



Daffodil
International
University

The Credit Management of Agrani Bank Limited (ABL)

Submitted To:

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Date of Submission: 18 November 2018

Daffodil International University

Letter of Transmittal

18 November 2018

To

N.M. ZAYED

Assistant professor & head

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Faculty of Business & Entrepreneurship

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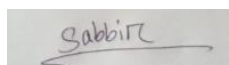
Subject: Submission of an Internship Report.

Dear Sir,

I am very pleased to submit you my internship report on “**The Credit Management of Agrani Bank Limited**”. It has been a great gratification for me to have the opportunity to apply my academic knowledge in practical field. The theoretical knowledge is of no worth if it is not applied in reality. The report is prepared on the basis of the theoretical and practical learning from the 3-month internship program in **Agrani bank limited. (Nishindara Branch, Bogra).**

I tried my level best to put careful effort for the preparation of this report. Furthermore, I will heartily welcome any clarification and suggestion about any view and conception disseminated in the report. I truly appreciate your patience and support.

I sincerely expect that you would be kind enough to accept my report for evaluation and oblige thereby.



Sincerely yours,

Md. Sabbir Hasan

ID. No. 151-27-281

Program: BRE

Department of real estate

Daffodil International University

Certificate approval



This is to certify that Md. Sabbir Hasan , ID. 151-27-281, batch 21, department of real estate , daffodil international university has conducted his internship report titled “Credit management of Agrani bank limited” in nishindara brunch Bogra, under me supervision and guidance. I do hereby approve the style and contents of this relationship report. This is for the partial fulfillment of his BRE program for daffodil international university. This project is properly coordinated by me.

I wish his every success in life

N.M. ZAYED

Assistant Professor & Head

Department of Real Estate

Faculty Business and Entrepreneurship

Daffodil international university

Acknowledgement

I am Sabbir Hasan student of Daffodil International University is highly grateful to all those who guide me in completing this project. It is Allah who has made my journey into the vast sea of knowledge smooth and easier. I would like to thank Agrani Bank Limited for providing me nice academic environment for the successful completion of the program. My sincere gratitude also goes to my supervisor N.M. ZAYED who has guided me from the very beginning of my internship program. His inspiration and encouragement has made me confident and selfdependent. However, are incurred by me. I express my appreciation to all staff members of Agrani Bank Limited, Nishindara Branch. Special thanks go to the respondents, who spared their time generously, and took the trouble of answering my queries and helped me to complete my study.

EXECUTIVE SUMMARY

Now the banks constitute the core of the country's organized financial system in Bangladesh. Banks are now-a-days the most trusted financial organizations to the people all over the world and they satisfied their customer by offering Different banking services. Ensuring the maximum level of customer satisfaction is an aim for each financial institution. As a result the customer expectations about the service quality of Agrani Bank always remain medium. I got the opportunity of getting important information from the employees of this bank that help me to prepare this project paper.

The objective of the report is to assess the level of importance, the customer of Agrani Bank put across various service attributes and also to determine how well Agrani Bank is satisfying the customer of those service grounds and different service quality dimensions. The survey is conducted on 100 respondents (sample) those represent the total general customers segment. Customer had to mark the level of importance that they perceive about a particular service attribute's quality. The survey data is then analyzed with the help of statistical tools like weighted average mean and simple arithmetic mean.

The survey outcome is not highly satisfactory. Customers are highly dissatisfied with the service quality of ATM's because of the less number of ATM's. By increasing the numbers of ATM's, constructing the new branches, employees training, introducing locker service, personalize caring, implementing charges Agrani Bank can improve its service quality. The positive side of ABL strong relationship with the customers.

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CHAPTER 1

INTRODUCTION

1.1. Introduction

Banking is the backbone of an economy. All sorts of economic and financial activities revolve round the axis of the Bank. It also provides other financial services to its customers. There are different types of bank like: Central bank, commercial bank, saving banks, Investment bank, Industrial bank etc. Commercial banking is also known as business banking. It is a bank that provides checking accounts, saving accounts, and money market account that accepts time deposits.

1.2. Origin of the study

To match theoretical knowledge with that of practical field, internship plays a vital role for the students of business education. Particular training is necessary to achieve complete knowledge about something. Internship program is actually a form of practical training. With this program the students get experiences and know that how much theoretical knowledge is deviated from the real facts. Daffodil International University has to carry out an internship program. That's why; I had been placed for internship program in Agrani Bank Limited for a period of three months.

For my internship I was sent to Agrani Bank Limited, Under the Supervision of N.M.Zayed, Head of the Department of Real Estate, Daffodil International University. My supervisor claims me to prepare a report under the "Agrani Bank Limited".

1.3. Objectives of the study

General Objective:

The general objective of this report is to analyze the credit management of Agrani Bank Ltd.

Specific objectives:

- To explain the credit approval process.
- To know the credit management of ABL.
- To show section wise credit disbursement.
- To examine the credit recovery performance of ABL.
- And to recommend some suggestions on the basis of major findings.

1.4.Methodology

The report was fully exploratory in nature. Data have been collected from secondary sources.

Secondary sources of data

- Annual report of ABL
- Different papers of ABL
- Internet used as as a theoretical of information ➤Periodical published by Bangladesh bank.
- Unpublished data
- Different text books

CHAPTER 2

OVERVIEW

2.1. Organizational profile

Agrani Bank Ltd emerged as a nationalized commercial bank in 1972. Now-a days The Agrani Bank Ltd a state-owned commercial bank with 942 outlets. In may 17, 2007 Agrani Bank Ltd Exchange Houses and hundreds of overseas Correspondents, came into being as a Public Limited Company.

ABL Bank Ltd. headed by the MD (Managing Director) and CEO (Chief Executive Officer) and assisted by (DMD) Deputy Managing Director& GM (General Manager).

The ABL Bank has-

- Divisions of the head offices 34
- Circle of the officers 11
- Zonal Offices is 52
- Branches is 941
- Including 40 Authorized Dealer and 27 Corporate Branches.

2.2. Nature of Business of Agrani Bank Limited:

Agrani Bank Ltd. with its wide-ranging branch network and skilled personnel provides prompt services like issuing:

- Demand Draft
- Telegraphic Transfer
- Pay Order
- bills collection
- clearing

The Bank provides the following account facilities:

- Current/Savings/STD account
- FDR account
- Advance account
- Loan account

2.3. Brief Corporate Profile of Agrani Bank Limited

NAME OF THE COMPANY	AGRANI BANK LIMITED		
Chairman	Dr. Zaid Bakht		
Managing director	Mr. Syed Abdul Hamid		
Company secretary	Badal Chandra Dey		
Legal status	Public limited company		
Date of incorporation	17 may 2007		
Head office	9d Dilkusha commercial 1000.bangladesh.	area,	Dhaka-
Authorized capital	Tk. 2,500.00 Crore		
Paid up capital	Tk. 2,072.29 Crore		
Reserve and retained earning	Tk. 422 crore		
Number of employees	11443		
Number of branch	867		
Website	www.Agranibank.org		
Email	Agrani@ Agranibank.org		
Tax Identification No.	0022001223		

2.4. The Motto of ABL Bank

The motto of Agrani Bank Limited is “**Committed to serve the nation**”.

2.5. The Hierarchical Structure

Hierarchy Of Agrani Bank



2.6. Core Values



2.7. Account Opening:

Account Opening Form: At first you have to fill up a form given by the Respective bank where you are going to open an account. This form contains some Information such as –

- Name of the Branch. ➤Date.
- Title of the Account.
- Special instruction.
- Name of Account folder.
- Occupation.
- Address.
- Description of initial Deposit.
- Verification of the introducer.
- Specimen Signature.
- Pay in slip is filling up of all the particulars of Account and Cash tendered for.
- Deposit.
- Cheque requisition Slip.
- Ledger contains.
- Issue of Pass Book.

2.8 Service Provided by the Agrani Bank Limited

2.8.1. Services of Agency

ABL Bank has both commercial commitment to its clients and Societally commitment of nation.

In respect of transferring money to different benevolent organizations and groups.

2.8.2 Service of Locker

Customers to keep valuables as like important papers or documents and goods it like jewelries & gold ornaments, This bank Locker is available in maximum of the Branches in urban areas.

2.8.3 Evening Banking Service

"Evening Banking", Agrani Bank Limited Provide the Evening Banking Services for respected Customers and the extend the transaction hours till 6 o'clock in the evening,

2.8.4 Financial Service:

The Bank offers financing on easy terms to the following "Thrust Sectors":



Agro-based industries



Computer Software & IT



Electronics



Artificial flower Product



Frozen food



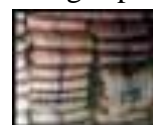
Export oriented non-traditional agro product



Gift item



leather goods



Jute goods



Jewelry and Diamond



Silk worm cultivation



Stuffed toys (except RMG)



Textile industry



Oil & Gas

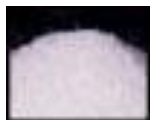
2.8.5 Import Finance:



Suger



Rice



Wheat



Milk Food



Edible Oil



Oil Seeds



Fruits



Spices



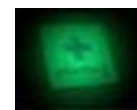
Raw Cotton



Cotton Yarn



Textile Fabrics



Pharmaceuticals R.M



Drugs & Medicine



Chemicals



Parts



Cement



Motor Vehicle



Electronic Component



Petrol, Oil & Lubricant (POL)



Fertilizer



Scrap Vessels

Chapter-3

Internship Experience

Internship Experience

Internship is a part of BRE program. It means work in any organization to realize the practical job culture and learn about working process of organization. I got this opportunity to work as an intern at Agrani Bank, Nishindara Branch, Bogra for Three (3) months.

I experienced that every desk is assigned with specific jobs and particular persons take responsibility as well as to carry out the jobs. In cooperating with all the persons I worked with, I came to learn a lot of things which will help me not only in professional life but also in my personal life. The journey of my internship with **Agrani Bank Limited** Nishindara Branch, Bogra was delightful. As I worked as an intern there, I was assigned at different desks of all the divisions of bank.

3.1. Remittance:

A remittance is a transfer of money by a foreign worker to an individual in his or her home country. In SBL I see that client come and show us a sms form Standard Express or Western Union money graph digit and we put the digit as input on computer and see the amount and give cash to the client who give us the secure digit number.

3.2. Credit Department

I worked 2 weeks in this department. My job was to prepare file for applicants with the corresponding papers (applicant's information, company invoices, TIN, VA certificate, credit report etc.) and help them to fill up it. I attached stamp in some of the papers like as Demand Promissory Note and then gave some seals like as Signature Verifying seal. I fill up some SME (Small Midterm Enterprise) forms. This form is different from savings account form. I also fill up some personal loan and CD accounts forms. I also help them to calculate some debit and credit numbers so they can easily put the calculate number in the computer.

3.3. Cheque Book

I worked 1 week in this department. My job was preparing the cheque book alphabetically by each person. Then I have to entry this cheque book in computer and take a charge against their cheque book.

3.4. Interest Calculation

Every bank gives a loan to their customers. Agrani Bank also gives a loan to their customer. There are different types of loan. My job was calculating the interest rate against the loan to every person who takes the loan from this branch.

3.5. Foreign exchange Department

I worked 1 week in Foreign exchange department. Here I learned LC means letter of credit and LC is one kind of bank grantee that if in case importer can't able to give money to the exporter then bank itself give money to the exporter.

In ABL Framgate Branch my job was maintain LC (Letter of Credit) register. In this register I need to write date, name of the LC opener with address, foreign currency amount, and rate of conversion, license no, items of import, country of origin, percentage of margin, amount of margin, commission of bank, vat amount.

CHAPTER 4

CREDIT MANAGEMENT

4.1. Definition of Credit

Credit is the ability to command goods or services of another in return for promise to pay such goods or services at some specified time in the future.

In banking terminology, credit refers to the loans and advances made by the bank to its customers or borrowers. Bank credit is a credit by which a person who has given the required security to a bank has liberty to draw to a certain extent agreed upon. It is an arrangement for deferred payment of a loan or purchase

4.2. Credit management

Borrowers and lender mobilize funds from one group of people at low rate and lend the same to other groups of people at the highest rate of return to maximize profit. Credit management in banking is mainly liable to its concerned authority. At any cost they have to bind to keep its funds in safety and returnable with maximum profit from the investment. So credit management involves an effective Processing of the entire loan transactions, proper evaluation of credit risk, accurate documentation of the loan, security agreements and systematic monitoring of the process of the loan that will help to minimize loan defaults.

4.3. Objectives of credit management

- To provide service in special sector
- To ensure profit maximization of the bank
- To provide adequate liquidity and cash
- To maintain reserve for contingencies
- To minimize loan defaults

4.4. Guidelines by Bangladesh Bank

4.4.1 Policy Guidelines

The guidelines contained herein outline general principles that are designed to govern the implementation of more detailed lending procedures and risk grading systems within individual banks.

(I) Guidelines of Lending

Every bank should have established Credit Policies (“Lending Guidelines”). The Lending Guidelines should provide the key foundations for account officers /relationship managers (RM) to formulate their recommendations for approval, and should include the following:

- Industry and Business Segment Focus
- Types of Loan Facilities
- Single Borrower/Group Limits/Syndication
- Lending Caps
- Discouraged Business Types
- Loan Facility Parameters ➤ Cross Border Risk

(II) Credit Assessment

Credit Applications should summaries the results of the risk assessment and include, as a minimum, the following details:

- Amount and type of loan(s) proposed.
- Purpose of loans.
- Loan Structure (Tenor, Covenants , Repayment Schedule, Interest) Security Arrangements

(III) Credit Risk Grading

The Credit Risk Grading (CRG) is a collective definition based on the pre-specified Scale and reflects the underlying credit-risk for a given exposure.

GRADING	SHORT NAME	NUMBER
Superior– Low Risk	SUP	1
Good– Satisfactory Risk	GD	2
Acceptable– Fair Risk	ACCPT	3
Marginal/Watchlist	MG/WL	4
Special Mention	SM	5
Sub standard	SS	6
Doubtful and Bad (non-performing)	DF	7
Bad & Loss (non-performing)	BL	8

Table-03: Credit Risk Grading

Source: “MANAGING CORE RISKS IN BANKING: CREDIT RISK MANAGEMENT” by BB

(IV) Policy on Loan Classification

Irrespective of credit score obtained by a particular obligor, grading of the

Classified names should be in line with Bangladesh Bank guidelines on classified

Accounts, which is extracted from “PRUDENTIAL REGULATIONS FOR BANKS:

SELECTED ISSUES” by Bangladesh Bank are presently as follows:

Basis for Loan Classification:

(a) Objective Criteria:

<i>Types</i>	<i>Objective Criteria</i>	<i>Status</i>
Continuous Loan	Overdue period for	
	Less than 90 days	Standard
	90 days or more but less than 6 months	Special Mention Account
	6 months to less than 9 months	Substandard
	9 months to less than 12 months	Doubtful
	12 months or above	Bad loan
Demand Loan	Overdue period for	
	Less than 90 days	Standard
	90 days or more but less than 6 months	Special Mention Account
	6 months to less than 9 months	Substandard
	9 months to less than 12	Doubtful
	12 months or above	Bad loan
Fixed Term Loan period up to 5 years	If the amount of 'defaulted installment' is equal to or more than the amount of installment(s) due within	
	Less than 90 days	Standard
	90 days or more but less than 6 months	Special Mention Account
	6 months	Substandard
	12 months	Doubtful
	18month	Bad loan
Fixed Term Loan period more than 5 years	If the amount of 'defaulted installment' is equal to or more than the amount of installment(s) due within	
	Less than 90 days	Standard
	90 days or more but less than 12 months	Special Mention Account
	12 months	Substandard
	18 months	Doubtful
	24 month above	Bad loan
Short-Term Agricultural Credit And Micro Credit	Overdue period for	
	Less than 90 days	Standard
	90 days or more but less than 12 months	Special Mention Account
	12months to 36 months	Substandard
	36 months to 60 months	Doubtful
	60 months or above	Bad loan

(b) Qualitative Judgment:

If any uncertainty or doubt arises in respect of recovery of any Continuous Loan, Demand Loan or Fixed Term Loan, the same will have to be classified on the basis of Qualitative judgment be it classifiable or not on the basis of objective criteria. If any situational changes occur in the

stipulations in terms of which the loan was extended or if the capital of the borrower is impaired due to adverse conditions or if the value of the securities decreases or if the recovery of the loan becomes uncertain due to any other unfavorable situation, the loan will have to be classified on the basis of qualitative judgment.

(v) Policy on Loan Provisioning:

The provisioning rate as per Bangladesh Bank circulars are as follow:

	Business Unit	Rates of Provision				
		UC	SMA	SS	DF	BL
Consumer Financing	House Building & Professional	2.00%	5.00%	20.00%	50.00%	100.00%
	Other than House Building & Professional	5.00%	5.00%	20.00%	50.00%	100.00%
	Small & Medium Enterprise	1.00%	5.00%	20.00%	50.00%	100.00%
	BHs/MBs/SDs against Shares	2.00%	5.00%	20.00%	50.00%	100.00%
	All Others	1.00%	5.00%	20.00%	50.00%	100.00%

4.4.2 Guidelines of Procedural

This section outlines of the main procedures that are needed to ensure Compliance with the policies contained in Section 1.0 of these guidelines.

(I) Approval Process

The preferred approval process -

1. Application forwarded to Zonal Office for approved/decline.
2. Advise the decision as per delegated authority (approved /decline) to recommending branches. A monthly summary of ZCO approvals should be sent to HOC and HOCB to report the previous month's approvals sanctioned at the Zonal Offices. The HOC should review 10% of ZCO approvals to ensure adherence to Lending Guidelines and Bank policies.
3. ZCO supports & forwarded to Head of Corporate Banking (HOCB) or delegate For endorsement, and Head of Credit (HOC) for approval or onward recommendation.
4. HOC advises the decision as per delegated authority to ZCO.
5. HOC & HOCB supports & forwarded to Managing Director.
6. Managing Director advises the decision as per delegated authority to HOC & HOCB.
7. Managing Director presents the proposal to EC/Board.
8. EC/Board advises the decision to HOC & HOCB.

(II) Credit Monitoring

In broad terms, the monitoring activity of the institution will ensure that:

- ▶ Funds advanced are used only for the purpose stated in the customer's credit application;
- ▶ Financial condition of a borrower is regularly tracked and management advised in a timely fashion;
- ▶ Borrowers are complying with contractual covenants;
- ▶ Collateral coverage is regularly assessed and related to the borrower's financial health;
- ▶ The institution's internal risk ratings reflect the current condition of the customer;
- ▶ Contractual payment delinquencies are identified and emerging problem credits are classified on a timely basis; and
- ▶ Problem credits are promptly directed to management for remedial actions.

More specifically, the above monitoring will include a review of up-to-date information on the borrower, encompassing:

- ▶ Opinions from other financial institutions with whom the customer deals;
- ▶ Findings of site visits;
- ▶ Audited financial statements and latest management accounts;
- ▶ Details of customers' business plans;
- ▶ Financial budgets and cash flow projections; and
- ▶ Any relevant board resolutions for corporate customers.

4.5 Agrani Bank Limited Credit Management Process

The loan and credit department is a very important department of a bank. The money mobilized from ultimate surplus units are allocated through this department to the ultimate deficit unit (borrower).the success of this department keeps a great influence over the profit of a bank. Failure of this department may lead the bank to huge losses or even to bankruptcy. The Bank implemented the system of credit risk assessment and lending procedures by stricter separation of responsibilities between risk assessment, lending decisions and monitoring functions to improve the quality and soundness of loan portfolio.

4.5.1 Credit Program

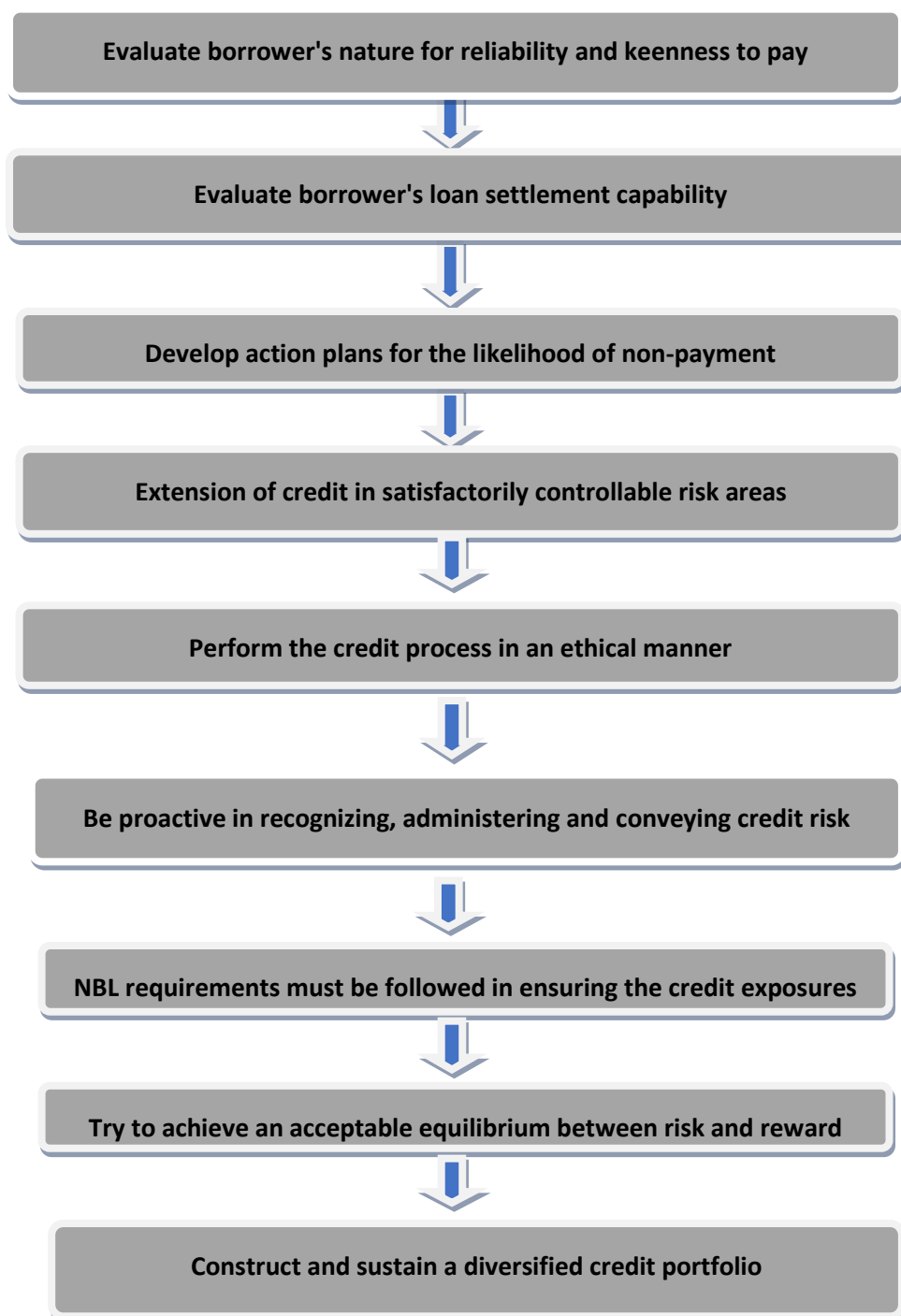
- The main focus of National Bank Limited Credit Line/Program is financing business, trade and industrial activities through an effective delivery system.

- The loan portfolio of the Bank encompasses a wide range of credit programs
- Credit is also offered to 15 (fifteen) thrust sectors , as earmarked by the Government, at a reduced interest rate to develop frontier industries.
- Credit facilities are offered to individuals, businessmen, small and big business houses, traders, manufactures, corporate bodies, etc.

4.5.2Credit Policy of ABL:

Credit policy by which the bank is guided to lend are as follows:

- Customers having capacity and ability to repay shall only be sent.
- Possibility of default will be worked out before lending.
- Diversified credit portfolio to be built and maintained.



4.5.3 Credit Principles in Agrani Bank Limited

Figure: Credit Evaluation Principles of ABL.

4.5.4.credit approval process

- Customer should be in this branch
- Apply for loan
- If there is a business, then you have to prove the documents in the database – trade license, register certificate, shop rent document,business transection for annually report like benefit or loss.
- Property document
- Legal opinion
- CIB report from Bangladesh bank
- When allover document submit in office then they are prove loan, although only one document deficit them they are not provide loan.

4.5.5 Credit risk grading of ABL

According to Bangladesh Bank guidelines, all Banks should adopt a credit risk grading system. Therefore, NBL has duly implemented a credit risk grading policy in its credit risk assessment program. Risk grading is a key measurement of a Bank's asset quality. All facilities are assigned a risk grade. Where deterioration in risk is noted, the Risk Grade assigned to a borrower and its facilities are immediately changed. Credit Memorandum includes a clear statement of the borrower's risk grade.

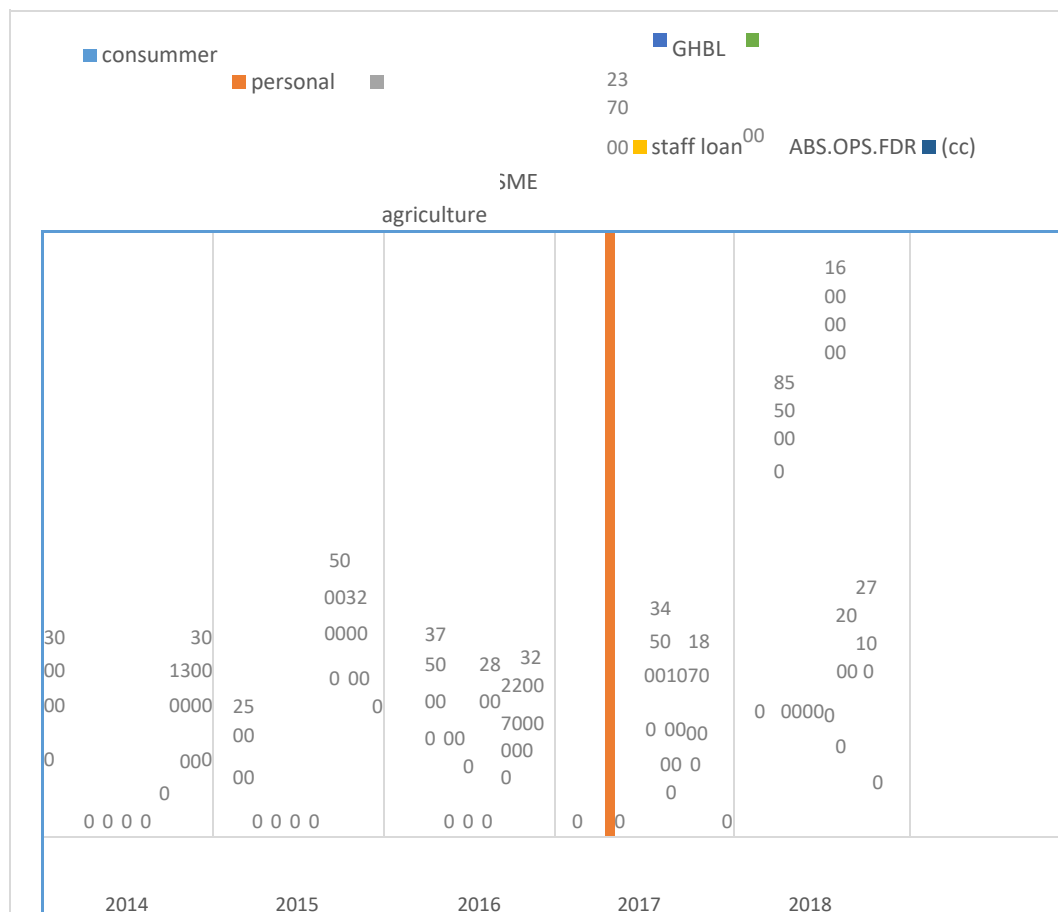
NBL applies the following credit risk grading matrix as provided by Bangladesh Bank guidelines.

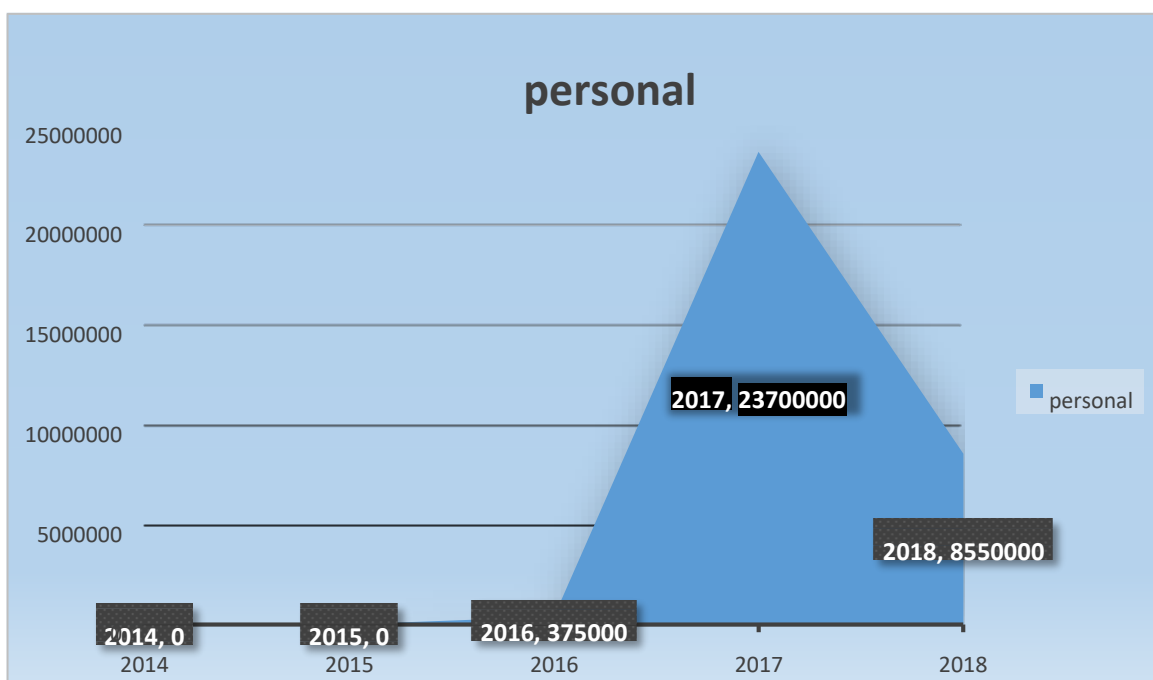
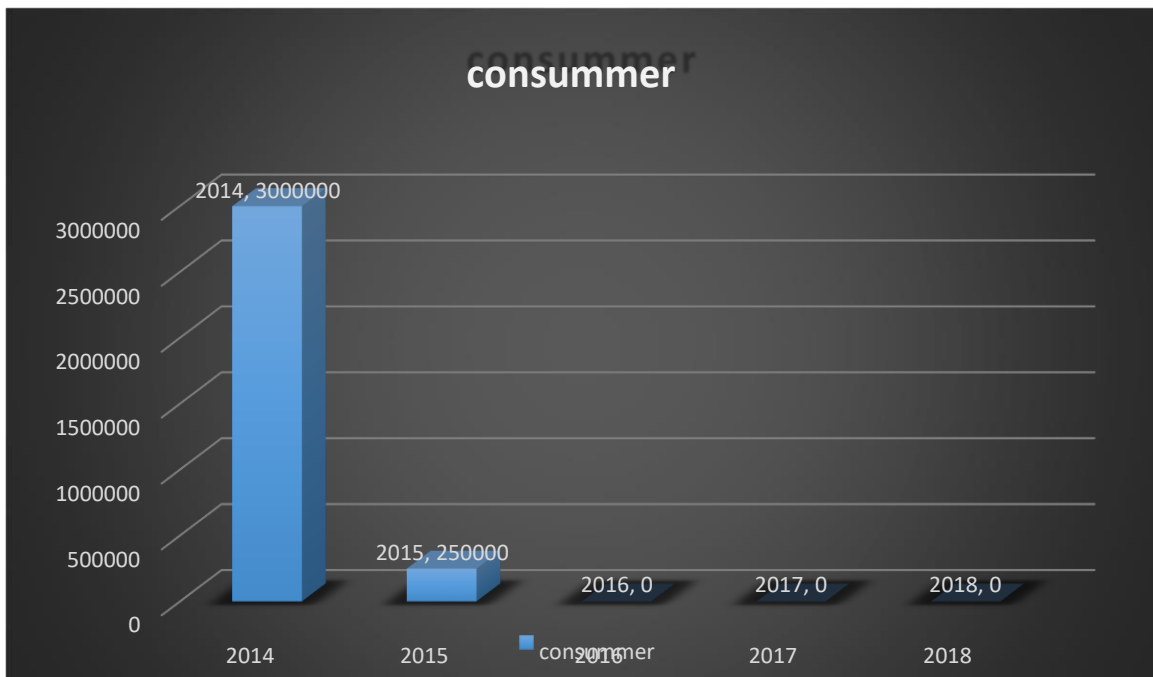
1.	Superior	Fully cash secured,secured by government
2.	Good	85+
3.	Acceptable	75-84
4.	Marginal/watch list	65-74
5.	Special mention	55-64
6.	Substandard	45-54
7.	Doubtful	35-44

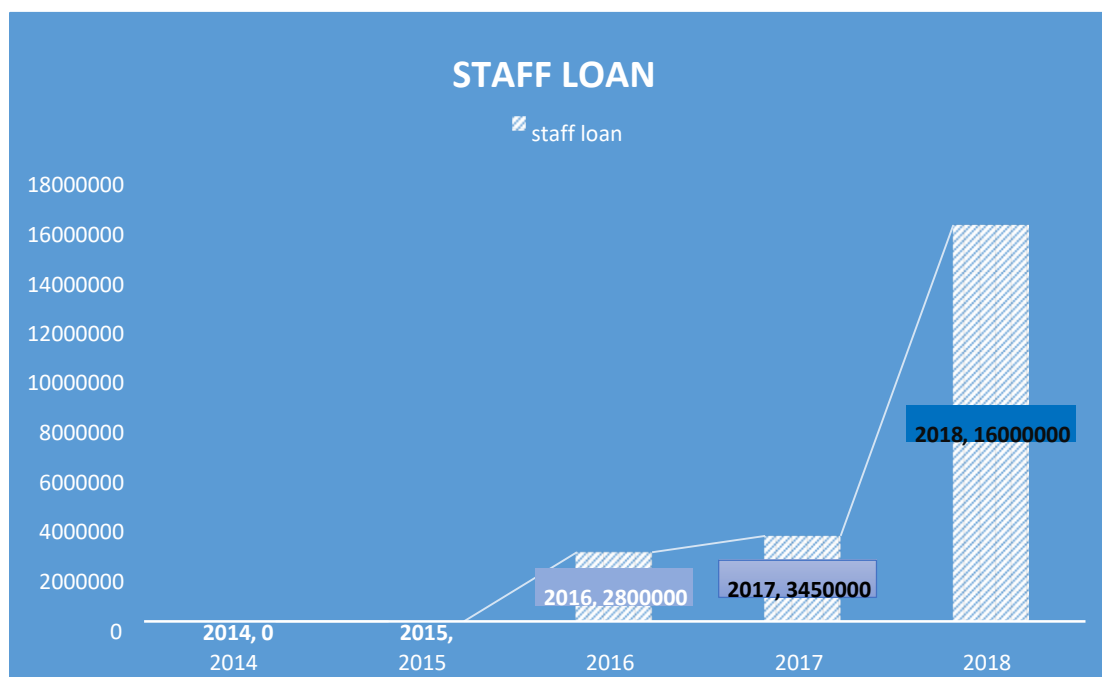
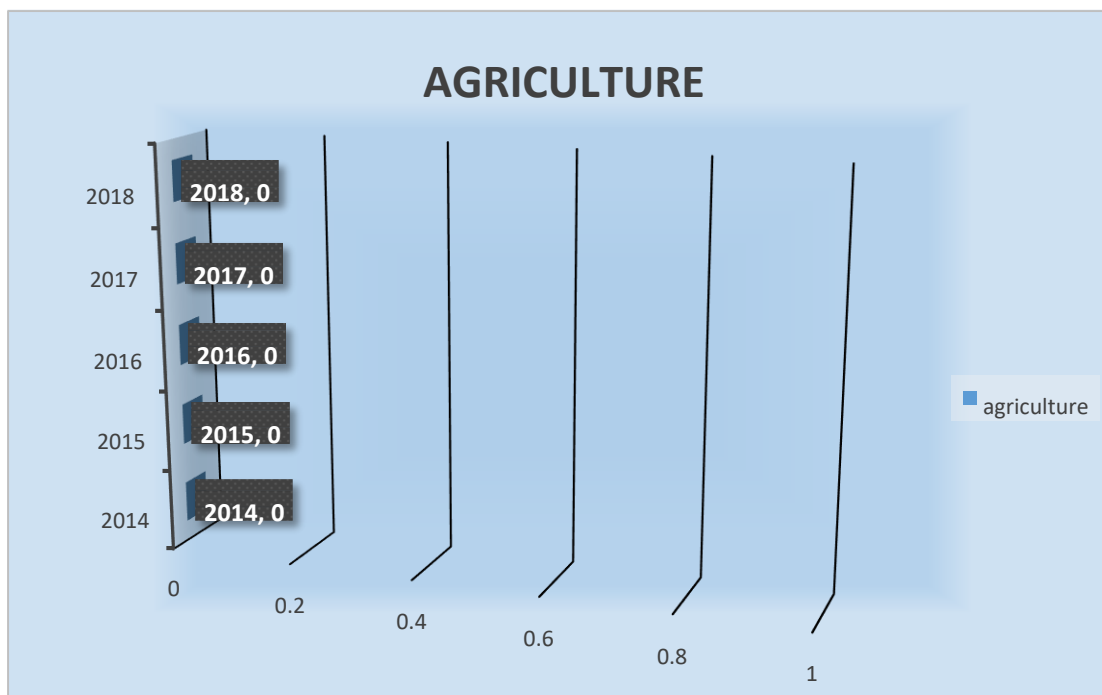
8. Bad <35

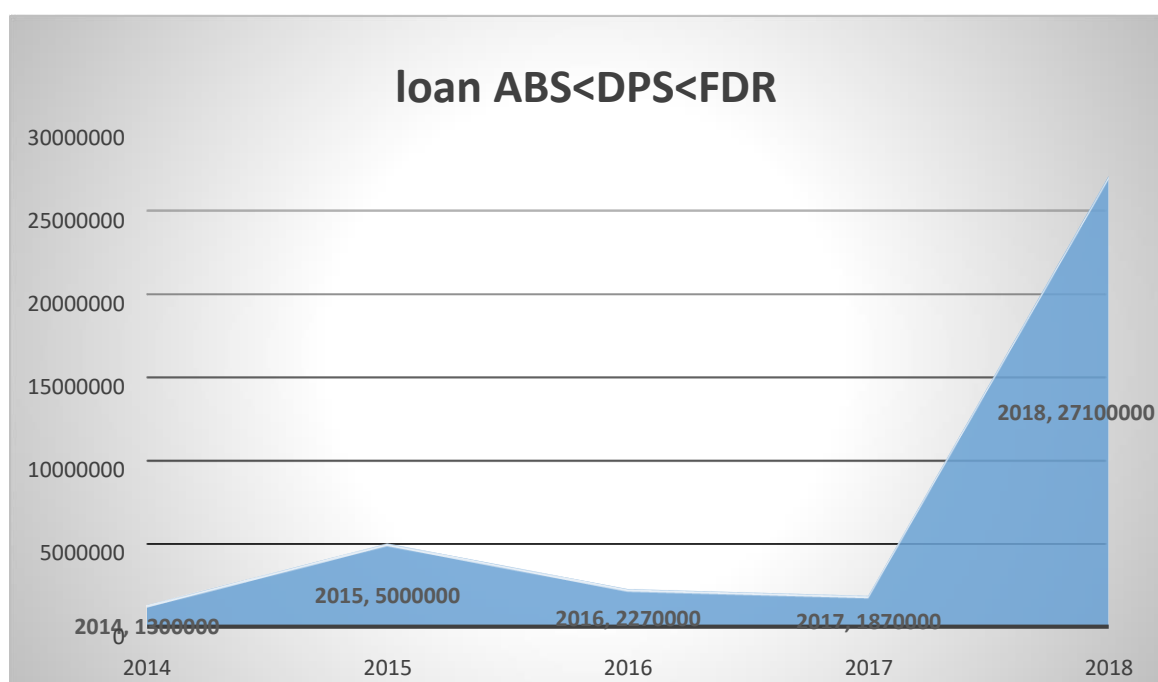
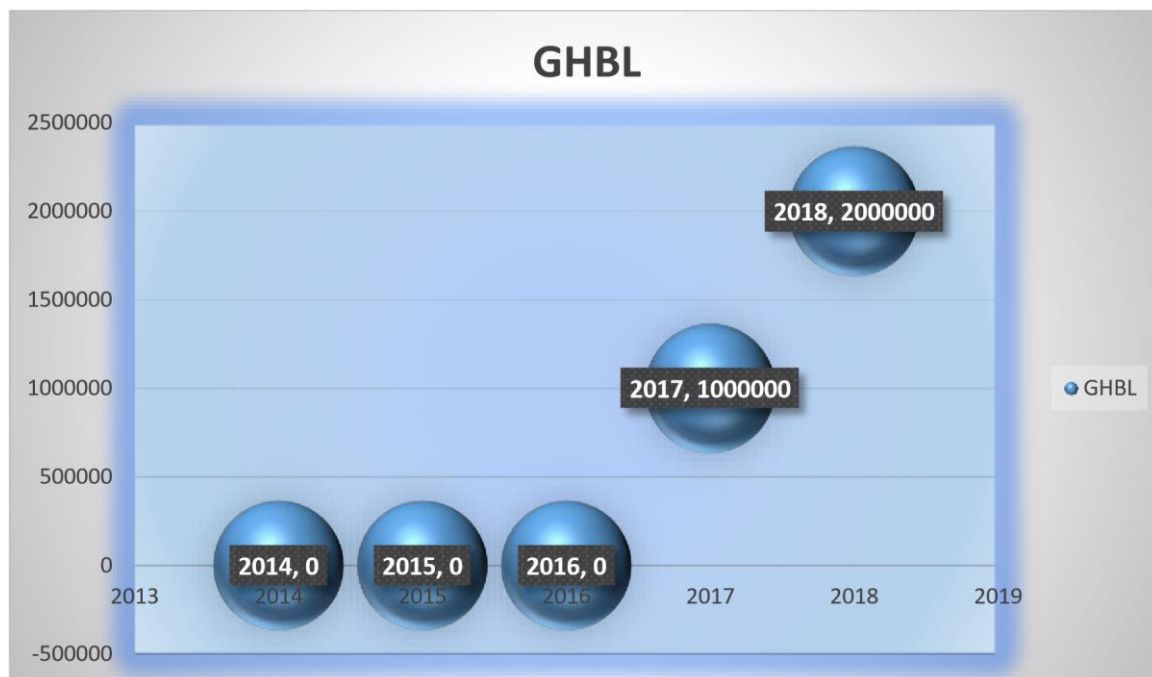
They grade credit application through these eight criteria. Credit seeker gets credit if they belong first three criteria. Who belongs next three Criteria who may qualify for getting credit if they fulfill the condition as per the banks condition But who belongs in last two criteria who directly disqualified for the credit.

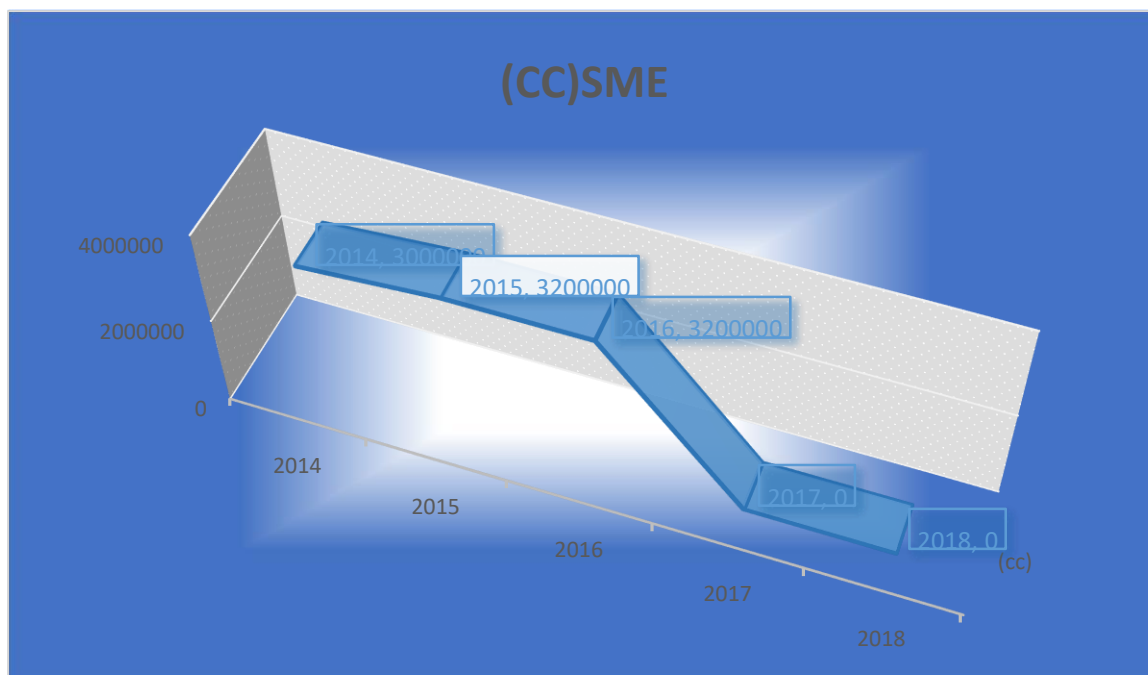
4.5.5. Section wise credit disbursement







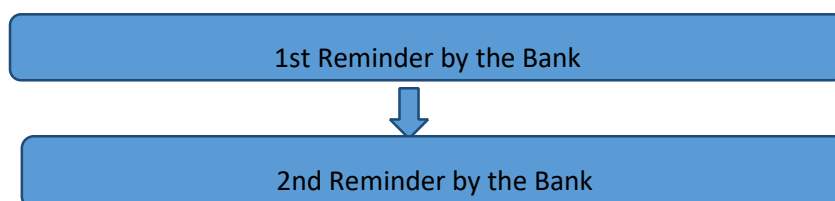


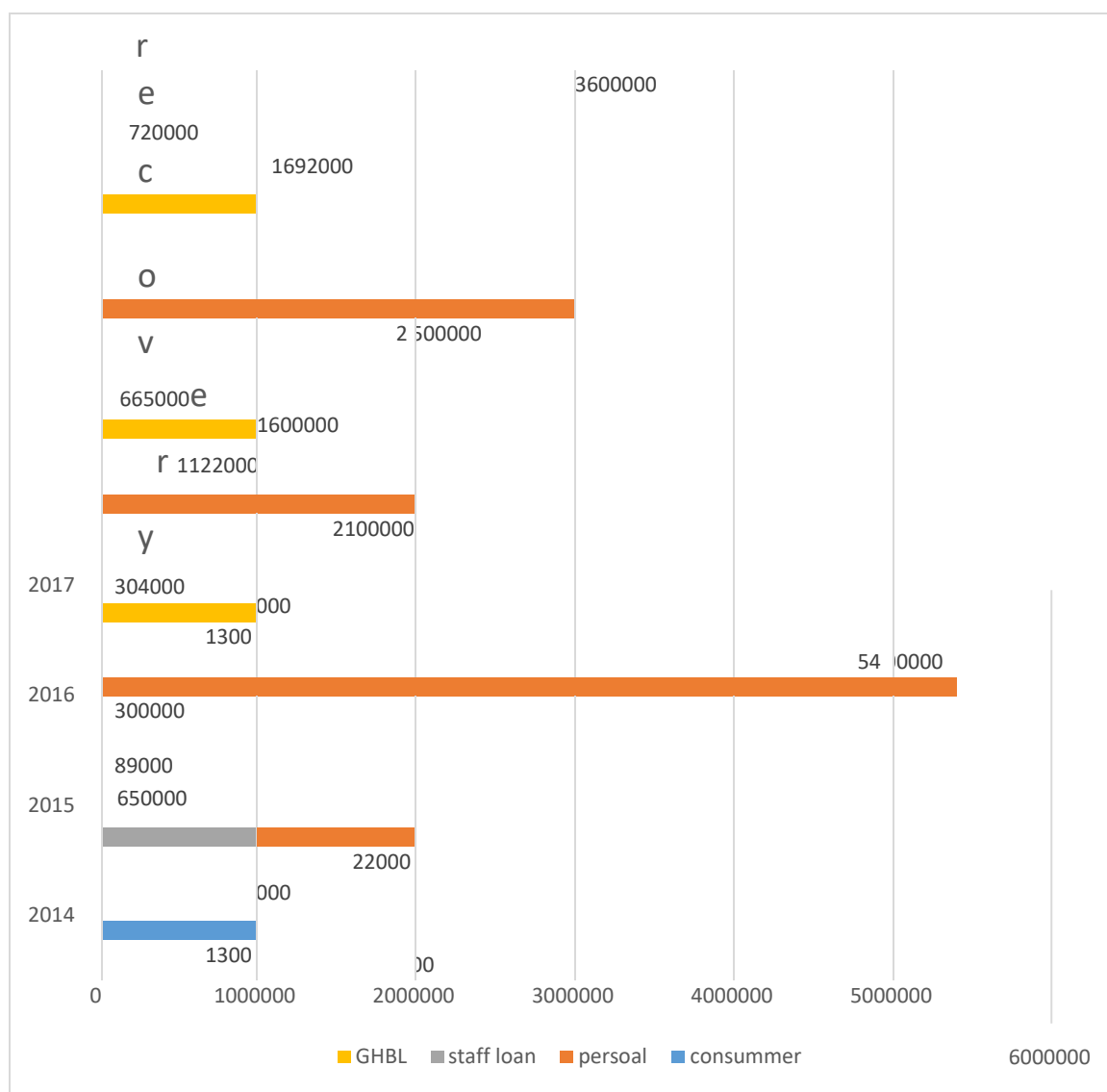
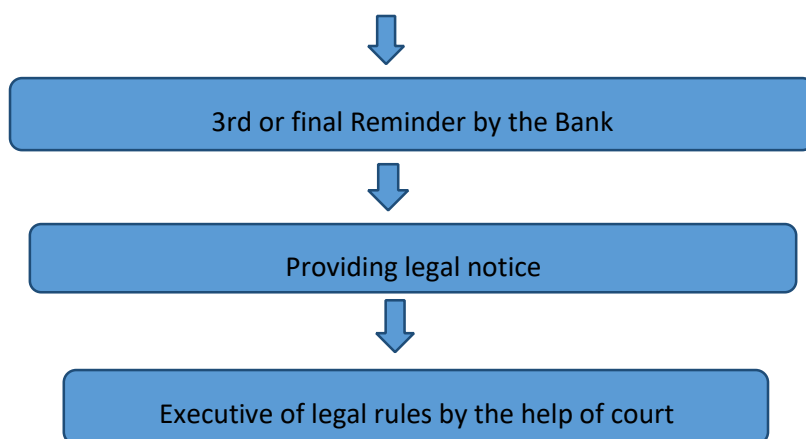


4.5.6 Credit Recovery

3.11 CREDIT RECOVERY 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 pointed period Bank declare him/her as a defaulter and recover the fund by selling the securities given by the borrower or by freezing his/her account or make a suit against him/her. Recovery procedure is a lengthy one that requires efforts of the bank, society and legal institutions. It also takes time and money. Like Other banks, Agrani Bank Limited follows four steps to recover the outstanding amount. These four steps are described in detail below-

- ✓ Reminder to the client is given through a formal communication channel. A letter is written and properly signed on the bank's papers. This letter is issued several times to remind the honorable loaner to repay his/her outstanding portion.
- ✓ if the loan amount is not yet repaid after sending a series of letters, then social pressure is created on the client by persons referred while opening account in the bank.
- ✓ Legal notice is prepared and sent by Agrani Bank Limited when above two steps fails to recover the amount. It is a threat to the borrower.
- ✓ the last and final step of the recovery procedure is the help from the court. Agrani Bank Limited sincerely tries to avoid this kind of situation for its honorable clients but cannot help doing for its own sustainability.





CHAPTER 5 RECOMANDATIONS AND CONSCLUSIONS

5.1. Findings

- Agrani Bank Limited distribute a large portion of credit in urban than rural areas.
- In the classified loan the amount of “Bad & loss” loan ratio is very high.
- The amount of loans and advances is increasing but the growth of credit is decreasing over the years for Agrani Bank Limited.
- Due to increased cost of fund, the bank has to charge high interest rate on loan. Due to this high interest rate, the bank can't attract more customers for investment.

5.2. Recommendations

Agrani Bank has strong organizational strength can successfully utilize the opportunities and overcome its weakness. These are given below:

- Agrani Bank Limited should focus more on rural areas to provide loans and advances. ➤ Bank should reduce risk weighted assets by providing loans & advances to less risky projects to maintain minimum capital adequacy ratio.
- ABL Bank should be more focus on classified loan.
- ABL Bank should lend more in profitable sectors e.g. agriculture, real state etc.

These are all about the recommendation provided based on survey and my personal experiences of internship in Agrani Bank. By following these recommendations Agrani Bank would be able to build up a strong platform of satisfied customers.

Conclusions

This research has provided some interesting insight in to what kind of service the customers give importance to and what quality service they get from Agrani Bank Ltd. It is quite obvious from the research that the customer requirements are not fully met and they are dissatisfied with some of the aspects of the bank. Again the research revealed that only one third of customers were more or less satisfied with the service of the bank and more than half of the respondents were on the neutral side of satisfaction line.

Customers are the vital for every business. It is not possible to make a profitable business without concerning the customer's benefit. Agrani Bank is a great domestic bank.

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