

# INTERNSHIP REPORT ON

## GENERAL BANKING SYSTEM

### A STUDY ON

### AGRANI BANK LIMITED

### *MOHAKHALI BRANCH, DHAKA.*



SUBMITTED TO

MR FEIHAN AHSAN

Lecturer BRAC Business

School

SUBMITTED BY

REJWAN AHMED ANIK

Brac Business school

ID- 14104187

## Letter of Transmittal

Feihan Ahsan

Lecturer BRAC Business School

BRAC University 66, Mohakhali, Dhaka 1212, Bangladesh

Subject: Letter of Transmittal

MR Feihan Sir,

I would like to hand over my internship report on Agrani Bank Limiteds general banking activity from my past 2 months of experience working there. Doing my internship from BRAC University on such a reputed bank was kind of nerve reckoning at first not knowing what to expect. But what was a somewhat scary at first experience was made very easy everyday thing thanks to the amaizing people workgin there. For this I would like to thank the hard working people of agrani bank. Without their help guidance and wisdom this could have easily been the most stressed 2 months of my life but thankfully they made this into a very calm and awesome experience for me. I would like to thank the manager of Agrani Bank Limited Mr Moniruzzaman who showed me how a good commanding officer leads the team and ensures everything is going on in perfect order. Mr Kazi the 2<sup>nd</sup> officer of the bank who is always making sure everything is going smoothly and is a very humble and understanding person and is very aware how to get the team going in a positive way regardless of the situation. Mr Reza, Mrs Sarin, Mr Saddam and Mr Salim have been very kind and always making an environment around me which made me feel at ease working there. So I am very grateful to have work alongside such positive people and get to know how different types of people of different position and age interact with eachother to get things going in the bank.

Sincerely,

Rejwan Ahmed Anik

## ACKNOWLEDGEMENT

My extreme gratitude to my supervisor Mr. Feihan Ahsan, Faculty of Brac University, Dhaka for his whole-hearted co-operation and supervision towards me during the Internship program. He had cleared the whole concept of what I am suppose to do and what goals I need to achieve in my time working at agrani bank to finish my internship report.

I appreciate Mr. Moniruzzaman the General Manager and Mr. Kazi Ahmed, Senior Principal Officer, whose constant monitoring and direction in providing necessary information helped me to prepare reports in my promethium activities alongside other staff members and colleagues in agrani bank. Without their help and monitoring this whole experience would be very different.

I would also like to give special thanks to all the customers that I have grown to know during my stay there and their kind words to me while my time workgin there. Finally my family memebers who also guided me through this whole process and made sure that I am on track with my goals on this whole intership and weather I am aware of due dates and following all steps required to make this report on time. So I would like to thank my family and close friends for helping me through this time creating this report.

## EXECUTIVE SUMMARY

Bangladesh Banking is one of those industries that helps the country immensely to have a solid image about the country not only nationally but also in global arena. At present in Bangladesh more than 47(forty seven) commercial banks are operating their activities along with 30(thirty) finance and leasing companies in Bangladesh. The country's central Bank, Bangladesh Bank, controls and monitors the Banking Industry. Agrani Bank Limited (ABL) is set up in 1972. Probably one of the most old and known banks in our country. It is a state claimed bank framed by the piece of ex-Habib Bank Ltd and ex-Commerce Bank Ltd. Agrani Bank Limited is a bank with an Authorized Capital and Paid-up Capital of Tk.800.00 million and Tk.248.00 million separately. There are around 867 branches in which 10 branches are corporate. There are around 341 city branches and 526 rural branches. The top managerial staff is comprised of 11 individuals. The Chairmen and Directors are assigned by government. There are six areas of Agrani Bank Limited Mohakhali branch. These are Cash, computer section, account opening, clearing, Accounts and local remittance. Cash section collect cash and pay payment in cash, computer section posting the vouchers, account penning section open new accounts, clearing section deal with clearing function, account section prepare different statements. Here are few recommendations toward concerned authority for incapacitating the shortcomings of ABL which are using IT, bank should disregard the manual based operation, all divisions should be well decorated, staff and officers should speak polite and low voice and communicate more, Bank should introduce new product, Bank should do new techniques in terms of promotion rather than only experience on networking inside the bank. Various kinds of trainings also should be implemented in order to improve employee skill levels. There is many sectors of improvements that can be made. in this report I have find out some of the major flaws and also learned what makes this bank stil one of the most recognized banks even with its flaws

## Contents

INTRODUCTION .....	5
IMPORTACNE OF THE STUDY .....	6
OBJECTIVES OF STUDY.....	6
METHODOLOGY OF STUDY .....	7
SOURCES OF INFORMATION .....	7
LIMITATION .....	8
ORIGIN OF THE WORD .....	9
BANKING .....	10
TRADITIONAL BANKING ACTIVITIES .....	11
A BREIF OVERVIEW OF AGRANI BANK .....	12
ESTABLISHMENT AND STATUS OF THE BANK.....	12
OBJECTIVES OF AGRANI BANK LIMITED : .....	13
NATURE OF BUSINESS : .....	13
VISION .....	13
MISSION OF THE BANK.....	13
MOTTO .....	14
ACTIVITIES.....	14
MANAGEMENT : .....	14
HIERARCHY OF AGRANI BANK LIMITED .....	15
EXISTING DIVISION OF AGRANI BANK LIMITED.....	16
Manpower .....	17
TRAINING AND DEVELOPMENT .....	17
PERFORMANCE APPRAISAL AND FEEDBACK .....	17
NUMBER OF BRANCHES WITH ZONE LIST : .....	17
ZONE WISE BRANCH LIST OF AGRANI BANK LIMITED AS UNDER:..	18
BRANCH COMPUTERISATION & ON-LINE BANKING : .....	19
ATM CARD : .....	19
AIMS OF INTALLATION.....	20
EMPLOYEES OF AGRANI BANK LIMITED.....	20
Management fuctions fo the bank.....	21
GENERAL BANKING OF AGRANI BANK LIMITED. ....	21
FUNCTIONS .....	22
CONSTITUENTS OF GENERAL BANKING DEPARTMENT.....	22
ACCOUNT OPENING.....	22
OPENING OF DIFFERENT TYPES OF ACCOUNT:.....	23
CURRENT DEPOSIT ACCOUNT .....	23
SAVINGS BANK ACCOUNT.....	24
FIXED DEPOSIT ACCOUNT .....	24
SHORT TERM DEPOSIT .....	25
AGRANI BANK PENSION SCHEME.....	25
MONTHLY INSTALLMENT OF ABPS .....	25
AGRANI BANK SPECIAL PENSION SCHEME (ABS).....	25
MONTHLY INSTALLMENT OF ABS.....	25
NATURE OF ACCOUNTS (OWNERSHIP STATUS) : .....	26
GENERAL PROCEDURES OF OPENING ACCOUNTS : .....	26
SAVINGS BANK ACCOUNTS .....	28
FIXED DEPOSIT ACCOUNTS.....	28
DOCUMENTS REQUIRED FOR DIFFERENT TYPES OF ACCOUNT: .....	29

PROPRIETORSHIP: .....	29
PARTNERSHIP:.....	30
LIMITED COMPANY: .....	30
ISSUE OF CHEQUE BOOK TO CUSTOMERS : .....	30
TYPES OF CHEQUEBOOK.....	31
CHEQUE BOOK ISSUE.....	31
REMITTANCE SECTION :.....	31
LOCAL REMITTANCE .....	32
DEMAND DRAFT (DD) .....	32
TELEGRAPHIC TRANSFER (TT) .....	32
PROCEDURE OF ISSUING T.T .....	33
AGAINST CASH: .....	33
AGAINST CHEQUE.....	33
AGAINST A LETTER OF INSTRUCTION .....	34
PAYMENT OF TELEGRAPHIC TRANSFER: .....	34
RECEIPT OF TELEGRAM .....	34
ADVICE TO PAYEE .....	35
CASH.....	35
FUNCTIONS OF THIS SECTION .....	35
DEPOSITING .....	36
WITHDRAWALS .....	36
BALANCING OF CASH .....	37
BILLS SECTION: .....	37
OUTWARD BILLS FOR COLLECTION:.....	38
INWARD BILLS FOR COLLECTION .....	39
OUTWARD BILLS FOR COLLECTION .....	40
INWARD BILLS FOR COLLECTION .....	40
AGRANI BANK SHILPA UNNAYAN BOND .....	40
BRANCH COMPUTERISATION .....	40
ONLINE REMITTANCE.....	41
TRANSFAST.....	42
EXPRESS MONEY.....	42
STATEMENT OF AFFAIRS .....	42
INTRODUCTION .....	43
FUNCTIONS OF ADVANCE DEPARTMENT .....	43
INTERVIEW AND APPLICATION .....	44
PRINCIPLES OF SOUND LENDING .....	44
TYPES OF SECURITY.....	45
SELECTION OF BORROWER.....	46
STEPS IN THE LENDING PROCESS.....	46
MONITORING COMPLIANCE WITH LOAN .....	47
THE SIX BASIC C'S OF LENDING .....	47
TYPES OF ADVANCES .....	48
ADVANCES (Overdrafts).....	48
TOD .....	49
SOD.....	49
CASH CREDIT (hypothecation):.....	50
THE PROCESS OF EXTENDING Cash Credit (Hypothecation).....	50
ADVANCES (LOANS).....	51
REQUIRED INFORMATION FOR LOAN SACTIONS.....	51
CONSUMER CREDIT SCHEME.....	52
ELIGIBILITY OF CUSTOMERS.....	53

LOANS AGAINST TRANSPORT .....	53
LOAN GENERAL.....	53
STAFF LOAN .....	54
STAFF CAR LOAN .....	54
HOUSE BUILDIGN LOAN (Staff) .....	54
GENERAL HOUSE BUILDIGN LOAN .....	55
PROJECT LOAN.....	55
SECURITIES FOR PROJECT LAON .....	55
PROCEDURE FOR GIVING ADVANCES .....	56
FIRST STEP .....	56
SECOND STEP .....	57
THIRD STEP .....	58
FOURTH STEP .....	58
CREDIT RISKS GRADING SCORE SHEET ARE AS FOLLOWS .....	59
FIFTH STEP .....	60
SIXTH STEP .....	61
RATE OF INTEREST ON LENDING.....	61
THE TYPE OF ADVANCES AND PROBABLE SECURITIES.....	62
CREDIT APPROVAL AND DISBURSEMENT PROCESS IN AGRANI BANK .....	63
.....	63
Credit Approval .....	63
CREDIT EVALUATION PRINCIPLES.....	63
CREDIT RISK EVALUATION ASSESSMENT .....	64
LENDING AUTHORITY .....	64
LENDING AUTHORITY .....	64
RESPONSIBILITY FOR CREDIT APPROVAL .....	65
BOARD OF DIRECTORS .....	65
EXECUTIVE COMMITTEE .....	65
HEAD OFFICE CREDIT COMMITTEE .....	65
BRANCH CREDIT COMMITTE .....	66
AGREEMENT FOR LOAN .....	66
DOCUMENTATION .....	66
LOAN SANCTIONING AUTHORITY .....	69
DISBURSEMENT PROCESS OF CREDI .....	69
SUPERVISION AND MONITORING OF CREDIT IN .....	70
AGRANI BANK LIMITED .....	70
CREDIT FILE MAINTENANCE .....	71
FACILITY EVIDENCE MAINTENANCE.....	71
IDENTIFYING PROBLEM LOAN.....	71
SUPERVISION OF CREDIT .....	72
EARLY WARNING SIGNALS .....	72
PREVENTION .....	73
INDENTIFICATION OF DELINQUENT FACILITIES .....	73
DEVELOPING A LOAN ACTION PLAN.....	74
CLASSIFICATION OF CREDIT.....	74
CLASSIFICATION PROCEDURES .....	75
RISK GRADING .....	75
INTRODUCTION ABOUT RECOVERY .....	79
THE PROCEDURE OF LOAN RECOVERY .....	79
FINDINGS AND RECOMMENDATIONS.....	81
FINDINGS:.....	81
RECOMANDATIONS .....	82

CONCLUSION.....	84
BIBLIOGRAPHY.....	87



## Introduction

With the current of civilization financial institution like Bank has become an integral part of economic development of a country. The word "Bank" refers to the financial institution deals with money. Commercial banks are the primary contributors to the economy of the country. On the other hand they are borrowing money from the locals and lending the same to the business as loans and advances. So the people and the government is very much dependent on these banks as the financial intermediary. Moreover, banks are profit-earning concern, as they collect deposit at the lowest possible cost and provide loans and advances at higher cost. The differences between two are the profit for the bank. Involvement of the banking sector in different financial events is increasing day by day. At the same time the banking process is becoming faster, easier and the banking arena is becoming wider. As the demand for better service increases, the banking organizations are coming with innovative ideas. In order to survive in the competitive field of the banking sector, all banking organizations are looking for better service opportunities to provide to their clients. As a result, it has become essential for very person to have some ideas on the bank and banking procedure. With growing competition, among Islamic, foreign, and private commercial banks as to how the activities i.e. the customer service can be made more attractive, the expectation of the customers has risen immensely. Reciprocating the sentiment, commercial banks are trying to evaluate their traditional banking service to a better standard, to meet the challenging needs side by side these banks have concentrated their attention towards diversification of their products for better performance and existence. Under the above circumstances, it has become necessary for Agrani Bank limited, one of the leading local banks, to focus its attention towards the improvement of its activities. That is why it is quite justified to make an in-depth study and evaluate the activities of Mohakhali Branch, Dhaka and scope for its improvement. The study may help enhance the existing system of credit approval and monitoring by suggesting ideas towards improvement. Further more, Agrani Bank limited executives who are actually executing the policies undertaken by the upper management wihave a chance to express more suggestions, which will only contribute towards standardization and upgrading of the policies of the organization.

## Importance of the study

The internship program includes a period of 10 weeks of on-the-job-training where I can have first-hand observation concerning the utility of different departments.

Though this study done on a single branch with the help of few primary data and secondary data, I think it has immense importance. Such as

1. To fulfill the partial requirement of the internship of MBA: Internship is a mandatory for every student, so the first importance to me to fulfill the requirement of MBA program.
2. For Bank: My report will help the bank officials to understand the customer satisfaction and the shortcomings. They may take necessary step to move forward.
3. For research: This report can give an idea about commercial banking and loan and advance of Agrani Bank limited, which will help the researchers for any conclusive research.

## Objectives of study

Every study or research work has some objectives. My study does not go an exception in this respect. I have taken the following objectives for my study purpose:

1. To present the existing Banking system.
2. To analyze the loan and advance system.
3. To evaluate the performance of **Agrani Bank limited, Mohakhali Branch, Dhaka.**
4. To find out problems and give some suggestion so they can themselves take nessesary steps to improve on those aspects.

## Methodology of study

Certain methods and techniques were utilized to collect data for this report. Both primary and secondary sources were chosen as effective means of collecting data relevant for this report.

Mainly we used interview technique that was employed to collect primary data from people within and outside the organization. Information about the varieties of activities within the Department was collected through Interview. Besides, my first hand experience also helped me learn quite a few things about various activities of the Branch.

On the other hand, secondary sources were used to collect data regarding the company's performance since its inception. Publications and database within the organization helped me to gather data.

## Sources of information

### **A. Primary sources:**

Interview

Observation

### **B. Secondary sources:**

Different Reports of Agrani Bank limited Mohakhali Branch, Dhaka

Head Office Circulars.

Brochures of Agrani Bank limited Mohakhali Branch

Other Publications.

Websites such as-[www.agranibank.org](http://www.agranibank.org) and Internet.

## Limitation

This report may not be to the absolute perfection due to some of the limitations listed below:

1) One major limitation was the time constraint. The duration of the study was only 10 weeks, which disabled many opportunities. This report could have been prepared in a much broader and extensive manner with more time and space availability. Now I know its up to max 12 weeks and some of us also could have started it way ago sicne the holidays were given but its doing the internship is not the hard part it's the searching and finding it which took a few weeks time.

2) The study was limited by the size of the sample.

3) Not survey on the spot to the other banks for comparison rather customers opinion is taken only.

4) Some essential data could not be gathered because of confidentiality concerns. The raw data available in the organization's database management system was also not properly organized. Too ask for them also kinda made me feel that I am adding excess stress on others that are working there so basically I got the data that were easy to find and did not put any extra stress on the workers.

5) I was not able to visit all other nearby branches of Agrani Bank limited , and had to depend on the corporate office for all the information regarding other branches. A few of them I have visited beforehand so I already have an idea about the environment and know how different it is compared to the bank that I have worked last 2 months.

## Origin of the word

The name bank derives from the Italian word "banco" "desk/bench", used during the Renaissance by Florentine bankers, who used to make their transactions above a desk covered by a green tablecloth. However, there are traces of banking activity even in ancient times. In fact, the word traces its origins back to the Ancient Roman Empire, where moneylenders would set up their stalls in the middle of enclosed courtyards called macella on a long bench called a bancu, from which the words *banco* and *bank* are derived. As a moneychanger, the merchant at the bancu did not so much invest money as merely convert the foreign currency into the only legal tender in Rome that of the Imperial Mint. Long long ago when there was no currency, people used to buy and sell goods in exchange of other goods. Gold was considered the most valuable stone. When any people found a handsome number of gold was in his hand, he would like to keep it in a prominent personality in the society. The person gives him a receipt of leaf as an approval of storage. The owner paid some amount for the storage safely and he started to buy good by showing or exchanging the receipt. He who had the receipt, he was the owner of the gold.

The person, who kept the gold safely, had found that the owner did not come to take the gold, rather they renewed it. He took the opportunity and started to lend gold to others with some interest. By the cycle of time he started to do the business in the same fashion sitting on a bench in a busy place. Banking started. As the lenders did the business sitting on a bench so the business was called "Bancco" which means "Bench". At the very beginning this type of business was very popular in Italy.

## Banking

European Banking has also long history from early half of the 2000 BC. Temples were used by the kings as Bank and the priests were in charge of all the transaction. They started to transfer money one country to another with strong security which helped their business in the foreign country. "The Banco De Rialto" was the first public bank started in Venice in the year 1584. Ancient Banking in India taking and giving credit are to be found in the latter half of 1400 BC. All transaction had been done according to the principles of Hindu Law.

Ancient types of money known as grain-money and food cattle-money were used from a time of around at least 9000 BC, as two of the earliest things understood as things to be made use of for the purposes of barter . Anatolian obsidian as a raw material for Stone Age tools was being distributed from as early as about 12,500 B.C., the occurrence of an organized trade was current during the 9th millennium. Within Sardinia, which was the location of one of the four main sites for sourcing the material deposits of obsidian within the Mediterranean, trade using obsidian was replaced during the 3rd millennia by trade instead of copper and silver and In the middle of 15th century the concepts of banking became changed. Currency was found in shape coins notes. Banking was shifted from the temples to the separate organization under the supervision of the government. Branches were established throughout the country under the direct control of central bank and the total banking had given an organizational shape. The first state deposit bank, Bank of St. George, was founded in 1407 at Genoa, Italy.

## Traditional banking activities

Banks act as payment agents by conducting checking or current accounts for customers, paying cheques drawn by customers on the bank, and collecting cheques deposited to customers' current accounts. Banks also enable customer payments via other payment methods such as telegraphic transfer, EFTPOS, and ATM.

Banks borrow money by accepting funds deposited on current accounts, by accepting term deposits, and by issuing debt securities such as banknotes and bonds. Banks lend money by making advances to customers on current accounts, by making installment loans, and by investing in marketable debt securities and other forms of money lending.

Banks provide almost all payment services, and a bank account is considered indispensable by most businesses, individuals and governments. Non-banks that provide payment services such as remittance companies are not normally considered an adequate substitute for having a bank account.

Banks borrow most funds from households and non-financial businesses, and lend most funds to households and non-financial businesses, but non-bank lenders provide a significant and in many cases adequate substitute for bank loans, and money market funds, cash management trusts and other non-bank financial institutions in many cases provide an adequate substitute to banks for lending savings to.

## **A breif overview of agrani bank limited**

Agrani Bank Limited a leading commercial bank with 867 outlets strategically located in almost all the commercial areas throughout Bangladesh, overseas Exchange Houses and hundreds of overseas Correspondents, came into being in 1972 immediately after the emergence of Bangladesh as an independent country. It started functioning as Nationalized Commercial Bank taking over assets and liabilities of the erstwhile Habib Bank Limited and the Commerce Bank Limited, functioning in the former East Pakistan.

The Bank is fully owned by the Government of the Peoples Republic of Bangladesh Agrani Bank Limited is governed by a Board of Directors consisting of 7(seven) members headed by a Chairman. The Managing director (Chief Executive Officer) heads the Bank, Deputy Managing Director and General Managers assist Managing Director. The bank has 7 Circle offices, 30 Divisions and a Head office, 52 Zonal offices and 867 Branches including 10 Corporate and 40 AD (Authorized Dealer) Branches. The corporate and AD branches are authorized to deal in foreign exchange business.

## **ESTABLISHMENT AND STATUS OF THE BANK**

Agrani Bank is a Nationalized Commercial Bank established by the Bangladesh Bank's Order in 1972 and is fully owned by the Government of the People's Republic of Bangladesh. The Bank had 867 branches as on 31 December 2008 .The bank also has two wholly owned subsidiary Companies named Agrani Exchange House in Singapore and Agrani Remittance in Malaysia.

Agrani Bank Limited has been incorporated as a public limited company on May 17, 2007 vide Joint Stock Companies and firm's Certificate of Incorporation No. E66888(4380)/07. The bank has taken over the business alongside assets, liabilities, rights and obligations of the former Agrani Bank emerged as a Nationalized Commercial Bank in 1972, pursuant to the Bangladesh Bank's order no.1972 on a



going concern basis through a vendors Agreement signed between the Ministry of Finance, Govt . of the Peoples Republic of Bangladesh on behalf of the former Agrani Bank and the board of directors of the

## **OBJECTIVES OF AGRANI BANK LIMITED :**

Agrani Bank Limited has a various types of objectives; Important objectives of Agrani Bank Limited are as follows:

1. To collect deposit;
2. To secure deposit.
3. To inspire savings;
4. Control Loan;
5. To expand trade and commerce.
6. To eradicate poverty;
7. To increase the capital formation.

## **NATURE OF BUSINESS :**

The principal activities of the Bank are providing all kinds of commercial banking services to its customers and the principal activities of its subsidiaries are to carry on the remittance business and to undertake and participate in any or all transactions, and operations commonly carried or undertaken by remittance and exchange houses.

### **vision**

To become a leading bank of Bangladesh operating at international level of efficiency, quality and customer service.

## **MISSION OF THE BANK**

Agrani Bank Limited will go operating ethically and fairly within the stringent framework set by bank's regulators. Bank will go fusing ideas and lessons from best

practice to explore new avenues to stay stronger and more efficient, nimble, and adaptable, and competitive as well. They will keep abreast of advance information and communication technology for the benefit of our customers and employees. Bank will invest to strengthen the future of the Bank.

## **MOTTO**

To adopt and adapt to modern approaches to stand supreme in the banking arena of Bangladesh.

## **ACTIVITIES**

The principal activities of the bank are to do all kinds of commercial banking services to its customers such as deposit mobilization, advance(overdraft, cash credit) facility with a view to accelerating trade, commerce, industries etc. Besides these, Agrani Bank Limited distributes huge amount of agricultural and non-agricultural credit. It deals in foreign exchange transactions, such as forward contract for importers, purchasing and selling foreign exchange, payments in favor of the exporter but on behalf of the importer. It also provides loans against bills, FDR and collect bills, premium on behalf of the various institutions.

## **MANAGEMENT :**

The over all policy formulation and the general direction of the Bank's operation are vested in the Board of Directors appointed by the government and constituted in terms of Bangladesh Bank Order 1972. The Board of Directors consists of members including Chairman and Managing Director who is the Chief Executive of the Bank. The General Manager assets Managing Director in condition over all banking business.

## HIERARCHY OF AGRANI BANK LIMITED



## EXISTING DIVISION OF AGRANI BANK LIMITED

- Agrani Bank Training Institute
- Audit Implementation Division
- Audit & Inspection Division
- Board Division
- Branch Control Division
- Central Accounts Division
- Common Services Division
- Development & Co-ordination Division
- Disciplinary Action Division
- Engineering & Establishment Division
- Foreign Currency Management Division
- Fund Management Division
- General Credit Division
- Human Resources Division
- Information Technology Division
- Industrial Credit Division-1
- Industrial Credit Division-2
- (A)Law Division
- Loan Classification Division
- Loan Recovery Division
- MD's squad
- Personnel Division
- Planning, Research & MIS Division
- Printing & Stationery Division
- Public Relation Division
- Reconciliation Division
- Remittance Management Division
- Rural Credit Division
- SME & Micro Credit Division

## **Manpower**

The Human Resources Division is very much concerned about the training of its members of management. Every year it provides a schedule for development and training purposes. Bank recruited most of the officers through Bankers' Recruitment Committee (BRC) which is conducted by Bangladesh Bank. Now Agrani Bank Limited. recruits the senior officers and officers.

## **TRAINING AND DEVELOPMENT**

Agrani Bank Limited attach importance to provide institutional training to their human resources. It has its own training institution. At the top there is a national level training institute and Agrani Bank Limited also provide training at Bangladesh Institute of Bank Management (BIBM) to cater to the training needs of the higher level bank personnel.

## **PERFORMANCE APPRAISAL AND FEEDBACK**

The ABL follows closed appraisal system and appraisal is mainly done for the use of promotion, disciplinary action and to control human resources. Performance feedback is almost absent in Agrani Bank Limited. No systematic culture has yet been developed for performance feedback.

## **NUMBER OF BRANCHES WITH ZONE LIST :**

Branches of a Bank play an important role in the country's economic development i.e. foreign exchange reserve by collecting & handling foreign remittance all over the country. Countrywide network of a bank helps to collecting remittance. Remote area branch network is a favorable position for the bank. Agrani Bank Ltd has 867 branches all over the country which are centrally controlled by the head office of Dhaka. Branches help to send money to the remote areas of the country so that people can get money easily nearest of their home.

**ZONE WISE BRANCH LIST OF AGRANI BANK LIMITED AS UNDER:**

<b>Sl no.</b>	<b>Name of Zone</b>	<b>No. of Br.</b>		<b>Sl no.</b>	<b>Name of Zone</b>	<b>No. of Br.</b>
1	Bagerhat	13		29	Kustai	21
2	Barisal	14		30	Moulvibazar	18
3	Bhola	9		31	Mymensingh	15
4	Bogra	30		32	Madaripur	10
5	Brahmanbaria	14		33	Manikgonj	11
6	Chandpur	16		34	Munshigonj	14
7	Chapinowabgonj	13		35	Noogaon	12
8	Chittagong North	26		36	Narayangonj	12
9	Chittagong Central	21		37	Natore	11
10	Chittagong South	26		38	Narsindi	9
11	Comilla	29		39	Netrokona	11
12	Chuadanga	14		40	Noakhali East	16
13	Dhaka Central	17		41	Noakhali West	23
14	Dhaka North	30		42	Pabna	23
15	Dhaka South	19		43	Patuakhali	19
16	Dhaka West	14		44	Pirojpur	7
17	Dinajpur	16		45	Rajshahi	17
18	Faridpur	17		46	Rangpur	16
19	Gazipur	15		47	Sathkhira	10
20	Gaibanda	11		48	Sirajgonj	20
21	Gopalganj	8		49	Sylhet East	21
22	Jamalpur	19		50	Sylhet Weast	19
23	Jessore	27		51	Tangail	23
24	Jhenaidah	14		52	Thakurgaon	10
25	Joypur	8			Sub-Total	857

26	Khulna	28			
27	Kishoreganj	12			<b>Corporate Br. 10</b>
28	Kurigram	9			<b>Total 867</b>

## **BRANCH COMPUTERISATION & ON-LINE BANKING :**

The Bank has grown significantly over the years in branch automation. So far 300 & above branches out of total 867 branches are equipped with computer technology having LAN-based branch-banking software. Rest of the branches are having at least 1(one) desktop computer with internet connectivity along with Online Foreign Remittance Payment Software and GL Software capable for General Ledger making.

To-day's competitive banking means Electronic-based banking. For spreading a large-scale data-communication network across 100 locations in the country which includes Head Office, 7 Circle Offices, 40 AD branches including 10 Corporate branches and 52 Zonal Offices, implementation of a fully integrated core banking solution is continuing and expected to be completed by 2010. All 40 AD(Authorized Dealer) branches including 10 corporate branches will come under on line banking with Italian customized software TEMENOS (T-4) CORE on line banking software. The customers of the branches in on line system will get the facility of phone banking, internet banking etc besides opportunity for making their banking transactions to any of the branches.

## **ATM CARD :**

Account Holders of Agrani Bank Limited can now avoid the risk of carrying cash by subscribing to our Automated Teller Machine (ATM) Service. ATM Card Holders can draw cash from any ATM location and also enjoy other services like paying a variety utility bills like those of BTTB, AKTEL( RABI) and Grameen Phone through ATM service. The service is open round the clock in all the days including holidays. The ATM card holder can enquire about the balance of his/her ATM Account from any outlet at any moment. Cash withdrawal of TK. 500, to TK 10,000 can be made from ATMs. Maximum cash withdrawal limit is TK 10,000 at a time and TK 20,000 in a day. Maximum 10 transactions can be made in a day. ATM Account Holders of

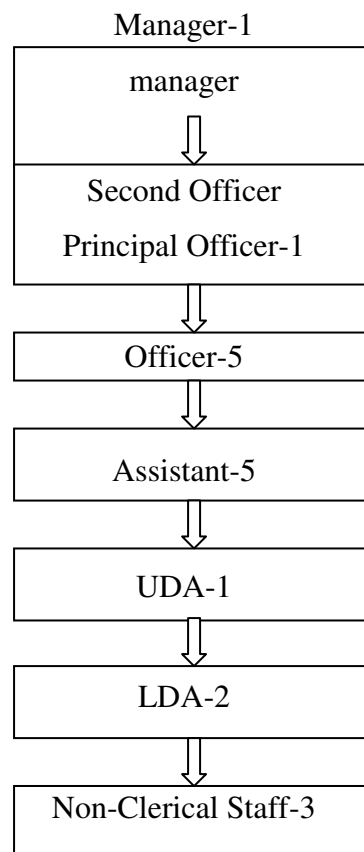
Agrani Bank Limited can enjoy the services from the following outlets under a "shared network arrangement" with other Banks:

## AIMS OF INTALLATION

- i. To give money for setting up of a new firm.
- ii. To supply credit of existing business institute.
- iii. It serves to get of banking system to any stage of businessmen.
- iv. To give money for setting up of a new agro-based industrial unit.
- v. To give money for setting up of a new project-based industrial unit.

## EMPLOYEES OF AGRANI BANK LIMITED

There are 18 Employees in the Agrani Bank Limited. Mohakhali Branch which is showing below :





## **Management functions fo the bank**

Mr. moniruzzaman manager of the bank is indeed a key person in this branch, is responsible for all sorts of banking activities and accountable to the Head Office, for any kind of failure and misdeeds. The Manager is responsible for overall development and administration of the bank. Thus, he keeps himself busy for mobilization and management of fund.

### **This branch bears the losses for following reasons :**

- i) Lion portion of classified loans among total loans,
- ii) Less interest bearing Staff loans,
- iii) Lion portion of highest interest bearing deposits among total deposits which increase the losses.

## **GENERAL BANKING OF AGRANI BANK LIMITED.**

### **INTRODUCTION**

General Banking department is considered as the direct customer service-centre. The clients and customers build their impression whether they are going for further

dealings with the bank or not on the basis of their service. Moreover this is the first impression about the bank. So, general banking section must be taken carefully.

## **FUNCTIONS**

General Banking department conducts different sorts of functions that ultimately affect the success of the whole bank. Functions that Agrani Bank Limited, Mohakhali Branch performs are discussed below:

- 1) Establishing Banker Customer relationship;
- 2) Remitting customer's money from one place to another;
- 3) Collecting bills for customers;
- 4) Taking deposit and honoring Cheque drawn over the Mohakhali Branch.

## **CONSTITUENTS OF GENERAL BANKING DEPARTMENT**

General Banking Department constitutes with the following sections:

- \* Account Opening Section.
- \* Remittance Section.
- \* Bills Section.
- \* Clearing Section.
- \* Cash & Computer Section.
- \* FDR & BCD section.

## **ACCOUNT OPENING**

One of the vital sections under general Banking is the account opening section Banker customer relationship begins through this section. Banker customer relationship begins through this section. Various tasks are performed in this section. Banking

business is very much correlated with banker customer relationship. To be a customer one person must have some sort of accounts with the banker. Account Opening section establishes this relationship by opening new accounts. Vital thing to open any individual account also fill up the KYC (Know Your Customer) form and fill up the transaction profile to avoid or identify the black money protection or money laundering. It is ordered by Bangladesh Bank.

## **OPENING OF DIFFERENT TYPES OF ACCOUNT:**

Agrani Bank Limited may open the following types of accounts and may receive the deposits in those accounts.

- Current Deposit;
- Savings Bank Deposit;
- Fixed Deposit;
- Short Term Deposit;
- Monthly Savings Scheme;
- Agrani Bank Pension scheme ABPSP (5 years, 10 year);
- Agrani Bank Special Pension scheme ABS (5 years, 10 year);

All these type accounts are briefly described in the following:

### **CURRENT DEPOSIT ACCOUNT**

A current account is an account that is generally opened by business people for their convenience. Money can be deposited and withdrawn at any time. It does not allow any interest on this account. Two important privileges customer can enjoy in a current account

- a) Overdraft facility.
- b) Other facilities like collection of checks, transfer of money, rendering agency and general utility services.

Current Deposit Accounts shall be opened with a minimum amount of Tk. 1000.00. It is payable on demand. No interest is paid in these types of accounts.

## SAVINGS BANK ACCOUNT

This deposit is intended primarily for small-scale savers. The main object of this account is promotion of thrift. Hence, there is restriction of withdrawals in a month. Minimum amount of Tk.500.00 is required for opening this type of account. The account may not be retained if the balance falls below Tk.200.00. Not more than one account shall be opened in one name. A depositor shall be allowed to withdraw per week up to 25% of the balance of his account. For calculation of interest the minimum balance at the credit of an account in the beginning of the month should be taken into consideration. Savings interest rates in Agrani Bank is 4.00%.

## FIXED DEPOSIT ACCOUNT

A fixed deposit is one that is repayable after the expiry of a predetermined period fixed by the customer himself. The period varies from three month to two year and above. Fixed deposit accounts are opened for a fixed period varying from three months to two years or above and are payable at a fixed date of maturity. Interest on this deposit is paid at the rate fixed by H.O. from time to time depending on the period of maturity. Interest is payable only at the maturity of the deposit.

### THE FOLLOWING TABLE SHOWS DIFFERENT FDR RATES :

PERIOD	FDR RATE
For 3 months & above	7.25 %
For 6 months & above but less than 1 year	7.50 %
For 1 year & above but less than 2 years	8.00 %
For 2 years & above up to 5 years	10.00 %

**Balance outstanding of deposit × Rate of interest**

**Interest =** \_\_\_\_\_

**360 days×100**

### **SHORT TERM DEPOSIT**

It is a deposit account open by customer where customer deposited money for short period. Customer can draw money after giving short notice. The deposits held in these accounts that should be payable on short time for 7 days or 29 days. The deposits may be accepted for period and rate of interest is fixed by Head Office from time to time. The STD interest rates in Agrani Bank is 3.50%.

### **AGRANI BANK PENSION SCHEME**

It is one type of savings scheme where installment payment should be deposited to the bank within first 10 days of each month. Monthly Savings Scheme in Agrani Bank has been introduced replacing Deposit Pension Scheme since March 1995; It can be opened for five or ten year's maturity period for Tk.100.00 or Tk.500.00 monthly.

### **MONTHLY INSTALLMENT OF ABPS**

<b>MONTHLY INSTALLMENT</b>	<b>YEARS (5)</b>	<b>YEARS (10)</b>
Tk.500	Tk.38,610	Tk.1,04,500

**Chart-9**

### **AGRANI BANK SPECIAL PENSION SCHEME (ABS)**

It is one type of savings scheme where installment payment should be deposited to the bank within first 15 days of each month. Monthly Savings Scheme in AGRANI BANK has been introduced replacing Deposit Pension Scheme since 2008 ; It can be opened for five or ten year's maturity period from Tk.1000.00 to Tk.10000.00 monthly. ABS interest rates in Agrani Bank is 8% for 5 years and 9% for 10 years.

### **MONTHLY INSTALLMENT OF ABS**

<b>MONTHLY INSTALLMENT</b>	<b>YEARS (5)</b>	<b>YEARS (10)</b>
Tk.1,000	Tk.73,448.00	Tk.1,91,196.00
Tk. 2,000	Tk.1,46,196.00	Tk.3,82,392.00
Tk. 3,000	Tk.2,20,344.00	Tk.5,73,588.00
Tk. 4,000	Tk.2,95,782.00	Tk.7,64,784.00
Tk. 5,000	Tk.3,67,240.00	Tk.9,55,980.00
Tk. 6,000	Tk.4,40,888.00	Tk.11,47,176.00
Tk. 7,000	Tk.5,14,136.00	Tk.13,38,372.00
Tk. 8,000	Tk.5,97,584.00	Tk.15,29,568.00
Tk. 9,000	Tk.6,61,032.00	Tk.17,20,764.00
Tk. 10,000	Tk.7,34,480.00	Tk.19,11,960.00

**Chart-10**

### **NATURE OF ACCOUNTS (OWNERSHIP STATUS) :**

1. Individual Accounts.
2. Joint Account.
3. Proprietorship Firm Accounts .
4. Partnership Concerns Accounts .
5. Private Limited Companies Account.
6. Public Limited Companies Account.
7. Accounts of Societies, Clubs, Association etc.
8. Trust Accounts.
9. Accounts of Local Authorities.

### **GENERAL PROCEDURES OF OPENING ACCOUNTS :**

#### **CURRENT DEPOSIT ACCOUNT**

The procedures are needed to follow in case of opening a current deposit account is as follows:

- ◆ The account opening form of current account and specimen signature cards are supplied to the customers, which is filled and signed by them.
- ◆ In case of individual account, an account holder signs the AOF (Account Opening Form) and SS card in his individual capacity both under "Yours Faithfully"-and "Specimen Signature". In case of Partnership firms & Proprietary concerns it is to be signed by the persons/partners in their individual capacity under "Yours Faithfully" and in their official capacity under 'Specimen Signature' In other cases (Pvt. Ltd. Company, Public Ltd. Company) both the signatures must be in official capacity.
- ◆ A CD account holder of the bank shall introduce the account. An elite of the locality well known to the banker can introduce it. Official other than staff of Agrani Bank can also introduce it.
- ◆ Clear instructions with regard to operations are noted in the AOF and SS card, especially in case of death or inability of any of the joint account holder.
- ◆ The officer in charge, Deposit Department, verifies the signature of the introducer. The stamp "Signature Verified" is affixed near the signature of the introducer & deposit officer signs over it .
- ◆ Approval of the branch in charge is obtained on the Account Opening Form.
- ◆ The signature of the account holder is admitted by the in charge of deposit department, and "Signature Admitted" stamp is affixed near the specimen signature of the account holder.
- ◆ Particulars of the account opening form is entered in the 'Account Opened and closed Register' in serial order.
- ◆ The account number allotted to the new account is given on the AOF, SS card, and Cheque, Book requisition slip.
- ◆ The customer is supplied with Pay-in-slip Book (SF, -9) and requested to deposit the money with cash officer.
- ◆ Cheque is issued only after the Account Opening Form has been completed in all respects and initial cash deposit has been made. The cheque book series is noted in the Cheque requisition slip.

- ◆ Particulars of the Account Opening Form are entered in, the Reference Book under numeric order.
- ◆ The officer in charge initials the Account Opening Register and Reference Book. AOF, SS card and cheque books requisition Slip are sent to the ledger keeper for opening the account in the CD ledger.
- ◆ The title of account and other particulars are written in bold letters neatly on the ledger folio.
- ◆ The cheque books series are entered in the cage provided for the ledger.
- ◆ The Opening of the account and the issue of cheque books in the ledger are authenticated by the manager deposit department by signing across the title of the account and in the cheque series cage.
- ◆ Accounting Opening form shall be posted in a file in serial orders. The specimen signature card shall be placed in the specimen signature card box in numerical order.
- ◆ Account Opening Form is posted in file in serial order.
- ◆ While issuing new cheque book, signature on the new chequebook requisition forms shall be properly verified.

## **SAVINGS BANK ACCOUNTS**

The procedures of opening Current Deposit Accounts are applicable for opening Savings Bank Accounts with the following exceptions.

- ◆ Separate Account Opened and closed Register, Reference Book and Posting Files are maintained.
- ◆ Pay-in-slip Book No. SF-8 and Savings Book Ledger are used.

## **FIXED DEPOSIT ACCOUNTS**

Account opening form (SF-16) and specimen signature card shall be given to the customer and get them filled in and signed by him. Voucher no SF-12 crediting "Fixed Deposit Account" with the amount of deposit with full narration viz. The name of the party, period of deposit, and rate of interest etc. shall be prepared and be given to the depositor to deposit cash with cash officer after recording the particulars in the scroll book. in case of payment by cheque it shall be attached to the credit voucher and sent to the deposit department for posting and cancellation. On receipt of the



vouchers from the cash department a Fixed Deposit Receipt shall be prepared and entered in the Fixed Deposit Ledger. To admit the signature of the account holder the stamp 'Signature Admitted' shall be affixed near the specimen signature in the account opening form and specimen signature card.

The AOF, SS card, the ledger and the voucher shall be sent to the officer in charge for signature. The in charge shall sign the receipt and initial the ledger. At the time of signing the receipt, he shall sign the receipt and initial the ledger. At the time of signing the receipt, he shall verify the authenticity of the voucher.

Then the documents shall be sent to the manager/Authorized Official for his signature on the receipt and across the stamp 'Signature admitted' on the account opening form, Specimen Signature Card, and the related voucher. The branch manager shall ensure that the printed number on the deposit receipt forms and in deposit receipt books in use are invariably noted in the respective ledger in advance.

## **DOCUMENTS REQUIRED FOR DIFFERENT TYPES OF ACCOUNT:**

When anyone comes to open an accounts he has to submit some documents to the banker. Different Types of document needs for different customer. Some common documents require for all types of account are:

- a) Introduces recommendation.
- b) Specimen signature card.
- c) Account opening agreement form.
- d) Two copies of Photograph of account holder and two copies for nominee (if any).
- e) Deposit slips book.
- f) Cheque book requisition slip.
- g) Letter of mandate authorizing another person to operate the account on behalf of the account holder.
- h) Special instruction "either or survivor" for joint account.

## **PROPRIETORSHIP:**

Document required for Proprietorship business to open an account are:

- ◆ Introducers with account number.

- ◆ Valid trade license. Attend copy should be submitted.
- ◆ Receipt of Tax revenue copy.

## **PARTNERSHIP:**

Documents to be obtained for opening an account of partnership firm are:

- ✓ Trades license or board resolution.
- ✓ Deeds of partnership signed by all partners.
- ✓ Signature of at least two witnesses.
- ✓ Two copies photograph of each partner.
- ✓ Partnership resolution signed by all partners to open account.
- ✓ Resolution must indicate authorized person who operates the account.
- ✓

## **LIMITED COMPANY:**

Document required for Limited company to open an account are:

- √ Memorandum and Articles of Association of company.
- √ Power of attorney.
- √ Resolution of board of directors.
- √ Certificate of incorporation
- √ Certificate of commencement of business (in case of public limited company).
- √ List of directors
- √ Two copies of passport size photograph of account operators.
- √ Others : name of directors with signature, minutes of board of directors.

## **ISSUE OF CHEQUE BOOK TO CUSTOMERS :**

### **CHEQUE BOOK**

A cheque is a very important document. Cheque is an instrument in printed form containing an unconditional order, signed by the account holder directing a certain person to pay a certain sum of money only to or to the order of a certain person or to

the barer of the instrument, A cheque is always supposed to be drawn against the funds in the party's account in the bank. It may be crossed for safety.

## **TYPES OF CHEQUEBOOK**

- Bearer Cheque
- Order Cheque
- Other Cheque.

## **CHEQUE BOOK ISSUE**

To issue cheque book to account holder (current and savings bank) is another major function of the account opening section. Cheque book is used for drawing money from account. After filling the application form and submit it with other documents customer gets a cheque issuing requisition slip. If customer fill it and submit to the banker than he will get a cheque book. It has been observed that for savings bank account holder bank is issuing a cheque book containing 10 leaves. For current account bank is issuing two types of cheque book. One type of cheque book containing 50 leaves and issued to customer which doing more transaction and other type of cheque book consisting with 10 & 20 leaves for the customer having less transaction with the bank.

Before using all the leaves of cheque book customer has to submit the requisition slip, which was kept at the last end of the cheque book with proper signature and address. On receiving the cheque book requisition slip bank issues new cheque book and record the cheque book serial number in the cheque book issue register with customer's signature. It is seen that in issuing cheque book the concerned officer of the account opening section sealed the account number of the account holder and location of the branch on each leaves of the cheque book and finally hand over the cheque to account holder.

## **REMITTANCE SECTION :**

The major function of commercial banks is mobilization of fund. Other than this, banks provide ancillary services to its clients. Clients need to remit money from one place to another for their business or other purposes. Banks fulfill this need of customers by means of remittance service. Money can be transmitted domestically or internationally, which known as local remittance and foreign remittance. Transferring

money within the country is known as local remittance and beyond the national boundary is known as foreign remittance.

## **LOCAL REMITTANCE**

There are three ways of transferring fund domestically. The modes of transferring funds are:

- ◆ Demand Draft (DD)
- ◆ Telegraphic Transfer (TT)
- ◆ Mail Transfer (MT)

## **DEMAND DRAFT (DD)**

Demand draft is an instrument that carries out the order of the issuing branch upon another branch of the same bank known as drawee branch for the payment of certain amount of money to the payee or to his order on demand by the beneficiary presenting the draft itself.

DD is a very much popular instrument for remitting money from one corner of a country to another. The instrument is basically used for transfer and payment. Difference between PO and DD is in terms of place only. PO is used for remitting money within the city where as DD is used for within the country.

## **TELEGRAPHIC TRANSFER (TT)**

Telegraphic transfer is one of the fastest means of transferring money from one branch to another or from one place to another. Regarding the TT the branch is to be sure there is testing arrangement for authenticating the telex messages with the desired branch to make payment. Not instrument is given for TT. Both parties should have account, as money is transferred. In Telegraphic Transfer (T.T) the issuing branch sends a telegraphic message to the branch at the other end, to pay a certain amount of money to a named payee's account maintained with the drawee branch or through a pay order if no account is maintained with the drawee branch.

## PROCEDURE OF ISSUING T.T

### AGAINST CASH:

- a) The customer is asked to complete application form no SF-64, which also treated as credit voucher for Head Office accounts (branch concerned).
- b) Other procedures is as follows:
  - 1) Telegram charges are also recovered from the customer and Credited to Income Account Telegram Charges Recovered.
  - 2) credit voucher is prepared for the amount.
  - 3) Test of telegram is written and handed over to the in charge.
  - 4) The test is checked, coded and tested by the in charge and the Manager.
  - 5) The message is typed on form (SF-60) in duplicate.
  - 6) The telegram is checked and signed by the in charge and the manager.
  - 7) Original Telegram and the confirmation are sent to the dispatch department.
  - 8) Inter branch credit advice is prepared in duplicate. The original meant for Head Office is send to Accounts Department.
  - 9) Office is send to Accounts Department.
  - 10) Separate register (SF-S8-40) is maintained for Telegraphic Transfer Issued.

### AGAINST CHEQUE

- a) Commission Charges are calculated and inserted in the cage provided in the application form.
- b) party is advised to draw cheques favouring branch and deposit the same to the receiving cashier.
- c) cashier receives cheque and sent it to the Officer in Charge for passing and cancellation.
- d) The following entries are passed.
  - i. If the cheque includes commission charges.
    - \* Dr-Party's Account
    - \* Cr.-H.O. A/c (Branch Concerned)
    - \* Cr-Income A/c Commission on T.T. (15% Vat on T.T.)
  - ii. If the cheque does not include commission charges:
    - \*Dr-party's Account (cheque)
    - \*Cr-H.O. a/c branch concerned

\*Dr-Party's A/c voucher (No SF-11A) with the amount of Commission.

\*Cr.-Income Account Commission on T.T.

- e) Party is asked to fill up the application form (No SF-64) f) Telegraphic Transfer is entered in the T.T. issued register.
- g) T.T. number is written In the voucher and the Voucher along with the register is send to the In charge for Signature.
- h) Similar procedure is adopted as explained in Para (b) of TT against cash.

### **AGAINST A LETTER OF INSTRUCTION**

The letter is sent to deposit department for verification of signature and then the following entries are passed.

\* Dr-Party's Account (with T.T. commission and T.T. amount) Credit: H.O.

\* Cr.-Income account commission on T.T.

Other things are similar to the T.T. against cash procedure.

### **PAYMENT OF TELEGRAPHIC TRANSFER:**

#### **RECEIPT OF TELEGRAM**

- a) Telegram is detected and test is verified by the in charge and the manager
- b) If the test does both agree or the telegram is received mutilated, a telegram is sent to the branch concerned asking them to repeat the test of the message with correct test.
- c) If the test agrees, stamp (No. 26) is affixed on the telegram and signed by the officers.
- d) Following entries are passed:
  - \* Dr-H.O. general account (Branch Concerned)
  - \* Cr.-T.T. payable account
  - \* Dr-T.T. payable account
  - \* Cr.-Party's Account

## **ADVICE TO PAYEE**

- a) When the paying branch from the issuing branch receives T.T. Advice, the advice (IBCA) is posted in the T.T. register for response only without preparing any voucher.
- b) If the amount is to be credited to the payee's account, following entries are passed:
  - \*Dr-T.T. payable Account
  - \*Cr.-party's account Date of payment is noted in the register and Initialed.
- c) If the T.T. is to be issued :
  - i. The receipt number is noted on the register
  - ii. The receipt along with the register is sent for checking and signature of the in charge.
  - iii. After the signature of in charge the receipt signed by the manager
  - iv. The receipt is send to the payee.

## **CASH**

Cash is one of the most important sections of General Banking Department. It deals with cash, the most liquid asset. The value of banking is insured for a certain some of money. When money exceeds the limit it must be sent to the Central bank vault. So Cash In charge should always be concerned about his custody. A Officer (Cash) heads Cash section of General Banking Department of Agrani Bank Limited, Mohakhali Branch, Dhaka.

## **FUNCTIONS OF THIS SECTION**

- ◆ Receiving cash
- ◆ Paying cash
- ◆ Issuing vouchers
- ◆ Making Proper entries in the ledgers

## **DEPOSITING**

Deposit may be done by cash, cheque or clearing. Clearing will be discussed later in this chapter. Procedure of deposit by cash.

1. Pay-in-slip or credit Voucher (Form no. SF-9) for CD accounts and Form no. SF-8 for SB accounts filled in by customers.
2. At first he goes to the Scroll Writer. The Scroll Writer verifying the particulars enters them into the Scroll Book under progressive serial and gives the serial number on it.
3. After getting the scroll the customer goes to the Cash receipt counters and submits it to the receiving cash officer. The officer checks the title of the account, its number, amounts in words and figures.
4. Receiving cash Officer receives cash duly counted and checked and enters the particulars in the Receiving cash-book and gives Initials on it.
5. After that the Receiving Cash Officer gives it to the Computer Operator (an officer) for entering in the computer ledger. In this case party's account is credited.
6. The computer operator then affixes the CASH RECEIVED stamp on the credit voucher.

At the end of each day the total figure in the scroll book must be equal to the total figure in the Receiving cash book and computer deposit statement so that it is balanced.

## **WITHDRAWALS**

Procedures of withdrawals of cash through cheques, DD, Pay Order are discussed below-

1. At first the bearer of an instrument come to the Token Counter and submits his instrument to the assistant Token Officer. The Token Officer verifies the account number, date, title, branch name and signature. If these are correct he enters the particulars in the Token book and receives signature of the bearer on the opposite side of the instrument.
2. He gives his signature and token no on the opposite side of the instrument and gives a Token to the customer



3. He sends the instrument to the verifying officer for signature verification. If the signature is authentic the verifying officer sends it to the computer operator for making entries in the computer ledger. After entering the account number in the computer, the computer shows the particulars of the customer's account including current balance. If there is available balance the computer operator debits the customer's account and affixes "POSTED" and "PAY CASH" seal on the instrument and sign in the specified place on the instrument. He makes a print out of present balance of the customer's account.
4. Then he sends back the instrument and prints out of the present balance to the verifying officer and the verifying officer signs over it and sends to the cash counter for cash payment.
5. Receiving the Token from the customer the paying cash office pays cash to the customer and enters the amount to Cash Paying Register indicating the token number.

At the end of each day the amount in the Token Book must equal to the amount in the Paying Cash Register and Computer Withdrawal Statement.

## **BALANCING OF CASH**

At the end of each business day the Receiving and Paying Cashier's Book are balanced. After Cash Balance Book, is written the Cash Position Memo is prepared, checked and signed by the Cash Officer. The Cash Position Memo is sent to the Accounts Department.

## **BILLS SECTION:**

Customers of Agrani Bank Limited, Mohakhali Branch submit many instruments in the bill section for collection. Bill section plays a vital role in collecting these bills. The bills submitted for collection can be divided into two categories, namely

- 1) Outward Bills; and
- 2) Inward Bills.

### **OUTWARD BILLS FOR COLLECTION:**

- ◆ The instruments are received duly entered in the Pay-in-slip.
- ◆ The instruments are checked for any apparent discrepancy and are compared with the particulars noted in the Pay-in-Slip and its counterfoil.
- ◆ The counterfoil is stamped and signed by the officer.
- ◆ The instruments and the Pay-in-Slip detached from the counterfoil, which is handed over to the customer.
- ◆ The instruments are stamped
- ◆ The instruments are suitable endorsed.
- ◆ The details of the instruments and special instructions are entered in the, Outward Bills Collection Register. And a collection number is allotted in serial order which is also noted on the on the instruments and they pay-in-slip.
- ◆ The instruments are enlisted in the forwarding schedule and any special instructions are noted therein.
- ◆ The instruments drawn on other banks are sent to the clearing section and instruments drawn on other branches of Agrani Bank are sent direct to the branch concerned.
- ◆ Following entries are passed on contra voucher:
  - Dr-Outward Bills Lodged
  - Cr.-Outward Bills For Collection.
- ◆ The instruments, schedules along with the schedule and voucher are sent to the in charge for checking and signatures.
- ◆ The instruments are attached with the forwarding schedule and are handed over to Dispatch Department against acknowledgement one the office copy.
- ◆ The pay in slip is attached to the office copy of the schedule and filled in the "O.B.C. Outstanding File".

- ◆ The Voucher is sent to the accounts department
- ◆ In case the instrument drawn on other bank branch which is not covered by the clearing area of Bangladesh Bank forwarding letter are sent direct to that branch for collection and asked them to draw a pay order in favors of Mohakhali Branch on any of the other banks' office situated in Dhaka.

### **INWARD BILLS FOR COLLECTION**

- ◆ When instruments are received from our branches or other banks they are checked for any apparent discrepancy and are compared with the particulars in the schedule
- ◆ The instruments are stamped and the schedule is attempted.
- ◆ The instruments are suitably discharged,
- ◆ The details of the schedule and special instruction are entered in Inward bills for collection Register. IBC numbers in serial order are allotted and noted on the schedule and the instruments,
- ◆ The following entries are passed on the contra voucher:
  - Dr-Bills Lodged
  - Cr.-Inward Bills Collection
- ◆ The vouchers, schedules and instruments along with the register are sent to the in charge for checking and signatures
- ◆ The instrument along with the relative vouchers are sent to the clearing department
- ◆ The contra voucher is sent to the accounts department
- ◆ The schedule is filled in the "IBC Outstanding File".

## OUTWARD BILLS FOR COLLECTION

- ◆ The account is balanced on fortnightly basis in the following manner :
- ◆ Jotting of Outstanding bills is taken from O.B.C. register on the balance book.
- ◆ The balance is agreed with the figures of Outward Bills for collection in the Subsidiary Ledger.

## INWARD BILLS FOR COLLECTION

- ◆ The account is balanced on fortnightly basis, In the following manner:
- ◆ Jotting of outstanding bills is taken from O.B.C. register in the Balance Book.
- ◆ The balance is agreed with the figures of Inward Bills for collection in the subsidiary Ledger.

## AGRANI BANK SHILPA UNNAYAN BOND

Agrani Bank Shilpa Unnayan Bonds of **TK 50,000 TK 100,000 & TK 500,000 denominations** were introduced in July 1999 with a view to accumulating a fund of Taka 500 crore to finance industrialization. Purchaser of this Bond can separately withdraw the accumulated interest of six months. The purchaser enjoys a lot of Tax benefits.

Agrani Bank Shilpa Unnayan Bond for 5 years	10%
Agrani Bank Shilpa Unnayan Bond for 7 years	11%

## BRANCH COMPUTERISATION

The Bank has grown significantly over the years in branch automation. The Branch banking is operated by BEXIBANK 4000+ branch banking software which is a customized software supplied by Beximco Computers Limited equipped with computer technology having LAN-based branch-banking software.

## **ONLINE REMITTANCE**

Q-Remittance(Quick Remittance): Bank's own remittance software for receiving the remittance from the remitter from Saudi Arab, U.A.E, Kuwait, Qatar, Oman, Lebanon, Libya and other Arab countries and send the remittance to consecutive branches through Head office. Remittance mainly comes through account payee. In some cases, remittance come with the beneficiary's mobile number which are known as COC (Cash Over Counter), COC payments are confirmed with the beneficiary's mobile number. Payments will be done receiving the photocopies of the Voter I.D card/Passport/Driving license/ Approved papers.

### **For Normal Q-Remittance transaction**

Dr-New general account Head office

(Foreign Remittance Management Division).

Cr.-Beneficiary's Account number or pay order to other bank's account holder.

### **For Cash Over Counter Q-Remittance transaction**

Dr-New general account Head office

(Foreign Remittance Management Division).

Cr-Sundry Deposit Account of the concern branch.

And then ,

Dr- Sundry Deposit Account of the concern branch.

Cr.-Beneficiary's Account number or pay order to other bank's account holder.

## **TRANSFAST**

This is a web based remittance service from America, Canada and other North American countries perhaps 30 countries of the world. (<http://www.transfastwmtc.com>). Payments system are Cash payments and Account payee. The beneficiary comes with 11 (eleven) digit reference or 4(four) digit key number. Payments will be done receiving the photocopies of the Voter I.D card/Passport/Driving license/ Approved papers for cash payment and payments for account payee is executed by consecutive branch for respective account.

## **EXPRESS MONEY**

This is a web based spot cash remittance service. This remittance comes from U.A.E, Qatar, and Arab countries and other selective countries of the world. Payments system are Cash payments and Account payee. The beneficiary comes with 16 (Sixteen) digit reference number(xpin). Payments will be done receiving the photocopies of the Voter I.D card/Passport/Driving license/ Approved papers for cash payment.

## **Statement of Affairs**

The branch prepares a statement of affairs and sends it to the head office weekly. This statement includes the assets and liabilities of a bank. The statement is prepared from Cash book and General ledger. After supplementary balancing, the figures are posted in Cash book-cum-General ledger. After posting closing balance of each head of account is drawn in order to have a clear-cut view of various heads of account are incorporated in the Statement of Affairs.

## **LOANS AND ADVANCES**

### **INTRODUCTION**

The main objective of a business organization is to get more profit. If the business rotates successfully the profit is gained in a satisfactory mode. As we know very well that bank is nothing but a financial intermediary and it takes deposit from surplus economic units and deploys the fund to deficit economic units through credit deployment. So the more recoverable credit is deployed the more profit is gained. In fact this credit deployment process is being run under Advance department. The Advance Department is very important part of the branch operation that also provides administrative support for the lending activities of the branch. The Advance Department provides an effective perfect check and balance on funds lend to clients and that the transaction is within approved limit for borrower and amount. In Agrani Bank, Mohakhali branch a big amount of loans and advances are sanctioned every year.

### **FUNCTIONS OF ADVANCE DEPARTMENT**

- i. Make sure that the bank has always valid and current loan documentation.
- ii. Ensuring that the collateral security is adequate at times to support the loans. Keeping the loan documentation under safe custody.
- iii. Ensuring that the bank receives sufficient valid insurance cover whenever required from a recognized insurance company.
- iv. Monitoring the receipt of periodical receivable. Debiting the client for all charges, interest etc.
- v. Maintaining the central liability records for all extensions of credit and balancing the totals with General Ledger.

## INTERVIEW AND APPLICATION

As liquidity and profitability are conflicting considerations, Agrani Bank Ltd. as a Bank while employing the funds pays due regard to both profitability and liquidity, The first step in the sanctioning process of credit in favor of a customer/client is the interview between the banker and the client. The credit officer should be assured that he would gather as much of the data necessary for the credit granting decision. In order to gain efficiency and credibility, checklists should be developed and used. An application for credit is essential for every loan request. Every applicant should indicate whether the loan request is to be considered.

- ◆ The type of credit .
- ◆ The financial information that can be used to determining credit worthiness.
- ◆ The loan amount, maturity and for other information.
- ◆ The credit application must be properly signed.

## PRINCIPLES OF SOUND LENDING

In order to secure a balance between liquidity, profitability and security Agrani Bank Ltd. follows the following principles of sound lending

### **Safety:**

Agrani Bank Ltd. local office exercises the lending function only when it is safe and the risk factor is adequately mitigated and covered. Safety depends upon

- The security offered by the borrower,
- The repaying capacity and willingness of the borrower to repay the loan.

### **Liquidity:**

The liability of bank is repayable on demand or at a short notice. So the bank has to maintain its liquidity at a sufficient level. Investment on building, plants, machinery, land etc. cannot be recovered quickly, so it is less liquid.

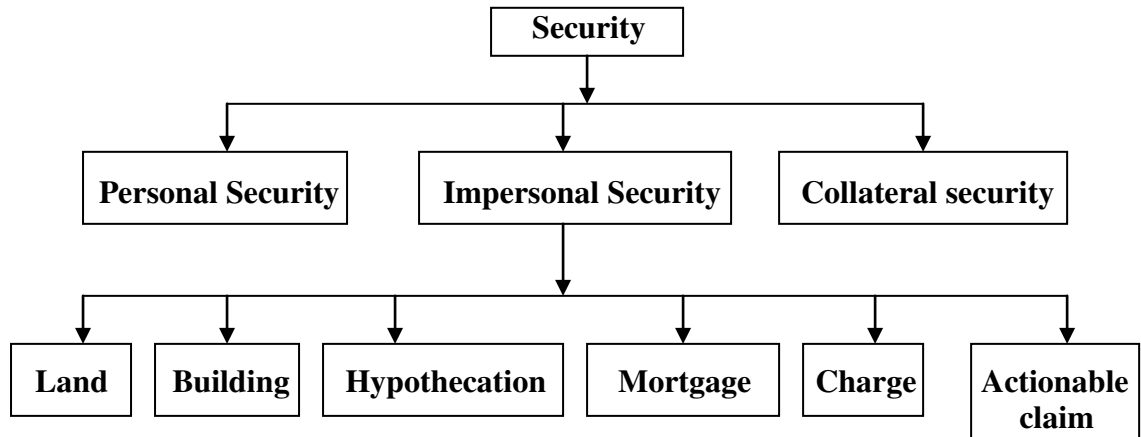
### **Profitability:**

Profit is needed to pay interest to depositors, depreciation and maintenance, declare dividend to share holders, provide for reserve against bad & doubtful debts etc. So like all other banks AGRANI BANK also disburse advances to earn profit.



**Security:** To ensure safety of advances banks take different types of securities like FDR, Sanchaya Patra, land, work order etc. Banker should ensure that the securities are adequate, marketable and free from encumbrances.

**Types of security can be shown in the following way**



**Chart-11**

**Banker Precaution in accepting securities:** In the time of accepting securities banks observe closely the following things:

- i. Marketability of the security.
- ii. Transferability of the security.
- iii. Stability of price.
- iv. Absence of liability.
- v. Sufficient Margin.
- vi. Clear title.
- vii. Acceptability.
- viii. Financial soundness.
- ix. Profits.

It is very risky for a bank to invest all its assets into a particular sector or a single borrower or to one particular region. If somehow the businesses of that sector or area or borrower collapse, the bank may fall in a critical situation. So it is better to invest in different sectors/ borrowers and spread over the country.

**Profitability:**

From the commercial point of view AGRANI BANK considers sufficient yield or return while financing a project.

**Productivity of the Loan:**

Banks should invest on those sectors, which are productive.

**Social Interest:**

Today banks have a strong social objective and social conscience. Sometimes they invest in neglected sector to boost the economy.

**Purpose of the loan:**

Sometimes it is important to know for what purpose the loan is taken. The bank should not tolerate any misuse of the fund.

## **SELECTION OF BORROWER**

To have the optimum returns from the deployed funds in different kind of lending, selection of borrower is mostly important. During the discussion with the prospective client the bank manager has to focus on the following points:

**Identity:**

The loan officer must be secure about customers Identity, it means that the loan officer has to sure about customers full name, his address, and his profession.

## **STEPS IN THE LENDING PROCESS**

1. Findings Prospective Loan Customers.
2. Evaluating a prospective Customer's Character and Sincerity of Purpose.

3. Making Site Visits and Evaluating a prospective Customer's Credit Record.
4. Evaluating a Prospective Customer's Financial Condition.
5. Assessing Possible Loan Collateral and Signing the Loan Agreement.

Monitoring Compliance with the Loan Agreement and Other Customer Service Needs.

## THE SIX BASIC C'S OF LENDING

### **Character:**

Character is the greatest single asset any individual can have. The character of the borrower indicates his intention to pay the amount advanced. Character of a customer besides honest, involves the promptness in payment, the ability and willingness to carry out the planned project to its end and the reputation of the people with whom he deals .

### **Capacity:**

Capacity means the ability to employ the funds profitably and repay the advance according to the terms and conditions of the sanction. The loan officer must be sure that the customers requesting has the authority to request a loan and the legal standing to sign a binding loan agreement.

### **Cash:**

In general, borrowing customers have only three sources to draw upon to repay their loans .

Cash flow generated from sales or income.

$$\text{Cash flow} = \begin{array}{l} \text{Net Profits} \\ \text{(or total} \\ \text{revenues less} \\ \text{All expenses} \end{array} + \begin{array}{l} \text{Non cash Expenses} \\ \text{Especially} \\ \text{depreciation)} \end{array}$$

The sale or liquidation of asset or Funds raised by issuing debt or equity securities.

### **Collateral:**

In assessing the collateral aspect of a loan request, bank must as, Does the borrower posses adequate net worth or own enough quality assets to provide adequate

support for the loan? The bank particularly sensitive to such features as the age, condition, and degree of specialization of the borrower's assets. Technology plays an important role here as well. If the borrower's assets are technologically obsolete, they will have limited value as collateral because of the difficulty of finding a buyer for those assets should the borrower's income falter.

**Conditions:**

The loan officer and credit analyst must be aware of recent trends in the borrower's line of work or industry and how changing economic conditions might affect the loan. A loan can look very good on paper, only to have its value eroded by declining sales or income in a recession or by high interest rates occasioned by inflation. To assess industry and economic conditions, most lenders maintain files of information-newspaper clippings, magazine, articles, and research reports-on the industries represented by their major borrowing customers.

**Control:**

The last factor in assessing a borrower's credit worthy status is control. This factor centers on such questions as whether changes in law and regulation could adversely affect the borrower and whether loan request meets the lender's and the regulatory authorities' standards for loan quality.

## **TYPES OF ADVANCES**

AGRANI BANK LIMITED provides different types of advances to its customers, recovery rate is also satisfactory. I shall try to represent an overall picture of different types of advances provided by the Branch.

### **ADVANCES (Overdrafts)**

Secured Overdraft, Temporary Overdraft, Cash Credit (Hypothecation), Cash credit (pledge) are covered in this type of advance. Overdraft is an arrangement between a banker and his customer by which the latter one is allowed to withdraw over and above his credit balance in the CD A/C up to an agreed limit. A Cash Credit differs from Overdraft in the respect that CC is used for long term and Overdraft is made occasionally that is for a short duration.

### **Temporary Overdraft (TOD)**

Banks sometimes grant unsecured overdraft for small amounts to customers having CD account the them. TOD is permitted only when reliable sources of funds are available to the borrower for repayment. It is usually provided against DD, Cheque etc. that have been presented for collection but not yet collected and some special type of valued customer. Though these documents are not lined but these are kept in the respective departments for collection. When these are collected, the advances are realized from the proceeds of these instruments.

### **Secured Overdraft (SOD)**

Frequently Banks permit Overdraft against securities like FDR, DPS, Saving Certificate, WEBD, ICB Unit Certificate, Work Order etc. At present AGRANI BANK, Mokhali Branch issues SOD only against financial obligations. They are :

- Δ FDR,
- Δ ICB Unit Certificate,
- Δ Wage Earners Development Bond (WE131).
- Δ APS & DPS

SOD Against Work Order is not in practice since January 2001. Advance against share certificate is not encouraged.

#### **Formalities maintained for Issuing SOD against different types of securities:**

- SOD against FDR :
1. The beneficiary duly discharges FDR,
  2. Letter of lien of FDR with the Tk. 150 stamp.
  3. Eighty-percent advance against FDR is allowed.

#### **The processes of extending SOD are as follow:**

1. The party must have a current A/C with the branch.
2. If the ownership of the firm is proprietorship, then a trade license must be submitted and in case of a limited company, all the documents required to open a current A/C that should be submitted. The financial statements of the concerned firm should also be submitted.
3. The party must maintain a good transaction with the branch and have a good turnover rate.
4. The party will apply to the officer in charge of advance department of the branch for SOD arrangement.

5. The concerned officer of the branch will give him a Credit Application Form and the party will have to fill up this form. In this form he discloses all the information about his concern, purpose of the loan, description of security, etc.
6. The concerned office will prepare a "Credit Line Proposal", where he writes about the business concern, details of proprietors/directors of the concern, management structure, the existing credit facilities, the particulars about the facilities that asked for-such as margin limit, date of expiry, details of security, and any other relevant information. Then the proposal is sent to the Head Office, Credit Division for approval.
7. The responsible officer of the Credit Division will appraise the proposal and if it seems to a viable one-, then the loan will be sanctioned.
8. After the loan is sanctioned, the branch will issue two copies of a sanction advice, where all the terms and conditions set by the bank is mentioned. The borrower is advised to write, "accepted" on the original copy if he is satisfied with the contract and conditions of the bank and retains the duplicate one as record.

### **Cash credit (hypothecation):**

The mortgage of movable property for securing loan is called hypothecation. Hypothecation is a legal transaction where by goods are made available to the lending banker as security for a debt without transferring either the property in the goods or either possession. The banker has only equitable charge on stocks, which practically means nothing. Since the goods always remain in the physical possession of the borrower, there is much risk to the bank. So, it is grated to parties of undoubted means with the highest Integrity.

### **The Process of Extending Cash Credit (Hypothecation)**

- a) The party must have a current account and good transaction with the branch.
- b) At first the party applies for a CC hypothecation arrangement.
- c) Then the party Fills up the "Credit Application Form" provided the respective officer.
- d) The concerned officer prepares a-Credit Line Proposal" (CLP) detailing all relevant information. The information includes the following.

1. Copy of party's approach letter.
  2. Stock Report.
  3. Declaration of borrower containing the detail description of the borrower and his business.
  4. Declaration of gurrantor containing the detail description of the grantor same as borrower.
  5. Credit reports on the borrower & also on the gurrantor.
  6. Physical verification report by the authority of AGRANI BANK regarding the borrower's business.
  7. Legal opinion of the legal adviser of the bank.
  8. Sanction advice III duplicate along with photograph of the borrower,
  9. Statement of account.
  10. Letter of identification of grantor along with photograph.
  11. Copy of letter of Consent.
- ◆ Advance Section sends the CLP to the head office, Credit Division for necessary action.
  - ◆ Head Office, Credit Division examines the proposal and if finds it viable then sanctions it and sends it to the branch Credit Division may instruct to submit additional documents.
  - ◆ After that the branch issues two copies of "Sanction Advice", one for its own record and the other for the party to keep.

## **ADVANCES (LOANS)**

Loan is a kind of advance. In case of loan the bankers advances a lump sum for a certain period at an agreed rate of interest. The interest is charged for the amount the customer withdraws from his account.

### **Required Information for Loan Sanction**

Investigation will have to be made about his business, trade experience, dealings, assets & liabilities etc. from various sources. His account statement with other banks will also be included in this investigation. His financial statements and income tax returns will have to be seen. Personal interview will have to be taken. So, before sanctioning a loan a banker should consider the following points.

- ◆ Loan Application.
- ◆ Trade License, partnership deed, Memorandum of Association.
- ◆ Market Report.
- ◆ Study of Accounts.
- ◆ Financial statement.
- ◆ Personal Interview.
- ◆ Other bank's confidential opinion.
- ◆ **CIB report** of Bangladesh Bank.

For sending proposals to the Head Office the following documents are required :

- ◆ Loan application.
- ◆ Photograph of the borrower.
- ◆ Declaration of the borrower.
- ◆ Credit report on the borrower, which should be prepared by the branch.
- ◆ Limit sanction advice.
- ◆ Statement of Stocks.
- ◆ Documents-
- ◆ Memorandum of deposit of title deed
- ◆ Mutation Certificate-parcha, Khatian
- ◆ Up to date rent pay receipt
- ◆ Legal Opinion
- ◆ Valuation certificate of the property

## **CONSUMER CREDIT SCHEME**

Agrani Bank Consumer Credit Scheme is a part of its program to promote economic welfare though enhanced the living standard of its customer belonging to the fixed income groups.

The scheme provides individual customer an access to a loan to acquire consumer durable on a affordable terms.



## Eligibility of Customers

Officers having a confirmed/Permanent job in any one of the following organizations.

1. Government organization.
2. Semi-government an autonomous bodies.
3. Banks insurance companies financial institutions.
4. Armed forces, BDR, Police and Ansers.
5. Private organizations having a corporation structure.

## Eligibility of customers:

1. Vehicles : Car, station, wagon, microbus, jeep motor cycle.
2. Domestic Appliances: Air condition refrigerator deep freezer, washing matting cooking range, sewing machine furniture other domestic appliance.

## LOANS AGAINST TRANSPORT

This type of loan is usually provided to the customers who want to stun transport business, or need a transport for carrying goods. The party brings quotation from three sellers of the vehicle. License of the vehicle is made in Joint name of the banker and the party. Payment is made directly to the seller through a Pay Order. At the payment of Loan the party becomes the only owner of the car.

## Loan General

The purpose of this type of loan is not specific. It can be sanctioned against any kind of security. Securities may be ABPS, WEDB, and F.D.R etc. He may also provide another types of security, The money is transferred directly to the customer's account.

Accounting Entry:

Dr-Loan General Account                      Cr.-Party Account

## **Staff Loan**

**T**his type of loan is provided only to the staffs of the batik, The purpose of this loan is to buy Computer, By-cycle, Sewing machine etc. The balance of the customer's account, his designation, duration of job etc. are taken into consideration while sanctioning the loan. The loan is realized from the monthly salary of the staff at a certain installment. In this case payment is directly made to the seller through Pay Order. The furniture is hypothecated to the bank.

## **Staff Car Loan**

This is a personnel facility provided to the higher officials of the bank. Officials of the post of AGM and above can get this loan. The car is licensed in the name of the bank and the staff Jointly. The bank makes payment of the installment of the loan from its own fund. When the loan is fully recovered, the staff becomes the owner of the car. But if he retires before recovery of the loan, he cannot become the owner of the car rather bank becomes the owner then.

## **House Building Loan (Staff)**

This type of loan is provided to the Staff's for building their own house. The staff must have a land to Make house. The land and the building are mortgaged to the bank. The loan is realized from the monthly salary of the staff, his designation, balance of his account etc. are taken into consideration. The loan is not disbursed at a time. On the basis of the progress of the work-the loan is disbursed.

## General House Building Loan

Thus type of loan is provided to customers for building house registered mortgage of the land and building is taken from the customer. The following documents are required for sanctioning this type of loan :

- Limit sanction advice.
- Credit report on the borrower.
- Photograph of the borrower.
- Approach letter of the borrower.
- Copy of the legal opinion.
- Physical verification report.
- NOC and approved plan from local authority.
- Statements of Account.
- Declaration of the borrower.
- Copy of the agreement between the buyer and the seller.
- The party has to full-fill a criterion of six months transaction for approaching any credit facility from the bank.
- Information of the Guarantor.
- Valuation certificate of the property.
- **CIB** Report.

## PROJECT LOAN

ABL finances industrial sector through this type of loan. The bank sanctions loan for Civil construction, Imported Machinery, Local Machinery, Installation etc. The Bank also provides Working Capital facilities on Raw Materials, Finished Materials.

## SECURITIES FOR PROJECT LAON

- Mortgage of project land.
- Additional Collateral security

- Registered Mortgage is created over the landed property
- Registered irrevocable power of attorney to be executed by the owner of the landed property and factory building in favor of the bank authorizing the bank to dispose of the properties in case of default of repayment by borrower without reference of the court.
- First Charge oils all assets and book debts of the company with the register of Joint Stock Companies.
- Personal guarantee of all the directors of the company.
- Hypothecation of all tiles plant, machinery and equipment of the project.
- Pledge is furnished oil raw materials.
- The company will be effective any changes in the structure of the Board without prior permission from the Bank.
- Fortnightly stock report should he submitted by the company which should be verified and authenticated by an authorized official of the bank.
- Drawing power should be calculated correctly and drawings In tile account should be allowed on the basis of the actual D.P.
- Good Turn Over In CC account are to be ensured
- A whole time warehouse keeper and guard are to be employed at borrower's cost and are to be posted in the warehouse to safeguard the goods.
- All fixed assets of the project are to be insured against all risks covering under bank's clause.
- CIB report about the party has to be collected.
- Credit report about the party has to be collected from all Banks.
- Project appraisal has to be done Lending Risk has to be done.

## **PROCEDURE FOR GIVING ADVANCES**

### **FIRST STEP**

Agrani Bank Limited Prospective borrower will submit application to the branch for loan by filling in a specific Application form. The application for contains following particulars.

- A. Name of the Borrower.
- B. Account Number.

- C. Business address (with telephone no.) Residential address and permanent address.
- D. Introducer's name, account number & address.
- E. Date of establishment/Incorporation.
- F. Trade license number, date and expiry date.
- G. Tax Identification Number (TIN).
- H. Constitution/Status.
- I. Particulars of Individuals/Proprietor/Partners/Director.
- J. Experience and background of individual proprietor Director.
- K. Full particulars of assets in the personal name of individual name of individual/Proprietor with valuation.
- L. Name of Subsidiaries/Affiliates, pretences of share holding and nature of business.
- M. Nature and details of business/product for which credit facility is applied for markets, estimate sales for next not year.
- N. Credit facilities required.
- O. Details of securities offered with estimated value.
- P. Details of liabilities in the name of the client or in the name of any other partners directors.
- Q. Balance sheet income/statement or statement of account of the following years attached.
- R. Other relevant information.
- S. Proposed debt/equity ratio.
- T. Signature of the applicant.

## **SECOND STEP**

After receiving the loan application from Agrani Bank Ltd. Sends a letter to Bangladesh Bank for obtaining a report CIB. This report is essential for giving all kinds of advances. The purpose of this report is to bring information that whether these loans are classified not.

### THIRD STEP

After receiving CIB report, if the bank thinks that the prospective borrower will be good borrowed then the bank will scrutinize the documents. In this stage, the bank will look whether the documents are properly filled in and signed.

### FOURTH STEP

This is the processing stage; the branch will prepare a proposal. The proposal contains following relevant information.

1. Nature of business.
2. Area of operation.
3. Location.
4. Products.
5. Unit of product.
6. Raw of production.
7. Raw materials .
8. Sources of raw material local % or imported%.
9. Requirement (in %) of raw material product per unit of product.
10. Area of factory building.
11. Cost of land and land development.
12. Area of ware house building.
13. Construction cost .
14. Origin of capital machinery, auxiliary machinery and line of production.
15. Condition and brand name.
16. Number of basic machinery auxiliary and line of product .
17. Total project cost .
18. Rated production capacity day detailing as nit shifts working house & capacity.
19. Utilized capacity day detailing as unit shits working hours & capacity.
20. Production cost units.
21. Sales prices units .
22. Number of working day year.
23. Total number of employees.
24. Date of commercial operation .
25. Export target .
26. Export orders in hand for a certain period.

27. Buyers.
28. Present market condition.
29. Any adverse impact on business.
30. Quota in hand .
31. Export execute thought contract .
32. Source of power .

The branch has to send the proposal to the Head Office will prepare a minute and submit if before the Credit Committee and if the loan amount is very large it is place before the Board of Directors, the minute has to be passed by the committee.

### **CREDIT RISKS GRADING SCORE SHEET ARE AS FOLLOWS**

<b>NUMBER</b>	<b>GRADING</b>	<b>SHORT</b>	<b>SCORE</b>
<b>1</b>	<b>Superior</b>	<b>SUP</b>	<b>Fully cash secured, secured by Govt.</b>
<b>2</b>	<b>Good</b>	<b>GD</b>	<b>85 +</b>
<b>3</b>	<b>Acceptable</b>	<b>ACCPT</b>	<b>75-84</b>
<b>4</b>	<b>Marginal</b>	<b>MG</b>	<b>65-74</b>
<b>5</b>	<b>Special Mention</b>	<b>SM</b>	<b>55-64</b>
<b>6</b>	<b>Substandard</b>	<b>SS</b>	<b>45-54</b>
<b>7</b>	<b>Doubtful</b>	<b>DF</b>	<b>35-44</b>
<b>8</b>	<b>Bad/Loss</b>	<b>BL</b>	<b>&lt;35</b>

## FIFTH STEP

After receiving the sanction advice, the branch will collect necessary document.

These documents are:

- i. Joint promissory note
- ii. Single promissory note
- iii. Letter of undertaking
- iv. Loan disbursement letter
- v. Debit figure confirmation sheet
- vi. Letter of continuity
- vii. Letter of revival
- viii. Right of recall the loan
- ix. Right of recall the loan
- x. Letter of guarantee
- xi. Letter of indemnity
- xii. Trust receipt
- xiii. Hypothecation of goods
- xiv. Hypothecation of vehicles
- xv. Counter guarantee
- xvi. Letter of line
- xvii. Letter of lien in case of advance against FDR
- xviii. Letter of lien in the authority for advance of third parties against fixed deposit call depot/special deposit or margin or margin deposit
- xix. Letter of authority of encase FDR
- xx. Letter of agreement for packing credit
- xxi. Letter of guarantee of opening L/C
- xxii. Changes over bond or certificates or shares etc. by third party to secure specific and general liability
- xxiii. Memorandum of deposit of little deeds.
- xxiv. Hypothecation of goods to secure a demand case credit or overdraft/loan amount.



xxv. Guarantee by third party.

## SIXTH STEP

After verifying all the documents the branch disburses the loan to the borrower. A Loan Repayment Schedule is also prepared by the branch and is given to borrower.

## RATE OF INTEREST ON LENDING

SL. NO.	CATEGORIES OF LENDING	RATE OF INTEREST (% PER ANNUM)
1.	Agriculture	8.00
2.	Consumer Credit	14.00
3.	General House Building Loan	14.00
4.	Woman Credit Loan	11.00
5.	Loan for disabled person	10.00
6.	Rural credit	10.00
7.	Loan against FDR	Interest+2% above
8.	Loan against APBS	9.00
9.	Small and Cottage industry	10.00
10.	Others	14.00
11.	Urban housing	13.00
12.	Special program	14.00
13.	Other loans and advances	14.00
14.	Loan against Rice Mills	13.00
15.	Loans against DPS	17.00
16.	Transport Loan & Brick Financing	13.00

<b>17.</b>	<b>Work Order</b>	<b>13.00</b>
<b>18.</b>	<b>Fertilizer dealer</b>	<b>13.00</b>
<b>19.</b>	<b>Loans to financial institutions</b>	<b>12.00</b>
<b>20.</b>	<b>Cash Credit (Hypo.)</b>	<b>13.00</b>
<b>21.</b>	<b>Cash Credit (Pledge)</b>	<b>13.00</b>

**Chart-**

### **THE TYPE OF ADVANCES AND PROBABLE SECURITIES**

<b>TYPES OF ADVANCE</b>	<b>PROBABLE SECURITIES</b>
<b>Term Loan</b>	<b>Mortgage of immovable properties</b>
<b>LIM</b>	<b>Pledge of important merchandise</b>
<b>LAR</b>	<b>Trust receipt obtained in lieu of important merchandise</b>
<b>Secured overdraft</b>	<b>Fixed Deposit receipt.</b>
<b>Cash credit</b>	<b>Hypothecation of stock in trade goods produce and merchandise and Mortgage of immovable properties</b>
<b>PAD</b>	<b>Shipping document for import</b>

## **CREDIT APPROVAL AND DISBURSEMENT PROCESS IN AGRANI BANK**

### **INTRODUCTION**

The investment and lending operations of the Agrani Bank Limited are a fundamental expression of its role in nation building as expressed by its charter. Specially, the bank shall provide finance, investment and related advisory services to viable enterprises and creditworthy individuals. Before sanctioning a loan a banker carefully evaluates and appraises the loan proposal of the borrowers to determine their bank ability on the basis of principles of sound lending.

### **Credit Approval**

The primary factor determining the quality of the bank's credit portfolio is the ability of each borrower to honor, on a timely basis, all credit commitments made to the bank. The authorizing credit personnel prior to credit approval must accurately determine this. If the report of the project appraisal is very satisfactory to approve the loan proposal, then the following steps furnish the approval procedure.

### **CREDIT EVALUATION PRINCIPLES**

To have the optimum returns from the deployed funds in different kind of lending more emphasis shall be given on refund of loans and advance out of funds generated by the borrowers from their business activities instead of realization of money by disposing by the securities held against the advance which is very much uncertain and time consuming.

## **CREDIT RISK EVALUATION ASSESSMENT**

The importance of a detailed and complete Credit assessment for each facility and customer relationship cannot be over emphasized. The steps that should be followed in carrying out such an assessment are set out in the bank credit manual and head office circulars is used from time to time. All proposal of credit facilities must be supported by a complete analysis of the proposed credit.

**LENDING AUTHORITY** To assure proper and orderly conduct of the business of the bank, the board of Directors will empower the managing Director and other executive of the bank to lend up to certain amount certain terms and condition at their discretion. The lending officers are broadly categorized as follows :

### **LENDING AUTHORITY**

**BOARD OF DIRECTORS**

**MANAGING DIRECTOR**

**DEPUTY MANAGING DIRECTOR**

**GENERAL MANAGER**

**DEPUTY GENERAL MANAGER**

**ASSISTANT GENERAL MANAGER**

**BRANCH MANAGER**

- (iv) Approval under dual signature:  
All approval of credit facilities must be conveyed under dual signature.
- (v) Ideally both the signatories must have the required lending authority.  
If, however, two lending officers of the required lending authority are not available, one of he signatories must have the lending authority.

## **RESPONSIBILITY FOR CREDIT APPROVAL**

The responsibilities for credit policy, procedure, approval & review shall vest among the following groups

### **BOARD OF DIRECTORS**

- Establishing overall policies and procedures for approving and reviewing credits.
- Delegating authority to approve and review credits.
- Delegating authority to approve and review credits.
- Approving credit for which authority is not delegated.

### **EXECUTIVE COMMITTEE**

- Approving credit facilities as delegated by the Board of Directors.
- Supervising the implementation of the directives of the Board of Directors.
- Keeping the Board of Directors informed covering the all above

### **POLICY COMMITTEE**

- Establishing of lending policy.
- Establishing policies and procedures for reviewing and analyzing extensions of credit and loan portfolios.

### **HEAD OFFICE CREDIT COMMITTEE**

- Reviewing, analyzing and approving extension of credit in accordance with authority established and delegated by the Board of Directors.
- Evaluating the quality of lending staff in bank & take appropriate steps to improve upon.
- Recommending credit proposals to the Executive Committee/Board of Directors which are beyond their delegated authority.

## **BRANCH CREDIT COMMITTEE**

- The Branch Managers will be the first line-lending officers and are responsible for exercising their authority with due diligence and discipline.

The must also:

- Comply with applicable instructions, manuals, and circular and other rules of the bank as well as those of Bangladesh Bank including Banking Companies Act 1991.
- Ensure that credit proposals submitted to Head Office, Credit Division are completed and consistent with established policies and procedures.
- Ensure that all credit facilities are covered by appropriate approval and that they are kept within approved limits and ensure compliance with terms and conditions of the approval.

## **AGREEMENT FOR LOAN**

If the appraisal indicates the proposal to be favorable to finance, bank will send an offer letter to the customer. After the borrower's acceptance this will be considered as loan agreement. This agreement has several parts and should cover all important terms and conditions of the credit. Some of these are:

A note signed by the borrower, which specifies the principal amount of the loan, the interest rate, installment period and amount etc.

## **DOCUMENTATION**

Loan documentation is a critical part of any sound lending. It is essential that the proposal defines clearly the purpose of the facility, the source of repayment, the agreed repayment schedule, the value of security and the customer relationship consideration implicit in the credit decision. It has been stated that between one third and one fourth of all loans, losses are caused by falls documentation.

Where security is to be accepted as collateral for the facility all documentation relating to the security shall be in place, prior to the disbursement of the facility. The loan officer must understand his legal obligation for compliance documentation so that he may abide by all of the regulations that effect the banking profession.

Generally documentation, as required for different kinds of advance and are enumerated below. There may be requirement of specific banking or legal documents to secure a credit according to sanction terms and conditions, which should also be obtained in addition to the following.

**Steps in documentation:**

1. Obtaining the documents
2. Stamping.
3. Witnessing.
4. Exception of documents.
5. Registration of documents.

**Common compulsory documents:**

1. Letter of acceptance about the terms and conditions laid down in sanction advice.
2. D.P. Note.
3. Letter of agreement.

Besides there are some documents that are to be obtained depending on the types of advance such as:

**In case of Loan:**

- i. Letter of disbursement.
- ii. Letter of authority.
- iii. Letter of hypothecation/pledge.
- iv. Insurance policy.
- v. Any other document as stated in sanction advice.

**In case of case Overdraft:**

1. Letter of disbursement.
2. Letter of authority
3. Letter of hypothecation.
4. Insurance policy.

5. Any other document as stated in sanction advice.

**In case of Cash Credit:**

1. Letter of disbursement.
2. Letter of authority.
3. Letter of hypothecation.
4. Insurance policy.
5. Any other document as stated in sanction advice

**In case of Advance Against Lien of FDR Insurance Policy etc:**

1. Letter of lien.
2. Letter authority.
3. Any other document as stated in vehicles.

**In case of Transport loan:**

1. Letter of hypothecation of vehicles.
2. Photocopy of blue book.
3. Photocopy of route permit.
4. Insurance policy under bank mortgage clause.
5. Any other documents state in sanction advice.

**In case of Legal Mortgage:**

1. Mortgage deed.
2. Registration receipt.
3. Chain of documents of title.
4. C.S.S.A and R.S Parcha.
5. UP to date rent receipt.
6. Non-Encumbrance Certificate.
7. Power of Attorney.
8. Legal opinion.
9. Valuation Certificate.
10. Location Plan

**In case of Equitable Mortgage:**

1. Chain of documents for title.
2. Original title deed.
3. C.S.S.A and R.S. Parcha.



4. UP to date rent receipt.
5. Memorandum of deposit of title deed.
6. Registered power of attorney.
7. Legal opinion.
8. Valuation certificate.
9. Location plan.
10. Non-encumbrance certificate.

## **LOAN SANCTIONING AUTHORITY**

In Agrani Bank Limited., the Board approved the delegation of business discretionary power for sanctioning loan and advances.

## **DISBURSEMENT PROCESS OF CREDI**

After completing all the activities for sanctioning a loan the authority collects all documents (change documents, mortgage etc.) and the last step of the process is disburses loan. Loan disbursement procedures follow the rules and conditions, which was mentioned in the agreement. Both the banker and borrower have to follow this terms and conditions. Mode of loan disbursement depends on the agreement and types of loan. It may be disbursed at a time or step by step. Bankers should be very careful in loan disbursement whether the conditions are fulfilled.

## **SUPERVISION AND MONITORING OF CREDIT IN AGRANI BANK LIMITED**

### **INTRODUCTION**

The basic objective of supervision and follow-up is to prevent loan classification, return flow of funds, compliance of terms and conditions, problem solving, feedback and taking timely corrective measures.

Existing loans (all categories)

<b>Dialyzing due dates of repayment.</b>
<b>Regular follow-up</b>
<b>Periodical inspection.</b>
<b>Surprise visits</b>
<b>Telephone collection.</b>

### **OVERDUE LOAN /ADVANCE**

- Preparations of quarterly list; branch copy, controlling office copy and H.O. Copy.
- Attempts made of adjustments of loan before application of quarterly interest.
- Must be adjusted or adjusted before being classified.

### **CLASSIFIED LOAN/ADVANCE**

- Target for recovery.
- Steps for de-classification.

### **INTEREST FOR EXEMPTION**

- Quick decision.
- Communication of decision quickly.

Basically the total procedure of a credit is included in the credit administration but the most two important principle element of bank credit administration is as follows.

## **CREDIT FILE MAINTENANCE**

The Credit file on each facility shall contain all information necessary to facilitate ready monitoring of that facility. It should contain a through history of the customer relationship to;

- Help credit officers' track any problems.
- Assist a newly assigned credit officer in understanding the customer and
- Make the lending process transparent.

The maintenance of credit files shall be disciplined to force the lending officer to obtain all relevant all relevant documents and encourages him to consider all relevant information when analyzing customer risk. Complete credit files help prevent loan losses resulting from imperfect security.

## **FACILITY EVIDENCE MAINTENANCE**

All legal and banking documentation and register of security shall be maintained, at the branch, separately from the credit file in a location of utmost security.

All legal and banking documentation i.e. charge documents shall be kept in fireproof safe under dual custody of branch manager of his designate alternate and another officer. A register of charge/security documents shall be maintained under the supervision of Branch Manager.

## **IDENTIFYING PROBLEM LOAN**

After reviewing the accounts and inspecting the stock on the basis of the discussions with the borrowers and branch managers, the inspecting officials submit what is called at list of major irregularities or a list of serious irregularities highlighting certain aspects of the advances, which require immediate or urgent action for setting-right the irregularities or for securing the bank interests. To maintain a continuous asset quality credit department must be concerned about the problem loans

## **SUPERVISION OF CREDIT**

One of the most importance tasks before the banks today is the follow-up and supervision of he credit provided by them. Banks have started financing in an increasing measure to priority and preferred sectors and as a result the demand for funds has increased substantially. Besides, credit is a scarce national resource and therefore proper and rational distribution of credit is very essential In the circumstances, it is incumbent upon a banker to see that the advances granted to the borrowers are being utilized for the purpose, which they are given.

This basis of supervision are risk of the transaction and repayment record, conduct of the account, financial capacity and record of the borrower, collateral conditions, supporting information, documentation and the degree of the conformity to the bank policies. The follow up of bank credit was not effective for lack of adequate data as stated above and in this situation many borrowers were able to obtain finance from the banks disproportionate to their production requirements and as a result the bank were obliged to sanction credit limits much in excess of their deposits, thus throwing their credit plans completely out of gear.

In Agrani banks credit policy the responsibility for review and monitoring of credit facilities starts at branch level with the branch manager and the Second officer/credit officer and finally with Head office credit division. Regardless of any formalized times for review or required report of facilities extended, any circumstances may cause a facility to be reviewed and formally classified by Branch Manager.

## **EARLY WARNING SIGNALS**

When there is a "material change" in the borrower condition, present or expected the implications of which are not clear is known as early warning system. Obvious telltale signs of a problem loan are non-compliance with convenience, failure to provide tax return timely, limit overdrawn, kiting, evasive responses to questions, a drop in sales split borrowing, reduction in deposit, increases in payable and continuous failure to keep commitments etc. The following items manifest complacency and should always be guarded against:

- Lack of adequate supervision of old and familiar borrower.
- Dependence on oral information furnished by borrowers instead of reliable data.
- Optimistic interpretation of known credit weakness based on past survival of recurrent hazard and distresses.

## **PREVENTION**

- Understand clients business.
- Analyze client's financials condition.
- Frequent visit to client.
- Perfected legal documentation.
- Investigate market rumors.
- Use credit bureau checking.

## **IDENTIFICATION OF DELINQUENT FACILITIES**

A facility can be identified as potentially being 'delinquent' as above by any of the following persons:

- Second officer/credit officer of the branch.
- Branch Manager.
- Head office, Monitoring and inspection division.
- Head office credit division.

Whenever a facility is identified, as 'delinquent' recommendation is send to Head office with full justification for classification of the facility incase of classification as sub standard, doubtful or loss. It is the responsibility of the branch/Manager/Second officer/credit officer to timely identify and to try to take necessary steps to avoid classification of any facility.

## **DEVELOPING A LOAN ACTION PLAN**

Once default has occurred, it is essential to understand the reasons for the deterioration of the credit and determine the current condition of the borrower, guarantor and the condition, perfection and validity of any collateral. The work officer must evaluate immediately the institutions potential exposure, if any, to a lender liability claim and reduce that exposure in the negotiations and restricting that follow the default actions that may be taken are as follows:

Making corrective action plan. The bank now needs to decide what course of action will be taken. If the review and analysis indicate the potential for long time survival, a plan of corrective actions must be formulated. If long time survival, a plan of corrective actions must be formulated. If long time survival does not appear realistic then a liquidation plan needs to be prepared. The bank will usually have a number of alternative actions from which to choose.

- Continuation and rehabilitation
- Move the debtor to another creditor
- Voluntary liquidation
- Compromise settlement
- Repossession and sale of collateral
- Legal action
- Legal action against co-obligors
- Creditor's arrangement
- Involuntary bankrupts
- Implementation of the plan

Doing projection on each alternative selected in order to determine the best course of action. The concern bank authority determines fail-safe points and develops contingency plans. Then the action is taken according to the plan step by step.

## **CLASSIFICATION OF CREDIT**

Agrani Bank Limited. follows the Bangladesh Bank instructions strictly. Bangladesh Bank issued BCD circular no. 09 on 15-02-2005 and circular no. 20 on 25-12-2005. The circular provides the following guideline.

All types of loan and advances are divided into 5 categories those are

- (I) Continuous loan.
- (II) Demand loan.
- (III) Term loan up to 5 years
- (IV) Term loan over 5 years
- (V) Short term Agricultural credit and Micro credit.

BCD circular-09 and 20 is treated as base for Loan Classification.

## **CLASSIFICATION PROCEDURES**

Unclassified : Loans those are not classified. It is divided into two categories:

- (a) Standard    (b) SMA
- (c) Substandard :    The preliminary Classification.
- (d) Doubtful    :    Loans, which are classified for a certain time, and bank, could not recover in the period are treated as doubtful.
- (e) Bad and loss:    Of which, possibility of recovery is virtually nil.

## **CLASSIFICATION STATUS**

Classification Status	Length of overdue	Rate of Provision
Standard	Below 3 months	1%
SMA	3 months and above but below 6 months	5%
Substandard	6 months and above but below 9 months	20%
Doubtful	9 months and above but 12 months	50%
Bad & loss	12 months and above	100%

## **RISK GRADING**

All Banks should adopt a credit risk grading system. The system should define the risk profile of borrower's to ensure that account management, structure and pricing are commensurate with the risk involved. Risk grading is a key measurement of a Bank's asset quality, and as such, it is essential that grading is a robust process. All facilities should be assigned a risk grade. Where deterioration in risk is noted, the Risk Grade assigned to a borrower and its facilities should be immediately changed. Borrower Risk Grades should be clearly stated on Credit Applications.

At least top twenty five clients/obligors of the Bank may preferably be rated by an outside credit rating agency.

The following Risk Grade Matrix is provided as an example. The more conservative risk grade (higher) should be applied if there is a difference between the personal judgement and the Risk Grade Scorecard results. It is recognized that the banks may have more or less Risk Grades, however, monitoring standards and account management must be appropriate given the assigned Risk Grade:



<b>Risk Rating</b>	<b>Grade</b>	<b>Definition</b>
Superior – Low Risk	1	Facilities are fully secured by cash deposits, government bonds or a counter guarantee from a top tier international bank. All security documentation should be in place.
Good – Satisfactory Risk	2	The repayment capacity of the borrower is strong. The borrower should have excellent liquidity and low leverage. The company should demonstrate consistently strong earnings and cash flow and have an unblemished track record. All security documentation should be in place. Aggregate Score of 95 or greater based on the Risk Grade Scorecard.
Acceptable – Fair Risk	3	Adequate financial condition though may not be able to sustain any major or continued setbacks. These borrowers are not as strong as Grade 2 borrowers, but should still demonstrate consistent earnings, cash flow and have a good track record. A borrower should not be graded better than 3 if realistic audited financial statements are not received. These assets would normally be secured by acceptable collateral (1 <sup>st</sup> charge over stocks / debtors / equipment / property). Borrowers should have adequate liquidity, cash flow and earnings. An Aggregate Score of 75-94 based on the Risk Grade Scorecard.
Marginal - Watch list	4	Grade 4 assets warrant greater attention due to conditions affecting the borrower, the industry or the economic environment. These borrowers have an above average risk due to strained liquidity, higher than normal leverage, thin cash flow and/or inconsistent earnings. Facilities should be downgraded to 4 if the borrower incurs a loss, loan payments routinely fall past due, account conduct is poor, or other untoward factors are present. An Aggregate Score of 65-74 based on the Risk Grade Scorecard.
Special Mention	5	Grade 5 assets have potential weaknesses that deserve management's close attention. If left uncorrected, these weaknesses may result in a deterioration of the repayment prospects of the borrower. Facilities should be downgraded to 5 if sustained deterioration in financial condition is noted (consecutive losses, negative net worth, excessive leverage), if loan payments remain past due for 30-60 days, or if a significant petition or claim is lodged against the borrower. Full repayment of facilities is still expected and interest can still be taken into profits. An Aggregate Score of 55-64 based on the Risk Grade Scorecard.

<b>Risk Rating</b>	<b>Grade</b>	<b>Definition</b>
Substandard	6	Financial condition is weak and capacity or inclination to repay is in doubt. These weaknesses jeopardize the full settlement of loans. Loans should be downgraded to 6 if loan payments remain past due for 60-90 days, if the customer intends to create a lender group for debt restructuring purposes, the operation has ceased trading or any indication suggesting the winding up or closure of the borrower is discovered. Not yet considered non-performing as the correction of the deficiencies may result in an improved condition, and interest can still be taken into profits. An Aggregate Score of 45-54 based on the Risk Grade Scorecard.
Doubtful and Bad (non-performing)	7	Full repayment of principal and interest is unlikely and the possibility of loss is extremely high. However, due to specifically identifiable pending factors, such as litigation, liquidation procedures or capital injection, the asset is not yet classified as Loss. Assets should be downgraded to 7 if loan payments remain past due in excess of 90 days, and interest income should be taken into suspense (non-accrual). Loan loss provisions must be raised against the estimated unrealisable amount of all facilities. The adequacy of provisions must be reviewed at least quarterly on all non-performing loans, and the bank should pursue legal options to enforce security to obtain repayment or negotiate an appropriate loan rescheduling. In all cases, the requirements of Bangladesh Bank in CIB reporting, loan rescheduling and provisioning must be followed. An Aggregate Score of 35-44 based on the Risk Grade Scorecard
Loss (non-performing)	8	Assets graded 8 are long outstanding with no progress in obtaining repayment (in excess of 180 days past due) or in the late stages of wind up/liquidation. The prospect of recovery is poor and legal options have been pursued. The proceeds expected from the liquidation or realization of security may be awaited. The continuance of the loan as a bankable asset is not warranted, and the anticipated loss should have been provided for. This classification reflects that it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be effected in the future. Bangladesh Bank guidelines for timely write off of bad loans must be adhered to. An Aggregate Score of 35 or less based on the Risk Grade Score Card.

## Introduction ABOUT RECOVERY

Recovery of loan is an important function of banking activities. Principally bank operates its business depending on money collected from people. Banks distribute loans & advances from their collected money. So it is their key responsibility to recover loans within the pre-scheduled period. Recollection of loan in due time creates the opportunity to disburse more loans to the income generating people which strengthens the circle of economy. A good performance of loan recovery indicates the efficiency & effectiveness of the management of a bank. To recover loans in due time & with due mobility the bank follows and some strategies. These are discussed bellow.

## THE PROCEDURE OF LOAN RECOVERY

The main responsibility of Bank Manager and Loan officer is to recover the outstanding loan in Agrani Bank Limited. Mohakhali Branch, Bogra The loan recover procedure is divided into several steps. They are as follows :

### **1. Issue of demand notice:**

Demand notice is issued before one month being due of outstanding loan or installment. It is send to the borrower.

### **2. Legal Notice:**

If the borrower does not repay their respective loans and interest after maturity being received the demand notice by the bank them bank sends legal notice under registered with acknowledgement by post to the borrowers. Before taking any legal action against the borrower the bank should send lawyer notice to him.

### **3. Special Notice:**

Besides the above two notices, special notice signature by Deputy Commissioner, Upazilla Nirbahi Officer is send to the respective borrower to keep mental pressure on him for repaying the loan.

### **4. Personal communication:**

If the borrower fails to repay his loan installment the loan officer communicates with the respected persons of that area to give mental pressure to the borrower so that he repays his respective loan.

#### **5.Campaigning:**

The Manager and others officer presents in the camp and communicate with the borrowers. They give them moral persuasion and try to encourage them so that they repay their loan.

#### **6.Case filling:**

It is the procedure except legal action of recovering loans becomes failed then certificate is filed with priority.

- Unwilling to repay loan although he is financially solvent.
- Every effort of loan recovery becomes failure.
- Detrimental to the interest of bank loan.

Loan recovery with the help of interest exemption. The loan amount which becomes more than double in principal and interest and which is not possible to recover with the help of legal action then these loan can be recovered by exempting interest. By this way bad loan can be recovered.

## FINDINGS AND RECOMMENDATIONS

The success of a bank depends on improved service delivery to its customers. Now so many banks in the country have emerged to cater to the needs of customers. But most of the bank in Bangladesh uses conventional banking system. The AGRANI BANK Ltd., Mohakhali Branch is not exception to these trends.

### FINDINGS:

While working on desk to desk, I had the following observations:

- 1) The Cheque passing system of this branch is very time consuming. If a client places a Cheque, it is handled in three places. Firstly, it is registered on the supplementary sheet. Secondly, it comes for computer posting (as well for first cancellation). And thirdly it comes to the section In-change for verification of the signature of the drawer and for cancellation. Then it goes to cash payment officer for final payment. . This time killing process takes valuable time of customer. Needles to mention that this creates dissatisfaction and bore for customer during the rush hour in such situation.
- 2) Due to lack of one stop service, the customers are bound to move from one counter to another counter. Today this type of movement of the client treated as one type of harassment according to client's point of view.
- 3) AGRANI Bank Limited.-Mohakhali Branch seeks credit report in case of loans and advances that takes more time.
- 4) In some cases, loans and advances are sanctioned due to the interference of invisible hand. It increases the amount of classified loan and advance.
- 5) Information are acquired by the bank official to appraise a loan proposal are not enough to evaluate a borrower quality i.e. whether a high risk borrowers or low risk borrowers.
- 6) Lack of efficient employees to compete with the others fast growing Banks
- 7) Shortage of staff for performing the activities.

- 8) Lack of Technological facilities, i.e. online banking.
- 9) The infrastructure situation is not well equipped and well decorates.

## RECOMANDATIONS

We have observed many problems of the Agrani Bank Limited during internship period. Now I suggest some recommendations to overcome those problems. It should be kept in mind that the following recommendations are not the panacea to solve all the problems faced by the Agrani Bank Limited in the process on loan recovery and deposit collection nor it will be able to uproot all the causes of problems in the process. But it is expected that the given recommendations may have positive impact on activities of Agrani Bank Limited.

- 1) The bank should introduce the highest use of computer in branch banking system. Like the new generation private banks the bank must introduce one stop service to built up customer satisfaction.
- 2) Political interference has to be avoided in both credit disbursement and recovery. Political influence in loan sanction and recovery may create overdue. As a result, the Agrani Bank Limited would take many unprofitable projects.
- 3) The value of the security must be value properly by the independent value and constantly watched so that value of mortgage property becomes sufficient for the recovery of default loan. It should clearly know about the management condition, skill, efficiency and performance of the project properly.
- 4) Publishing the names of defaulter's as well as good and regular payers. In various dailies and granting various sorts of facilities to good borrowers will create a moral persuasion on the borrowers. This may decrease the number of defaults and the volume of large outstanding loan amount as well.

- 5) Pressure from outsider and influence extorted by borrowers are also a great impediment in the smooth functioning of loan recovery process. The role of government in this case is the most important factor required solving these sorts of problems.
- 6) More and more competent personals are required to be employed as per requirements of Agrani Bank Limited so that there will be the least possibility of wrong appraisal and evaluation of projects. Government embargo on the employment of Agrani Bank Limited must be relaxed in order to stop the recurrence of this default. Moreover, action must be taken against the willful defaulters will also be of much help.
- 7) The new entrepreneurs should be encouraged in disbursing loans and those who have the records of regular repayment should be give preference.
- 8) Must perform Credit Risk Grading(CRG), SWOT analysis and Lending Risk analysis before selecting project for loans disbursement.
- 9) It is observed that the defaulters generally get various sorts of exemptions as declared by the government from time. Government must not show any kind of mercy to the defaulters in any ways, which may encourage the default culture. This type of action may discourage the borrowers to become willful defaulters.

## CONCLUSION

Bangladesh is a developing country. Without improving banking sectors business development is not possible rapidly. The study of "General Banking and Loans Performance" of Agrani Bank Limited, Mohakhali Branch is a work for the Internship program. The objective of the study is to upgrade deposit collection loan performances and reduce recovery problems of the Agrani Bank Limited. Different types of deposit collection of the bank were better and the total deposit collection increased significantly. The maximum portion of the collected deposit of the bank has utilized for the loans and advances. They provide loans and advance in different sector such as agriculture, industrial development and even the rural development activities. Agrani Bank Limited has been plying a significant role for the economic development of the country. It has also been found that a large amount of the bank loans are become classified and the classification tend in increasing even a lot of measures have been taken to prevent the classification of loans and advances. But the classified loans figure and percentage of the Agrani Bank Limited, Mohakhali Branch is about zero, which is exception one. However, the cost of operation analyses of the bank revealed that the bank generates sufficient interest income form the loans and Advances and investment activities. Due to stuck up advances of the bank total costs of operation are slightly higher and sometimes the bank has failed to generate positive spread over the period. But in the content of Bangladesh, the disbursement and recovery is much better than any other bank. At last, we can conclude that the bank's overall position is at the satisfactory level compared to the overall a banking sector condition in the country. Finally we can say that over all loan



management of Agrani Bank Limited, Mohakhali Branch, Bogra is not the satisfactory level.

Now let me address the issues that I think can be improved from the side of university management regarding the internship program. We don't have enough time to do research and collect required hard data in the given timeline of internship program. By only working for 10 weeks when all we are focusing to do is learn the job that is needed to be done in many organizations where training is not a part of internship. So for us this small time for internship to gather research and present a masterpiece of an internship report is very unrealistic. In my personal opinion the internship program should be a bit longer because by the time we get to know the people and start building good communication the internship ends and we feel like we could have done way better and learned way better if we were given a bit longer with the internship program. Another thing I would recommend is to change the internship program writing system when it comes to people working in banks. Because the environment is way different in a bank than many places and to do and write an internship report in the method given feels at times very unreal and data collecting seems like just copy pasting stuff from sources given by the organization. We should definitely have more freedom when it comes to writing an internship report. I personally don't think the current structure of report writing system that has been given by our university is on point and can be improved. An internship report instead of finishing at one time in the last 15 days we should be sending them per week a certain portion of it. For example we were told to send the table of contents first week and then the whole internship report at the last week which to me is easy for someone who wants to do the whole thing at once but for a lot of us it feels like we are not monitored and guided properly. We should be sending our updated version per week. I feel that way if someone is messing up their report or doing something wrong they can fix it at

that particular time and start whatever he or she is doing wrong in the right way  
weather its gathering information or writing .

## **BIBLIOGRAPHY**

(n.d.). Retrieved from [www.agranibank.org](http://www.agranibank.org)

A, B. A. (n.d.). Introduction To Electronic Banking.

Agrani Bank Limited. (n.d.). *Credit Risk Management Policies* . Agrani Bank Limited.

IBB. (n.d.). *Journal of the Institute of Bankers Bangladesh*. IBB.

Published by Bangladesh Bank. (n.d.). *Credit Risk Management*. Published by Bangladesh Bank.

Rose, P. S. (n.d.). *Bank Fund Management & Financial Services*. McGraw-Hill International Edition.

Rose, P. S. (n.d.). *Commercial Bank Management* . McGraw-Hill Irwin.