



Inspiring Excellence

Internship Report
On
“Loan Performance and Micro-credit Analysis of
Bangladesh Development Bank Ltd.”

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Humaira Naznin,
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Subject: Submission of Internship Report.

Dear Madam,

It is my great pleasure to have the opportunity of submitting the Internship Report on “**Loan Performance and Micro-credit Analysis of Bangladesh Development Bank Ltd. (BDBL)**” which is a requirement for completion of my internship program in Fall 2015 semester. I have been doing my internship in BDBL Head office for the last 10 weeks and I wish to express my insights of their activities in this report. The internship program and this report gave me an opportunity to understand the banking policies, strategies and practices of state-owned banks in Bangladesh.

Under the circumstances, I hope you will find my findings in this report satisfactory and I am prepared to give you any further explanation if you need.

Thank you again for your kind consideration.

Sincerely yours,

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Acknowledgement

First of all, I wish to express my gratitude to almighty Allah for giving me the strength and opportunity to complete the report within the schedule time successfully.

I feel proud to show my gratitude to BRAC Business School for granting me the opportunity to take part in practical orientation in BDBL. I also feel proud to thank my honorable internship supervisor of the, Humaira Naznin, for her stimulating inspiration, proper guidance, valuable criticism and whole-hearted supervision to me in preparing my internship report.

I am also grateful to my host supervisor of the internship program, Assistant General Manager of BDBL Training Institute, Assistant General Manager of Principal Branch, Deputy General Manager, Loan Operation Department and other officers of Bangladesh Development Bank Limited for their cordial help, time and co-operation with me during the internship program. I am also grateful to all departmental heads and all other officials of various departments of BDBL for their spontaneous help and cordial assistance in preparing this report.

In addition, I want to express my gratitude to OCSAR executives of BRAC University who guided me throughout this internship program and made it very comfortable for me with lot of care and patience.

Finally, I would also like to wish good luck to my team members who accompanied me throughout this 10 weeks program for their participation and assistance in making my journey so comfortable.

There are some shortcomings in this report due to some obligations but I have tried my level best to bring about all the facts in a comprehensive manner.

Executive Summary

This report is the outcome of two and half month long internship program that I had successfully completed in Bangladesh Development Bank Ltd under several departments in Fall 2015 semester from October, 2015 to December, 2015. My participation allowed me to bring comprehensive and practical exposure to the field of Loan Performance and Microcredit Activities under Loan Operation Department of BDBL.

During my internship period, I was engaged in different responsibilities in the various departments of Bangladesh Development Bank Ltd. The bank commences its operation from Loan operation department where they scrutinize the loan proposal and appraise the proposed investment sectors or their borrowers from various aspects, organization and management, technological, marketing, economic and profitability indicators. Financial soundness of all banks depends on the performance of its disbursed loan on various sectors. Loan performance means how the loans were scheduled to act and how they are actually acting. It is closely associated with timely and steady repayment of interest and principal of a loan. A loan is said to be well performed when its repayment is duly made. Performance bank's loan is usually measured through the percentage of classified and unclassified loan of total outstanding. If the amount of classified loan is high, overall loan performance of a bank is poor and low amount of classified loan indicates an effective and efficient loan performance.

Bangladesh Development Bank Ltd (BDBL) is the prime concern of development financing institution of country that extends financial assistance both in local and foreign currencies for setting up new industries to boost up the industrial policy and financial reforms program of government towards market economy. The bank has kept on sanctioning term loans during FY 2013-2014 also. This is long term local currency loan of taka 7285 million has been sanctioned to 55 projects and short term loan of taka 105 million to 15 projects. Of the total sanctioned long term loan, taka 4928 million is for 37 new projects and an additional loan of taka 2385 million for 13 existing projects. In the financial year 2013-14, food and allied sectors got 4% concentration of its total loan outstanding amounting to a total of taka 613 million.

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1. Introduction:

Today's business world is so dynamic and competitive that organizations are always looking for talented, skillful and adroit graduates who belong to high degree of adaptability and thinking quality. These business graduates will be the core part of business organization someday. So business graduates need to have both theoretical & practical knowledge to manage the business activity properly. In order to be familiar with a bank's culture and to gain some practical knowledge about it, one needs to work in those departments. As a development bank, BDBL primarily remains committed to provide long-term industrial financing. It also includes commercial banking activities including foreign exchanging and international trade financing.

With the decision of the Government, Bangladesh Development Bank Ltd. (BDBL) was incorporated on 16 November, 2009 as a Public Company Limited by shares under the Companies Act, 1994 by amalgamation of former Bangladesh Shilpa Bank (BSB) and Bangladesh Shilpa Rin Sangstha (BSRS), two Development Financial Institutions (DFIs) in the public sector. Bangladesh Shilpa Bank (BSB) was established on October 31, 1972 for accelerating the industrial pace of the country through providing loan and equity to the industrial projects as per Bangladesh Shilpa Bank Order, 1972 (President's Order No. 129 of 1972).

With the same objective, Bangladesh Shilpa Rin Sangstha (BSRS) was also established on October 31, 1972 as per Bangladesh Shilpa Rin Sangstha Order, 1972 (President's Order No. 128 of 1972). In order to carry on business of BDBL, Bangladesh Bank issued banking licence on 19-11-2009.

The bank has been continuing to strengthen its growth and brand image by expanding new business activities, particularly in the area of trade financing, import and export business, foreign

remittance, retail banking, SME and agro-based industries mainly. For major manufacturing, infrastructural and utility project, the bank will prefer syndicate financing. Finally the most important topic in this report, the bank will remain omitted to reduce non-performing loans and improve recovery from written-off loans.

1.1 Objectives:

The prime objectives of the study are to evaluate the Loan performance of BDBL. Beside this, there are some other objectives which are as follows:

- To analyze the loan performance and management by BDBL.
- To highlight the credit and recovery procedures and evaluate credit performance
- To analysis the reasons of making loan default by the sponsors.
- To get an idea about the condition of loan default mechanism of BDBL.
- To find out the contribution BDBL towards the economy of Bangladesh.
- To suggest possible steps for overcoming the difficulties faced by BDBL.

1.2 Methodology of the Study:

Perfect research work requires accordance with some rules and methodologies which is maintained in making this report. As a result, the decision had been taken to collect various types of primary data and secondary data.

The main research Methodology includes:

Qualitative:

In this research method I focused on specific situations in various departments using research tools like individual interviews, surveys, and direct observations. I used it to get an understanding of underlying reasons, opinions, and motivations of officers. It provided me insights into the problem and thus helps me to develop ideas or hypotheses for potential quantitative research.

Quantitative:

In this case it involves quantitative data involving numerical and statistical explanations. Quantitative Research is used to quantify the problem in a way of generating statistical data that can be transformed into make a conclusion. I used this method to quantify attitudes, opinions, behaviors, etc from officers and staff of BDBL and thus generalize results from them. This pattern includes: relevant papers/books, articles from web, online polls, periodicals publication and manual of different departments. In addition, I have summarized the data with central tendency, standard deviation, Co-variance and growth percentage and applied contingency tables, pie diagram, column diagram and bar diagram as a form of statistical analysis from Annual Report 2014 which I believe made the study credible and realistic.

In order to make the effective and efficient, primary and secondary sources of data been used.

The primary data have been collected by oral interviewing the responsible officers and staff of BDBL from mainly loan operation department and others. Their practical deskwork, direct observation of the functions of various departments of BDBL and relevant document's made my insights in this report accurate enough.

The secondary information comes from annual report of BDBL, relevant papers/books, articles from web and periodicals publication and manual of different departments.

1.3 Limitations of the Study:

In performing this report my lack of proper practical knowledge greatly influenced in this performance. Beside this, some limitations in performing this study and preparing this report have been faced. The main limitations are as follows:

1. Lack of available up-to-date information.
2. Sometime unacceptable feasibility reports are submitted by sponsors which do not contain enough and dependable information.
3. The employees of BDBL had no eagerness to supply more information because of extra confidentiality.

4. Too little concentration is given to examine risk and uncertainties related with the projects means only sensitivity analysis is done to analyze risk.
5. Some suffer that lack of an up-to-date project appraisal booklet.
6. Lack of sufficient, updated and precise information in the country. Both primary and secondary data are not readily obtainable.

1.4 Definition of Loan Performance and Micro-credit

Financial soundness of a bank depends on the performance of its disbursed loan sector-wise. Loan performance means how the loans were scheduled to act and how they are actually acting. It is closely associated with timely and steady repayment of interest and principal of a loan. A loan is said to be well performed when its repayment is duly made. If a loan fails to be repaid duly for some consecutive period or installments, it falls under the classification criteria. Performance bank's loan is usually measured through the percentage of classified and unclassified loan of total outstanding. If the amount of classified loan is high, overall loan performance of a bank is poor and low amount of classified loan indicates an effective and efficient loan performance.

Microcredit is the extension of very small loans (microloans) to impoverished borrowers who typically lack collateral, steady employment and a verifiable credit history. It is designed not only to support entrepreneurship and alleviate poverty, but also in many cases to empower women and uplift entire communities by extension. Unfortunately, long-term loan performance has been growing profitably but in the micro-finance sector, BDBL is not prospering.

2. Overview of the Organization:

2.1 Background/History:

Bangladesh Development Bank Ltd (BDBL), a state owned commercial Bank, which was shaped up by a merger between Bangladesh Shilpo bank (BSB) and another is Bangladesh Shilpo Rin Sanghstha (BSRS) has started its operations across the country from January 3, 2010.

For long, both the Bangladesh Shilpo bank (BSB) and another is Bangladesh Shilpo Rin Sanghstha (BSRS) had been facing crises in their respective operations as a huge amount of loans disbursed by them remained unrealized. Before the start of the banking operations, a vendor agreement will be signed between the government and the BDBL as a legal compliance,

established as a public limited co. took over the undertaking and the business of statutory bodies namely the Bangladesh Shilpo bank (BSB) and Bangladesh Shilpo Rin Sanghstha (BSRS) with all their assets, benefits, rights, power, authorities, privileges, liabilities, personal, borrowers and other obligation to carry on with the same business. Additionally, it got the mandate to engage in commercial banking. The authorized capital of new bank is Tk 1,000 crore, while its paid-up capital is Tk 400 crore.

Bangladesh Shilpo bank (BSB)-

The formal Industrial Development Bank of Pakistan (IDBP) and the Equity Participation Fund (EPF) both of were established for the industrial development of Pakistan was converted into a single institution named Bangladesh Shilpo bank (BSB). Bangladesh Shilpo bank comes into existence on October 31, 1972 by the promulgation of Bangladesh Shilpo bank order 1972 (President's order no. 129 of 1972).

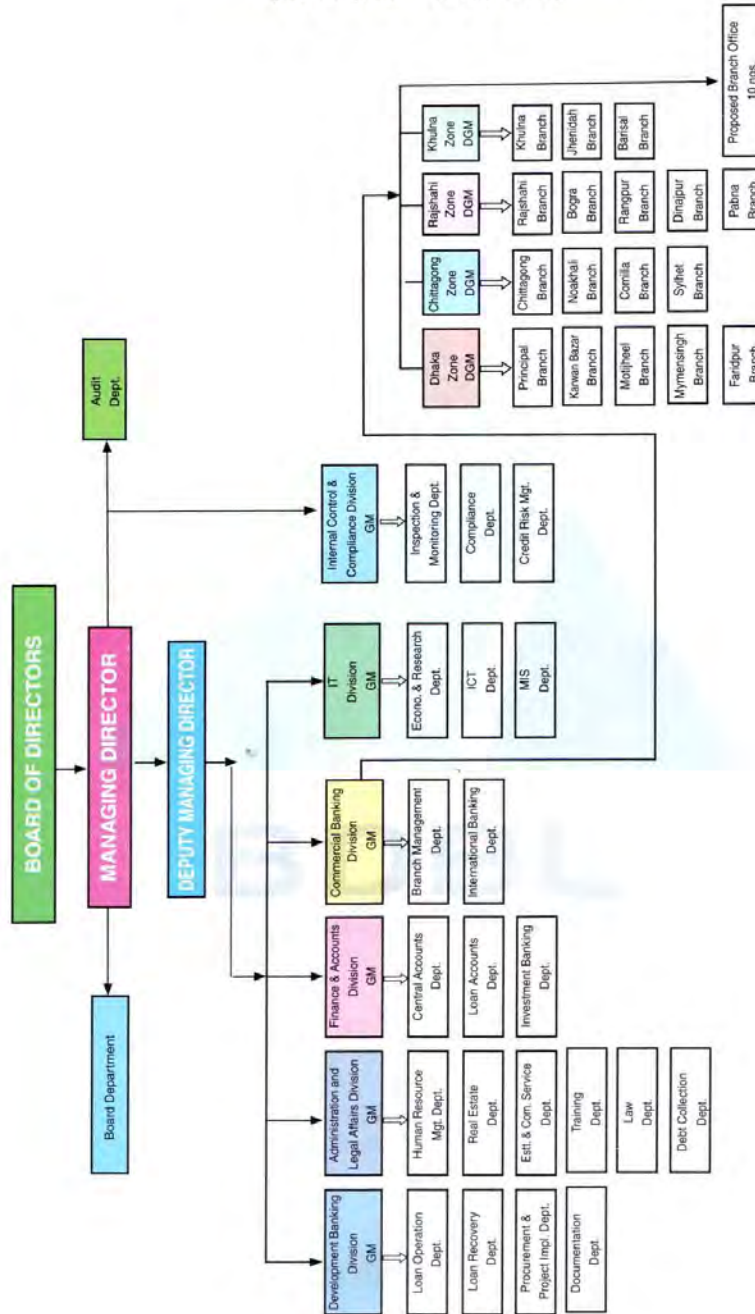
Bangladesh Shilpo Rin Sanghstha (BSRS)-

Bangladesh Shilpo Rin Sanghstha (BSRS) established on 31 October, 1972 by the President's order no.128 of 1972 to provide credit facilities and other assistance to industrial concerns and to encourage and broaden the base of investment in Bangladesh. BSRS was vested with the undertakings of the Pakistan Industrial Credit and Investment Corporation Limited (PICIC), Investment Corporation of Pakistan, and National Investment Trust (NIT) located in Bangladesh. Later, on 16th March.1987, the investment advisory Center of Bangladesh (IACB) was merged with BSRS. The present form of BSB and BSRS is BDBL. The form comes through merge on December 2009. It starts its operation on BDBL on 3rd January, 2010.

2.2 Corporate Information

Corporate Information	
Name	Bangladesh Development Bank Ltd
Legal Status	Public Limited Company.
Date of incorporation	16-Nov-09
License obtained	November 19, 2009 Issued by Bangladesh Bank.
Formal Inauguration	3-Jan-10
Registered Office	BDBL Bhaban, 8, Rajuk Avenue, Dhaka
Authorized Capital	TK. 10000 million
Paid Up Capital	TK. 4000 million
Reserve (on 01.01.2014)	TK 2500 million
Total Assets (on 01.01.2014)	TK 1980 million
Total Human Recourse	1200
No. of Zonal Office	4
No. of Branch Office	32
Membership	DSE, CSE
Web Site	www.bdbl.com.bd

INSTITUTIONAL STRUCTURE (At the year -End of 2010)



B D B L

Manpower of BDBL

Name of Post	Head Office	Zonal Office	Branch Office	Total
Managing Director	1	0	0	1
Deputy managing Director	1	0	0	1
General Manager	6	0	0	6
Deputy General Manager	18	4	4	23
Asst. General Manager	19	0	27	46
Senior Principal Officer	32	4	44	80
Principal Officer	57	4	75	136
Senior Officer	101	4	141	25
Senior Officer (IT)	16	0	9	25
Officer	59	8	90	150
Officer (Cash)	2	0	23	25
Asst. officer Grade-1	28	20	20	52
Asst. officer Grade-2	9	0	0	9
Asst. officer Grade-2(Cash)	0	0	11	11
Supporting Staff grade-1	24	0	0	24
Supporting Staff grade-2	43	3	20	66
Supporting Sub Staff	54	6	76	154
<i>Total</i>	470	41	514	1200

Source: Annual Report of 2014

2.4 Vision and Mission Statement:

Vision is to emerge as the country's prime Financial Institution for supporting private sector industrial and other projects of great significance to the country's economic development. Also be active participant in commercial banking by introducing new lines of product and providing excellent services to the customers.

Missions are :

- To be competitive with other Banks and Financial Institutions in rendering services ;
- To contribute to the country's socio-economic development by identifying new and profitable areas for investment ;
- To mobilise deposit for productive investment ;

- To expand branch network in commercially and geographically important places ;
- To employ quality human resources and enhance their capability through motivation and right –type of training at home and abroad.
- To delegate maximum authority ensuring proper accountability ;
- To maintain continuous improvement and up-gradation in business policies and procedures ;

2.5 Product/Service Scheme:

The bank is always committed to serve the clients with the best values and innovative products and services to enrich its portfolio at the client’s demands and desires.

1. Development Banking

- Industrial loan with emphasis on syndicated arrangement (power & energy, telecommunication, fiber optic cable, etc)
- Public-Private Partnership (PPP) project (port development, transport & communication, like road, water & air ways etc)
- Small and Medium Enterprise (SME like IT industries i.e. development of hardware and software)
- Agro-based venture depending on indigenous raw materials (like jute twin/yarn industries)
- Green banking (environment & eco-friendly industries like automatic brick kiln, renewable energy, effluent treatment plant, etc)
- Lease financing.
- Real estate business (including housing loan)

2. Commercial & Foreign Exchange Business

a. Deposit Banking

- ☒ Current deposit.
- ☒ Saving deposit.
- ☒ Short term deposit.
- ☒ Fixed deposit.

- Deposit pensions Scheme.
- Other special saving deposit.
- *School banking (new)-*

- a).5 year term BDBL Sanchay Shceme (BDBKSS).
- b).10 year term Shikkha Sanchay Shceme (SSS).
- c).10 year term Chikisha Sanchay Shceme (CSS).

b. Short term loans

- Cash credit (Hypothecation).
- Cash credit (Pledge).
- Secured advances (General).
- *Retail banking-*
 - a) customer's credit.
 - b) Personal loan.

Trade/Foreign trade financing-

- a). Export cash credit.
- b). Packing credit.
- c). Purchase of local & foreign documentary bill.
- d). Payment against documents (PAD).
- e). Loan against imported merchandise (LIM).
- f). loan against trust receipt (LTR).

c. Foreign Exchange

- Local L/C.
- Import L/C.
- Export L/C.
- Back to back L/C.
- Foreign remittance.
- Foreign exchange buy & sale.

3. Capital Market operations

- Share/ Security trading
- Underwriting

- Brokerage house services
- Mutual fund operation
- Banker's to public issues

4. Other activities of BDBL

Apart from identification and development of viable projects, the bank assists the interested entrepreneurs in selecting industrial projects having appropriate technology and potential market by providing advisory services and various information/data.

a. Training

For upgrading the professional competence and skills of its employees, the bank is continually arranging training programs both at home and abroad. Every FY they spent a lot of money for training programs and seminars.

b. Observance of National Days

Important national days like National Martyrs and International Mother Language day on February 21. Independence Day on March 26, Victory day on December 16 and National Mourn day were observed with due to respect and solemnity. Floral wreaths were laid at the Shaheed Meenar and at National Martyrs Memorial to pay homage to the martyrs who made supreme sacrifice to uphold the dignity of the mother tongue and achieve independence of the country.

c. Corporate Social Responsibilities

The banks functions are not only limited to industrial financing , it is also committed to be known as an institution that builds long term relationship and delivers awards to its clients for regular payment of loans as well as responsible for its employees and communities. The bank promotes various socio-cultural activities, like picnic, sports, etc. for gearing and cheering up its employees, financial assistance to the bank's employees, and financial assistance to the severe ailing employees for proper treatment. Besides, the bank also donates to charitable institution and government's relief fund.

2.6 SWOT Analysis of BDBL:

A SWOT analysis gives the stakeholders a perfect picture of a bank's performance which is as follows:

Strengths of BDBL:

- BDBL is unique in its nature having both specialized and commercial operation it is regarded as a development bank as well as commercial one.
- BDBL has Skilled financial management, good credit control and few bad debts.
- A strong balance sheet. Access to extensive credit, a strong credit rating, and a good relationship with the bank and other sources of finance.
- Skilled employees, successful recruitment, and effective training and development.
- Govt. support and Encouragement.
- One of the fundamental objectives of BDBL is to boost up small medium industries.

Weaknesses of BDBL:

- Decision making process is lengthy.
- Lack of promotional activities.
- Less diversified product and services line. The salary of BDBL is not high enough related with other commercial bank operating in Bangladesh.
- MAN/Internet/on-line services in BDBL is not upgraded, many of their works through manually.

Opportunities of BDBL:

- There are huge demand of micro-credit, small and medium scale finance.
- There are opportunities of innovation in the banking industry.
- Bangladesh economy is expanding rapidly, so the need of bank is growing up.

Threats of BDBL:

- More and less all the competition in the banking industry are competent , so to survive BASIC Bank no. of defaults loan is 37% which is real threats of bank business.
- Due to government institution many of the banking decision basic by political government
- Too much interrupted by international assistance institutions like World Bank, IMF, WTO.

2.7 Conclusion

Most of the banks of Bangladesh are offering a wide array of financial services including new types of loans and advances and some whole new services are launched every year. As a government owned bank, Bangladesh Development Bank Ltd. (BDBL) also has to discover new scopes to reach its goal. As it is a state owned bank, it should go to the people's heart through various schemes. It should follow a mix lending policies designed to improve the quality of its portfolio and reduce its risk exposure so that in near future when competition among banks will serve more it can stand with its own entity.

3 My Job Description

3.1 Specific Roles:

During my internship period of 3 months, I along with my two other team-mates visited several departments in BDBL which were Loan departments, SME dept, Accounts dept, HR dept, Foreign Exchange dept, Advance dept etc. But my emphasis was on Loan operations department. The roles that we played in BDBL are as follows:

- The time duration of my work was from 10:30am to 1:00pm five days a week
- During this time, I along with my teammates visited several departments and had briefing from the respective department heads, Assistant General Managers and senior officers
- We used to visit their offices and we had the opportunity to look at the booklets, documents, reports and policies of those departments which are very confidential.
- After doing this for one week, I was assigned in BDBL Principal branch which is at the ground floor of BDBL Bhaban.
- In Principal branch, I had the opportunity to work in SBS, CBS Software in computer and opened 3-4 KYC (Know your customer) profiles, Savings/Current Accounts and filled up the forms which were incomplete with the guidance of officers.
- My work was monitored by the AGM of Principal Branch, my supervisor, Mr. Shafiqul Islam and I had to report to him at the end of my work.
- During my last couple of weeks, I had the chance to work in Loan operations department, discussed the insights and future of BDBL in loan operation sector and sometimes did other work as asked by my supervisor.

3.2 Recommendations:

My recommendations are as follows:

I had to wait a long time in various departments to talk to the officers and head of departments because they stay very busy all the time. Moreover, the time they spent with us was not enough to give us a full and complete scenario of BDBL. In that case, it would have been better if they allowed us to get insights from their sub-ordinate officers who are less busy. However, they tried their best in a limited scope of time to give us their views and express their thoughts. Sometimes, they were not reluctant to give me the financial information, booklets, reports of their departments because of its high confidentiality. I would also suggest that they could have given us some work in every departments where we visited in computer and get their incomplete job done by me and my team in a short period of time.

4 Overview of Loan Performance and Micro-Credit

4.1 Categories of Loans-

All loans and advances will be grouped into four categories for the purpose of classification, namely-

- a. Continuous loan
- b. Demand loan
- c. Fixed term loan
- d. Short-term Agriculture and Micro Credit.

a. Continuous Loan-

The loan accounts in which transactions may be made within a certain limit. It also has an expiry date for full adjustment that will be treated as continuous loans.

Example- CC, OD etc

b. Demand Loan-

The loans that become repayable on demand by the bank will be treated as demand loans. If any contingent or any other liabilities are turned to forced loans (i.e. without any prior approval as regular loan) those too will be treated as Demand Loan.

Example-Forced LIM, PAD, FBP & IBP etc.

c. Fixed- Term Loan-

The loans, which are repayable within a specific time period under a specific repayment schedule, will be treated as Fixed Term Loans.

d. Short-term Agricultural & Micro Credit-

Short-Term Agriculture Credit will include the short term credits as listed under the Annual Credit Programs Department (ACSPD) OF Bangladesh Bank. Credits in the agricultural sector repayable, within 12 (twelve) months will also be included herein. Short-term Micro-credit will include any micro-credit not exceeding Tk. 25000. (Twenty five thousand) and repayable within 12(twelve) months, be those term in any names such as Non-agricultural credit, Self-reliant credit, Weaver's credit or Bank's individuals project credit.

4.2 Classified and unclassified loans:

BDBL deals with 18 sectors that we will see next. 1 or 2 sectors are going to close by the bank because of loan default, government policy, donor pressure etc, but the remaining sectors will run. So if we look at the chart, we see 20% of outstanding amount is bad loan or we can say the portion under classified section and the rest amount is unclassified. In the year 2013-14, bad loan was around 3200 million, doubtful loan was 44 million, substandard loan was 208 million and unclassified loan was 4509 million, go by ratio the situation was 1.5:2. substandard loan was 2.2 million and unclassified loan was 4122 million, the ratio was 2:1, and in the recent last year 2012-13 , the ratio is 2.63:1, so considering the previous situations, comparing the performance of year to year, the bank is performing good now and their loan performance is coming in control.

4.3 Process of Loan Appraisal:

- Issue of loan application form
- Instruction & co-operation to fill the form
- Receive form (BSQF) along with 1/8th of 1% project estimated cost & other necessary documents
- Security of loan application and other papers for evaluation of loan proposal
- Preparation of Appraisal report
- Granting/Rejecting loan application
- Put-up loan appraisal is granted
- Loan sanctioned with memorandum
- Send information to PID documentation & other documentation.

The function loan operation department (LOD) is as follows:

Issue of loan application form:

This is given by the bank taking Tk. 1000 from the sponsors of the proposed projects where includes various aspects of the project are as follows:

1. Proposed projects-
 - Name of the project.
 - Location of the project.
 - Line of the product.
 - Amount of project-
2. Promoter's applicant-
 - a. Particulars of the promoters.
 - b. Particulars of the persons relates with promoters (i.e.) father, mother, spouse, son (s), daughter(s), brother(s).
3. Corporate set up (constitution);
4. Management;
5. Proposed products;
6. Foreign collaboration, if any;
7. Project land-
 - a) Water.
 - b) Power & Gas
 - c) Communication facilities
 - d) Managerial & technical.
 - e) Administrative & staff.
 - f) Labor- Skilled & Unskilled

Instruction & co-operation to fill up the form

The bank authority helps to the sponsors by providing necessary information required by the sponsors for filling up the form about the knowledge advice necessary by them. And then sponsors prepare feasibility report. Receive form Bangladesh Standard Questionnaire Form (BSQF). After fulfilling this form by the sponsor's bank authority receive with 1/8th of 1% project estimated cost other necessary documents complied by the sponsors.

Security of loan application and other paper evaluation of loan proposed

The bank officials then scrutinize all the papers with the given documents that mean feasibility report given by the sponsors. If all of this are correct then bank prepare appraisal report about given information.

Preparation of appraisal report

The bank authority makes the report, which consists of three types of analysis these are as follows-

- a). Technical analysis
- b). Financial analysis.

Technical Analysis

The technical engineer does this report whether the proposed project, is viable or not. It gives indication about the project technically sound or not. Here engineer justify several aspects are follows- The project will be established which is suitable or not for the project whether the road, railway, riversides or airport etc. that are precondition for establishing the project situates this place. He also justifies the types of machines, capacity, types, production capacity etc and gives permission for that company.

Financial Analysis

A financial analysis of the responsible officer makes financial analysis. He will examine prospect of the company about the demand of the product, marketability of the product, profitability of the product, supply and production capacity of the product to meet the market demand through various a financial analysis such as current ratio, profitability ratio, asset management ratio etc.

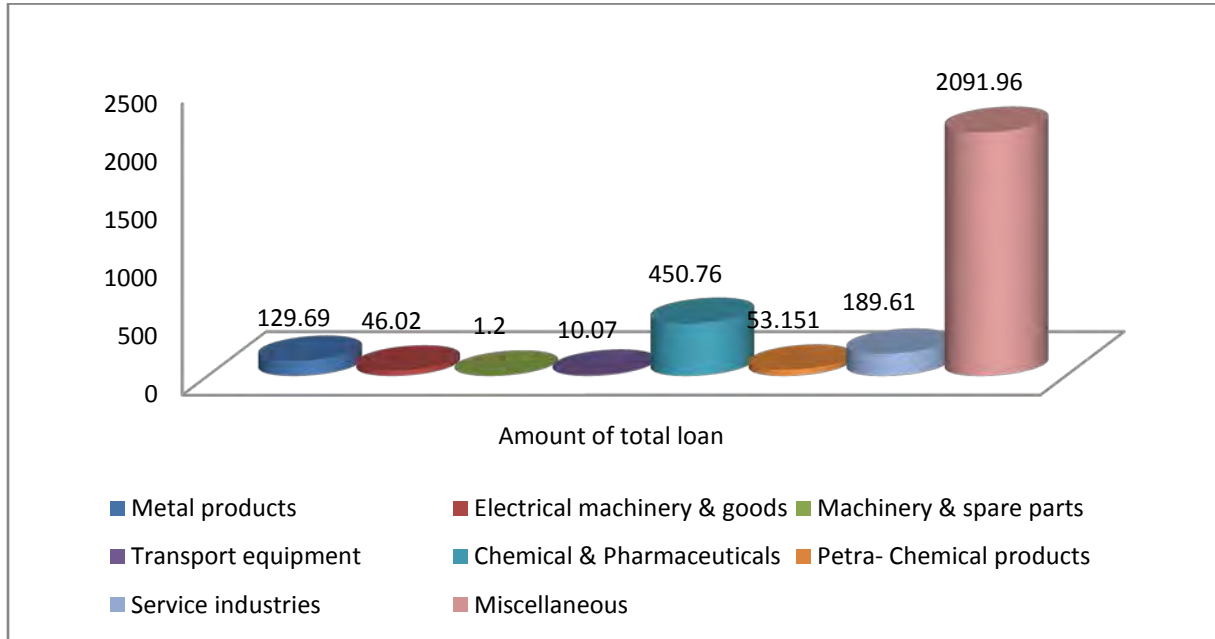
4.4 Sector-wise Loan Performance:

Sector wise position of bank's portfolio as on 31st December 2014

SL. no.	Name of the Projects	Amount of total loan
1	Food & Allied Products	613.88
2	Jute & Allied Products	276.01
3	Cotton, Woolen & Synthetic Textiles	5183.10
4	Paper, Paper products & Printing	131.14
5	Tannery & Leather products	81.86
6	Non-Metallic mineral products	16.77
7	Forest wooden products	-
8	Rubber & Rubber products	-
9	Basic metal products	-
10	Metal products	129.69
11	Electrical machinery & goods	46.02
12	Machinery & spare parts	1.2
13	Transport equipment	10.07
14	Chemical & Pharmaceuticals	450.76
15.	Petra- Chemical products	53.151
16	Service industries	189.61
17	Miscellaneous	2091.96

Source: Annual Report of 2014

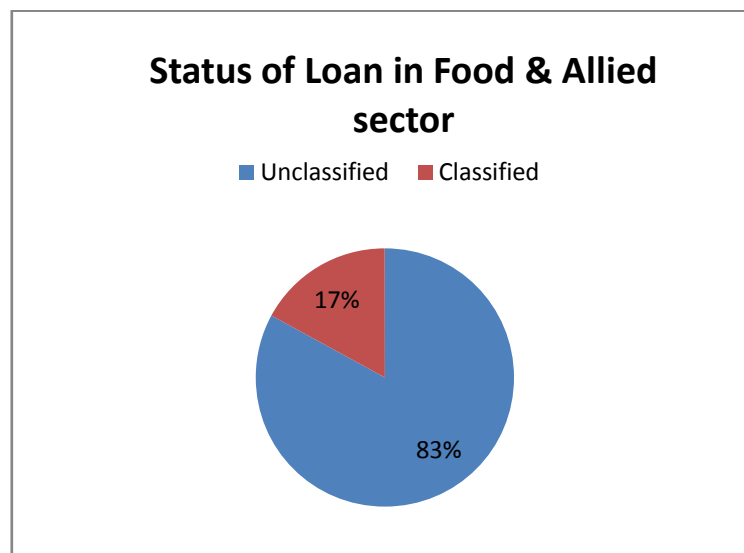
Sector wise position of bank's portfolio in graph (Million TK)



1. Food & Allied Products-

Food and allied product sector is one of the improving sectors of BDBL. In the financial year 2012-13, food and allied sector got 4% concentration of its total loan outstanding amounting to a total of a Tk. 224 million

Status of classified loan- For the year 2014 food and allied sector classified Tk. 38 million as bad loans, representing 17% of the total outstanding where as Tk. 185 million is still unclassified. Percentage of classified and unclassified loan is presented in the following chart-



Findings of the sector-

Through the percentage of classified loans is 17% but the total outstanding is still too high in 2014, this sector got some improvements over the last couple of years.

Total bad loan of this sector in 2014 was Tk. 423 million but it was reduced to Tk. 172 million in 2014 and got a dramatic improvement in 2014 with a 78% fall to Tk. 38 million. This sharp and continuous reduction in bad loans indicates better loan monitoring and administration in this sector.

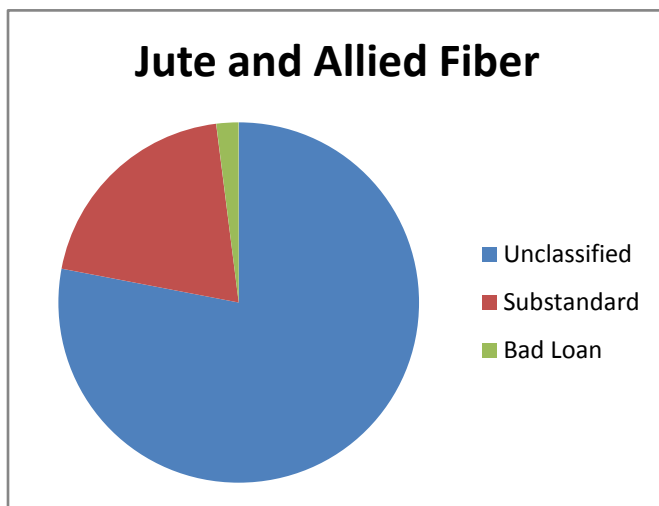
From unclassified loans point of view, this sector also conveys some positive signal. Unclassified loans with the reduction in bad loans, goes up from 66 million in 2011-12 to 185 million in 2013-14. in short, loans of this sector are performing better year to year and demands constant concentration.

2. Jute and Allied fiber-

Jute & Allied fiber is that sector with which BDBL is going to close its operation. Already bank has stopped sanction and disbursement in this sector only job of the bank is to recover the amount of loan money which was given before. In 2014 this sector got 9% concentration and its loan outstanding amount is 535 million.

Status of classified loan-

For the financial year 2014 this sector has classified Tk. 416 million as bad loan which is 78% of total outstanding where as Tk. 118 million is still unclassified. The view of classified and unclassified loan is given below-



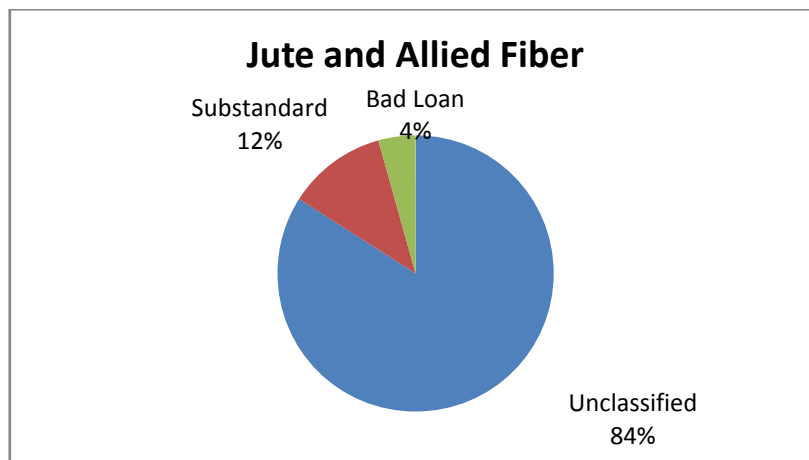
Source: Annual Report 2014

3. Cotton and Woolen Products-

This is the prime sector among the sectors with those BDBL deals. Sanction, disbursement and recovery all is good in this sector. This is the sector by which the country earns most of its foreign income and it is playing a vital role since couple of years. This sector is getting more concentration year to year 69% of outstanding in this sector.

Status of classified loan-

In the year 2014 the percentage of classified loan is Tk. 818 million which is 19% of total outstanding and 81% of total outstanding is unclassified which sounds good is of Tk. 3504 million.

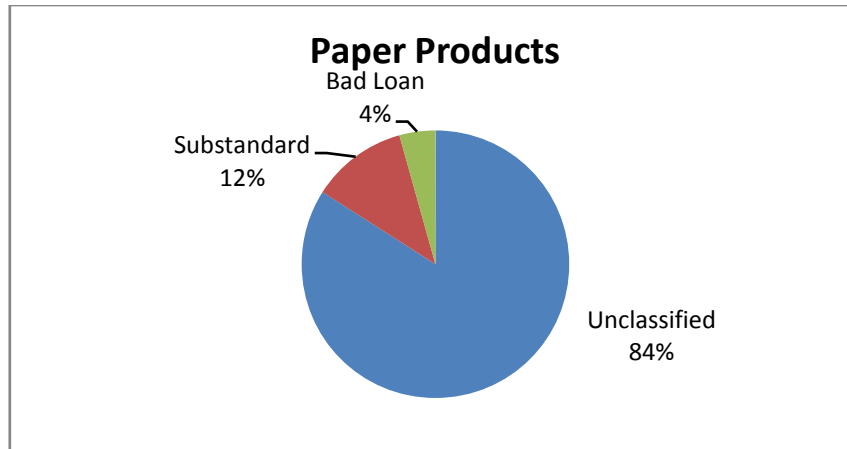


4. Paper and Paper Products-

Only 2% of outstanding exist in this sector. This is the sector which is very important for a country, if the sector falls then the country become dependent on important which may not be good for a country.

Status of classified loan-

In this sector here the percentage of bad loan is 10% which is relatively low comparing with other sectors and with total outstanding. The amount of bad loan is of Tk. 14 million in 2013-14 where unclassified loan in 90% and it is of Tk. 125 million.



Findings of the Sector-

In this sector the data gives us that kind of information which can be matter of hope. Here he see, in 2014 bad loan was of Tk. 54 million, in 2012 the amount was Tk. 22 million and in 2014 the amount is only 14 million. So the falling rate of bad loan is 60% and 37% in two consecutive years, a positive change in unclassified section.

Through in 2014 unclassified section showed negative signals and there was also a big amount of doubtful loan but the bank has crossed the session and now is in good position. In 2014 the classified loan is Tk. 125 million which is 76.8% more than the last year, so it proves the great performance of the bank and demands such kind of performance in all sectors.

5. Tannery and its Products-

This is the sector from which country can earn money by export through this sector is earning money but it is not equal to opportunity and also the expectation. This sectors has 2% of total outstanding is of Tk. 14 million.

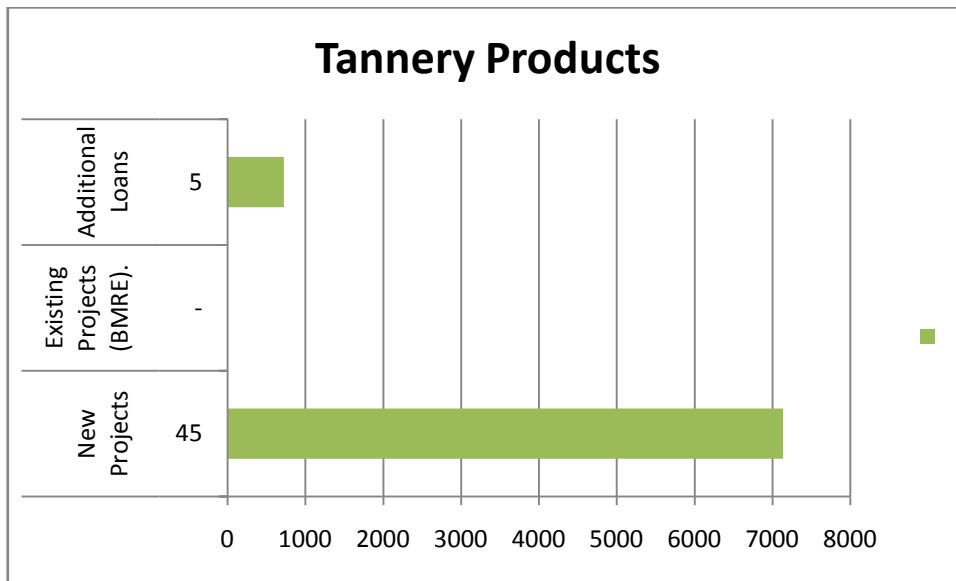
Status of classified loan-

This sector’s classified loan is 14% of outstanding is of Tk. 91 million in the year 2013 is conveys a message that the amount of classified loan is almost same of the year 2014. And the unclassified loan is 86%.

Findings of the Sector-

When we see the same scenario year to year then it is said that, probably the same effort has given to this sector or we can say that no strategic change. In this sector in 2012-13 the amount if bad loan was 79 million, in 2014. it was 91 million and in 2013-14 it is 91

million also. So this sector demands some new policy to recover the bad loan amount quickly.



Findings of the sector-

This sector has 78% bad loan comparing with the total outstanding, through it is 78% and seems too high but if we analyze the previous year’ data we will get some different idea about this sector.

4.5 Sanction of Term Loans and Recovery:

The bank has kept on sanctioning term loans during FY 2013-14 also. This is long term local currency loan of taka 7285 million has been sanctioned to 55 projects and short term loan of taka 1100 million to 15 projects. Of the total sanctioned long term loan, taka 6581 is for 37 new projects and an additional loan for existing projects

Sanction of term loans.

Nature of the Project	2013			2014		
	No. of Projects	Local Curr.	Total	No. of Projects	Local Curr.	Total
New Projects	45	7135	7135	37	6581	6581
Existing Projects (BMRE).	-	6	6	-	-	-
Additional Loans	5	722	722	18	704	704
Re habilitation	-	-	-	-	-	-
Total	52	7857	7857	55	7285	7285

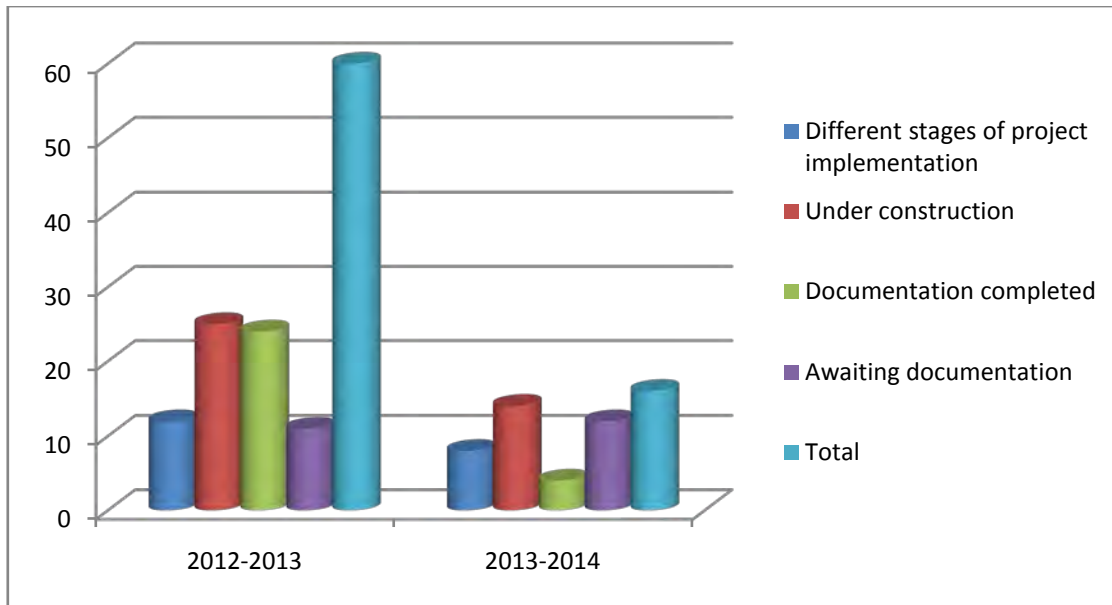
Recovery of Loans

Categories of loans	Amount Recovered	
	2012-2013	2013-2014
1. Long term loans:		
Long term projects loans	934.27	774.00
Bridge loans	0.82	0.50
Staff loan	41.62	52.40
Administered loans	118.10	35.10
Sub Total	1094.81	862.00
2. Short term loans:		
Working capital loans	30.47	44.80
Others (Debenture/Share/loans against FDR)	33.57	9.90
Written-off loans	-	149.01
Sub Total	64.03	203.71
Grand total(1+2)	1158.85	1065.71

Projects Implementation

	2012-13	2013-14
Different stages of project implementation	12	08
Start of commercial operation	-	-
Position of under projects under implementation	-	-
Under construction	25	14
Documentation completed	24	04
Awaiting documentation	11	12
Total	60	16

Chart of implementation of Projects



4.6 Finding/Analysis:

There are several problems involved in the loan appraisal practices of BDBL. During my 2 month internship program, I have got the following findings:

1. Loan sanction process is not always free from political pressure.
2. Sponsors always tend to overstate their future cash flow, revenue and income and understate the risk with capturing market and expenses.
3. Sometimes the amount of loan sanction is more than that is required by the project because of over invoicing from the part of sponsors .
4. Many projects are sanctioned loan due to influence of political and pressure group.
- 5.. Lengthy procedure and long time involved in the appraisal of project.
- 6.. Inadequate to social cost and benefits.
7. Another threaten is the technology, the bank must be adjusted with new technologies and information, otherwise the profitability of the bank may hamper.
8. Now BDBL is losing concern, the financial statement represents TK260 corer as loses during last year.
9. There is a complex judiciary systems.
10. No eagerness to devote themselves for bank because of lower benefits is given to employees
11. Irregular physical verification.
12. Amortization facilities are not sound.
13. Lack of co-ordination among the various departments and divisions.
14. Inappropriate feasibility study from the managers.
15. Only encourage on large scale industries loan where SME is ignored.
16. No system of accountability of the appraisal. As a result the approved projects fail to be productive.
17. Lack of support from government monitoring body.
18. Loan sanction procedure is not up to date, effective and quick.

19. Lack of incentives to employees.
20. Lack Of financial commitment on the part of the borrower.
21. Lack of skilled and sufficient manpower.
22. In case of sanctioning loan, sometimes the procedures of sanctioning are not followed.

This includes the loan department functions. Moreover, there are some other difficulties that BDBL are facing:

- The main aim of BDBL is to stimulate industrialization throughout the country.
- Now BDBL is a losing concern. The main causes are inadequacy of recovery of loan. In some cases they issued loan without proper justification. As a result some project becomes unhealthy.
- BDBL encourages people to start businesses through their advisory services, seminar and symposium.
- The improper allocations of resources have created a huge amount of bad debt. In some cases security against the loan is not sufficient to recover the loan. As a result large number of projects becomes weak. Loan recovery is also below the satisfactory level.
- Loan appraisal procedure is time consuming and to some extent project plan becomes irrelevant after getting the loan
- The role of BDBL in industrial development is huge. They are promoting industrialization day by day.
- BDBL is conscious about the social benefits but not doing any CSR.
- BDBL rehabilitates sick industries and thus losing out opportunities.
- Absence of up to date and effective project appraisal manual.
- Generally BDBL grants term loan, working capital loan and bridge loan.

4.7 Statistical Analysis:

In this section, I would like to focus on the descriptive and inferential statistics of financial performance of BDBL over the last 5 years. I have used the five most important indicators of a bank as the financial performance indicators. They are:

1. Return on Assets (ROA)
2. Return on Investment (ROE)
3. Return on Equity (ROE)
4. Cost of Fund and
5. Loans and advances.

Descriptive Statistics:

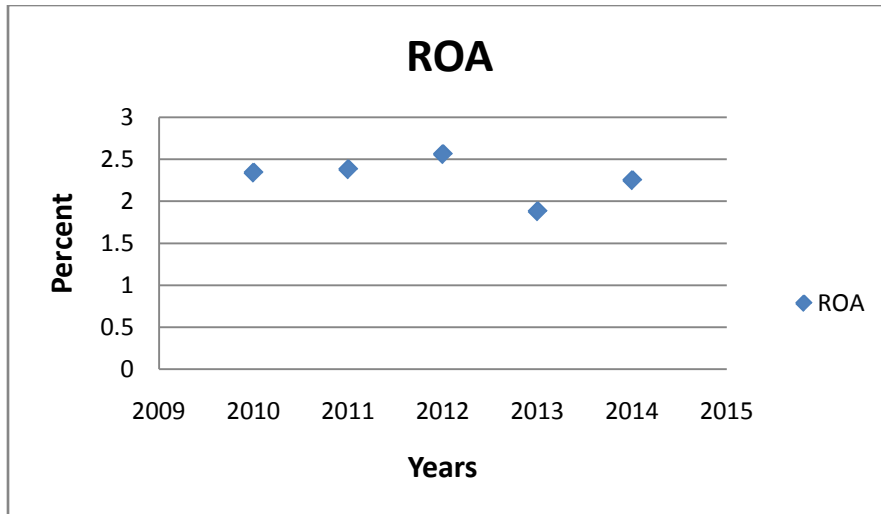
Here I have analyzed the financial indicators over the last 5 years.

Indicators	2014	2013	2012	2011	2010
ROA	2.25	1.88	2.56	2.38	2.34
ROI	17.77	24.91	14.62	12.82	10.86
ROE	6.44	5.36	5.33	4.61	4.12
Cost of Fund	10.36	9.84	8.04	8.04	8.91
Loans	1650	1545	1474	1004	990

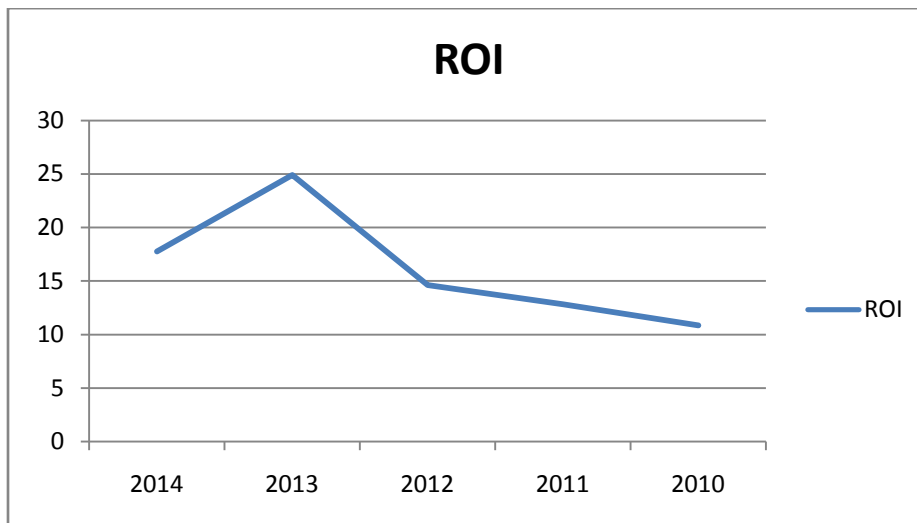
Then here I have summarized the data with central tendency, standard deviation, Co-variance and growth percentage.

Indicators	Mean	Max	Min	Median	Std. Dev	CV	Growth %
ROA	2.282	2.56	1.88	2.34	0.25144	0.0632	19.7%
ROI	16.196	24.91	10.86	14.62	5.49466	30.191	-28.7%
ROE	5.172	6.44	4.12	5.33	0.87902	0.7727	20.1%
Cost of Fund	9.038	10.36	8.04	8.91	1.04872	1.0998	5.3%
Loans	1332.6	1650	990	1474	312.731	97801	6.8%

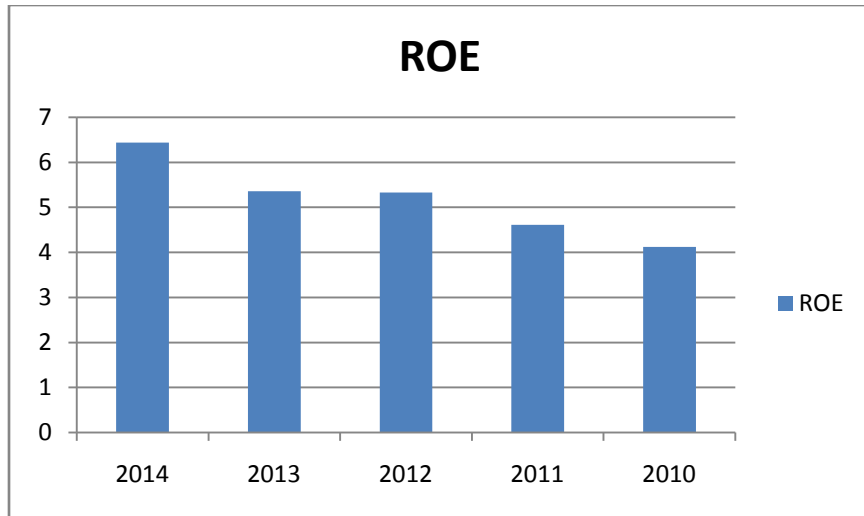
The data of ROA, ROI, ROE, Cost of fund and Loans are represented in scatter plot, line, column diagram, bar diagram and pie diagram below:



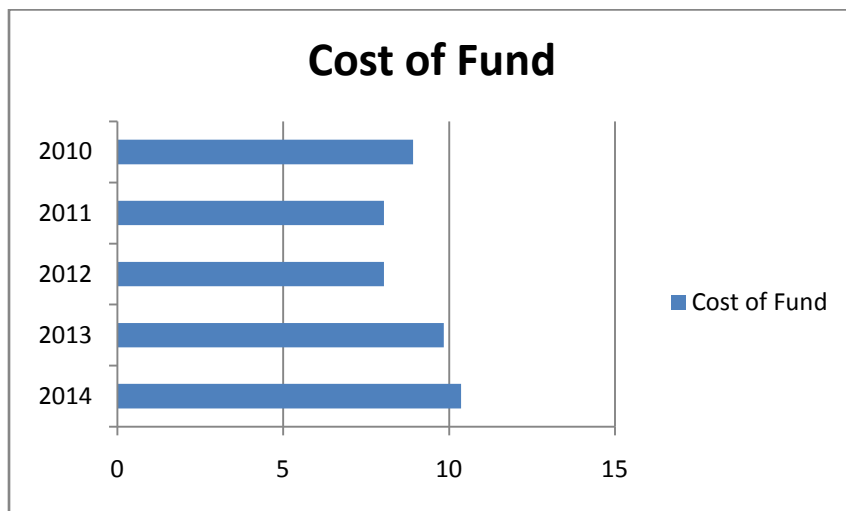
ROA has been very consistend over the last 5 years with around 2.5% from 2010-2014



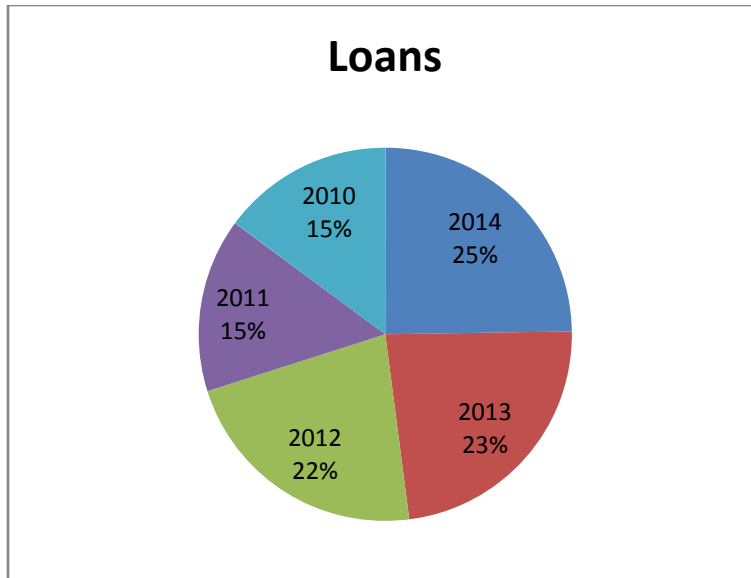
ROI has increased over the last 5 overs. In 2010, it was around 11% and later in 2014 I climbed up to around 18%. So that is an improvement.



ROE has increased over the last 5 years. In 2010 it was around 4% and later in 2014, it rose up to 6.5% so that is doing well.



Cost of fund has increased in 2014 with 10% from 2010's 7% so that is improving.



Loans and advances have also increased over the last 5 years. In 2010 it was around 15% and later in 2014, it went up to 25% so that is a positive indicator.

Inferential Statistics

I used inferential statistics to make judgments of the probability that an observed difference between groups is a dependable one or one that might have happened by chance in this study.

Lending Policy	Freq	Percent	Loan Performance	Freq	Percent
Very good	5	16.7%	Very good	4	13.3%
Good	8	26.7%	Good	7	23.3%
Moderate	5	16.7%	Moderate	10	33.3%
Low	9	30.0%	Low	8	26.7%
Poor	3	10.0%	Poor	1	3.3%
Total	30	100%	Total	30	100%

Correlation	0.60622
Median	6
Mode	10

Analysis:

I have used five verdicts to determine the relationship between two most important factors of loan operations which are lending policy and loan performance. With N=30, the percentage of response are suggesting the summary of loan performance is above average.

In this case, it is shown that there is a positive co-relation between lending policy and loan performance which is 0.61. That shows BDBL was once a losing concern in terms of loans and advances but now due to productive and effective strategy of the managers, BDBL's performance is climbing up. The Median score of lending policy and loan performance was 6 and mode

5. Recommendation:

As I am not a professional banker It is very difficult to give any recommendation about the operation of BDBL. As I have worked there so I found out some lackings in the daily operation and strategy of BDBL. However, what I understand going through various banking related books and journals I can give some suggestions that how to recover existing problems of loan operation

1. Project Appraisal technique must strictly be followed through the loan sanction process.
2. The time of loan sanction should be reduced, it should not be more than 20 days.
3. All the departments should be well informed regarding their goal and objectives.
4. It is important to execute company objective into individual target.
5. Project Appraisal manual should be up-dated.
6. The bank should introduce more promotional activities.
7. Central observation committee can be established to analyze, evaluate and solve loan appraisal and recovery.
8. Relevant and accurate data about project should be collected and analyzed.
9. Persons involved in project appraisal should have more expertise and practical knowledge.
10. There must be clear allocation of responsibilities, authority and accountability.
11. In analyzing the viability of a project, market of the products or services and management should rigorously be analyzed.

There are some other suggestions that I would like to make:

- BDBL may use up to date software that may help in automatic selection of profitable projects according to some predetermined criteria.
- They should give more concentration on physical investigation before issuing loan.
- Experienced and motivated entrepreneur should be allowed for sanctioning the loan.
- The Bank should introduce modern communication systems. So that every department or unit can get information in their desk.
- They need to reduce the political interference in case of loan sanctioning for establishment of the project.
- Proper and quick coordination between different departments should be maintained.
- BDBL should establish a central database for its project appraisal system.
- Time duration of loan sanctioning procedure should be reduced.
- More effective market research should be conducted.
- Encouraging the borrower to repay the loan in time.
- Project appraisal manual should be updated.
- They should start online banking service as early as possible for providing prompt response to the customers so that customers are able to know their transaction status and various necessary information whenever they need.
- More emphasis should be taken into consideration on the effect of a project to measure socio-economic cost and benefit.
- Loan sanctioning procedure should be easier for the sponsors.
- Both primary and secondary database of the BDBL should be improved and strengthen.

6. Conclusion

Most of the state banks in Bangladesh are offering a wide range of financial services including new types of loans and advances. Moreover the whole new services are launched every year. As a government owned commercial bank, Bangladesh Development Bank Ltd. (BDBL) also needs to discover new potentials to reach its goal. It is a state owned bank. For this reason, it should grab people's attention through various schemes. BDBL should follow a mix lending policies designed to improve the quality of its portfolio and reduce its risk exposure so that in near future

when competition among banks will serve more it can stand with its own entity. Now BDBL is trying to operate its business successfully in this country. The success has been resulted from the prediction, commitment and skilful leadership of its management. For success, BDBL has to consider the behavioural issues of this bank's customers. By making new advance service and extensive use of automated equipment and electronic transfer of financial information, BDBL can be a truly fascinating institution in next 10 years. The institutional future of the BDBL depends on its ability to achieve a substantially higher recovery ratio and profitability in future. And this achievement will help BDBL to overcome its brand crisis.

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8. List of Acronyms

BDBL	: Bangladesh Development Bank Ltd
HRM	: Human Resource Management
HR	: Human Resources
Dept	: Department
Mgt.	: Management
LOD	: Loan Operation Department
CAD	: Central Accounts Department
PID	: Project Implementation Department
PRO	: Project Rehabilitation Department
CRD	: Central Recovery Department
BSQF	: Bank Standard Questionnaire Form
HRD	: Human Resource Department

9. Appendix

Deposit mobilization is considered a vital source of fund for commercial banking. Monthly position of deposit, section, disbursement & recovery in 2013 (till 30-sept-2014)

Deposit

	No	Amt
FDR	504	2264509
STD	153	933583
SB	15652	397515
Others	4041	302918
Total	20350	3898525

Section

LT	270129
SME	68518
Others	317810
Total	656457

Disbursement

LT	188634
SME	62930
Others	286828
Total	538392

Recovery

LT	865959
SME	4135
Others	191575
Total	1061669

Bangladesh Development Bank Limited

Highlights on the overall activities of the bank for the year 2014

Sl	Particulars	Amount in Taka
1	Paid up capital	4,000,000,000
2	Total capital	15,637,252,156
3	Capital surplus/deficit	6,632,500,000
4	Total assets	27,518,805,883
5	Total deposit	3,254,038,394
6	Total loans & advance	9,906,002,302
7	Total contingent liabilities and commitments	621,557,574
8	Credit deposit ratio (%)	304.42%
9	Percentage of classified loans against total loans and advances	31.31
10	Profit after tax and provision	644,450,526
11	Amount of classified loans during current year	124,293,000
12	Provisions kept against classified loans	1,388,167,767
13	Provision surplus/deficit	280,623,134
14	Cost of fund (%)	8.91%
15	Interest earning assets	11,463,600,000
16	Non- Interest earning assets	16,055,205,883
17	Return on investment (%)	52.75
18	Return on assets (%)	2.34
19	Income from investment	837,929,718
20	Earnings per share	16.11
21	Net income per share	16.11
22	Price earnings ratio	N/A