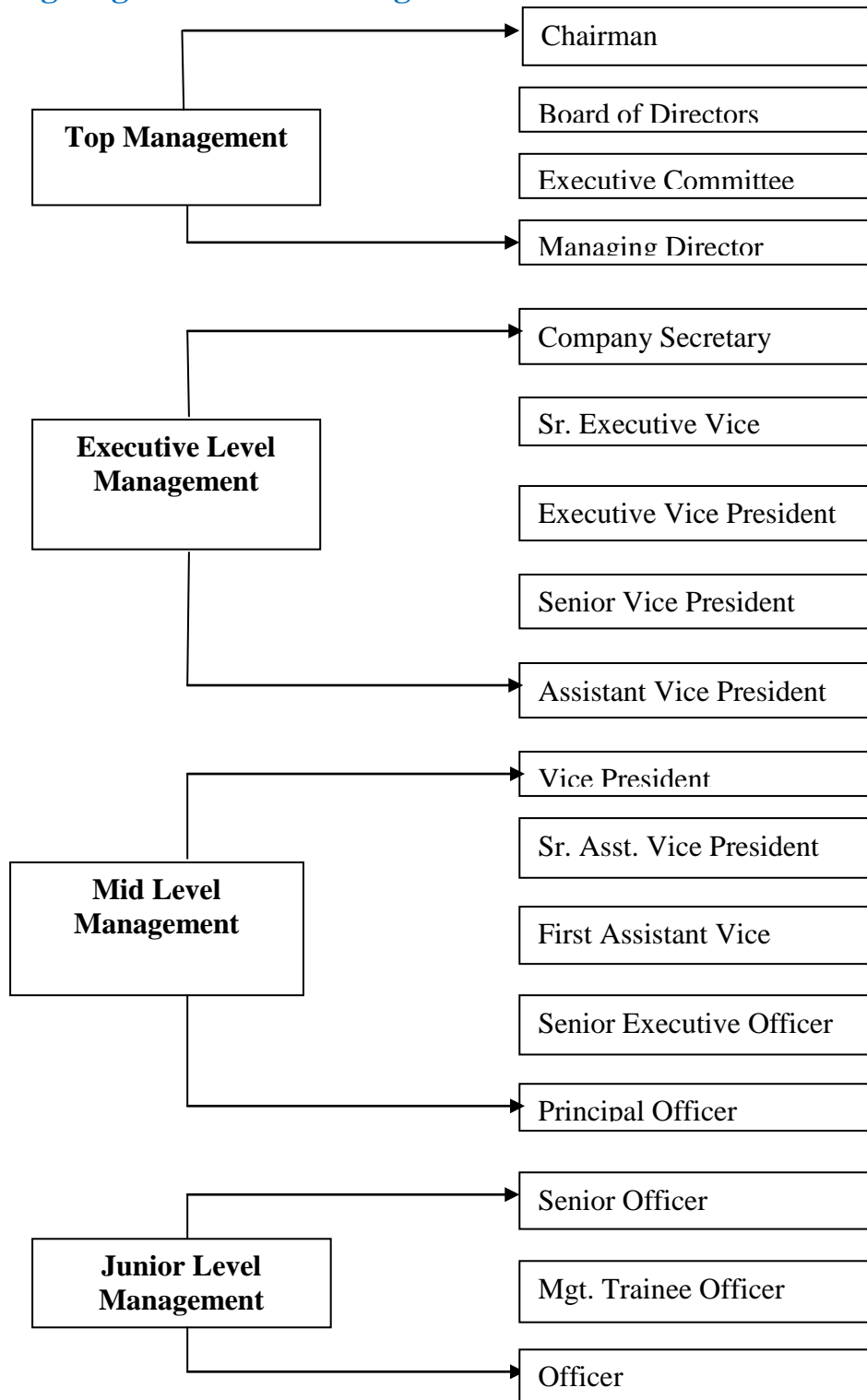


Figure: 1.1

2.7 Social cause programs

DBBL has pioneered Social Cause Programs in this country. Since inception, DBBL tried to enrich economic and social indicators of society by way of supporting education, reducing poverty, giving standard healthcare service, proper nutrition, and ensuring environment friendly society for the present and future generations'. Our lending policy is also supportive for creating employment opportunities and it is free from environmental hazards. Education and healthcare are key areas where we are directing our efforts to improve quality. We strongly believe that these kinds of social and philanthropic activities would ultimately improve the quality of lives of the disadvantaged people of the country by receiving support for education and healthcare as well as financial support whenever there is a natural disaster.

Largest Scholarship Program continued in 2013

You will be pleased to know that the massive and expanded scholarship program introduced in 2011 for providing scholarships worth Taka 1,020 million to 30,000 students studying in HSC and graduation levels on a yearly basis continued in 2013.

2.8 DBBL financial performance in several years respectively

The world economy has entered yet another transition. Advanced economies are gradually strengthening. At the same time, growth in emerging market economies has slowed. This confluence is leading to tensions, with emerging market economies facing the dual challenges of slowing growth and tighter global financial conditions. Despite the global economic challenges and challenging economic environment, the Bangladesh economy achieved a respectable growth of 6.3 percent during FY 2013. Using the FY 1996 base year, real GDP growth was 0.2 percentage point lower than 6.2 percent growth recorded in FY 2012. The expansion of the economy during FY 2013 was broad based, registering positive growth by all sectors and sub-sectors of the economy. GDP growth during the year was based on 9.0 percent growth in the industry sector, 5.7 percent growth in the services sector and 2.2 percent moderate growth in the agriculture sector. Bangladesh Bank adopted restrained Monetary Policy Stance against the backdrop of unfolding global recovery and slower credit growth in the country. During the year,

interest rates on deposits and advances were falling because of political unrest, slower business condition particularly import business. As a result, most of the Bank posted negative profit growth with lower credit growth and higher NPL ratio.

2.9 Graphical presentation

Profit after Tax

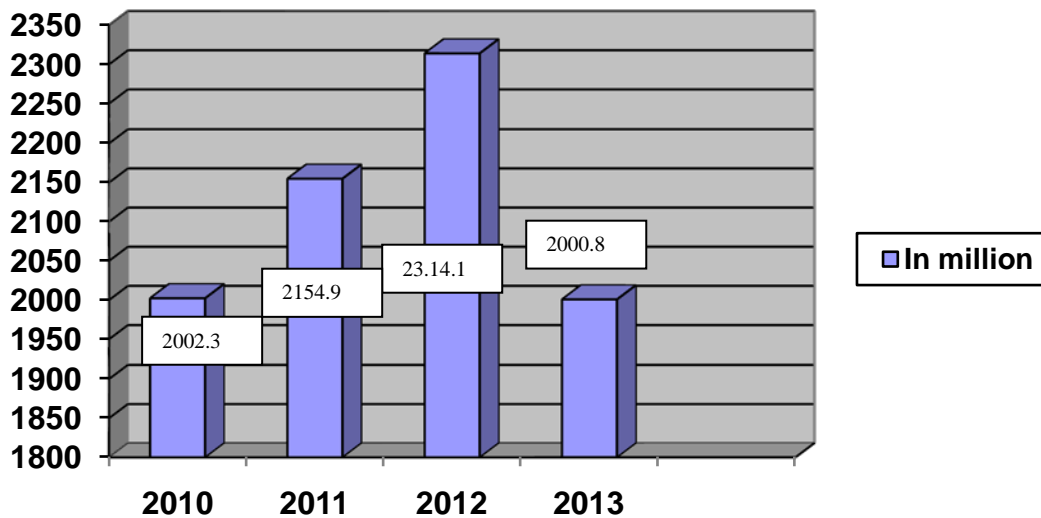


Figure: 1.2

Comment

Efficient Board and management, strong capital base, wide branch network, support from other stakeholders helped DBBL in revenue earnings and profit maximization. During the period DBBL earned an operating profit of Tk. 8,940.60 million in 2010 which was Tk. 3,397.50 million in 2009 registering a growth of 163.15 percent. Net Profit after tax grew by 231.34 percent to Tk. 6,860.34 million in 2010 after making provision for loan loss and taxation .In 2013, profit before tax decreased by 26.4% and stood at Taka 3,547.0 million compared to Taka 4,817.1 million in 2012. Profit after tax decreased by 13.5% and stood at Taka 2,000.8 million compared to Taka 2,314.1 million in 2012. The return on equity was 17.0% compared to 23.4% in 2012. During the year under review, earnings per share attributable to shareholders amounted to Taka 10.0 compared to Taka 11.6

during the previous year. In 2011, profit after tax increased and stood by taka 2154.9 million compared to taka 2002.3 million in 2010.

Asset quality and capital adequacy

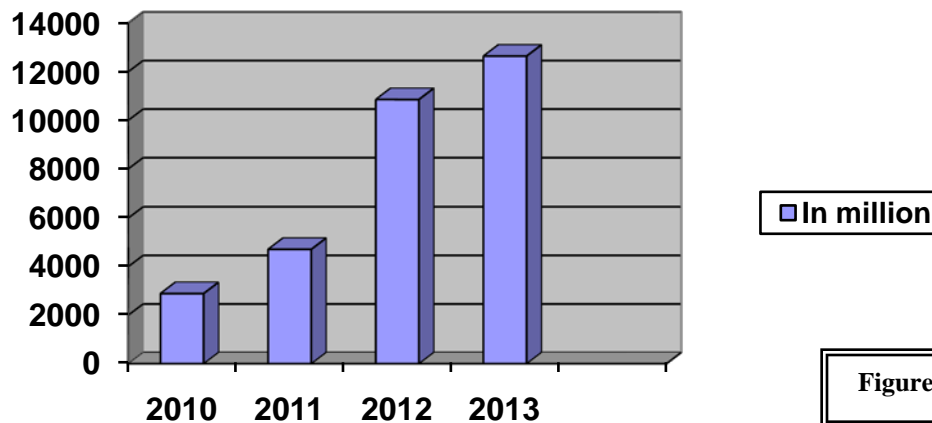


Figure: 1.3

Comment

Classified loan as a percentage of total loan portfolios increased to 3.9% at the end of 2013 which is lower than industry average. At the end of 2013, total equity stood at Taka 12,641.7 million as compared to Taka 10,854.5 million in 2012. On 2011, it stood at Taka 4,709.8 million at the end of December 2011 compared to Taka 2,888.5 million at the end of 2010.

2.10 About Uttara Branch

Dutch Bangla Bank limited has 136 branches throughout the country till November; 2010. Uttara Branch is located in House # 02, Sonargaon Janopad Sector#11, Uttara; Dhaka-1230. It was established on October 2002.

2.11 Distribution of Shareholders

Particulars	Number of shares held As of 31 December		Percentage (%) of shares held as of 31 December	
	2013	2012	2013	2012
Sponsors				
Local	122,634,240	122,634,240	61.3%	61.3%
Foreign	51,348,900	51,348,900	25.7%	25.7%
Total Sponsors	173,983,140	173,983,140	87.0%	87.0%
General Public				
Institutions	8,102,681	10,220,360	4.1%	5.1%
Individuals	17,914,179	15,796,500	8.9%	7.9%
Total General Public	26,016,860	26,016,860	13.0 %	13.0%
Grand Total	200,000,000	200,000,000	100.0%	100.0%

Chapter 3

Review of Related Literature

Chapter 3

Review of Related Literature

1. **Loans & Advance section**
2. **Types of Loans and Advances Offered by Dutch Bangla Bank Limited**
3. **Products and Services**

3.1 Loans & Advance Section

This is the survival unit of the bank. The reason is that until and unless the success of this section, the survival is a big question. This is the main earning unit of the bank. Banks accept deposits from the depositors in condition of providing interest to the depositors in condition of providing interest to them. Now the question is how bank provides interest to their clients. The simple answer is – interest from advances.

The bank provides interest to the borrowers because:

1. To earn interest from borrowers and give depositors the interests get back. The rest are the profit of the bank.
2. To accelerate economic development.
3. To meet the interest groups.

Credit is a continuous process. Recovery of one credit gives rise to another credit. In this process of revolving funds, bank earns income in the form of interest. A bank can invest its fund in many ways. Bank provides loans and advances to traders, businessmen and industrialists. Moreover, nature of credit may differ in terms of security requirement, disbursement provision, terms and conditions etc.

Bank often uses loans and advances as an alternative to one another. But, academically this concept is incorrect. Academically, Advances is the combination such items where loans is a part only. For this credit section of the banks is known as advance section.

3.2 Types of Loans and Advances Offered by Dutch Bangla Bank Limited

Modern banking operation touches almost every sphere of economic activity. The extension of bank credit is necessary for expansion of business operations. Bank credit is a catalyst bringing about economic development. Without adequate finance there can be no growth or maintenance of a stable output. Bank lending is important to the economy, for it makes possible the making of loan and advance is always profitable to a bank. As

the bank mobilizes savings from the general people in the form of deposit, the most important task of it is to disburse this aid deposit as loan or advance to the mass people for the development of commercial, industrial who are in need of fund for investment. Like other business firm, the main purpose of the commercial bank is to make profit. The profitability of the banks depends on the efficient manner and avenues in which the resources are employed. DBBL has made so far efficient use of the deposit and has the classified rates under control. The Bank disburses loan in different form. It varies in purpose wise, mode wise and sector wide. The varieties used by DBBL are briefly described below with the common terms and condition and performance in each mode. The financing of commercial and industrial activities of a nation DBBL offers a wide range of loans and advances to suit your needs. Amongst them are the following.

1. Life Line (a complete series of personnel credit facility)
2. Loan agst. Trust Receipt
3. Transport Loan
4. Real Estate Loan (Res. & Comm.)
5. Loan Agst. Accepted Bill
6. Industrial Term Loan
7. Agricultural Term Loan
8. Lease Finance
9. Other Term Loan
10. FMO Local currency Loan for SME
11. FMO Foreign currency Loan
12. Cash Credit (Hypothecation
13. Small Shop Financing Scheme
14. Overdraft

3.3 Products and Services

The products and services rendered by DBBL are mainly Deposit products, Credit products and Card services.

Deposit

Deposit products offered by the bank are:

1. Savings Deposit Account
2. Current Deposit Account
3. Short Term Deposit Account
4. Resident Foreign Currency Deposit
5. Foreign Currency Deposit
6. Convertible Taka Account
7. Non-Convertible Taka Account
8. Exporter's FC Deposit(FBPAR)
9. Current Deposit Account-Bank
10. Short Term Deposit Account-Bank

Credit

Classification of Advance: Commercial & Industrial Credit:

1. Corporate Credit Scheme.
2. Retail Credit Scheme

Corporate Credit Scheme:

The bank is entrusted with the responsibility of providing short, medium and long term loans and other financial assistance for promotion of industrial sectors. There are 3 types of corporate credit scheme:

- Cash Credit
- Over Draft
- Secured Over draft

Retail Credit Scheme:

The bank also provides retail loan to individual customer. There are different types of retail loan which helps customer to fulfill their dream. Like car loan, educational loan, travel loan etc

Lease finance

The bank provides Lease finance facility for Capital machinery, Different equipment, Gas /Diesel generator, Power Plant, Medical equipment, Lift/Elevator, Information Technology equipment, Construction equipment, and Consumer durables. The pay back is in easy installments.

House Building Loan

People can have a loan from DBBL for purchasing an apartment or for building a house. Maximum allowable loan is 70% of total value or Tk. 7,500000 which one is higher. It may have a grace period of 9 to 12 months.

Import Finance

DBBL extends finance to the importers in the form of:

1. Opening of Import L/C
2. Credit against Trust Receipt for retirement of import bills.
3. Short term & medium term loans for installation of imported machineries & production thereof.
4. Payment against document

Export Finance

1. Pre-Shipment Finance:

Pre-Shipment finance in the form of:

- I) Opening of Back-to-Back L/C
- II) Export Cash Credit

2. Post-Shipment Finance

Post-Shipment finance in the form of:

- I) Foreign/Local Documentary Bills Purchase
- II) Export Credit Guarantee
- III) Finance against cash incentive

Foreign Remittance

DBBL provides premium quality service for repatriation and collection of remittance with the help of its first class correspondents and trained personnel. By introducing on-line banking service and becoming a SWIFT Alliance Access Member, which enable its branches to send and receive payment instruction directly that helps provide premium services. Remittance services provided by DBBL are:

1. Inward Remittance: Draft, TT
2. Outward Remittance: FDD, TT, TC and Cash (FC)

Treasury

DBBL is well equipped for treasury operation through subscribing Reuters's terminal and operating in SWIFT network. It is also well equipped with competent human resources for efficient dealing.

Our treasury quote competitive exchange rate for major currencies:

1. Spot Sale/Purchase
2. Forward Sale/Purchase
3. Money market Interbank & Corporate
4. SWAPS
5. Forex - Commercial & Non-Commercial

Account Services

DBBL provides all the accounts services as prescribed by the guidelines of Central Bank (Bangladesh Bank). We offer competitive interest rate and provide premium quality services for the accounts. Account services are:

1. Foreign Currency Account
2. Non-Resident Foreign Currency Deposit Account (NFCD)
3. Resident Foreign Currency Deposit Account (RFCD)
4. Convertible and Non-Convertible Taka Account
5. Convertible and Non-Convertible Taka Account
6. Non-Resident Blocked Taka Account

Credit & Debit cards

Dutch bangla Bank presented its International Master Card service before any other local bank here. In the meantime it has also introduced Visa and Power Cards (Debit card).

The mission under taken by DBBL during its inception was never ignored by it and it's still working for the country and for the nation with full commitment.

DBBL ATM Service

Due to DBBL's cost-cutting in the entire ATM and technology market, these investments are not rewarding for the Bank. It gives free transactions to customers. It charges for other banks are insignificant considering the rates that they still pay to local ATM companies and standard international charges. The Bank approached the IT project as a component of the Social Causes program, where the intrinsic value of the system would outweigh the financial costs. They have facilitated emergency money withdrawal for clients to withdraw anywhere between Taka 500 to Taka 20,000.

DBBL Internet banking enables customer to access his/her personal or business accounts anytime anywhere from home, office or when traveling. Internet Banking gives customer the freedom to choose his/her own banking hours. It can save time, money and effort. It's fast, easy, secure and best of all.

Using any of the DBBL ATM pools anywhere in the country, you can perform the following:

1. Securities with DBBL Internet Banking
2. A/c Opening & Accessing Internet Banking
3. Internet Banking Features
4. Terms & Conditions of Internet Banking

Chapter 4

Analysis and Interpretation of the data

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Analysis and Interpretation of the data

1. **Credit Rating of Dutch bangla Bank limited**
2. **Depository products**
3. **Credit Sanction & Appraisal Procedure**
4. **Lending policies of Dutch Bangla Bank Limited**
5. **Lending procedures of Dutch Bangla Bank Limited**
6. **Lending Risk Analysis (LRA)**
7. **Loan classification**
8. **Statement Prepared by the Credit Department**
9. **According to the last AGM report 2013 classified loans and advance of DBBL**

4.1 Credit Rating of Dutch bangla Bank limited

Credit Rating Agency of Bangladesh Limited has upgraded the credit rating of the Bank to AA3(Pronounced Double A Three) in the Long Term and ST-1 in the Short Term in recognition of its strong financial position, excellent operational performance, capital adequacy and commendable growth in all business areas. A Commercial Bank rated AA3 is judged to be of very high quality, is subject to very low credit risk and has strong capacity to meet its financial commitments. A Commercial Bank rated ST-1 is considered to have the highest capacity for timely repayment of obligations, and are characterized with excellent position in terms of liquidity, internal fund generation, and access to alternative sources of funds. Dutch Bangla Bank Limited takes this opportunity to thank its regulators, customers, stakeholders, staff, and well wishers for achieving this rating.

4.2 Depository products

DBBL Bank Assistant Officer opens different types of accounts on the request of clients. Such as:

- (a) Current Deposit (CD)
- (b) Saving Deposit (SB)
- (c) Other type

a) Current Account:

A current deposit account may be operated in several times during a working day. There is no restriction on the number and the amount of withdrawals from a current account and banker does not allow any interest on this account DBBL Banks normally prefer current account due to its cost free nature.

b) Savings account

A saving account is meant for the person of the lower and the middle classes who wishes to save a part of their income to meet their future needs and intend to earn an income from their savings .This is an interest bearing account and a reasonable rate of interest is offered, which is higher than that of short term deposit account but lower than that of fixed deposit account.

c) Other type account:

For Joint Stock companies, Association, Clubs etc:

In case of opening a current account of joint stock companies, association, clubs etc, are said to fulfill true copies of certificate of incorporation or registration (in case of companies and registered bodies only).

4.3 Credit sanction appraisal process

Borrowers Credit Worthiness Analysis by DBBL following 6 “C”s:

The question that must be dealt with before any other whether or not the customer can service the loan that is pay out the loan when due with a comfortable margin of error. This usually involves a detailed study of six aspects of the loan application: character, capacity, cash, collateral, conditions and control. All must be satisfied for the loan to be a good one from the lender’s (DBBL) point of view.

1. **Character:** The loan officer must be convinced that the customer has a well defined purpose for requesting credit and a serious intention to pay. Responsibility, truthfulness, clean past record, true purpose and honest intention to repay the loan make up what a loan officer calls character.
2. **Capacity:** The customer requesting credit must have the authority to request such and the legal standing to sign a binding loan agreement.
3. **Cash:** The borrower should have the ability to generate enough cash flow to repay the loan. This cash flow can be generated from sales or income from the sales or income, from the sale of liquidation of assets or funds raised through debt or equity securities.
4. **Collateral:** The borrower must possess adequate net worth or enough quality assets to provide adequate support for the loan. The value of the collateral security must cover the loan exposure.

5. **Conditions:** The recent trend of borrower's line of work or industry must be taken into considerations by the lender.
6. **Control:** The lender should be careful about whether changes in law and regulations could adversely affect the borrower and whether loan request meets the Bank's and regulatory authorities' standards for loan quality.

4.4 Lending policies of Dutch Bangla Bank Limited

A loan policy gives loan officers, relationship managers and the Bank's management specific guidelines in making individual loan decisions and in shaping the Bank's overall loan portfolio. One of most important ways a Bank can make sure its loans meet regulatory standard and are Profitable is to establish a written loan policy. Dutch Bangla Bank Ltd. also has a good loan policy and the most important elements of the policy arc stated below:

1. A goal statement for the Bank's loan portfolio (in terms of types, maturities, sizes, and quality of loans).
2. Specification of the lending authority given to each loan officer and loan committee (measuring the maximum amount and types of loan that each person and committee can approve.)
3. Lines of responsibility in making assignments and reporting information within the loan department.
4. Operating procedures for soliciting, reviewing, evaluating, and making decisions on customer loan applications.
5. The required documentation that is to accompany each loan application and what must be kept in the Bank's credit files (required financial statements, security agreements etc.)
6. Lines of authority within the bank regarding who is responsible for maintaining and reviewing the Bank's credit files.
7. Guidelines for taking, evaluating and perfecting loan collateral.
8. A presentation of policies and procedures for setting loan interest rates and fees and the terms for repayment of loans.
9. A statement of quality standards applicable to all loans.

10. A statement of the preferred upper limit for total loans outstanding (i.e. the maximum ratio to total loans to total assets allowed.)
11. A description of the Bank's principal trade area, from which most loans should come.
12. A discussion of the preferred procedures for detecting, analyzing and working out problem loan situations.

A written loan policy statement carries a number of advantages for the bank adopting it. It communicates to employees working in the loan department what procedures they must follow and what their responsibilities are. It helps the Bank moves forward a loan portfolio that can successfully blend multiple objectives such as promoting the bank's profitability, controlling its exposure and satisfying regulatory requirements.

4.5 Lending procedures of Dutch Bangla Bank Limited

The lending procedure starts with building up relationship with customer through account Opening. The stages of credit approval are done both at the branches and at the corporate office level. The various stages of credit approval are described sequentially

Step-1

A loan procedure starts with a loan application from a client who must have an account with the Bank. At first it starts from the branch level. Branch receives application from client for a loan facility. In the application client mention what type of credit facility he/she wants from the bank including his/her personal information and business information. Branch Manager or the Officer in-charge of the credit department conducts the initial interview with the customer.

Step-2

After receiving the loan application from the client, the bank sends a letter to Credit Information

Bureau of Bangladesh Bank for obtaining a credit inquiry report of the customer from there. This report is called CIB (Credit Information Bureau) report. This report is usually collected the credit information of customer. The purpose of this report is to be informed that whether or not the borrower has taken loans and advances from any other banks and

if so, what is the status of those loans and advances i.e. whether those loans are classified or not.

Step-3

If Bangladesh Bank sends positive CIB report on that particular borrower and if the Bank thinks that the prospective borrower will be a good one, then the bank will scrutinize the documents.

Required documents are:

1. In case of corporate client, financial documents of the company for the last three to five years. If the company is a new one, projected financial data for the same duration is required.
2. Personal net worth of the borrower(s).
3. In this stage, the bank will require whether the documents are properly filled up and duly signed. Credit in charge of the relevant branch is responsible enquire about the ins and outs of the customer's business through discussing with him/them.

Step-4

Bank officials of the credit department will inspect the project for which the loan is applied. Project existence, its distance from the bank originating the loan, monitoring cost and possibilities are examined.

Step-5

Any loan proposal needs to be evaluated on the basis of financial information provided by the loan applicant. Financial spread sheet analysis which consists of a series of quantitative Techniques is employed to analyze the risks associated with a particular loan and to judge the financial soundness and worthiness of the borrower. Besides lending risk analysis is also undertaken by the bank to measure the borrower's ability to pay considering various risks associated the loan. These quantitative techniques supported with qualitative judgment are the most important and integral part of the credit approval process used by DBBL. This is the credit analysis phase.

Step-6

Obtain legal opinion on the collateral provided by the applicant, whether those are properly submitted- regular and up to date or else those documents will be asked to regularize by the applicant.

Step-7

The branch starts processing the loan at this stage. Based on the analyses (credit analysis) done by the branch, the branch prepares a loan proposal. The proposal contains following important

And relevant information:

1. Name of the borrower (s).
2. Nature of credit.
3. Purpose of the credit.
4. Extent of the credit.
5. Collateral.
6. Margin.
7. Rate of interest.
8. Repayment schedule
9. Validity

Step-8

If the proposal meets DBBL's lending criteria and is within the manager's discretionary power, the credit line is approved. The manager and the sponsoring officer sign the credit line proposal and issue a sanction letter to the client. If the value of the credit line is above the branch manager's limit then it is send to head office or zonal office for final approval with detailed information regarding the client (s), credit analysis and security papers.

Step-9

Head office processes the credit proposal and afterwards puts forward an office notice if the loan is within the discretionary power of the head office credit committee or board memorandum if the loan requires approval from the board of directors.

Step-10

If the zonal office, credit committee of the head office or the board as the case may be approves the credit line, an approval letter is sent to the branch. The branch then issues a sanction letter to the borrower with a duplicate copy. The duplicate copy duly signed by the borrower is returned to the branch of the bank.

Step-11

After issuing the sanction advice, the bank will collect necessary charge documents. Charge documents vary on the basis of types of facility, types of collateral.

Step-12

Finally loan is disbursed by the branch through a loan account in the name of the borrower and monitoring of the loan starts formally.

Recovering of the Loan

The usual process of repaying the loan starts from the next month when the loan was disbursed .the borrower should repay the monthly installments within the 8th of each month. The bank keeps five pages of a cheque book (account payee cheque) signed by the borrower. However prepayment of the loans is also available.

Lending credit to individuals is one of the most important functions of the bank. But it is not the bank's duty to only disburse .It is given more important to recover the loan successfully.

In Case of Default

Borrowers sometimes fail to pay installment on right time. In that case the bank let the borrowers notify as soon as possible .In case of default the bank takes the following steps:

- Communicate with respective borrower and guarantor over phone and issue a letter stating loan default.
- Issue a letter to the client if the cheque gets dishonored.
- Issue overdue recover letter, letter of authority, and letter of guarantee.
- Sending legal notice to the client and guarantor before classifying the loan.
- If all the sections fall short then the bank files a lawsuit against the borrower

4.6 Lending Risk Analysis (LRA)

Lending risk analysis (LRA) is a technique by which the risk of the loan is calculated. Experienced people of Credit department in DBBL do this analysis. It is a ranking whose total score are 140. Among this score, 120 is for total business risk and 20 for total security risk. It is a four -scale rating.

In case of business risk, if the score falls

Between 12- 19	Poor Risk
Between 20-26	Acceptable Risk
Between 27-34	Marginal Risk
Over 34	Good Risk

Table: 1.2

In case of Security risk, if the score falls

Between -20 to - 15	Poor Risk
Between -14 to 0	Acceptable Risk
Between 0 to 10	Marginal Risk
Over 10	Good Risk

Table: 1.3

In LRA following aspects are analyzed:

- 1) Supplier Risk
- 2) Sales Risk
- 3) Performance Risk
- 4) Resilience Risk
- 5) Management ability
- 6) Level of Management teamwork
- 7) Management competent Risk
- 8) Management integrity Risk
- 9) Security control Risk
- 10) Security cover Risk

4.7 Loan classification

Loan classification is required to have a real picture of the loan and advances provided by the Bank. It helps to monitor and take appropriate decision regarding each loan account. Like other banks, classification of loans falls into following five categories:

- **Unclassified (UC):** Repayment is regular.
- **Substandard (SS):** Repayment is stopped or irregular but has reasonable prospect of improvement.
- **Doubtful (DF):** Unlikely to be repaid but special collection efforts may result in partial recovery.
- **Bad/Loss (BL):** Very little chance of recovery. Every possible effort to be taken recovery of this loan.

4.8 Statement Prepared by the Credit Department

Showing monthly statement prepared by Credit Department for Bangladesh bank

Monthly Statement for Bangladesh Bank	Due Date
Monthly credit (rescheduled increased /newly sanctioned) schedule of Tk.1 core and above.	Within 10th of the next month
Statement of post-Import finance against commercially imported goods	Do
Monthly statement of advance of Inland bills purchased/discounted for month ended(last Thursday)	Do
Agriculture Loan (sector-Wise)	Do
Loans and advances for Govt./Autonomous organization	Do
Overdue and Classified Loan	Within 5th of the next month

Table: 1.4

Showing quarterly statements prepared by Credit Department for Bangladesh bank

Quarterly Statement for Bangladesh Bank	Due Date
Statement of Loans given to directors of the Bank or to the Institution in which the directors have interest	Within 7th of the next month
Statement of Industrial Loans	Within 10th of the next month
Statement of Loans outstanding Tk.1 core and above.	Do
Statement regarding sector-wise outstanding of Loans and advances	Do
Statement of advances(SBS-3)	Within 15th of the next month
Statement regarding outstanding & Overdue position (up to Tk.1 lac, above Tk.1 lac to Tk. 10 lac .	Do
CIB statement	Do

Table: 1.5

Showing monthly statement prepared by Credit Department for Head Office

Monthly Statement for Head Office	Due Date
Overdraft cash credit	Within 1 st week of the next month
Term loan, demand loan, house building loan	Do
FBP,FDBP	Do
Packing credit, bank guarantee, statement of L/C opened and outstanding commitment	Do

Table: 1.6

Showing fortnightly statements prepared by Credit Department for Bangladesh bank

Fortnightly Statement for Head Office	Due Date
PAD (cash)	Within 2 nd & 15th of each month
LTR	Do

Table: 1.7

4.9 According to the last AGM report 2013 classified loans and advance of DBBL is

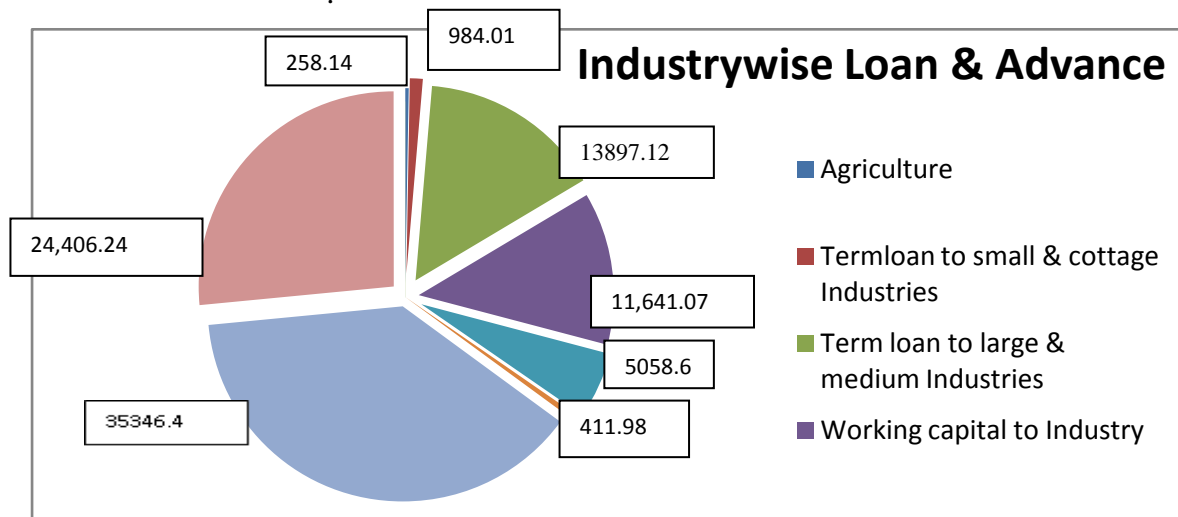


Figure: 1.4

Comment

Dutch Bangla bank limited formulated befitting credit risk management criteria and strategies for creation of balanced lending mix in its portfolio both for short and long term

with the bottom line objective to ensure risk adjusted rate of return in its credit transactions. Loan and advances in the year 2013 registered an increase by 41.26% to BDT 92,003.56 million from BDT 65,129.29 million in 2012. During the year 2013, the credit expansion mainly was in bilateral project finance, syndicate finance, export, import and trade finance as well as SME and Agri finance. The bank as a matter of policy prioritizes to make lending in the thrust sectors of the economy so as to make distinctive value addition in overall economic uplift of the country.

Chapter 5

Findings, Suggestions &

Conclusion

Chapter 5

Findings, Suggestions & Conclusion

- 1. Findings of the Study**
- 2. Suggestions**
- 3. Conclusion**

5.1 Findings of the Study

After doing a research on this paper I have found some contributions and problems regarding the topic of the report which is discussed below.

1. Although Dutch Bangla Bank provides loan to its clients, sometimes it becomes hard for the clients to repay the loans properly because of its high interest rate. They sometimes face financial problem in case of paying the installments. But this percentage is very low because Dutch Bangla Bank mostly provides loans to them who have a good financial status.
2. Though lending risk analysis (LRA) is done here, it is not with so much importance in case of loan disbursement. Sometimes customers argue that LRA is an unnecessary thing and the bank should avoid it. They try to argue that even their LRA is not good, they will be good borrower. For these reasons, bank cannot follow the policy to disburse loans according to LRA so strictly.
3. Necessary changes in credit policy, loan and advance policy, and provision for loan are made continuously.
4. The Officers engaged in loan management is very much aware in choosing right Person to provide loan to ensure its recovery.

From the above discussion we can see very few drawbacks of Dutch Bangla Bank regarding the loan.

Although the above mentioned points are not causing significant problems, yet, if they are solved then it will be helpful for the people those who are deprived and the bank as well.

5.2 Suggestions

1. Because of the high interest rate a short span of time, some people face some financial problem during the payment of the installments. So, if this can be modified a little bit then maybe it will be more helpful for the clients to repay loans properly.
2. In order to build a strong image among the people, they should carry out aggressive marketing campaign to attract clients. They can give advertisements in newspaper and magazine, television and neon signs.
3. The Bank can organize more training program and workshop to make the employees more efficient in their sector.
4. The Bank has to establish a strong “Credit Manual”.
5. The Bank has to go through background investigation of all parties.
6. All the loan documentations have to done honestly.
7. All the document verifications have to done before loan sanction.
8. The Bank has to construct a long term strong investment policy.
9. The Loan and Advance section has to make strong and the employees have to be devoted to the Bank.
10. The Bank has to give emphasis the SME loan section.
11. The Bank should introduce more loan section.

5.3 Conclusion

With a strong deposit balance and assets Dutch Bangla Bank limited run an efficient way not only in our also in the abroad. Dutch Bangla Bank limited has been trying to operate its business successfully since 1983. The bank has already developed good image and goodwill among its clients by offering excellent services. Credit is the most sensitive and important part of a bank. A bank's main earning is through interest income from loan. Service charge is very negligible in terms of earning from loan interest. So the main income of a bank is loan interest. So Dutch Bangla Bank must be very careful about the loan. It is very necessary to give more and more loans to gain more profit. But at the same time it also necessary to give loan to credit worthy customers. Credit policy is the best way to sort out credit worthy clients. But sometime a bank faces difficulties to collect installment payments. Considering the entire condition Dutch bangla Bank is doing very well in terms of creating a good credit policy, giving loan to credit worthy customers and keeping a balanced allowance for bad loan. Finally I can say that among the entire private bank in Bangladesh, Dutch Bangla bank limited always providing the efficient service with very affordable price.

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Appendix

Open Ended Question

A Study on “Loan & Advance Management of Dutch Bangla Bank Ltd.”

These questions are mainly design for interview method. Participants are both clients and officers. All questions are designed in an open ended form.

1. Do you avail any type of Loan facility from Dutch Bangla Bank Limited?
2. Specify which type of Loan do you use?
3. What is the best thing about the service that you receive from Dutch Bangla bank limited? (if any)
4. Are you satisfied with the loan term condition that you receive from Dutch Bangla Bank limited?
5. If you are not satisfied with the service what is the possible reason of it?
6. Who is associated with you in the business? (Relationship with you)
7. Does Dutch Bangla Bank Limited take initiative about proper use of loan?
8. Do you feel any problem while paying the installment?