CREDIT POLICY AND PERFORMANCE ANALYSIS OF AGRANI BANK LIMITED

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SEMESTER : JANUARY-JUNE/ 2016.

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Internship Report

on

CREDIT POLICY AND PERFORMANCE ANALYSIS OF AGRANI BANK LIMITED

By
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Registration No: 10-04147

An Internship Report
Submitted to the Faculty of Agribusiness Management
Sher-e-Bangla Agricultural University, Dhaka-1207,
in partial fulfillment of the requirement
for the degree of
MBA (AGRIBUSINESS)
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APPROVED BY

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LETTER OF TRANSMITTAL

24.05.2017

Shah Johir Rayhan
Assistant Professor
Dept. of Management and Finance
Sher-e-Bangla Agricultural University
Sher-e-Bangla Nagar, Dhaka-1207

Subject: Submission of Internship Report

Dear Sir,

I am submitting my internship report as the part of my internship MBA(Agribusiness) and would like to take the opportunity to thank you for your guidance and supervision in its completion. I completed my internship at Agrani Bank Limited from the January to April, 2017. My Internship report is based on credit policy and performance analysis of Agrani Bank Ltd.

I hope, you will assess my report considering the limitation of the study. Your kind advice will encourage me to do further research in future.

Sincerely yours,

………………..

Sefat-E-Rizwana
ID-10-04147
MBA (Agribusiness)
Faculty of Agribusiness Management
Sher-e-Bangla Agricultural University, Dhaka

Letter of Acceptance

This is to certify that the Internship Report on **“Credit policy and performance analysis of Agrani bank ”** has been prepared by Sefat -E- Rizwana , ID:10-04147, as a partial fulfillment of the requirement of MBA (Agribusiness) degree. I have observed closely and studied different practical aspects of the project.

The report has been prepared under my guidance and is a record of the work carried out successfully. I believe this authentic and truehearted analysis will help her to evaluate her performance as an intern. I wish her every success in life.

………………………

Shah Johir Rayhan

Assistant Professor

Department of Management & Finance

Sher-e-Bangla Agricultural University,

Sher-e-Bangla Nagar, Dhaka-1207.

DEDICATED

TO

MY BELOVED PARENTS

ACKNOWLEDGEMENT

The successful accomplishment of this project work is the outcome of the contribution of number of people, especially those who have given the time and effort to share their thoughts and suggestions to improve the report. At the beginning, I would like to pay my humble gratitude to the Almighty Allah for giving me the ability to work hard under pressure & complete the research paper successfully. However, the space involved does not allow us to mention everybody individually. It gives me immense pleasure to thank a large number of individuals for their cordial cooperation and encouragement who have contributed directly or indirectly in preparing this project. I would like to thank my honorable course instructor “Shah Johir Rayhan” for asking me to prepare this report and for providing me proper guidance to work . It is an opportunity for me to translate into action the directives of my learned instructor and prove my worth in the preparation of the report confidently. I gathered a lot of knowledge and information and practical experience while working on it. I really want to express my heartiest gratitude to him for his valuable advice and time that he gave me, which helped me. I am very grateful to Mr. Rezaul Karim, AGM of Agrani Bank Uttara Branch, where I completed my internship program and all the employees especially Senior Officer of Loan Department Mr. Mizanur Rahman, SPO. Mrs Sanchita Das, Principal Officer. Mr. MD. Jahidul Islam, Senior Officer. Mrs. Farhana Akter, Senior Officer and Mr. S.M. Noman Farhad , Officer of ABL, for their hearty co-operation in the learning process about Agrani Bank: General Banking System & Loan Procedures in particular. I would also convey my thanks to all the employees for their beloved manners and attitudes shown to me during the program. Last of all I would I would like to express my thanks to the authors, researchers, article writers whose books and articles I consulted and my family who helped me in every stage of the report by providing valuable information and suggestion in respect of preparing this report.

ABSTRACT

The report titled as '**Credit policy and performance analysis of Agrani Bank Limited'** is discussed about the credit policy and performance of Agrani Bank Limited at the specified period. For ease of understanding, the report is segmented into four parts. In the first part contains background of the report, objectives, scope, methodology and limitations of the report. Next part of the report demonstrated the profile of the bank. The third part contains credit Policy that ABL follow. The fourth part contains details about the financial performance of the bank. The credit division is an independent division in Agrani Bank limited. This division basically deals with the extension of credit to the worthy clients and thus to make a profit from the interest charges. There are Relationship Managers in the branches who have the responsibility to gather valued client where the bank can invest. When a client applies for certain amount of credit, the credit officers first assess the financial and operational viability of the client. A sanction advice is prepared and provided to the client. Before extension of loans, a comprehensive credit risk appraisal is done and annual reviews are made. A credit memorandum is prepared by the Relationship Manager which includes the findings of such assessment. ABL has duly implemented a credit risk grading policy in its credit risk assessment program. The system defines the risk profile of borrower's to ensure that account management, structure and pricing are commensurate with the risk involved. Importantly ratios have been used to evaluate liquidity, profitability and efficiency of the bank since it is useful indicators of a bank's performance and financial situation. The current ratio of ABL is observed that the liquidity position of ABL is increasing to cover its current liabilities with its current assets and I have selected five profitability ratios which will help to evaluate the performance effectively. Those are- Net Profit Margin, Return on Equity (ROE), Return on Assets (ROA), Return on Deposit (ROD), Net Operating Margin from where it is observed that all these five ratios were significant. This is very positive sign and I come up with result that this bank is using its resources effectively, operating successfully and also increasing. Finally I tried to make an interpretation from analytical point of view and came up with a view that ABL is growing and even more successful.

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Abbreviations

ABL	Agrani Bank Limited
BB	Bangladesh Bank
GB	General Banking Department
CD	Current Deposit
STD	Short Term Deposit
SB	Savings Deposit
FDR	Fixed Deposit Receipts
A/C	Account
L/C	Letter of Credit
TT	Telegraphic Transfer
DD	Demand Draft
VAT	Value Added Tax
PO	Pay Order
BTB	Back To Back
GM	General Manager
DGM	Deputy General Manager
AGM	Assistant General Manager
KYC	Know your Customer
TP	Transaction Profile

CHAPTER ONE

INTRODUCTION

1.1 Introduction

Banks play very important roles in the economy life of a nation. The health of an economy is closely related to the soundness of its banking system. Although banks create no new wealth but their borrowing, lending and related activities facilitate the process of production distribution, exchange and consumption of wealth. In this way they become very efficient partners in the process of economic development. Today modern banks are very useful for the utilization of the resources of the country. The banks are mobilizing the savings of the people for the investment purpose. If there would no banks then a great portion of a capital of the country would remain idle. A bank as a matter of fact is just like a heart in the economic structure and the capital provided by it is like blood in it. As long as blood is in circulation the organ will remain sound and healthy. If the blood is not supplied to any organ then it part would become useless. So if the finance is not provided to agriculture sector or industrial sector it will be destroyed. Loan facility provided by banks as an incentive to the producer to increase the production. Bangladesh financial system is determined by banks where the banking systems account for around 96 percent of total assets of the financial sector (Rayhan ***et al***, 2011). Bangladesh has been experiencing a rapid and significant change in the banking sector. All over the world, the dimension of banking has been changing rapidly mainly due to the technological innovation, globalization and deregulation. This change all over the world has significantly affected the banking industry of our country, the result of which is the change in this sector in our country.

Agrani Bank Limited, a leading commercial bank with 921outlets strategically located in almost all the commercial areas throughout Bangladesh, Overseas Exchange Houses and hundreds of overseas Correspondents, came into being as a Public Limited Company on May 17, 2007 with a view to take over the business, assets, liabilities, rights and obligations of the Agrani Bank which emerged as a nationalized commercial bank in 1972 immediately after the emergence of Bangladesh as an independent state. Now, It is a state owned commercial bank. It is formed by the composition of ex-Habib Bank ltd and ex-Commerce Bank ltd. Agrani Bank Limited started functioning as a going concern basis through a Vendors Agreement signed between the ministry of finance, Government of the People's Republic of Bangladesh on behalf of the former Agrani Bank and the Board of Directors of Agrani Bank Limited on November 15, 2007 with retrospective effect from 01 July, 2007. With a view to serving a huge number of Bangladeshi guest workers in Singapore, Agrani Bank Limited have taken a bold step to open in Singapore Agrani Exchange House Pte Ltd, a subsidiary company fully owned by Agrani Bank Limited, which started its operation since February 08, 2002. (Annual Report of Agrani Bank Limited 2011-2015)

Credit policy enables banks to proactively manage loan portfolios in order to minimize losses and earn an acceptable level of return for shareholders. Given the fast changing, dynamic global economy and the increasing pressure of globalization, liberalization, it is essential that banks have robust credit policies and procedures that are sensitive and responsive to these changes. So it is very much helpful to me to work my internship in such an area.

1.2 Origin of the Report

The internship report has prepared on **"**Credit Policy and Performance Analysis of Agrani Bank Limited". As part of the internship program of MBA (AGRIBUSINESS) course requirement, I was assigned for doing my internship in Agrani bank Ltd for the period of four months. During my internship period in the Agrani Bank Ltd, I have worked under Credit, Remittance, Deposit, and loan and advance department. I worked under the supervision of principal and senior officer and assistant officer, for their assistance and guidance in completing this report. Before preparation this report, I was not more experienced in my Bank's practical activities. Some problems have created during preparing this type of Report.

1.3 Objectives of the report

The objectives of the report are as below:

- To know the procedure that bank follows for lending to the customer.
- To know the process of identification and recovery of delinquent loan or bad loan.
- To evaluate the credit performance of Agrani Bank Limited.

1.4 Scope

The report is an attempt to state the credit policy of Agrani Bank Limited and to analyze credit performance. A detailed credit policy including borrower selection, credit worthiness analysis, credit approval process, credit performance etc. has been explained. After completion of research, it is helpful to me to understand loans and advanced related works of a bank.

1.5 Limitations

Due to some legal obligation and business secrecy the bank was reluctant to provide some sensitive data. Thus, this study limits only on the available published data and certain degree of formal and informal interview and limited survey. Although the particular study is extensive in nature, hard effort was given to make the study worthwhile and meaningful even then there exists some limitation. Altogether the internship period in the bank was not free from limitations. I faced some problems during the study, which I am mentioning below:

Lack of time: I was in the bank for four months so within this short span of time it is very difficult to be familiar with all the activities of the bank.

Lack of Supervision by the bank officers: As the officers were busy with their daily working activities, they were not able to give me much time apart from their daily working activities.

Restricted Information: There were various types of information's that the bank officers cannot disclose due to the security and other corporate obligations.

Other limitation: As I was a newcomer and had no previous experiences in the banking sector and many practical matters in the bank were in written form so my own observations may vary from person to person. There was access to only a number of information sources. Sufficient books, publications, facts and figures are not available. These constraints narrowed the scope of accurate analysis. Besides these, Credit management is a too big to cover wholly in this limited scope. It required huge time and huge space to cover. So, I have covered only some important topics of credit management.

CHAPTER TWO

REVIEW OF LITERATURE

Credit Management and Risk based Supervision in Banks has been the subject of study of many Agencies and Researchers and Academicians. There is a treasure of literature available on the subject. A careful selection of relevant material was a formidable task before starting the search. Efforts have been made to scan the literature highly relevant to the Context.

Rajagopal (1996) made an attempt to overview the bank's credit management and suggests a model for pricing the products based on credit risk assessment of the borrowers. He concluded that good credit management is good banking, which ultimately leads to profitable survival of the institution. A proper approach to risk identification, measurement and control will safeguard the interests of banking institution in long run.

Froot and Stein (1998) found that credit risk management through active loan purchase and sales activity affects banks' investments in risky loans. Banks that purchase and sell loans hold more risky loans (Credit Risk and Loss loans and commercial real estate loans) as percentage of the balance sheet than other banks. Again, these results are especially striking because banks that manage their credit risk (by buying and selling loans) hold more risky loans than banks that merely sell loans (but don't buy them) or banks that merely buy loans(but don't sell them).

Treacy and Carey (1998) examined the credit risk rating mechanism at US Banks. The paper highlighted the architecture of Bank Internal Rating System and Operating Design of rating system and made a comparison of bank system relative to the rating agency system. They concluded that banks internal rating system helps in managing credit risk, profitability analysis and product pricing.

Bagchi (2003) examined the credit risk management in banks. He examined risk identification, risk measurement, risk monitoring, and risk control and risk audit as basic considerations for credit risk management. The author concluded that proper credit risk architecture, policies and framework of credit risk management, credit rating system, and monitoring and control contributes in success of credit risk management system.

Muninarayanappa and Nirmala (2004) outlined the concept of credit risk management in banks. They highlighted the objectives and factors that determine the direction of bank's policies on credit risk management. The challenges related to internal and external factors in credit risk management are also highlighted. They concluded that success of credit risk management require maintenance of proper credit risk environment, credit strategy and policies. Thus the ultimate aim should be to protect and improve the loan quality.

Khan (2008) illustrates that Credit management is one of the most vital risks for any commercial bank. Credit risk arises from nonperformance by a borrower. It may arise from either an inability or an unwillingness to perform in the recommitment contracted manner. The real risk from credit is the deviation of portfolio performance from its expected value. The credit risk of a bank is also effect the book value of a bank. The more credit of a particular is in risk, the more probability of a bank to be insolvent.

Banerjee and Prashanta (2009) said that the objective of the credit management is to maximize the performing asset and the minimization of the nonperforming asset as well as ensuring the optimal point of loan and advance and their efficient management. The lending guideline should include Industry and Business Segment Focus, Types of loan facilities, Single Borrower and group limit, Lending caps. It should adopt a credit grading system .All facilities should be assigned a risk grade.

Peter (2001) examined that for most banks, loans are the largest and most obvious source of credit risk; however, other sources of credit risk exist throughout the activities of a bank, including in the banking book and in the trading book, and both on and off the balance sheet. Banks are increasingly facing credit risk (or counterparty risk) in various financial instruments other than loans, including acceptances, interbank transactions, trade financing, foreign exchange transactions, financial futures, swaps, bonds, equities, options, and in the extension of commitments and guarantees, and the settlement of transactions.

Pandey (2006) stated that the easiest way to evaluate the performance of a bank is to compare its present ratio with the past ratio. It gives an indicator of the direction of change and reflects whether the bank's financial performance has improved, deteriorated or remained constant over time.

Siddique and Islam (2001) pointed out that the commercial banks, as a whole are performing well and contributing to the economic development of the country. The average profitability of all Bangladeshi Banks collectively was 0.09% during 1980 to 1995 which means that a profit of Tk.0.09 was earned by utilizing assets of Tk.100 in every aspect of profit; banking sector contributes the national economy as well as the individual organization. Despite overall growth of the banking sector positive the performance of different categories of banks were not equally attractive.

Al-Shammari and Salimi (1998) stated that profitability ratio especially Return on Equity (ROE) signals the earning capability of the organization. They also suggest that higher return on Equity (ROE) ratio is appreciable and it is the primary indicator of banks profitability and functional efficiency.

Bhatt and Ghosh (1992) stated that the profitability of commercial banks depends on several factors some of them are endogenous and some exogenous. The endogenous factors represent control of expenditure, expansion of banking business, timely recovery of loan and productivity. The exogenous factors consist of direct investments, such as SLR (Statutory Liquidity Ratio), CRR (Cash Reserve Ratio) and direct credit program such as region wise, population wise guidelines on lending to priority sector.

Ahmed *et al*. (2006) stated that in order to strengthen the economic conditions of the economy the SCB must be improved of its NPL, ROA, ROE, NII, and other monitoring, assessment and performance evaluation metrics.

Khan (2008) stated that bank is evaluated based on profit and loss as the same way for other business. If the shareholders of the bank get more profit then the bank is identified as successful. Banks can attain success if relevant risks are effectively controlled.

Van Horne & Wachowicz (2005) stated that to evaluate a bank's financial condition and performance the financial analyst need to perform "checkups" on various aspects of a firm's financial health. A tool frequently used these checkup is a financial ratio.

Brigham and Houston (2004) that financial statement analysis involves comparative the bank's performance with that of other banks in the same industry and evaluating trends in the bank's financial position over time.

Jahangir *et al.* (2007) argued that the traditional measure of profitability through stakeholder's equity is quite different in banking industry from any other sector of business, where loan-to-deposit ratio works as a very good indicator of banks' profitability as it depict the status of assets liability management of banks.

CHAPTER THREE

MATERIAL AND METHOD

3.1: Methodology of the study:

3.1.1 Sources of Data

The report is descriptive in nature. To prepare a report gathering data is very important. In order to make the report more meaningful, presentable, a complete one and to meet the goal of this report different data and information are required. Those data and information were collected from various sources, such as, primary and secondary sources which is showed below:

Primary Sources

1. Direct observation: In my internship period, I observed directly different type of activities of the bank. I used that knowledge to prepare this report.
2. Discussion with bank officer: Discussion with bank stuff is an important source to know different bank related term. This method helps me to collect banking information.
3. Practical desk work.
4. Relevant file study as provided by the officers concerned.
5. Facing some practical situation related with the day to day banking activities.

Secondary Sources

An Internal Source:

1. Annual Report of Agrani Bank Limited
2. File study.
3. Various books, article, journal etc.
4. Different 'Procedure Manual'.
5. Brochures
6. Newspapers
7. Several kinds of Academic test-book.
8. Different publications regarding banking functions and Remittances operation.

External Sources

1. Official website of Agrani Bank Limited.
2. Official website of Bangladesh Bank.

3.2 Data analysis

The collected data were thoroughly processed, analyzed, summarized, organized, and finally revised. The processed data were interpreted to achieve the report objective. Since the study represents a small scope of study, the results are more subjective in nature as opposed to being based on statistical analysis.

CHAPTER FOUR

RESULT AND DISCUSSION

4.1 Organizational Profile

4.1.1 History of Agrani Bank Limited

Agrani Bank Limited, in pursuance of Bangladesh Banks (Nationalization) order 1972 (PO No. 26 of 1972) came into being in 1971 taking over the assets & liabilities of the ex-Habib Bank Ltd. & ex- Commerce Bank Ltd, functioning in the then East Pakistan. In 17th May 2007 it has incorporated as public limited company with vendor agreement conducted in 15th November 2007. Now it is one of the four SCB's performing in Bangladesh. The bank started operation with 249 branches with its head office in Dhaka. Now Agrani bank Limited is operating with11 Circle offices, 34 Divisions in head office, 62 zonal offices and 921 branches including 27 corporate and 40 AD (authorized dealer) branches and total work force of it 13,262.

4.1.2 Vision statement

To become the best leading state owned commercial bank of Bangladesh operating at international level of efficiency, quality, sound management, customer service and strong liquidity.

4.1.3 Mission Statement

Agrani Bank Limited will be a effective commercial bank by maintaining a stable growth strategy, delivering high quality financial products, providing excellent customer service through an experienced management team and ensuring good corporate governance in every step of banking network.

4.1.4 Goals of Agrani Bank Limited

- Build up a realistic deposit mobilization plan.
- Develop appropriate lending risk assessment system.
- Develop capital plan.
- Develop a system to make good advances.
- Develop a recruitment, compensation, training and orientation plan.
- Develop a plan for offering better customers services.

4.1.5 Business Objectives

- Build up a low cost fund base.
- Make sound loans and investments.
- Meet capital adequacy requirement at all time.
- Ensure 100% recovery of all advances.

4.1.6 Strategies

- Synchronized and steady growth of the bank.
- Utilize all available resources to develop various plans, policies and procedures
- Implement plans, policies and procedures.
- Draw upon the connections, advice etc. of the foreign partners.
- Utilize a team of professional employees.

4.1.7 Business Philosophy of Agrani Bank Limited

The Agrani Bank Limited’s corporate philosophy is to build its non-funded fee and commission income stream, thus reducing its reliance on interest income alone. Agrani Bank Limited’s focus is to provide one counter service to the clients covering:

a)Commercial Banking (Deposit Accounts), b) Consumer Banking (Retail Baking), c) Traveler Cheque, d) Foreign & Inland Remittances, e) Foreign & Inland Remittances, f) Financial Services, g) Corporate Banking, h) Asset & liability management , i) Liquidity & capital Resources Management, j) Information technology and l) Human Resources.

4.1.8 Capital Position

The Authorized Capital of the bank is Tk. 20000.00 million. As per vendors agreement dated 31th December, 2015 the Agrani bank limited has paid Tk. 8384.51 million by issuing shares to the government.

4.1.9 Product and Services

Agrani Bank Limited Bank’s aims are to provide services to the clients like friends. For that reasons, the bank offers different products and services for its clients, Agrani Bank Limited has never compromised the quality of services. Agrani Bank Limited believes customers are the heart of the banking business. To provide better services, Agrani Bank Limited offers different product for its clients-

Depository Product

Table 4.1: Depository product of Agrani bank

1. Fixed Deposit	6. Foreign Currency Deposit Account
2. Saving deposit Account	7. Non Resident Taka Account
3. STD Account	8. NFCD Non Resident Foreign Currency Account
4. Multi-Currency Account	9. Non Residents Investors Account
5. Residence Foreign Currency Deposit	10. Bank Money Scheme

Loan Product

Table 4.2: Loan product of Agrani bank

1. Small & Medium Enterprise	6. Import Financing
2. Lease Finance	7. Export Financing
3. Working Capital Financing	8. Emergency Staff Loan
4.HouseBuildingFinance Scheme	9. Staff car Loan
5. Industrial Financing	

4.1.10 New Product and Services

The Bank has its concentration for new product and developed service for satisfying its customer and increasing its customer base. They prefer now faster service with least cost. For delivering faster service the bank has introduced online banking service. There are other new products and services that Agrani Bank Limited has introduced. They are: i) Truly Online Banking Services, ii) Internet Banking Services, iii) SWIFT services, iv) L/C Delivery Services, v) Locker Services, vi) ATM services.

4.1.11 Deposits

The deposit trend was positive in 2015. At the end of 2014, total deposit was Taka 150418.81 million that came to taka 177868.17 million at the end of 2015 showing increase.

Table 4.3: Deposits of Agrani Bank at different years

Financial Year	**2011**	**2012**	**2013**	**2014**	**2015**
Deposit (Tk. in million)	88466.46	98850.50	123805.97	150418.81	177878.17

4.1.12 Advances

Total advances of the bank as on 31 December 2015 stood at Taka 136940.46 million showing an increase. In line with national economic development, the bank made advances mainly as Commercial Loan, Import & Export business, Term loan to large and medium scale industries, House Building Loan, Working Capital Loan, Consumer's Credit and Syndication Loans etc. Loan and advances at different level are shown in the following:

Table 4.4: Advances in Agrani bank at different years

Financial Year	**2011**	**2012**	**2013**	**2014**	**2015**
Advances(Tk. in million)	74203.33	89106.21	106329.63	122068.52	136940.46

4.1.13 Investments

Total investment of the bank was Tk 48678.92 million during 2015. The bank mainly invested in Government Bonds, Treasure Bills, Approved Debenture of private institution and Capital Market through own portfolio.

Table 4.5: Investment in Agrani bank at different years

Financial Year	**2011**	**2012**	**2013**	**2014**	**2015**
Investments (Tk. in million)	12168.65	16516.39	19069.27	30691.15	48678.92

4.1.14 Position of Profit & loss

Total operating income and total operating expenditure of the bank during 2015 were Taka 12,596.76 million and Tk.5036.96 million respectively resulting a profit of Taka 7559.80 million before making provision for bad and doubtful debts and income tax.

During the year the bank made a provision of taka 2123.01 million against loans and advances, diminution in value of investments exposure of off balance sheet items and provision of taka 3081.25 million against corporate Income Tax and deferred tax. As such, net profit on the bank stood at taka 2305.54 million which the Board of Directors propose to appropriate in the following manner.

Table 4.6: Profit and loss of Agrani bank

Particulars	**Amount**
Net Profit	Tk. 2305.54 million
Transferred to Statutory Reserve	Tk. 1077.36 million
Transferred to General Reserve	Tk. 1228.18 million

4.1.15 Agrani Bank Limited's Five Years' Financial Positions

(Tk. in million)

Particurars	**2011**	**2012**	**2013**	**2014**	**2015**
Authorised Capital	5000.00	10000.00	10000.00	20000.00	20000.00
Paid-up Capital	3822.00	4968.60	6707.61	8384.51	8384.51
Reserve fund & other Reserve	5687.25	9411.27	10575.53	10420.19	11920.99
Total Deposits	88466.46	98850.50	123805.97	150418.81	177878.17
Total Advances	74203.33	89106.21	106329.63	122068.52	136940.46
Total Investment	12168.65	16561.39	19069.27	30691.15	48678.92
Import Business	60493.85	85683.53	90568.90	108120.30	97380.40
Export Business	24739.65	33909.78	47515.90	59004.80	69484.40
Bridge Finance	689	6.69	6.78	6.78	6.26
Total Income	10663.81	12828.53	15189.70	20778.37	24418.00
Total Expenditure	6824.34	7343.48	9709.48	14642.57	16858.20
Pre-tax Profit	3839.47	5485.05	5480.22	6135.80	7559.80
Net Profit	2092.23	3233.09	3140.22	1761.98	2305.54
Total Assets	107579.60	128462.65	157153.71	192947.93	228533.77
Fixed Assets	1443.50	3330.32	3369.19	3502.80	3735.99

Other Information					
Number of Employees	7375	9534	10219	12689	13262
Number of Shareholders	30899	86200	112065	106876	102604
Earning Per ordinary share (Tk)	4.21	4.82	3.75	2.10	2.75

4.1.16 Uttara Model Town Branch, Dhaka:

(a) Location: Agrani Bank, Uttara Model Town Branch located at Uttara, Sector-6, House building in Dhaka. The telephone number of the branch is 8914590, and Fax no. is 810814.

(b) Personnel of this branch

There are 32 officers and 5 staff of this branch.

(c) Chief of this branch

The chief of Agrani Bank Limited, Uttara Model Town Branch is Assistant General Manager,Name- MD Rezaul Karim

(d) Employees of this Branch

There are 37 employees in the Uttara Model Town Branch of Agrani Bank Limited, which is showing below:

Table 4.8: Employees of Agrani Bank Limited, Uttara Model Town Branch

Employees	**Number**
Assistant General Manager (AGM)	1
Senior Principle Officer (SPO)	1
Principle Officer (PO)	5
Senior Officer	8
Officer (cash /IT)	7
Attorny Assistant	3
MLSS	4
Staff	5
Guard	2

Total	37

4.1.17: My Working Areas

Account Opening

At first I was asked to work in General Banking and the assigned department was Account opening. It is a very interesting department because different types of customers were opened different types of account. Different types of Accounts are opened here- Current Account, savings account, ABS (Agrani bank bishes scheme), APS (Agrani bank pension scheme), DPS (Deposit scheme). I was often used to fill up the account opening from.

Foreign Remittance Department

In this department one person send money in Bangladesh from outside of the national boundary, customer come to the officer and give a PIN number. If Pin number is right, bank pay the customer those amount. My work of this department was filling up the form a collect national ID card and other necessary papers.

Clearing Department

It is another important department. In this department all the cheques of another bank or other branches are collected here. After that it was posted through on line to local office. After three days later the deposited amount will transfer to the customer Account.

Cash Collection Department

This is a very restricted department in a Bank. Everybody does not allow going there. Some time I was checking the cash voucher.

Loans and Advance Department

Last two month, I was worked in Loans and Advanced Department. I worked this department very sincerely because this is my topic related department. In this department I observed how a loan is given to a customer, what requirements and documents are needed for getting loan and other credit facilities.

4.2 Credit Policy of Agrani Bank Limited.

4.2.1 Credit Overview in Agrani Bank Limited

Commercial Bank performs various responsibilities now a day. Providing Loans and Advances is one of the main duties among them. Basically, credit is the institutional arrangement of lending funds mainly to the traders and industrial entrepreneurs by the banking company. The major portion of bank's funds is employed by various ways of loans and advances, which is the most profitable employment of its funds. The major part of bank income is earned from interest and discount on the funds so lent. The job in this department starts from the application made by the client; approve the same, which is disbursed to customers. Credit is in true sense, making provision of fund by one party to another party under certain terms & conditions.

4.2.2 Importance of credit

Bank gives interest at a fixed rate to the different types of depositor. Moreover, Bank needed huge money for maintaining administrative expenses. Banks have to make profit after meeting these expenses and also providing the interest to the depositor. Bank cannot make equal profit the entire loan. It depends on the right use and principles of the loan. All depositors do not want money at a time. If bank give the entire deposit at a time then bank can't meet the demand of the customer on the other hand all the deposit to keep as a reserve is prohibited by it principle. So, banks to make combination between them.

4.2.3 Objective of the credit policy

There are some objectives behind a written credit policy of Agrani Bank that are as follows-

- To provide a guideline for giving loan.
- Prompt response to the customer need.
- Shorten the procedure of giving loan.
- Reduce the volume of work from top level management.
- To check and balance the operational activity

4.2.4 Types of Credit facilities

The credit facilities granted by the bank are classified under different account heads as follows:

- Loan (like short/ mid/ long term in nature)

- Overdrafts (allowing frequent debit/credit transactions within an agreed limit)
- Trade related credit facilities (like bills portfolio)
- Short Term Advances (like continuing facilities)
- Contingent facilities (like Letters of Credit, Letters of Guarantee)

Loans

- General house building Loan (usually short term in nature)
- Staff Loan house building
- Staff Loan transport
- Staff Loan computer
- Staff Loan sewing machine
- Loan against FDR
- Loan against ABS (Agrani Bank Bishes Scheem)
- Demand Loan
- Transport Loan
- Furniture Loan

Demand Loan

- Loan against Accepted Documentary Bill (local/ foreign)
- Loan against Bills Discounted/Purchased (local/ foreign documentary)
- Payments against Documents (PAD)
- Own Accepted Bills Purchased (Forced Loan)
- Temporary Advance

Contingent facilities

- Letters of Credit
- Letters of Guarantee

4.2.5 Portfolio Management of Credit

Portfolio Management of Credit implies the deployment of loan able fund among alternative opportunities through proper allocation. The objective of portfolio management of credit is the best and efficient management of loan to ensure profitability.

A prudent loan portfolio management can be done by careful consideration of the factors mentioned in the following:

i) Bank's Capital position, ii) Deposit mix iii) Credit environment, iv) Influence for monetary and fiscal policies v) Credit needs of the respective commanding area and vi) Ability & experience of the bank personnel to handle the loan portfolio. In designing a loan portfolio, three things should be decided: **first-** the type of customers the bank wants to serve, **second**- involvement of risks with various kinds of loans, and **finally**- the relative profitability of various kinds of loans.

4.2.6 Creditworthiness of a borrower

Character

- To determine whether the borrower has a responsible attitude towards borrowed funds and whether he will have every effort to repay what is owed.
- Responsibility, truthfulness, serious purpose, and serious intention to repay loans make up the characters of the borrower

Capacity

Whether customer requesting loan has the authority to request loan and have the legal standing to sign loan agreement and documents.

Economic Condition/ Assets

- Whether borrower has sufficient assets to repay the loan.
- Other loans and liabilities of the borrower

Credit history/Credit habit

- Whether loans borrowed by the customers previously and how those earlier loans were handled.
- Whether there is any loan default earlier.
- Whether legal action has ever been taken against him for recovery of default loan.

Credit Rating

- Credit Ratings of the borrower by credit rating agencies.

4.2.7 Processing of Credit

Credit proposals must be prepared for all credit facilities. The processing of a credit proposal falls into mainly two stages as under:

- Obtaining due approval of the competent authority (Discretionary Powers) of Agrani Bank Limited
- Steps for allowing the client to avail the credit facility. Management approval levels splits into following authority:

Head Office Credit Committee: The Credit Executive & Recommendation Committee (CRECOM) is responsible to review, and approve or reject any credit limit proposals on the basis of approval lending policy, criteria of lending, sectorial exposure, group exposure and/ or on other genuine grounds. The proposals after through discussion if found suitable is recommended for approval through the Managing Director:

Delegated authority to the Managing Director: Under delegated lending authority to the Managing Director, credit proposals, one time or specific gets approval after scrutiny is done by Head Office Credit Division. From time to time the Managing Director may delegate the branch managers discretionary powers with due approval from the competent authority.

Executive Committee of the Board: If the facilities required further approval from the executive committee of the Board, then the proposal send. The credit proposal has been sent to the executive committee of the Board if the credit committee thinks to require further approval.

Credit limit proposal originates in the branch. After the credit proposal has been finally approved by the competent authority as the case may be, the resolution /decision there of are sent to the branch for further action as follows:

- Convey offer to the borrower and obtain acceptance there against.
- Setting –off client file account record.

(a) Credit Report

The branch manager should ensure preparation of credit report on the client to determine its past record, business performances, market reputation etc. The credit report should contain the following:

- The nature of client's business.

- The names of owners and details of their associated business concerns.
- Net worth of the individual person owing the firm /company (obtain through declaration at the time of submission of loan application).
- The financial health of the business concern.

(b) CIB Report

For processing credit proposals, (both funded & non-funded) Banks and Financial Institutions need to obtain mandatory satisfactory CIB report from Bangladesh Bank. Present criteria for obtaining mandatory CIB report may be changed from time to time at the discretion of Bangladesh Bank. Branch manager must obtain satisfactory CIB report prior to processing of credit proposals and mention the status of the client and its allied concerns /persons of the borrower in the credit line proposal as it is revealed in the latest CIB report. In CIB report there is any classified loan, no farther credit proposal is processed.

(c) Visiting Client

The visit and meeting the client at their door-step may help to confirm the business decision reach by the manager with regard to the client's financial status, management efficiency and technical details about the good sense and services in which the client deals. This will also help to judge its quality and acceptability as a reliable security. A set of question, which may be asked, should be prepared beforehand.

(d) Credit Line Application Form

A credit proposal is its funds or non-funds based at the stage of primary scrutiny, credit officers prime consideration is to ascertain with reasonable accuracy, due date liquidation of loan /credit exposure. There are different sections covered in the credit proposal format which is explained below:

01. Client introduction: Giving the exact name and style of the client as per registration in case of company. Also indicate the nature of the proposal "Fresh" or "Renewal/ Revision". Use figures in denomination of Taka in million, state exact nature of business/description of the project. Provide business capital /equity capital of the owner based on financial statements.

02. Particulars of owners: State whether proprietor, partners or directors. Show the percentage of the shareholdings of the directors as per record. Provide declared assets / net worth as the case may be by individually.

03. Allied concerns: Provide name of allied business concern of the owners/ client, their nature of business and their investment / interest in the business.

04. Credit facility from other banks: Obtain declared statement from the client. Also refer to CIB report of Bangladesh Bank.

06. Existing credit lines(s): Give details and nature of facility. The amount of respective limit and the outstanding are on the date of the proposal, state validity/ maturity, state primary and collateral security in brief.

07. Proposed credit line(s): In case of renewal /revision, this section should be completed only after careful review of the conduct of the account, Client's financial requirement, managing of business affairs in terms of available facility (ies). In case of fresh proposal, and after having a preliminary discussion with the client to have a clear view of client's account, his future plans and financing requirements, the size of limit, period and proposed security to be structured.

08. Analysis of credit proposal: In this section, provide general background of the client, business profile, project details and management aspects of the business house/industry.

09. Third party information: Provide status of up to date CIB report, credit checking with other sources such as previous banks account transaction.

10. Financial information: This section reflects the financial soundness of the business concern and information to be collected / prepared from spreadsheet analysis on the basis of client's management certified financial statements or audited financial reports.

11. Prospects: Here business prospects market outlook of the product to be given. Salient features of the products, pricing, market strategy to be provided in case of manufacturing products.

12. Assessment of financing requirement: Client's financing requirement to be assessed on the basis of business cash flow / working capital assessment / future plans. Exact requirement is to be assessed and recommended after preliminary discussion with the client.

13. Inadequacy in the documentation: Mention non-fulfillment of any documentation / mortgage perfection etc. Also indicate audit objection on client's account.

14. Collateral security: Give details of security in the form of land, building, machinery, it's written down value or surveyed value. Also show nature of marketable securities, its face value and average market value.

15. Risks Analysis: Furnish comments on Credit Risk Grading exercise. Indicate possible risks in the business and its mitigation.

16. Accounts/ Business performance: Give details of client's deposit/ loan accounts performance last 12 months. Show debit/ credit summation, minimum/ maximum balances.

17. Bank's earning: Give break-up of earnings from the relationship last 3 (three) years.

18. Recommendation: Give meaningful comments, consideration of the business line with clear recommendation.

19 Proposed facility (ies): Give facility wise proposed/ renewed/ restructured loan/ credit limits, purpose of the facility, source of repayment, pricing of the facility, security support and validity of the facility, other conditions/ special conditions including requirement of Bangladesh Bank approval to be highlighted.

(e) Supporting Documents

The branch manager while processing a credit proposal for Head Office approval, he must see that the proposal recommended is based on following supporting documents:

i) At least 90 days before Credit report on the client ii) Financial statements iii) Spreadsheet analysis iv) Net worth analysis and v) Acceptable security details.

This report should be updated when renewal of credit facilities are considered. Third party credit report / CIB report along with credit report on the client should be kept in the file at the branch.

(f) Analysis of Client's account

The objective of analyzing financial statements from the point of view of the bank is to understand the manner in which client's own resources are employed, its liquidity position, the ratios of net worth to borrowing and of current assets to current liabilities. The analysis should provide answers to following areas:

1. Borrower's net worth: To see if the borrower's net worth justifies the level of credit facilities being requested. Net worth is calculated by total debt liabilities from total assets.

2. Working capital: To see whether the current assets are sufficient to meet the client's current commitments and liabilities. Working capital is arrived at by deducting the current liabilities from the current assets.

3. Profitability: To see whether sufficient earnings from the operation of the business are there to repay the bank debts living sufficient balance / return on equity.

4. Capital Gearing: To see how much amount of equity is in the business compare with the borrowed funds. As a good banking proposition substantial equity investment should be insured.

5. Cash flow: When assessing the client's liquidity position and profitability, the timing of client's commitment must be considered. His commitments must be spread in such a way that the business would never face a cash shortage in the foreseeable future.

4.2.8 Pricing of Loan

Pricing of loan is a great important element in banking business. Because through pricing, bank usually create margin/profit. So it is to be determined carefully. In pricing, four components are to be calculated prudently otherwise pricing of that loan will create a definite loss for the bank. The components are:

- Interest Expense or Cost of Fund: The interest to be given to the depositor and to central Banks for borrowing.
- Administrative Cost
- Cost of Capital: Return expected by the investors for their capital invested in the bank.
- Risk Premium

4.2.9 Approval Process

In order to fully understand Agrani Bank Limited's procedures relating to sanctioning and control of advances a necessary first step is to examine the Bank's organization structure.

The organization structure has three levels – Branch, Head Office, CRECOM and Executive Committee of the Board (in lieu of Board of Directors).

Branch: The first level of organization in Agrani Bank Limited is the branch. The size of the advance function depends on the number of borrowers and the size and complexity of their accounts.

The work of the advance department at the branch is to prepare all the detailed schedules in the Credit Line Proposals. To ensure that the security for the advance is perfected and to provide all information required on the creditworthiness of the customer the department also monitors the advances accounts regular basis.

The branch manager or officer-in-charge of advance department should conduct the initial interview with the customer. If the proposal meets Agrani Bank Limited's lending criteria and is within the manager's discretionary powers, the credit line should be approved by the Manager.

Head Office: The second level of Agrani Bank Limited's organization is the Head Office under Managing Director's discretionary power and /or the Credit Committee (CRECOM) formed at Head Office level. Credit line proposals recommended by the Credit Committee are either sanction under discretionary power of the Managing Director or anything beyond the capacity of the M.D. is sent to the Executive Committee of the Board for approval.

It is the responsibility of the Credit Committee to review, and approve or reject all credit line proposals above the branch managers' discretionary powers. Using the powers delegated to it by the Board of Directors, Credit Committee can finally recommend all credit line proposals up to the approved limit of M.D. and Executive Committee of the Board.

In the Head Office organization structure the reviewing departments are known as the Credit Division and Loan Administration and Monitoring Division .This department's deals with all the detailed work of reviewing credit line proposals and controlling overdrafts and loans on a continuous basis.

Executive Committee of the Board:

The third organizational level within Agrani Bank Limited is the Executive Committee of the Board comprising of the members from the Board of Directors and the Managing Director as an ex-officio member of the committee. This Committee has the power to approve all other credit line proposals beyond the capacity of branch in-charges and the

Managing Director. The Executive Committee of the Board is responsible for sanctioning, reviewing large credit line proposals and monitoring credit policy of the bank as determined by the Board of Directors.

4.2.10 Post sanctions process

After the credit line proposal has been finally approved by the appropriate sanctioning authority in the Bank's credit organization structure it enters the post sanction processing stage. At this stage the signed credit line proposals is returned to the branch/ credit officers, following four further steps are to be taken by the branch manager before the borrower can use the credit lines that have been sanctioned to him. These steps are as follows:

- Convey offer /sanction letter to the borrower.
- Branch credit officers perfect the security and charge documents considering the nature and the terms of facility and the securities and in accordance with the laws of the land.
- An account number is allocated to the new credit facility.
- The account record is set up and borrower's file is prepared.

When these four steps have been complied with, the post sanctioning process is completed and the borrower can draw on his account.

4.2.11 Documentation

Documentation of Loans & Advances: Immediate after sanctioning of loan, documentation is to be made properly before disbursement of loan. Documentation formalities are commonly known as completion of 'Charge document' in the banking world. Type of documents to be signed by the client varies depending upon the nature of loan and advances given. Some common documents are listed below:

i) Demand Promissory (DP) Note ii) Letter Arrangement iii) Letter of continuity (in case of continuous loan) iv) Letter of pledge (in case of Pledge) v) Letter of Hypothecation (in case of Hypothecation) vi) Letter of Undertaking vii) Letter of Debit Authority viii) Letter of Installment (in case of term loan to be paid in installment) and ix) Letter of Guarantee (Personal Guarantee)

4.2.12 Creation of Charges over Securities

As a safety measure, bank has to create charges over the securities against the risk of non-repayment of loan. The most common modes of charge creation are defined below in a very brief from:

1. Pledge: When a borrower surrenders his business goods to the banker's custody as the security of loan given by the bank then it is called pledge.

2. Hypothecation: When loan is given to the borrower against hypothecated possession of goods then it is called Hypothecation. The physical possession & control remains with the borrower's custody.

3. Lien: Lien is the right of the creditor to retain the goods or properties given by the borrower to the creditor as the security against the loan. The creditor deserves the right of lien until the debt is paid.

4. Assignment: Assignment is the transfer of a right, property or debt, existing or future by one person to another person.

5. Set-off: Right of set-off is the right of a banker to combine all the accounts of a customer to realize the debt.

6. Mortgage: Mortgage is the transfer of an interest in specific immovable property for the purpose of securing the repayment of money advance or to be advanced by way of loan, existing or future debt or the performance of an engagement which may give rise to a pecuniary liability.

4.2.13 DISBURSEMENT

Loans: Advance made in a lump sum repayable either on fixed installment basis or in lump sum having no subsequent debit except by way of interest, incidental charges, etc. is called a loan. After creation of loan, there will be only repayment by borrower. The whole amount of loan is debited to the customer's name on a loan account to be opened in the ledger and is paid to the borrower either in cash or by way of credit to his current or savings account.

Over drafts: Advance in the form of over draft is always allowed on a current account operated upon by cheque. Within the sanctioned limit, the borrower can overdraw his account within a stipulated period. Here, withdrawals or deposits can be made any number of times at the convenience of the borrowers, provided that the total amount overdrawn does not, at any time exceed the agreed limit. Interest is calculated and charged only on the actual debited balances on daily products basis.

Cash Credit: Cash credit as a form of advance is a separate account by itself and is maintained in a separate ledger. The borrower may operate the account within stipulated limit as and when required. The drawings are subject to drawing power. Cash credit is an active & running account to which deposit and withdraws may be made frequently. The debit balance of the account on any day cannot exceed the agreed limit.

Inland Bills purchased: Sometimes banks are to purchase bill of exchange of businessmen to facilitate commercial transactions. Besides bills, banks also purchase cheque drawn by Government, Semi- Government institutions, local authorities, or any first class parties for extending accommodation to the parties requiring funds. In case of purchase and discounting of bills, the banker credits the customer's account with the amount of the bill after deducting his charges or discount. In case of purchase of cheque, amount of the cheque is credited to the party's account to the debit of bills or cheque purchased account and on receipt of the proceeds of the cheque, after collection, bill or cheque purchase account is liquidated.

Payment against documents (PAD): PAD is associated with import and import financing. The bank opening letter of credit is bound to honor its commitment to pay for import bills when these are presented for payment provided that it is drawn strictly in terms of letter of credit.

Trust Receipts: Advance against a Trust Receipt obtained from the customer, are allowed when the documents covering an import shipment are given without payment. The customer holds the goods or their sale proceeds in trust for the Bank, till such time, the loan allowed against the Trust Receipt is fully paid off.

Long Term loan: Long-term loan is meant for setting up of a project/ industrial undertaking, i.e. financing for the development of the infra structural facilities including procurement of machinery, either from abroad or from local market. Disbursement may be made in one installment depending on the item for which financing is being offered or more than one installment matching with the equity investment of the borrower.

Disbursement of equity and loan shall be made strictly in accordance with the disbursement schedule incorporated in the loan sanction advice for implementation of the project within the stipulated period. Disbursement of each phase is always subject to satisfactory utilization of previous phase. Utilization of phase wise disbursement must be verified by an Officer and Engineer of the Bank. In addition, branch must closely supervise the utilization of disbursement amount from time to time.

4.2.14 Monitor/ Control of Credit Operations

Advance allowed should be very closely watched to see whether the same are being conducted in accordance with the terms and conditions under which the limits were sanctioned or not. The result of the inspection should be an effective guide in sorting out the measures to be adopted in respect either of correcting the unsatisfactory operation of the advances or recovery of the same.

In order to ensure safety of advances, all advances shall be kept under supervision and thereby under control. This will include supervision at the time of disbursement to ensure proper utilization of bank credit, to supervise end use during the tenure of advance and to ensure that the repayment is regular. The control of credit operations falls into two main parts, namely: Regular monitoring of all accounts and review of all EOLs and Monitoring of delinquent accounts.

Monitoring/controlling contains the following main sections:

(a) Control of overdrawn accounts

For Agrani Bank Limited, the procedures for controlling overdrafts are explained in two parts: Branch control of overdrafts & Central control of overdrafts.

Branch control of over drafts: The branch control of over draft has the following five main elements:

i) Sanctioning the overdraft limit: When an overdraft limit is first sanctioned a Loan Account Input Form for input of details in the computer records must be completed at the branch. The form has three parts: Customer record, Account record, and Credit line record.

ii) Control of cheque and other debits posted to overdrawn accounts: The next step in the control system after the sanction of the overdraft limit is the monitoring of cheque and other debit items drawn on the account against the limit. The following information on each cheque received at the branch is input daily via the terminal to the central computer: Account Number, Amount of Cheque & Cheque Number.

iii) Periodic review of overdraft accounts: The third stage in branch control is the periodic review of over draft accounts by the branch manager and the officers responsible for credit operations at the branch. The checks and control reports used at the branch are as follows:

Report	**Frequency**
a. Update Customer & Account Data	Daily
b. Authorized Withdrawals	Daily
c. Secured over	weekly
d. Clean over draft	weekly
e. Excess over limit/ Excess Over drawing Power	Weekly
h. Statement of Interest-Overdraft Accounts	Monthly

v) Periodic monitoring of security values: The monitoring procedures for tracking the value of the bank's security require elaboration. The periodicity of review depends on the nature of security.

Head Office control of overdraft

The controls operated by Head Office are as follows:

1. Weekly review of reports sent by the branches.
2. Random examination of reports, if required, twice a month whenever requested by the authority.
3. Regular branch/ project visits by officers from Loan Administration and Monitoring Division to review, on the spot, large and / or irregular advances.
4. Each of the officers in Loan Administration and Monitoring Division is responsible for reviewing the advance portfolios of the branches.

Concerned division of Head office operates a program of regular branch visits. The visits are at random so that the branch does not know in advance when the visit will take place. The officer can ask the branch manager for any information on specific accounts.

(b) Control of loans

Branch control of loans: Branch control of loans has two main elements as follows:

- **Setting up of the loan accounts:** The setting up of the loan accounts proceeds in the same way as the overdraft account. A loan account form as described in the case of overdraft account is filled in at the branch level for each new loan after the signed Credit line proposal is received from the Head office.

- **Review of loan accounts:** After the loan has been set up, it is reviewed monthly by the branch. The purpose of the review is to ensure that the monthly interest charges are being paid up and that repayment of principal are being made on time.

Head office control of loan: The controls exercised by Head Office are as follows:

1. Monthly review of the Loan Statement by officers in concerned division.
2. A program of regular branch/project visits by officers from concerned division.

(c) Control of other Credit facilities

This section deals with the controls over the following other types of credit facilities which form an important part of the Bank's advances portfolio:

Bills purchased: The term "bills purchased" is used to describe short-term loans granted against documentary or clean bills.

A bill purchased / discounted facility is subject to an approved limit, which is reviewed annually through the Bank's sanctioning system. The Bank will purchase / discount bills from the drawer up to the limit approved by the credit line proposal. The bills can be denominated in any of the major trading currencies.

The controls over the bills purchased / discounted exercised by the branch manager are as follows:

1. Report on the creditworthiness of the drawer.
2. Report on the creditworthiness of the drawees.
3. Consideration as to the type and quality of the goods, if any, covered under the bills.
4. Comparison of the value of bills outstanding within the approved limit
5. Investigation of bills that are outstanding for an unreasonable period or have matured but have not been paid.
6. Verification of the Bank's legal title to the goods. The branch manager must follow up on all overdue bills by writing to the borrower each month, listing all bills, which have not been paid on their due date.

Letters of credit: The documentary Letter of Credit (LC) is an important method of setting debts in international trade and is a main source of short term import finance for many of the Bank's customers. This section concentrates on the various controls over the opening and settlement of LCs that are operated by the Bank at branch and Head office levels.

Adequate follow up should be made with the customer to retire the bill as soon as he can. The branch should also ascertain the expected date of arrival of goods. This date should be desired. If the customer fails to retire the bill before the arrival and delivery of goods, arrangement may be made to clear and store the goods safely. Arrangement for insuring the goods should also be made. Such cases should be immediately reported to Head Office for necessary instructions. Documents must not be parted with until the customer pays in full for the bill.

Control at Head Office: At monthly intervals, the branch manager provides the following reports to Head Office: Outstanding LC liabilities, Outstanding Acceptance liabilities.

The concerned officers of Head Office should examine the monthly reports from the branches and carry out the following checks:

- Agree the branch reports with the monthly Statement of Affairs.
- Examine the long standing items and due dates shown in the reports.

Letter of guarantees: It is customary for the bank to execute guarantees / counter guarantees on behalf of customers favoring third parties in the normal course of business. Proposals for issue of guarantees should be submitted, with complete details, for sanction at the appropriate levels.

Control at Head office

At monthly intervals the branch manager should provide the statement of letters of guarantees issued and outstanding to head office. Control procedures for LC as given earlier are followed by Head office for guarantees.

Cash Credit: The procedures for controlling cash credits are two parts:

Control at Branch: The control procedure for cash credit at the branch level is similar to control procedure for overdraft accounts. An account is set up and its details are checked through the relative's reports. Daily control is essential while posting in cheques; similar to overdraft accounts. Debit balance is matched with the drawing power available in the account. The branch should do proper control of security and its periodical checks.

Control at Head office: At monthly intervals the branch manager should provide the Statement of cash credit facilities which will include, among others, the following:

1. Name of the client
2. Limit sanctioned with sanction and expiry date,
3. Details of security held with present value,
4. Account performance (including debit balance, credit balance, average balance)

The concerned division of head office will analysis/ review the above statements and report to the competent authority with findings.

4.2.15 Handling of Delinquent Loan/Advance

Despite the extreme care exercised in the sanctioning and control procedures, it is still possible that some advances may become doubtful because of adverse changes in economic conditions seriously affecting the borrower's business or his personal financial position. All lending decisions involve an element of risk to the bank, because future economic conditions cannot be predicted exactly. Therefore, an important area in advances control is-

(a) Identification of delinquent advances, and

(b) Monitoring of the delinquent accounts.

(a) Identification of Delinquent Advances

The identification starts with the branch manager. As part of the control mechanism, the branch manager is monitoring advances regularly during the week; he or his assistant may check on large accounts daily and review the smaller accounts at weekly intervals. The branch manager will be looking at the health of the account and will use the following criteria:

In the case of overdrafts: Conduct of the account against the limit sanctioned by the Bank at the last credit line review.

In the case of loans: Adherence to the repayment schedule agreed with the borrower, either when the loan was sanctioned, or at the last rescheduling.

In the case of bills purchased and letters of credit: Payment of the bill by the drawee at the destination on the maturity date or in the event of non-payment by the drawee, by recovery from the drawer of the bill (borrowed).

In the case of contingent facilities: Letters of credit should be checked to ensure the reliability of the seller of the goods and the legality of the transaction.

In the case of letters of guarantee: The details of the contact and the period over which the guarantee is valid should be checked: performance bonds and bid bonds also involve additional checks to ensure that the contractor has carried out similar work previously.

In addition the branch manager should also keep a watch on declining sales, reducing profits and profitability, deterioration in the financial ratios, if any.

(b) Monitoring of the delinquent accounts

After a delinquent advance has been identified by the branch manager and confirmed by head office, it must then be monitored through monthly and quarterly reporting to head office. The first stage in the monitoring system is to meet the borrower and give him the opportunity to regularize his account. Normally he will be given a time limit to regularize his affairs and to provide plans for solving his financial problems. Branch office, in consultation with the borrower and with the permission of the head office, will make a recovery plan. This recovery plan and/ or restructuring of the facilities may be either accepted or rejected.

If the recovery plan is rejected or if the recovery plan previously accepted by the bank does not work, then the borrower may be given some more time to solve his financial problems if they appear to be temporary and if extra time is all that the borrower needs to develop a practical solution.

4.2.16 Identification of Possible Recourses for Recovery of Delinquent Debts:

When an account turns delinquent in spite of all-out efforts, it becomes necessary on the part of the Bank to initiate appropriate actions to recover the debt. Possible recourses, depending on situation, can be as follows:

- Issuing Notices/ Legal Notices
- Goods under Pledge
- Goods under Hypothecation
- Mortgages
- Unsecured Advances

4.2.17 Loan Loss Provision:

When an account turns delinquent and stands classified as “Substandard”, “Doubtful” or “Bad” depending on the degree of delinquency, Loan Loss Provision, at prescribed rates, applicable for each of the category of classification, should be made.

Usually, the Loan Loss Provision is centrally handled at Head Office, on quarterly basis, based on detailed loan classification exercises undertaken and provision requirement assessed by branches, as per Central Bank’s rules in force.

4.2.18 Write Off:

When all the avenues of recovery of a debt stands exhausted, or had to be abandoned for genuine reasons, the question of writing off a debt arises, Branches to approach Head Office for such writing off, reasonably establishing that no other avenue is left to recover the dues. Now Bangladesh Bank fixes up some criteria’s for which loan is to be write off.

1. Having no eligible security in the classified loan report.
2. It must be suit filed.
3. And it will be Bad & Loss type classified loan.

4.3 Performance Analysis of Agrani Bank Limited

Banks today are great pressure to perform to meet the objectives of their stock holder, employees, depositors and borrowing customers, while somehow keeping government regulators satisfied that the banks policies, loan and investments are sound. To evaluate the banks’ performance financial statements, particularly its reports of condition and reports of income are prepared. How its management deal with when the bank face serious problem. Bank performance must be directed toward specific objectives. A fair evolution evaluation of any bank’s performance should start by evaluating whether it has been able to achieve the objectives its management and shareholders have chosen. To evaluate the performance of Agrani Bank limited some ratios has calculated from 2011 to 2015.

4.3.1 Amount of Loans and Advances:

All activities relating to credit of the bank are being carried out as strictly and cautiously as before with proper risk management strategy starting from the selecting credit worthy quality borrowers followed by a well-defined credit appraisal and approval process, again carried out by the competent personnel at different level. Agrani Bank Limited is in the forefront in implementing Total loan and advances at different period are shown in the following:

Table 4.9: Advance Trend at different period

(Taka in Million)

Year	**2011**	**2012**	**2013**	**2014**	**2015**
Advance (Tk. in million)	74203.33	89106.21	106329.63	122068.52	136904.46

The financial year 2015 is most successful year in respect of loan disbursement.

4.3.2 Type-Wise Loans & Advances Portfolio

Total advances of the bank as on 31 December 2015 stood at Taka 136940.46 million showing an increase o Taka 1471.94 million @ 12.18% growth.

In line with national economic development, the bank made advances mainly as Commercial Loan, Import & Export business, Term loan to large and medium scale industries, House Building Loan, Working Capital Loan, and Consumer's Credit etc.

4.3.3 Maturity wise Loans and Advances:

Table 4.10: Maturity wise loan and advances at different period

(Amount in Taka)

Receivable	**2015**	**2014**
On demand	11,271,285,659	9,993,783,509
Up to 3 months	21,482,394,138	12,399,313,661
Over 3 month but not more than 1 year	55,627,574,148	57,099,246,492
Over 1 year but not more than 5 year	40,786,657,376	33,254,344,196
Over 5 Year	6,592,302,096	8,258,312,184

4.3.4 Sector-wise Concentration of loans & Advances

Table: 4.11 Sector-wise Concentration of loans & Advances (Amount in TK)

Sector	**2015**	**2014**
Agriculture	1,114,601,777	5,175,881,049
Jute	2,04,924,068	2,17,165,881
Textile	11,587,735,240	10,342,927,234
Food & allied	3,327,860,089	4,856,263,263

Construction	7,956,960,677	8,045,566,075
Energy and power	9,91,153,495	8,05,139,322
Transport and Communication	4,686,466,134	1,662,483,289
Pharmaceuticals	1,724,219,691	1,449,675,530
Leather	69,762,778	3,32,426,003
Service industries	9,89,794,521	9,36,241,522
Others	4,807,871,382	3,544,667,122

4.3.5 Location-Wise Loans & Advance

Table: 4.12 Location-Wise Loans & Advances (Amount in Taka)

Location		2015	2014
Urban	Dhaka Division	12659.51	9529.56
	Chittagong Division	1453.49	1294.99
	Other Divisions	–	–
Rural	Dhaka Division	830.81	592.65
	Chittagong Division	32.22	14.11
	Other Divisions	–	–

4.3.6 Classified, Unclassified, Doubtful & Bad Loans &Advances

Table: 4.13 Classified, Unclassified Loans & Advances (Amount in Taka)

Particulars	**2015**		**2014**	
Unclassified	14952.82	99.85%	11389.74	99.63%
Sub-standard	-	0	3.00	0.026%
Doubtful	-	0	7.11	0.062%
Bad/Loss	23.2	.15%	31.46	28%

4.3.7 Measuring performance by ratio analysis

In the report I analyzed the performance of Agrani Bank Ltd. in terms of –

- Liquidity ratio
- Leverage position
- Profitability ratio
- Activity (Efficiency ratio)
- Adequacy ratio

Liquidity Ratio:

Current Ratio

Leverage Position

- Debt to Equity Capital Ratio
- Debt to Total Assets Ratio

Profitability ratio

- Net Profit Margin
- Net Operating Margin
- Return on Equity (ROE)
- Return on Asset (ROA)
- Return on Deposit (ROD)

Efficiency ratio

- Tax management ratio
- Expense Control Efficiency
- Degree of Asset Utilization
- Operating efficiency ratio

Adequacy Ratio

- Capital Adequacy Ratio
- Core capital Ratio
- Loan to Deposit

Liquidity Ratio

Current Ratio = Current asset / Current liabilities

Table: 4.14 Current Ratio from year 2011-2015

Particulars	**2011**	**2012**	**2013**	**2014**	**2015**
Current ratio	1.17	1.21	1.59	1.20	1.34

Source: ABL Annual Report: (2011-2015)

Findings about current ratio:

According to the result of the ratio of Agrani Bank Limited was 1.17 in the year 2011, 1.21 in 2012, 1.59 in 2013, 1.2 in 2014 and 1.17 in the year 2015. It means that the bank had following current assets in against of 1 tk. liability. In 2013 it was increased from the year 2012 which is a good sign for the bank. Because it proves that ABL has ability to pay off its current liabilities with its current assets. In fact the higher current ratio is better for the organization as it helps to prevent getting default and pay short term debt swiftly.

Leverage Position

Debt to Equity Capital Ratio

Debt to Equity Capital Ratio = total debt / total equity

Table: 4.15 Debt to Equity Capital Ratio from year 2011-2015

Particulars	**2011**	**2012**	**2013**	**2014**	**2015**
Debt to Equity Capital Ratio	10.56	10.33	10.46	9.11	9.43

(Source: ABL Annual Report: 2011-2015)

Findings about Debt to Equity Capital Ratio

There is an unstable trend in the debt to equity capital ratio of Agrani Bank Ltd. from 2011 to 2015. The debt to equity capital ratio of Agrani Bank has decreased from 10.56 in 2011 to 9.43 in 2015 over 5 years period of time. It means that their liability is increasing at a higher rate than their equity capital from 2011 to 2015. But it increases form year 2012 to 2013. This higher outcome over years not only increases the risk but also increases the profit. Overall this implies that their leverage and overall risk is decreasing. Additionally, it also means that their expected earnings might increase due to escalating leverage.

Total debt to Total Asset ratio

Total debt to Total Asset ratio=Total debt /total asset

4.16: Total Debt to Total Assets Ratio (Tk in million)

Particular	2011	2012	2013	2014	2015
Total liabilities	63608.71	79783.82	101,353.68	106,800.71	128,683.91
Total asset	70,013.90	87,065.13	109678.51	115,681.64	139,494.58
Total debt to Total Asset ratio	0.9085	0.9134	0.9241	0.9232	0.9225

(Source: ABL Annual Report: 2011-2015)

Findings about Total Debt to Total Assets Ratio

Though there are slight fluctuations, Agrani Bank has been able to maintain an average debt ratio of 0.92 from 2011 to 2015. Their total asset and their liabilities are increasing mostly in same range. But it has slightly decreased from 0.9232 to 0.9225 in 2015. This is good from a risk perspective, because higher leverage means higher earnings. Higher leverage also implies that the bank is exposed to higher risk.

Profitability Ratio

Net Profit Margin

Net Profit Margin = Net Income After Tax / Total Operating Revenue

Table- 4.17: Net profit margin Ratio (Tk in million)

Particulars	2011	2012	2013	2014	2015
Net Income After Tax	1,066.01	1,330.19	1,017.66	1,135.19	1,347.11
Total Operating Revenue	3,746.25	4,863.90	5,285.20	5,635.66	6,090.62
Net Profit Margin	28.46%	27.35%	19.25%	20.14%	22.12%

(Source: ABL Annual Report: 2011-2015)

Findings about Net Profit Margin

The Net Profit Margin ratio of Agrani Bank is showing a declining trend. From 2011 to 2013 the Net Profit Margin has decreased incredibly. But from 2014 it is increasing but not like the profit margin of 2011 or 2012. It decreased because the increase in their total operating revenue is higher than the increase in net income after tax. It indicates that bank performance outcome is not that much up to the mark.

Net Operating Margin

Net Operating Margin=Operating revenue – Operating Expense / Total Asset

Table-4.18: Net operating margin Ratio (Tk in million)

Particulars	2011	2012	2013	2014	2015
Total Operating revenue	3746.25	4863.9	5285.2	5635.66	6090.62
Total Operating Expense	1335.61	2046.89	2078.22	2666.75	3021.83
Operating revenue – Operating Expense	2410.64	2817.01	3206.98	2968.91	3068.79
Total Asset	70013.9	87065.13	109678.	115163	139494.6
Net Operating Margin	3.44%	3.24%	2.92%	2.58%	2.20%

(Source: ABL Annual Report: 2011-2015)

Findings about Net Operating Margin

From the year 2011 to 2015, the performance of Agrani bank was decreasing in terms of net operating margin. It has decreased significantly from 3.44% in 2011 to 2.20% in 2015.This occur as their operating income was not increased less than their operating expenses. This is not a very good sign for the bank.

Return on Equity (ROE)

Return on Equity= Net Income after Tax / Total Equity Capital

Table-4.19: Return on equity ratio (Tk in million)

Particular	2011	2012	2013	2014	2015
Net Income After Tax	1066.01	1330.19	1017.66	1135.19	1347.11
Total Equity Capital	6408.19	7281.51	8324.83	8880.94	10810.67
Return on Equity	16.64%	18.27%	12.22%	12.78%	12.46%

(Source: ABL Annual Report: 2011-2015)

Findings about Return on Equity (ROE)

ROE is very popular ratio toward the shareholders of any bank. The higher the percentage is the better for the bank as well as for shareholders. But the ROE of Agrani bank shows that the shareholders are receiving decreasing rate of returns throughout the last three years. Though in 2012 their ROE was 18.27%, but after that it gradually decreased. It was so because the net income of Agrani bank has decreased at a higher rate than its equity capital.

Return on Asset

Return on Asset= Net Income after Tax/Total Asset

Table-4.20: Return on Assets (Tk In million)

Particulars	2011	2012	2013	2014	2015
Net Income after Tax	1066.01	1330.19	1017.66	1135.19	1347.11
Total Asset	70013.9	87065.13	109678.5	115163	139494.6
Return on Asset	1.52%	1.53%	0.93%	0.99%	0.97%

(Source: ABL Annual Report: 2011-2015)

Findings about Return on Assets

ROA is the most used profitability ratio. As ABL was a part of banking industry and its most of the assets come from the debt which was the reasons for its low net profit as well as poor ROA. As a result the ABL had low ROA in the year of 2015 which were .97%. In the year 2015 the net profit of the bank had not increased that much.

Return on Deposits (ROD)

Return on Deposits (ROD) = Net income/Total Deposit

Table- 4.21: Return on Deposits (Tk In million)

Particulars	2011	2012	2013	2014	2015
Net income	1066.01	1330.19	1017.66	1135.19	1347.11
Total Deposit	60673.56	70508.05	79623.13	97485.61	114653.1
Return on Deposits	1.76%	1.89%	1.28%	1.16%	1.17%

(Source: ABL Annual Report: 2011-2015)

Findings about Return on Deposit

This ratio shows the amount of net income returned as a percentage of total deposits. Return on deposit measures a corporation's profitability by revealing how much profit a company generates with the money savers have kept in the bank. It indicates a firm's efficiency in applying deposits (liabilities) to earn profit. Return on deposits was 1.17% in 2015. It slightly rose from 2014 which was 1.16%. But drastically decrease happened in 2013. The fall in 2012 was caused by a substantial increase in deposits and even greater decrease in net profit.

Efficiency Ratio

Tax Management Ratio:

Tax Management Ratio =Net Income after Tax/Net Income before Tax

Table-4.22: Tax management ratio (Tk In million)

Particulars	2011	2012	2013	2014	2015
Net Income After Tax	1066.01	1330.19	1017.66	1135.19	1347.11
Net Income Before Tax	2066.52	2470	2030.52	2284.89	1847.37
Tax Management Ratio	0.52	0.54	0.50	0.50	0.73

(Source: ABL Annual Report: 2011-2015)

Findings about Tax Management Ratio

We can observe that from the year 2011 to 2015, the tax management ratio of Agarni Bank has been fluctuating from 0.52 to 0.73. This trend is seen because of fluctuation in net income after taxes and also in net income before security gains and losses. It is good for the bank to increase this ratio. The management should try to maximize this ratio as much as possible because the tax is a direct cash expense which lowers the net income.

Expense Control Efficiency

Expense Control Efficiency= Net Income Before Tax and Gain / Total Operating Revenue

Table-4.23: Expense control efficiency (Tk in million)

Particulars	2011	2012	2013	2014	2015
Net Income Before Tax and Gain	2066.52	2470	2030.5	2284.8	1847.3
Total Operating Revenue	3746.25	4863.9	5285.2	5635.6	6090.6
Expense Control Efficiency	0.55	0.51	0.38	0.41	0.30

(Source: ABL Annual Report: 2011-2015)

Findings about Expense Control Efficiency

For Agrani Bank, we are observing very inconsistent trend in their Expense Control Efficiency ratio from 2011 to 2015. There is less improvement in their expense control efficiency ratio. It has decreased from 2014 to 2015. But in 2013, it has fallen down to 0.38. The reason behind this inconsistency is the proportionate change in the net income before tax & gains (Losses) and total operating revenue. This implies that Agrani bank is efficiently controlling its expenses.

Degree of Asset Utilization

Degree of Asset Utilization = Total Operating Revenue/Total Asset

Table-4.24: Degree of asset utilization (Tk in million)

Particulars	**2011**	**2012**	**2013**	**2014**	**2015**
Total Operating Revenue	3746.25	4863.9	5285.2	5635.66	6090.62
Total Asset	70013.9	87065.13	109678.5	115163	139494.6
Degree of Asset Utilization	0.054	0.056	0.048	0.049	0.044

(Source: ABL Annual Report: 2011-2015)

Findings about Degree of Asset Utilization

There is a slight increase in the asset utilization ratio of Agrani bank from 2011 to 2012. The ratio was decreasing from 2014 to 2015. It increases considerably because their total asset increased at a higher rate compared to their operating income. This rise in asset utilization indicates that more and more assets are becoming exploited which is a good sign for the bank.

Operating Efficiency Ratio

Operating Efficiency Ratio = Total Operating Expense / Total Operating Revenue

Table-4.25 Operating Efficiency Ratio (Tk in million)

Particulars	2011	2012	2013	2014	2015
Total operating Revenue	3746.25	4863.9	5285.2	5635.66	6090.62
Total operating Expense	1335.61	2046.89	2078.22	2666.75	3021.83
Operating Efficiency Ratio	2.80 times	2.38 times	2.54 times	2.11 times	2.02 times

(Source: ABL Annual Report: 2011-2015)

Findings about Operating Efficiency Ratio

There is a decline in the operating efficiency ratio of Agrani bank from 2014 to 2015. It has decreased from 2.11 times to 2.02 times in 2015. On the other hand, it increased to 2.54 in 2013. It implies that the bank has not been able to efficiently utilize its revenues to cover the operating expense for the last two years. This decreasing trend reflects that the operating revenue is increasing at a lower rate than the operating expense. The declining of this ratio was because of a significant increase in their total operating expense.

Adequacy Ratio

Capital Adequacy Ratio

Capital Adequacy Ratio = Capital Base Tier I + Tier II/ Risk−Weighted Asset

Table 4.26: Capital Adequacy Ratio (Tk in million)

Particulars	2011	2012	2013	2014	2015
Tier I	4855.51	6214.34	7256.39	7763.33	9110.44
Tier II	1494.51	1338.45	1348.89	1496.47	1947.8
Capital Base Tier I + Tier II	6350.02	7552.79	8605.28	9259.8	11058.2
Risk−Weighted Asset	66839	67041.4	70448.6	83421.38	98298.6
Capital Adequacy Ratio	9.50%	11.27%	12.21%	11.10%	11.25%

(Source: ABL Annual Report: 2011-2015)

Findings about Capital Adequacy Ratio

This ratio basically determines a bank's capital to its risk. It is presented as a percentage of a bank's risk weighted credit exposures. In 2015 CAR required for Agrani Bank was 11.25% which was determined by Bangladesh Bank and actually minimum requirement is 10% in 2014. Before that it was 9%. So Agrani Bank has maintained the minimum requirement so far.

Core Capital Ratio

Core Capital Ratio = Tier *I*/Risk-weighted Assets

Table-4.27: Core Capital Ratio (Tk in million)

Particulars	2011	2012	2013	2014	2015
Tier I	4855.51	6214.34	7256.39	7763.33	9110.44
Risk-weighted Assets	66839	67041.4	70448.6	83421.38	98298.68
Core Capital Ratio	7.26%	9.27%	10.30%	9.31%	9.27%

(Source: ABL Annual Report: 2011-2015)

Findings about Core Capital Ratio

Core capital is the minimum amount of capital that a bank has to ensure to protect consumers. It is also expressed as a percentage of a bank's risk weighted credit exposures. It was slightly decreased from 2014 to 2015 around 9.31% to 9.27%. The highest was in 2013.

Loan to Deposit

Loan to Deposit = Total loans / Total Deposit

Table-4.28: Loan to Deposit Ratio (Tk in million)

Particulars	2011	2012	2013	2014	2015
Total loans	49734.8	56611.79	54887.03	67669.38	77899.79
Total Deposit	60673.56	70508.05	79623.13	97485.61	114635.1
Loan to Deposit	81.97%	80.29%	68.93%	69.41%	67.95%

(Source: ABL Annual Report: 2011-2015)

Findings about Loan to Deposit

The growth in 2011 and 2012 was caused by loans increasing faster than deposits. It fell through 2013, 2014 and 2015. From 2013, the loans to total deposit ratio fell significantly, improving the bank's liquidity standing. The fall was attributable to a greater growth in deposits than loans, as compared to 2015. Total credits grew only slightly as the bank become rather cautious in giving loans and assessing credit worthiness because of the then on-going funds crisis. Comparatively a larger growth in deposits reduced the loans to total deposit ratio.

CHAPTER FIVE

SUMMARY, CONCLUSION, RECOMMENDETAION

5.1 Summary

Every bank has its own credit procedure. The Agrani Bank Ltd possesses a standard credit procedure. As the objective of my report is to make a comment on the credit policy of Agrani Bank Ltd, I tried my best to collect data for the report and find out the reality. Based on the data generated during my internship period, I have summed up my findings here and I think this will help me to achieve my objectives.

- The bank follows the overall credit assessment and risk grading process according to the rules of Bangladesh Bank in a somewhat manner.
- With a view to implementing government policies, ABL has been maintaining its position in extending credit to government bodies, sector corporations and private enterprises.
- In practice, credit officers do not fill up the proposal form properly.
- They use assumption rather than exact figure. This practice might end up with bad or classified one.
- ABL distribute loans without sufficient security in some cases. This is violation of the Bangladesh bank order.
- Sometime the document verification is done after loan sanctioning the loan.
- There is shortage of manpower and lack of proper training for the employees in credit section.
- The credit proposal evaluation process is lengthy. Therefore, sometimes valuable clients are lost.
- The website of ABL does not contain all required information about loan and advance.
- In many cases bank face the problem of recovery because the credit officer fails to value collateral property. Proper valuation means collateral will exactly cover the risk of bad loan. Officials must do it with due care.

5.2 Conclusion

It goes without saying that credit policy cannot be isolated from the broader monitory policy of the country. Like any other segment of the economic policy, credit is very important for any financial institution as it generates profit and gear up economic activities of the country.

In other words, credit is business and it is input in the production process of the country.

Since credit has an inherent risk, therefore proper utilization of the loans are essential to meet the requirements of the borrower. The loan applied for by the borrower must not be employed for unproductive purpose. In this regard, the Agrani Bank Limited must closely follow the progress of the loan and the way the borrower is utilizing the funds. In this way, the Agrani Bank Limited will deter any fake activities on the part of the borrower. Credit evaluation system of Agrani Bank Limited is very lengthy process. It has been revised time to time in response to the respective circular of Bangladesh Bank. The overall credit activity of Agrani Bank Limited is composed of corporate credit division and credit administration.

The credit management system of Agrani Bank Limited is more or less effective as recovery position of classified loan is high and classified loan has been decreasing gradually during the year. They always trying to improve their credit policy for minimizing loss and maximizing profit and various measures are undertaken to develop the credit management system.

5.3 Recommendation

To improve the risk management culture further, Agrani Bank Limited should adopt some of the industry's best practices that are not practiced currently. These are:

- All the loan documentations have to done carefully. The bank should concentrate more on proper documentation of all types of loans to make the department trustworthy & healthy. The documents supporting the security against the loan have to be verified properly by the bank before sanctioning the loan.
- There should be a 'Recovery Unit' to manage directly the account with sustained deterioration. To encourage 'Recovery Unit', incentive program may also be introduced. ABL should build separate loan recovery division, if it happen then their classified loan amount will reduce.
- Agrani Bank needs to put some special look on some ratios which fluctuates more. ABL had fair leverage ratios in where it uses the debt most to increase revenue rather than the equity. It may increase the risk of the bank. So, to minimize the risk I think ABL should finance more equity.

CHAPTER: SIX

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