

Report On
“Credit Risk Management of Bank Asia Limited”

By

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A Thesis report submitted to the BRAC Business School in partial fulfillment of the requirements for the degree of Masters of Business Administration

BRAC Business School
BRAC University
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Declaration

It is hereby declared that

1. The thesis report submitted is my own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I have acknowledged all main sources of help.

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Letter of Transmittal

Syed Mahbubur Rahman

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Subject: Submission of the Thesis Report

Dear Sir,

It is a great pleasure and privilege to present the thesis report titled “**Credit Risk Management of Bank Asia Limited**” which was assigned to me as a partial requirement for my MBA Program. Throughout the study, I have tried with the best of my capacity to accommodate as much information and relevant issues as possible and tried to follow the instructions as you have suggested. I tried my best to make this report as much informative as possible. I sincerely believe that it will satisfy your requirement

I am grateful to you for your guidance and kind co-operation at every step of my endeavor on this report. I shall remain deeply grateful, if you kindly put some effort to go through the report and evaluate my performance. All of my efforts will be successful if the report can serve its purpose.

Sincerely yours,

Kazi Thasmia Kabir

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BRAC Business School

BRAC University

27, January, 2022

Non-Disclosure Agreement



Thesis Paper

Here I have announced that the extensive study entitled.

Credit Risk Management of Bank Asia Limited

It is prepared for partial accomplishment of the requirement for the award of the degree.

Masters of Business Administration

From

BRAC University

Kazi Thasmia Kabir

MBA Program

19164056

Acknowledgement

First, I would like to express my deep gratitude to the creator, who created and nurture me in this transitory world. I also express my gratitude to honorable Associate Professor Syed Mahbubur Rahman for giving me an opportunity to complete my thesis report successfully as a partial requirement of MBA program.

I shall never forget the help from term papers, annual reports etc., above all I really be indebted to authors of these works. I am grateful to my beloved parents, friends and well-wishers for their inspiration that lead me to go ahead.

Finally, I thank all the persons who have directly or indirectly contributed in preparing this report.

Executive Summary

In Bangladesh Bank Asia Limited is a private sector ordinary commercial bank incorporated under the Banking Companies Act 1991. BAL is one of the most successful third generation banks in Bangladesh.

I was given the topic “**credit risk management of Bank Asia Limited**”. Bank Asia both listed in DSE and CSE. I have collected 5 years of annual report, study papers, BAL website etc. The report mainly focuses on the sequential activities involved in the credit approval process; analytical techniques used by Bank Asia for credit analysis as an integral part of the credit approval process. The report also focuses on risk management techniques applied by Bank Asia both in the pre- and post- disbursement stages of a credit.

A total of documents is divided in four main chapters. Chapters are further divided into subchapters according to the content of the chapters.

In chapter one, a brief introduction is included here. Where it contains objectives of the report, methodology of the report and literature of review. In chapter two, a brief historical background is given where credit risk management of BAL is included. It contains credit risk policy and system, wings of credit management, credit policy, credit assessment and risk grading, disbursement authority and credit administration, approval process, credit monitoring, recovery procedure, credit policy for risk mitigation, and credit administration for risk mitigation. In chapter three, I analyzed 5 years of credit management. And in chapter four included, findings of the report, some related recommendations to improve present scenario. Then a short conclusion is given based on report.

A level effort has been made to prepare this effective and relevant report that can provide a realistic view of the credit risk management of Bank Asia Limited.

Key Words: Credit Risk Management, Bank Asia Limited, Analysis Credit Management

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List of Acronyms

BAL = Bank Asia Limited

CRG = Credit Risk Grading

CIB = Credit Information Bureau

IRB = Institute Review Board

SME = Small and Medium Enterprise

CAD = Credit Administration Department

IT = Information Technology

MD = Managing Director

IPC = Individuals, Partnerships and Corporation

MIS = Management Information System

ICT = Information Communication Technology

RM = Relationship Management

BB = Bangladesh Bank

Chapter 1: Introduction, Objective, Methodology

1.1 Introduction

Banking system developed to financial intermediaries between depositors and borrowers for a wide range of financial services such mutual funds, insurance, investment, and progress of ICT was granted for banking service development as well as online banking. The development of information communication technology (ICT) brought vast banking opportunities that were previously out of reached and also increased the competition and uncertainty that banking industry are facing today in financial system.

Bank provides require capital for operating the program within the process of economic development. They collect the savings of numerous people scattered everywhere in the country, so within the absence of world banks remain idle and unprofitable.

Credit is the main source of income for banks and often represents one of the main assets of a bank, so proper management of it becomes even more essential. This report mainly deals with "Credit risk Management of Asia Bank Limited" is prepared with the Bank of Bangladesh motto of credit management and the guidance of credit unit in a disciplined manner.

1.2 Objectives of the study:

General Objective:

I've tried to present every kind of actual transactions that administrated within the case of management of various sorts of activities within the credit department, theoretical aspects procedures and requirements must be maintained from start to end, and therefore the actual operations and ultimate interest of the bank in carrying out credit management analysis are considered in this report. The general goal of the effective orientation is to induce the concept of Bank Asia Limited (BAL), to research the Bank Asia's achievement to the country's economy and to possess an outline of credit risk management techniques applied by Bank.

Special Objective:

- ✚ Review of the credit department operations.
- ✚ Credit performance evaluation of the bank.
- ✚ Develop knowledge of credit risk management, Bank Asia Limited's policies and strategies.

- ✚ Highlight the method used to mitigate the banking risks associated with credit.
- ✚ Explore the main problems faced by both banks and credit-related customers.
- ✚ Make recommendations based on the results of the study.

1.3 Methodology:

The task requires an efficient approach from object selection to final report processing. To perform task, information sources must be effectively differentiated and collected, ordered, examined, decoded and introduced, and focal problems must be discovered. General courses of philosophy are given under.

Research model:

My report is “Exploratory research type” My project is and it may have discovered common problems. In my research paper, I’m trying to find out credit risk management of Bank Asia in Bangladesh. For this, I gathered information from both essential and auxiliary sources.

Source of data:

I’ve chosen Bank Asia Bangladesh and dependent on the secondary sources. I’ve collected data from annual reports, bank website, different papers etc.

Secondary sources:

- Annual reports from 2016-2020
- Bank Asia website
- Different files related to topic
- Bank published materials

Writing the research paper:

I’ve used several types of computer software for reporting the collected data from analysis such as Microsoft Word, and Microsoft Excel. I used my own judgement to analyze the data. I also used as statistical application and tables, and graphs.

1.4 Scope of the study:

Bank Asia is one of the best foremost private banks in Bangladesh. This paper is focus on the specific area are follows:

- Background and overview of Bank Asia
- Credit approval process and task of approval authority
- Credit disbursement and credit management department
- Credit risk management and system of bank
- Analysis of credit management during 2016-2022.

1.5 Limitations of the study:

I've tried my best but there are some limitations that acted as a challenge to conduct this paper.

- To gather information, it was difficult to collect from such a big organization
- Trouble of not available books, publications, figure, and facts
- Because of official confidentiality, it wasn't allowable to collect all types of data
- Time limitation is an important fact that can shortened the report. I had just two months to finish this report, which isn't sufficient. So, many aspects of this report couldn't discuss to represent this report.
- During this report, I faced a problem in confidentiality of data. A bank's credit policy is confidential and internal matter. Because, all major activities like financial statement are belong to credit policy. Bank Asia is very protective and limited to provide financial data. I did my best to give information as much as possible.
- Not sufficient information is provided on the bank's website.

1.6 Literature review:

Risks are uncertain factors which can cause banks to fail. In accordance with Basel Agreement, the risks that banks face include credit risk, market risk, and operational risk. Firstly, credit risk is referred to the risk of loss of a debtor of non-payment obligation of loans or another line of credit. In this agreement, the committee proposed two methods of considering the capital requirement for credit risk- one is consisting of credit risk measurement in a standardized manner and another to represents custodian bank approval and permits bank to utilize the method of IRB.

Secondly, market risk is referred to the risk of loss on profit-loss sheet and balance sheet positions because of fluctuations in market price. Capital treatment associated with interest rate risk and equity risk related to financial instruments for market risk, and foreign exchange rate risk in banks and book trading. When there is need to measure market risk, the approach of VaR (Value at Risk) is most preferrable. Third, operational risk is referred to as the direct or indirect risk of loss because of insufficient or ineffective internal processes, systems and or external events and people. Generally, the three approaches- Basic Indicator Approach, Standardized Approach, and Advanced Measures are applied to measure operational risk.

Chapter 2: Overview and Credit Risk Management of Bank Asia Ltd.

2.1 Background of Bank Asia Ltd.

In Bangladesh, Bank Asia Ltd. is a private sector bank incorporated under the Act of Banking Companies in 1991. In 28th September 1999, the bank has indebtedness as a public limited liability under the business Act 1994. In 27th November 1999, Bank Asia has started its commercial banking services. In this short time, the Bank has tried to assert its position as a dynamic and progressive financial institution in the country. Bank Asia has appreciated by the business community for progressive on small businesses to large merchants and industrial corporations, includes borrowers, for its business prospects and innovative financial solutions., highly appreciated the business prospect of the Bank. Bank Asia has built a great shadow and resonated in the Bangladesh banking sector in very short time. Currently, it has 27 active branches.

The corporate philosophy of "**For a Better Tomorrow**" has been seen as the essence of the bank's success myth.

Under the policy of liberalizing services and facilities, Bank Asia Ltd. has licensed by the Bangladesh govt. to work as a daily basis within the private sector bank. However, the bank has achieved noticeable attainment and met the capital adequacy (capital to risk assets) requirements of banks in Bangladesh.

2.2 Vision, Mission, Core values, Commitment to clients Vision:

- ✚ To located as a finest Bangladesh banking group.
- ✚ To make a contribution substantially to the countrywide economy.

Mission:

Bank Asia restricted objectives to end up one of the main Banks in Bangladesh with the aid of using prudence, aptitude and fine of operations of their banking sector. The financial institution has a few undertakings to attain the organizational goals.

- ✚ To help in bringing excessive fine provider to their clients and to take part withinside the boom and enlargement of our countrywide economy.
- ✚ To set excessive requirements of integrity and produce general pleasure to their clients, shareholders and employees.

- ✚ To end up the maximum favorite financial institution withinside the country, rendering generation pushed progressive offerings with the aid of using their committed group of professionals.
- ✚ High fine monetary offerings with the country of the artwork generation
- ✚ Fast and correct purchaser provider
- ✚ Sustainable boom strategy

Core Values: “The values function a compass for hie or her motion and describe their direction.”

- ✚ Integrity
- ✚ Respect
- ✚ Fairness
- ✚ Harmony
- ✚ Team Spirit
- ✚ Courtesy
- ✚ Commitment
- ✚ Service Excellence
- ✚ Business Ethics
- ✚ Enthusiasms for work

Commitment to clients:

- ✚ Provide provider with excessive diploma of professionalism and use of maximum present day banking generation
- ✚ Create life-lengthy courting primarily based totally on mutual believe and respect.
- ✚ Respond to purchaser wishes with velocity and accuracy.
- ✚ Share their values and beliefs.
- ✚ Ensure protection of customer’s valuables in believe.

2.3 Credit

It's a lender's confidence in the ability or potential and intention to repay a loan of an individual, business or company. Again, credit can also refer as the ability to order products or services from other person in exchange for the commitment of payment for that product or service at several future time. The objective of credit management is below:

- To maximize operational assets
- Minimize underperforming assets,
- To ensure most favorable scoring of lending
- To ensure forward operations and their effective management.

The management of credit is a dynamic field that requires some value of long-term planning to locate capital in different sectors, minimize risk and maximize return on investment.

2.4 Credit risk

The term credit risk refers to as the risk of default that can arise from the borrower's failure to make payments that are required in previous time. The risk of credit in the first case is on the lenders that includes loss of principal and interest, unsettle cashflow, and increment collection costs. The risk of default may be partial or complete. Therefore, a maximum level of credit risk is correlated with maximum borrowing costs in an efficient market.

2.5 Credit risk management Credit risk management includes: Recognition

- Quantification
- Accumulation
- Organizing and Management
- Monitoring credit risk arising in banks overall.

2.6 Credit risk management of Bank Asia

Bank Asia has differentiated the duties of executives/managers considering the main factors of credit risk to engaged in credit related activities. Bank established individual department for corporate, Small Medium Enterprises (SME), credit cards and personal. These departments are responsible for maintaining effective relationship with customers, discovering new business

opportunities, marketing of credit products etc. During the five credits for operational transparency, four groups has been established and these are below:

- Credit Approval Team
- Asset Operations Department
- Collection Units
- Defective Asset Management

Reserve Customers Retail, SMB and Credit Cards; The credit department performs a thorough review prior to credit approval. The property operations department assure compliance with all legal formalities, final disbursement of funds and fulfilment of all documentation and security of the proposed credit.

2.7 Credit risk management system of Bank Asia Ltd.

The objective of Bank Asia Ltd.'s in credit risk management is to reduce risk and enhance the bank's risk-adjusted rate of return by estimating and maintaining credit risk within the financial framework is acceptable. The management of credit risk is responsible for maintaining the unity of the Bank's risk and return profile. It also ensures that risks are appropriately evaluated and decisions on risk or return are made precisely and clearly. The overall credit management success depends on the bank's credit policy, credit portfolio, tracking, monitoring and tracking of loans and advances. Therefore, when Bank Asia needs to analyze credit risk management, then it's necessary to analyze the policy of credit and its process to identify effectiveness of bank's credit risk management. To reduce credit risk, Bank Asia follows structured guidelines supported the Bangladesh Banking Principles. The Bank's Policy Guide details the underlying policies of credit risk management, sets out specific principles planned to manipulate the implementation of lending processes as well as a classification system.

2.8 Wings of Bank Asia in credit risk management division: Bank Asia

Ltd.'s credit risk management division performed its functions through these wings are:

- ✚ Wholesale Credit
- ✚ Retail Underwriting
- ✚ SME Underwriting
- ✚ Central Collector

✚ Specialty Asset Management

✚ SME and Retail Banking

2.9 Duties of Bank Asia credit risk department

- Agency submitted review and analyze credit proposals and ensure that all the components of credit application, solution, statements, papers are collected in order.
- The CRG (Credit Risk Grading) assessment is to determine whether to lend. Make a credit proposal according to the prescribed form, submit it to the Credit Council of the BOD (Board of Directors) for grant and notify the decision to relevant sections.
- Department provides advice/support concerning all credit matters for RM (Relationship Management).
- Confirm that the loan officer/officer has sufficient experience and/or training to perform their duties effectively.
- Monitor the credit policies, processes and control related to bank's credit risk.

2.10 Credit Policy:

The Bank has to have mounted credit score guidelines containing:

- I. Lending guideline
- II. Credit evaluation method and Risk grading
- III. Approval authority

Lending Guideline: Lending guiding principle have to honestly define the senior management's view of enterprise improvement priorities and the time period and situation that have to be accompanied for loans to be accredited. The lending suggestions have to offer the important thing basis to formulate tips for mortgage approval.

Credit evaluation and Risk Grading:

Credit evaluation method:

A thorough credit score and danger evaluation have to be performed previous to granting of loans, and as a minimum yearly then all centers. This evaluation effects have to be offered in a credit appraisal that originates from the credit officer/ courting manager and is accredited via way of means of Head Office Credit Committee (HOCC)/Executive Committee of Directors/ Board of Directors. The credit officer has to be the proprietor of the purchaser courting, and have to be held accountable to make certain the accuracy of the whole credit score software submitted for approval. The credit officer has to be acquainted with the financial institution's lending guidelines. The credit score officials have to understand their clients and behavior due diligence on new debtors, principals, and guarantors to make certain events in truth and constitute themselves to be Know Your Customer (KYC).

Credit Risk Grading:

+ Activities of CRG

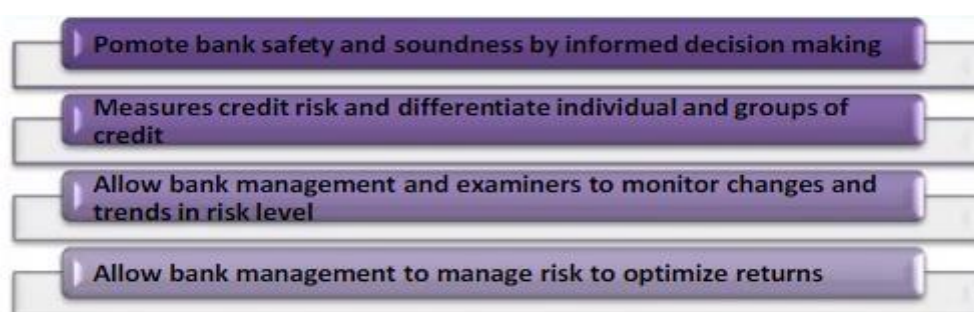


Figure 1: Activities of CRG

+ Application of CRG:

- I.** The application of CRG (Credit Risk Grading) matrix recognize identical standards to be applied to confirm a common standard direction to assessing the ability of each debtor, its credit unit, business line, sections or bank as a whole.
- II.** Risk classification will also align with monitoring and tracking, internal MIS and assessment of the bank's overall risk profile. It is also applicable for analysis at the portfolio level.

Here, the table represent the proposed CRG matrix based on total score:

Grading	Short Name	Score
Superior	SUP	<ul style="list-style-type: none"> ▪ 100% cash covered ▪ Government Guarantee ▪ International Bank Guarantee
Good	GD	85+
Acceptable	ACCPT	75-84
Marginal/Watch list	MG/WL	65-74
Special Mention	SM	55-64
Sub standard	SS	45-54
Doubtful	DF	35-44
Bad & Loss	BL	<35

Table 1: Score of CRG

Approval Authority

- Before approving an installation, the approval authority makes sure that the borrower's CIB report obtained is up-to-date and legible.
- Authorized approval bodies reviewed annually by the MD/Board.
- Consent is formed in writing and approval files are kept in a document folder along with credit appeals.

2.11 Approval Process

The following diagram illustrated approval process:



Figure 2: Approval Process

2.12 Credit Administration department

The credit administration function is harshly separated from relationship management (RM). This function also avoids the chance of controls being accommodated or problems not being brought to an adequate level.

Disbursement unit has separated from the approval body. Disbursement unit is vested in the department of Credit Administration. However, credit management function is crucial to ensure the right documents and approvals are made prior to disbursing loans.

1. Documentation

Although the banker approves credit to the borrower after investigating about the borrower's qualifications, ability and capital, the banker must acquire the appropriate documents made by the borrower to insure his protection from serious defaults. In addition, when a loan is given as security against certain assets, documentation must be made to provide the banker with a legal and liability fee on those assets. The documents include the exact conditions for approving the loans and they are important proof in court. When the proposal of credit is approved, a permit letter will be sent to the customer.

2. Custodian

Bank Asia keeps clients' confidentiality for safekeeping to reduce the risk of default. Bank holds assets by using electronic or physical form like account management, settlement of transactions, profit collection and interest payment, tax assistance and foreign exchange services. The custodian's role in this case is to hold assets such as valuable metals and foreign currencies, local and foreign bank accounts, make deposits and withdrawals, and manage transactions of other cash.

3. Risk management in the pre disbursement phase:

Bank entry: Credit risk management at the prepaid stage begins immediately after the customer opens an account at the bank through the account opening department and applies for a loan. Previously this entry was less important, but now it is the most important. This is because the account opening department can collect most of the preliminary information about the customer via the (Know Your Customer) KYC form. A transaction profile and account introducer to assess the motivation for establishing an account relationship with a bank.

✚ Credit check phase

✚ Post-approval and pre-payment phase

4. Risk management in the post-disbursement phase:

✚ Frequently communicate with clients and monitor account activity

✚ Revaluation of collateral

✚ Timely proceedings/charges

5. Credit Risk Monitoring

In order to minimize credit losses, it is necessary to implement monitoring procedures and systems to show early on the deterioration of the borrower's financial condition. The Asia Bank's credit management process is delegated to the CAD. Credit managers' report an exceptional list of assets in the following categories daily.

- Overdue (not paid or renewed by due date) principal or interest payments, overdue commercial bills, overdrafts, and breach of credit agreement.
- Timely corrective actions will be taken to respond to the results of internal, external or regulatory inspections/audits.

The following objectives ensure better follow-up of periodic review:

- The value of collateral is enough
- Account without access limit exceeded
- The permitted letter's terms and conditions are strictly observed
- Analyze the borrower's performance and compare expected and actual results to find any discrepancies
- The performance of the loan account for the period under review was satisfactory or in line with expectations.

2.13 Recovery Procedure

If Bank Asia Limited is struggling to repay the prepayment, it performs the following steps:

- Exercise of moral pressure
- Advance notice to recall prepayment
- Legal action

Moral pressure: Bankers visit the borrower's office to find out why they have not paid their bank charges. If customer have a guarantor, they need to correct their account.

Advance notice: If the borrower does not adjust the account as desired, the bank's only option is to send a cancellation notice to the guarantor via registered mail to the borrowers.

Legal action: Therefore, every effort must be made to resolve the debtor's unpaid claims outside the courtroom. However, if circumstances force the bank to take legal action to recover the delinquent loan or down payment. Bank need to do the same with the prior approval of the headquarters.

2.14 Credit Policy for Risk Mitigation

The Bank's credit policy considers credit risk as one of the main risks in banking operations and has approaches to mitigate this risk through the following measures:

The Bank emphasizes on business lending: The main objective of targeting corporate customers is businesses and they have a strong financial standing and solvency. In addition, these borrowers are also very meticulous in preparing documents and completing other procedures. They are structured, organized, and professional. However, disadvantages are also ubiquitous in nature.

Banks are most concerned with confidential documents: The security provided is not really secure unless the security posted meets certain requirements and these requirements are mainly about secure documentation. Risks related to confidential documents and credit. The Bank considers the following risks related to credit and confidential documents to be very important.

- ✚ Securities ownership verification
- ✚ Security header validity

- ✚ Legal capacity of the owner of the title
- ✚ Validate mortgage/credit documents
- ✚ Proper record of guarantee

The bank is planning to make a big investment in IT: Bank Asia Limited has invested heavily in IT development over the past five years to upgrade its governance and credit monitoring in particular.

2.15 Credit Administration for Risk Mitigation

Credit management of Bank Asia Limited is managed in accordance with the guidance of the Bank of Bangladesh through the Credit Risk Management Guidelines. In essence, credit management is an action plan of credit policy. It realizes credit policy by implementing guidelines, and real credit risk mitigation takes place through credit management.

Emphasis on corporate lending: Bank Asia restrictive credit policy emphasizes corporate lending. Therefore, the management of large loans is the greater portion of credit management. Bank Asia Limited pays special attention to the assessment of large borrowers and adheres to the Bank of Bangladesh guidelines on: IPC authorization, single borrower limit within the Bank (between branches).

Emphasis on documentary security: Credit management's second priority is to complete the documentation process, regardless of the type, size or duration of the credit. The following are guaranteed with proper documentation:

Proof of title: Lenders should know that a borrower's title to the collateral is clear and undisputed. This is guaranteed by the Bank's legal advisors. The agent should also check to see if there are other interests in the security such as fees or prior liabilities to it.

Validity of guarantee: The banker can claim the guarantee only if he obtains valid documents from the borrower. He must check if there is a defect in the title of the guarantor/borrower.

Legal capacity of the Securities Holder: The person signing the security deed must have the legal capacity to enforce it. When security measures are adopted by the proxy, the domain name registrar must verify their regularity and grant the necessary authority to the head and duly bind him.

Correct execution of a deed of guarantee: Execution of a deed is the entry of a certificate by the executors into the deed before the necessary and competent witnesses. Proper implementation of confidential documents has two aspects to consider:

- I. Sign the document, and
- II. Testimonials.

Forms of required documents: Loan applications, letters of request, letters of arrangement, letters of disbursement are accepted in most advances, such as loans, overdrafts or cash credits secured by a mortgage, mortgage or pledge.

Valid stamp for security documents: A document must be stamped in accordance with the mandatory stamping obligation under Bangladeshi law. There are three types of stamps.

- I. Adhesive
- II. Impressed or absorbed
- III. Non-judicial.

Proper registration of confidential documents: Some documents such as mortgage deed will need to be registered at the sub-registrar's office. If the borrower is a corporation, certain components will need to be registered with the Registrar of Companies within the specified period as set forth in the Companies Act.

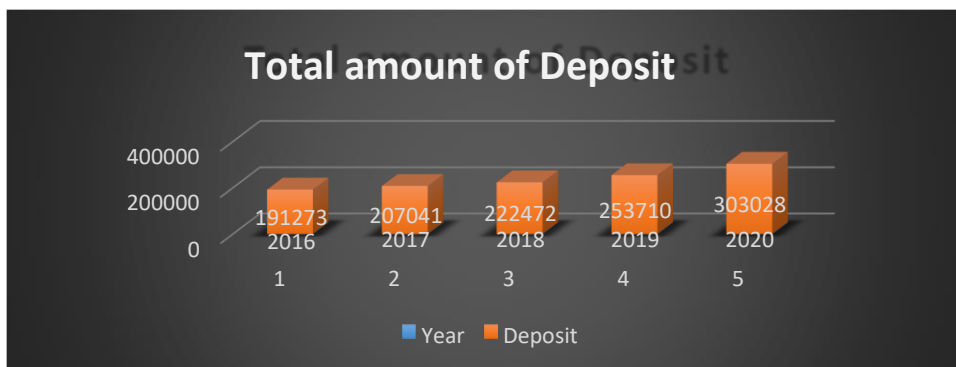
Other risks related to security documents and credit documents: The current legal system in our country often delays/prevents the implementation of security, and if it fails to do so, the bank is entirely at commercial risk. So, security reduces risk but does not improve credit.

Chapter 3: Analysis of Credit Management

3.1 Analysis of year wise Deposit and Growth rate:

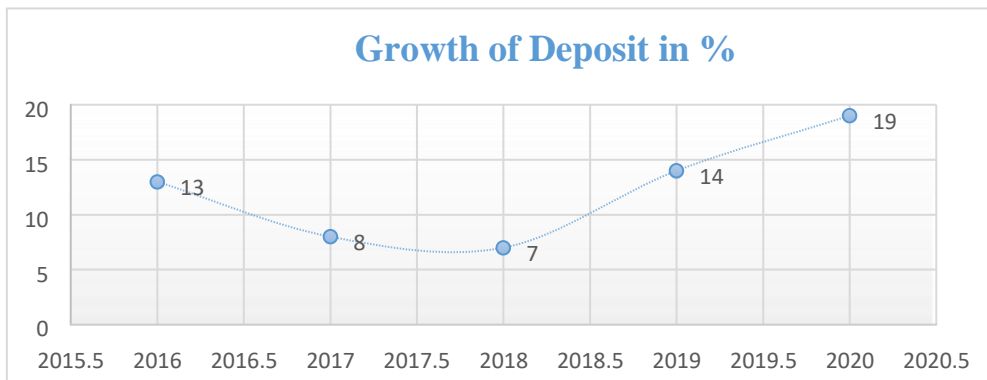
Year	2016	2017	2018	2019	2020
Deposit (000 in taka)	191273	207041	222472	253710	303028
Growth rate	13%	8%	7%	14%	19%

Table 2: Trend of Deposit and Growth rate



Graph 1: Trend of Deposit

Growth rate of Deposit= $(\text{Present}-\text{Past})/\text{Past} * 100$



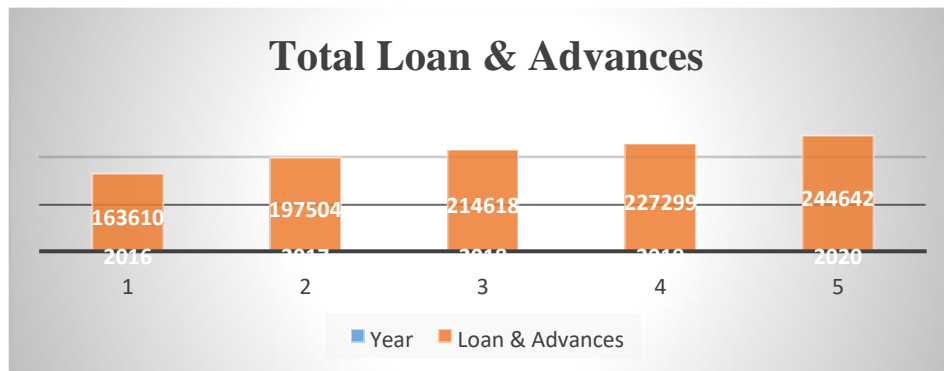
Graph 2: Growth rate of Deposit

Interpretation: The graph shows that there was increasing trend of Bank Asia Limited from 2016 to 2020. The Bank's deposit was taka 191273 in 2016 and taka 303028 in 2020. The graph shows that the growth rate has fluctuate over the year because of low growth rate in 2016-2018. The growth rate of deposit increased from 13% to 19% in 2020.

3.2 Year wise credit distribution and growth rate

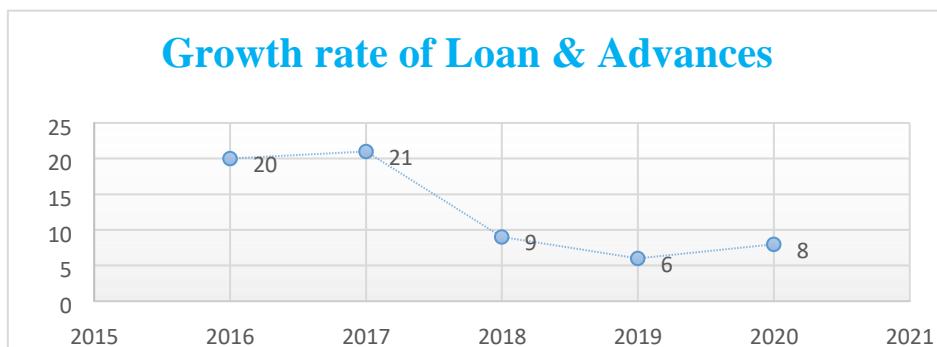
Year	2016	2017	2018	2019	2020
Loan & Advances	163610	197504	214618	227299	244642
Growth rate	20%	21%	9%	6%	8%

Table 3: Year wise total distribution of Loan and Advances



Graph 3: Year wise total distribution of Loan and Advances

Growth rate of Loan and Advances= (Present-Past)/Past*100



Graph 4: Year wise growth rate of Loan and Advance

Interpretation: The graph shows that year wise credit disbursement increased from taka 163610 to taka 244642. Growth rate of loan and advance fluctuate over the year from 2016-2020. From 2018 to 2020 the growth rate decreased in 9% to 8%. That indicate bank's credit performance is poor.

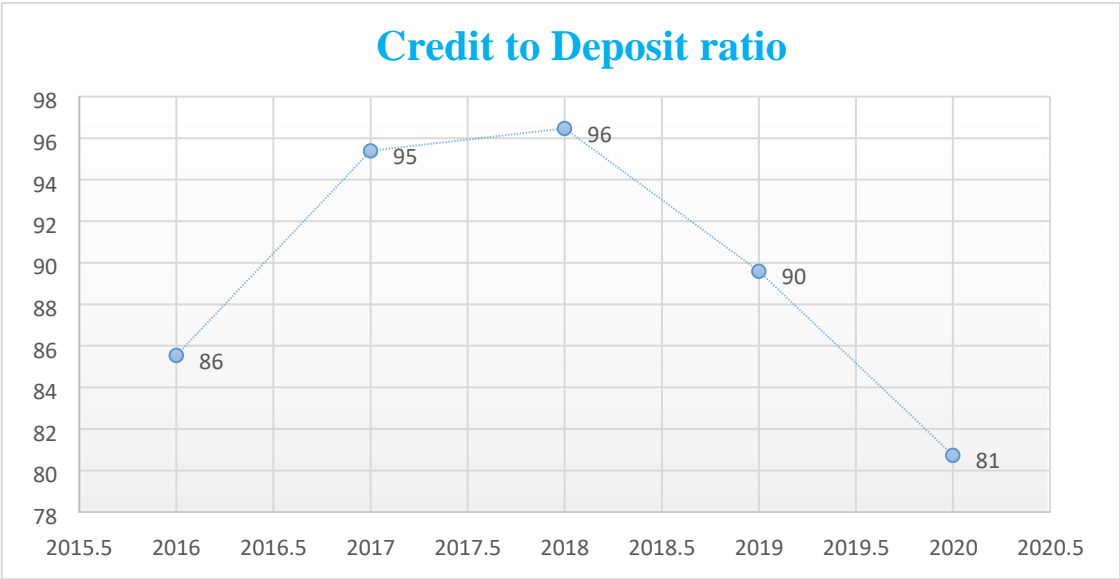
3.3 Credit to Deposit ratio

This ratio refers as the total outstanding loans for a period to total deposit for the same period.

The term of credit to deposit ratio calculated as = (total credit/total deposit) *100

Year	2016	2017	2018	2019	2020
Credit to deposit ratio	86%	95%	96%	90%	81%

Table 4: Total credit to deposit ratio



Graph 5: Credit to deposit ratio

Interpretation: Credit to deposit ratio declined over the years as graph showed. The ratio is highest in 2018 (96%) and then it declined in 2019-2020. The drastically change indicate that bank has reduced its credit disbursement from 2019-2020.

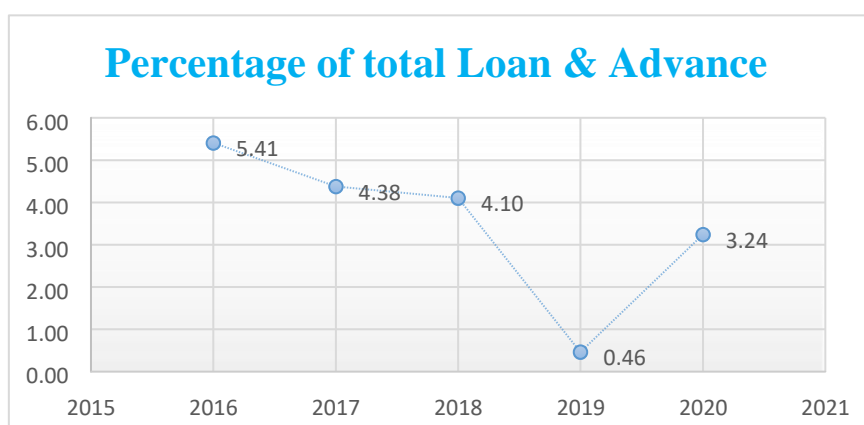
3.4 Analysis of classified loan and advance (000 in taka)

Banks classified their loans that refers to as the bank loan is in risk of default. This loan has unresolved interest and outstanding principal balance but don't need to be past due. Bank record classified loan as adversely classified assets on their book as a precaution of minimize risk or loss.

Year	2016	2017	2018	2019	2020
Classified Loan & Advance (000 in taka)	884733	864230	880983	104780	244642
Total Loan & Advance (000 in taka)	163610	197504	214618	227299	244642
% Of total loan & advance	5.41%	4.38%	4.10%	0.46%	3.24%

Table 5: Classified loan and advance

Percentage of total loan = (Classified loan/ Total loan & advance)



Graph 6: Percentage of total loan and advance

Interpretation: There was fluctuation trend of classified loan as of total loan. Classified loan is increased from 2016-2020 but classified loan as percentage of total loan decreased from 2016-2019 and then increase in 2020 is 3.24%. It indicates that bank isn't able to make-up the loan proceeds from the borrower from 2017-2019.

Chapter 4: Findings, Recommendation, Conclusion

4.1 Findings

Major Findings of the study are:

1. The credit to deposit ratio declined over the years. The ratio is highest in 2018 (96%) and then it declined in 2019-2020. The drastically change indicate that bank has reduced its credit disbursement from 2019-2020 is 81%. Therefore, bank has less capacity for disbursement of credit in 2020 over 5 years.
2. Classified loan is increased from 2016-2020 but classified loan as percentage of total loan decreased from 2016-2019 and then increase in 2020 is 3.24%. It indicates that bank was unable to recover the loan from the borrower from 2017-2019.

Others

- The loan disbursement process takes longer, so sometimes the borrower cannot use the loan in his needed time, that's why the loan recovery takes so long.
- Credit risk management methods have been updated to enhance the quality of the loan portfolio. Bank Asia is now adopting new credit rating system and lending processes through a tighter differentiation obligation among risk evaluation and lending decisions.
- Bank Asia Ltd. has well-founded corporate lending and credit risk management procedure that includes a thorough and careful analysis of customer needs, local economic and cultural analysis, industry periodically, to come up with products that meet customer needs and maintain a good portfolio of assets.
- Bank Asia Ltd.'s credit assessment procedure for corporate clients includes assessing the client's business and ability so that bank can recognize and understand actual and potential financial as well as operational risk. Therefore, Bank Asia performs financial analysis before approving any credit proposal to recognize and quantify the possibility of client's financial and operational risk.

4.2 Recommendation

- 1) As Bank Asia Limited's credit to deposit ratio has gradually decreased over the years, the bank should try to disburse more credit to its deposits. It will provide credit through newer and more convenient programs to qualified borrowers.
- 2) Banks should diversify credit allocation to other areas such as consumer credit system, staff lending to SME (Small and Medium Enterprises) etc.
- 3) Since the bank's credit to deposit ratio is lower in the industry, the bank should try to take action to entice customers to borrow from the bank.
- 4) The credit department must be able to gather accurate and relevant information and analyze financial statements quickly and accurately at every branch level.
- 5) Loan administration must be qualified to understand manipulate and distorted financial statements.
- 6) Credit departments at all branches need to work together to approve loans quickly and reduce loan processing costs.
- 7) To speed up the lending procedure, the board of credit department should organize their meeting in twice a month in lieu of once a month.
- 8) Credit monitoring must be carried out periodically to ensure that borrower is maintaining collateral and using the borrowed money appropriately. Bank must compare monitoring techniques used by established bank in Bangladesh.
- 9) Credit department must report all loans periodically made to BB (Bangladesh Bank).
- 10) Credit monitoring is a regular task so that bank needs professional manpower. Therefore, bank should build up a different monitoring unit to check overall loan portfolio to tackle loan problem.

4.3 Conclusion

Most banks offer a broad range of financial services are launches every year in Bangladesh. Financial services include new kinds of loans & advances, and brand-new services. Bank Asia has refrained from setting new standards in the banking sector during these turbulent economic times. In today's business world, without the cooperation of banks it is relatively unfeasible to run a business or a production unit. Bank Asia Ltd. plays a vital role in the banking sector and in Bangladesh economy. A bank's prosperity largely depends on effective management of credit. And successful management of loan not only for the operation of the bank but also for the right development of an economy. Credit management is becoming increasingly important in today's competitive business world. Bank Asia Limited is more interested in credit distribution in the Dhaka and Chittagong divisions and is now expected to be more interested in the Barisal and Mymensingh divisions. Bank of Asia is expected to improve lending practices and reliable borrowers by following investment principles. The bank should do more to improve credit growth by developing new convenient credit programs and investing in its diversified sector. Bank Asia should pay more attention to credit growth for deposits and improve its volatility. Finally, it can say that Bank Asia Limited is trying to improve its credit by following credit management approach and investment principles

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Appendix

Figure 1: Activity of CRG

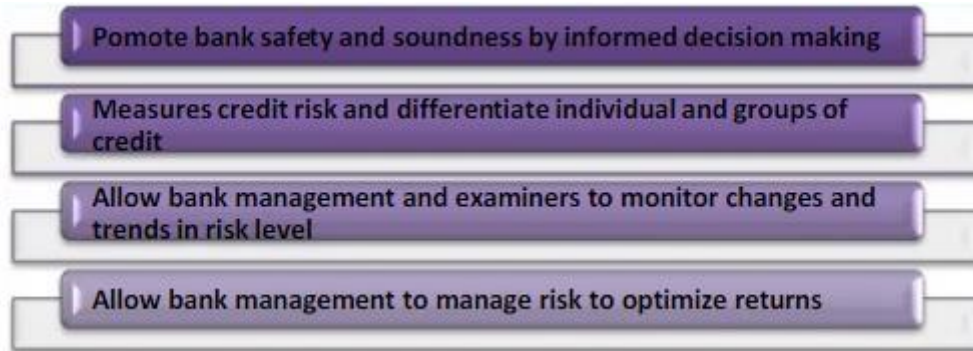


Figure 2: Approval Process



Table 1: Score of CRG

Grading	Short Name	Score
Superior	SUP	<ul style="list-style-type: none"> ▪ 100% cash covered ▪ Government Guarantee ▪ International Bank Guarantee
Good	GD	85+
Acceptable	ACCPT	75-84
Marginal/Watch list	MG/WL	65-74
Special Mention	SM	55-64
Sub standard	SS	45-54
Doubtful	DF	35-44
Bad & Loss	BL	<35

Table 2: Trend of Deposit and Growth rate

Year	2016	2017	2018	2019	2020
Deposit (000 in taka)	191273	207041	222472	253710	303028
Growth rate	13%	8%	7%	14%	19%

Table 3: Trend of credit and Growth rate

Year	2016	2017	2018	2019	2020
Loan & Advances (000 in taka)	163610	197504	214618	227299	244642
Growth rate	20%	21%	9%	6%	8%

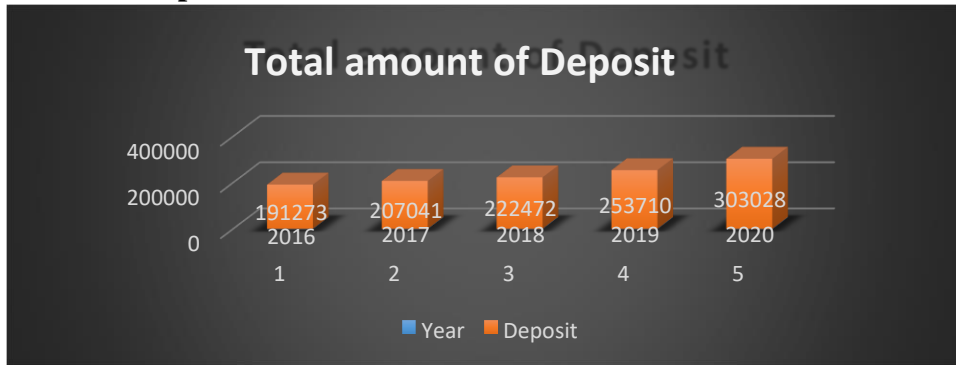
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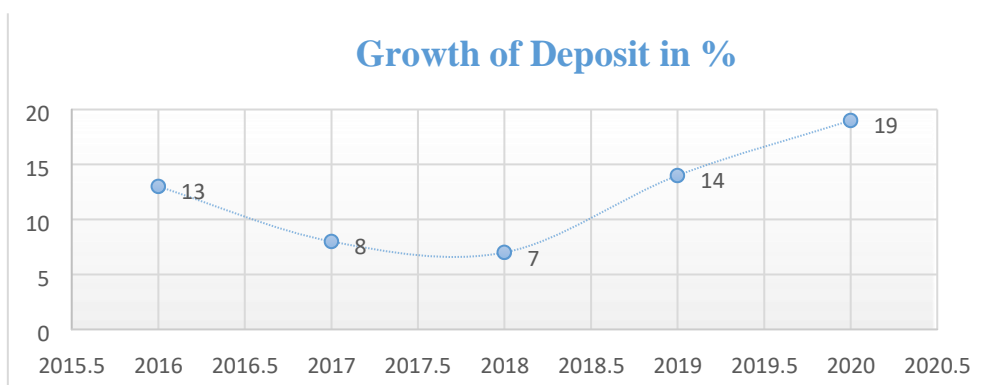
Table 5: Classified loan and advance

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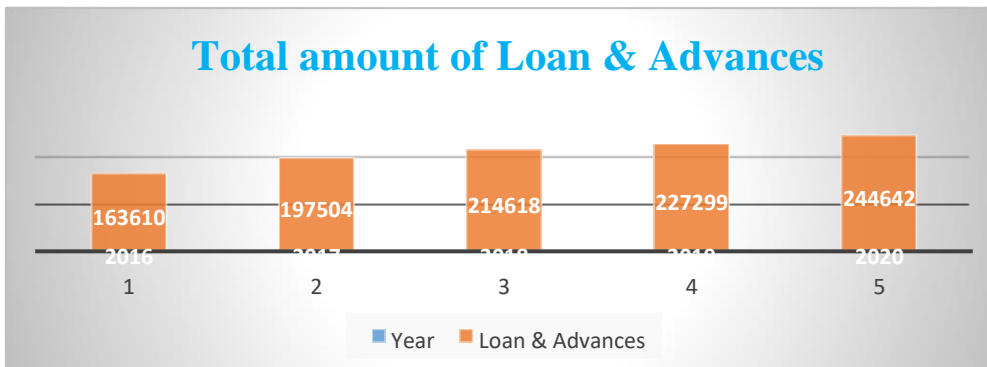
Graph 1: Trend of deposit



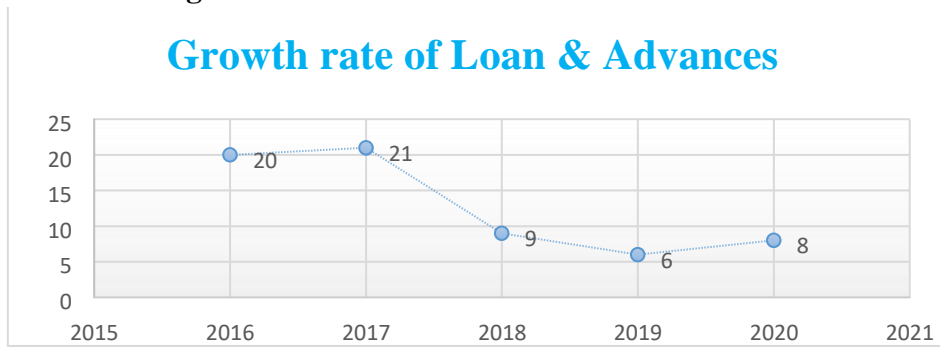
Graph 2: Growth of deposit



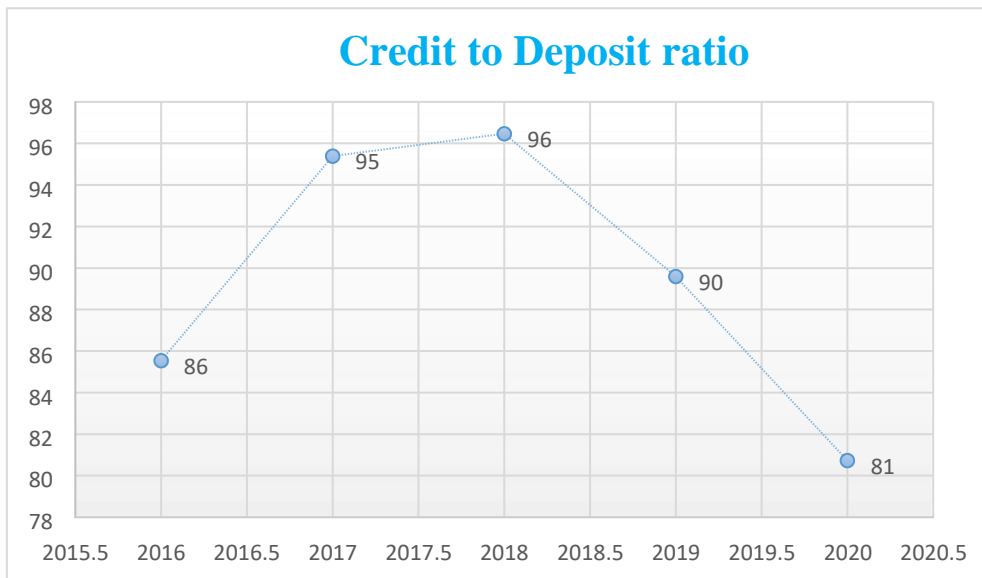
Graph 3: Year wise trend of loan and advances



Graph 4: Year wise of growth rate of loan and advances



Graph 5: Credit to Deposit ratio



Graph 6: Percentage of total loan and advance

