

INTERNSHIP REPORT
on
Loan and advance section Of Agrani Bank Limited

By
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An internship report submitted to Department of Business school in partial fulfillment of the requirements for the degree of Master of Business Administration

School of Business
Brac University
[September] [2023]

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Declaration

It is hereby declared that

1. The internship report submitted is my/our 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.

Student's Full Name & Signature: _____

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Student Full Name
Student ID
21164059

Supervisor's Full Name & Signature: _____

Dr. Suman Paul Chowdhury
Supervisor Full Name
Designation, Department Institution
Associate Professor
School of Business
BRAC University, Dhaka

Letter of Transmittal

20th September,2023

Dr. Suman Paul Chowdhury

Associate Professor

BRAC Business School

BRAC University

66 Mohakhali, Dhaka-1212

Dear Sir,

I am submitting an internship report “loan and advance” section of Agrani Bank Limited. In this report, I describe the loan and advance section details, loan approval process, various kinds of loan and how to deal with customers etc. In this report, I also mention the existing division of Agrani bank limited, swot analysis, credit risk management and so on. With this Short time of period, I have tried a lot to make this report more accurate.

So, finally, please give your valuable feedback on this report and expolates my mistakes.

Sincerely yours,

Ganga Banik

21164059

Master of Business Administration

BRAC University

Date: September 25th,2023

Non-Disclosure Agreement

[This page is for Non-Disclosure Agreement between the Company and The Student]

This agreement is made and entered into by and between Agrani Bank Limited and the undersigned student at Brac University.....

Acknowledgment

I am specially thanks to Md. Moniruzzaman the Intern supervisor of Agrani Bank limited and Dr. Suman Paul Chowdhury the intern supervisor of BRAC university, Bangladesh. Both of them help me a lot to give their valuable suggestions to make the internship report accurate. My friends, relatives and Agrani Bank Limited loan and advance section officer Mr. Rakib who help me a lot to provide the loan related information and others officer of the bank they are also helpful attitude I have observed in my internship period time. Overall, I am very grateful for the helping attitude of everyone for which I have completed my report on time.

—

Executive Summary

In this intenterntship report I describe the loan and advance section of Agrani bank limited. In this report, I also describe my contribution of the Agrani bank limited and what difficulties I have faced in Agrani bank limited. I also describe the existing division of Agrani bank limited . Here, I mention what loan and advances section provide Agrani bank limited and which types loan sanction in the Hatkhola branch, Agrani bank limited. Recovery of non-performing loan and this is the important part of the loan and advance section and I have tried to shortly brief this section in this report. At last, I give product portfolio mix of the Hatkhola branch to observe the percentage of different kind of loan. So, finally I have tried a lot to describe the all procedure of loan and advance section.

Table of Contents

Declaration.....	ii
Letter of Transmittal.....	iii
Non-Disclosure Agreement.....	iv
Acknowledgment.....	v
Executive Summary.....	vi
Table of Contents.....	vii, viii & ix
List of Tables.....	x
List of Figures.....	xi
List of Acronyms.....	xii
Chapter 1: Overview of Internship.....	1
1.1 Student Info.....	1
1.2 Internship Infor.....	1
1.3 Internship Result.....	2
1.3.1 My Participation in the company:.....	2
1.3.2 Benefits I get from the company:.....	2
1.3.3 Complication I faced during internship period:.....	3
1.3.4 Recommendation for Agrani Bank Limited.....	3
Chapter 2: Organizational Overview.....	4
History of Agrani Bank Limited.....	4
Mission.....	4
Vission.....	4
Values.....	4
Corporate Organogram.....	5
Existing Divisions of Agrani Bank.....	6
SWOT Analysis of Agrani Bank Limited.....	6
<i>Strenghts:</i>	6
<i>Weaknesses</i>	7
<i>Opportunities</i>	7
<i>Threats</i>	7
Chapter 3: Project Part (Loans and advances management of Agrani Bank Limited).....	7
Background of the Report.....	7
Objective of the study.....	8
Methodology of the report.....	8

Limitation of the study.....	9
Theoretical overview of loans and advances.....	9
Loan.....	9
Advance.....	9
Loans and Advances provided by Agrani bank	9
Continuous Loan.....	9
Term loan	10
Personal loan.....	10
Any purpose loans.....	10
Freedom fighter loan.....	10
Loan against pension vata of retired government officer/staff.....	10
Agrani bank Loan for overseas worker (ALOW).....	11
Short term SME loan	11
Loans and Advances of Agrani bank, Hatkhola branch.....	11
• CC Loan (Cash Credit Loan):	12
• Term loan	12
• SME CC	12
• Short term loan	12
• Freedom fighter’s loan	12
• Personal loan.....	13
• Any purpose loans.....	13
• Consumer loan	13
• ABS Loan.....	13
• FDR Loan.....	13
Credit Risk Management of Agrani bank	14
Certification Management	14
Lending criteria for general loan proposal	14
• Character.....	15
• Capacity.....	15
• Capital	15
• Collateral	15
• Conditions	16
Guideline for lending and Investments	16

Loan application process	16
Collection of data	16
Appraisal analysis	17
Basis for approval loan and advances.....	17
Security and protective requirement	18
Types of acceptable securities.....	18
Valuation of Security	18
Maturity of loan.....	19
Approval authorities of Individual and corporate loans in Agrani bank	19
Documentation	22
Credit disbursement procedures.....	22
Credit monitoring and recovery	23
Recovery process of non-performing loan	23
Non-performing loan	23
Recovery of Non-performing Loans.....	23
Analysis of loan and advances of Agrani bank, Hatkhola branch	24
Loan products and services of Agrani bank Hatkhola branch.....	24
Financial Highlights of Hatkhola Branch	24
Product portfolio mix of Hatkhola Branch in 2022-	25
References.....	27

List of Tables

Table 1: For individual loan.....	22
Table 2: Financial Highlights of Hatkhola Branch.....	24
Table 3: Product portfolio mix of Hatkhola Branch in 2022	25

List of Figures

Figure 1: Corporate Organogram.....	5
Figure 2: A Functional Chart of Board Memorandum	20
Figure 3: The amount of loan sanction power of bank staff.....	21
Figure 4: For CC loan	21
Figure 5: Product Portfolio Mix of Hatkhola Branch	26

List of Acronyms

ABL	Agrani Bank Limited
CC loan	Cash Credit loan
NPL	Non-performing loan
IMF	International Monetary fund

Internship report on loan and advance management of Agrani Bank Limited

Chapter 1: Overview of Internship

1.1 Student Info:

Name: Ganga Banik

ID: 21164059

Program: MBA

Major: Finance

1.2 Internship Info:

1.2.1 Internship Duration: June-September

Company Name: Agrani Bank Limited (Hatkhola Branch)

Department/Division: Loan and Advance Department

**Address: Motaleb Mansion (1st Floor) 2. R. K. Mission Road, Hatkhola, Wari,
Dhaka-1203.**

1.2.2 Supervisor's Info:

Name: Md. Moniruzzaman

Position: Assistant General Manager & Head of Branch

1.2.3 Internship Area of activity:

I am working in loan and advance section of Agrani bank limited that's why I observed the loan application and documentation process. The financial ability of the loan holder and the mortgage (most important) section of loan. There are various kind of loan and loanholder only choose what type of loan is beneficial for them . So as a intern , my responsibility is to check out the file where loanholder put their all information and when I find out any mistake on the file then I inform it to my loan and advance section officer or my supervisor.

1.3 Internship result

1.3.1 My Participation of the company:

I was checking all necessary documents and observe the whole process of sanctioning loan and advance. Other than this I perform some other duties in this department:

- Filling forms of different loan application.
- Checking all necessary documents that customers submit for loan purpose.
- Interacting with borrowers for understanding what type of loans they want.
- Analyzing borrower's relationship with bank, their loan management and other important loan approval process.

I mainly work on these primary steps of loan approval process and if I find all documents and other things okay then I passed it to my supervisor for further process.

Though I mainly worked for loan department, sometimes they assigned me with various tasks of other departments such as -

- Processing new account opening forms.
- Handling general banking activities.
- Recording daily transactions (deposits, bill payables, remittance, cash in hand etc.) in the register books and submit to my supervisor.
- Record salary of all officers and employees to the register of salary.

1.3.2 Benefits I get from the company:

In agrani bank I mainly work under Loan and advance department. This department mainly dealing with all credit activities of this branch. Here I learn about the importance of loan and advances, how the whole process work and how bank generate profit from its loan products. Also I get to know about the risk factors of loans and advances and how credit officers deal with this to mitigate this risk as much as possible. Here I get to know about the necessary documents a person need to submit for taking a loan, such as trade licence, TIN certificate, bank statements, bank solvency certificate, NID card updated CIB report, other financial statements etc.

Other than knowing about loan and advances and other banking activities I also achieve huge practical knowledge during my internship period such as-

- **Time management skill-** perform assigned task in a particular time duration.
- **Technical skill-** This internship improves my technical skills such as my MS Excel knowledge get improved during this internship, also I get to know about different banking software they use for daily activities.
- **Communication skill-** In this branch I get to know how to communicate .It improves my communication skill with people.
- **Personal Development-** Overall this organization introduce me with actual corporate world and I learn some knowledge about how to deal in corporate life.

1.3.3 Complication I faced during internship period:

For gathering new experiences everyone has to face some challenges or difficulties. I also faced some complication during my internship period. life in corporate world is very different from our academic life and it was the first challenge for me. I understand the values and culture of the organization and People of Agrani bank was so friendly with me from very first which help me to understand their office culture. Another challenge was dealing with different customer, especially in rush hours was so tough. People don not want to wait as they want their work done quickly. This was a challenge for me as I was not very efficient but gradually I become an expert in dealing with that.

1.3.4 Recommendation for Agrani Bank Limited:

Working in Agrani bank, Hatkhola branch was a good experience for me. Though it was a small branch and they do not offer all types of service from this branch, so I think it would be more beneficial for me if I could work in any corporate branch or head office. However people here was so nice and they help me a lot in every steps and I learn many things from them. Whenever I didn't understand anything they help me in a friendly manner. When I asked different questions to my branch manager and other employees for my internship report everyone was very helpful and provide me as much information as possible. So overall it was a very good experience and I definetly recommend this bank for my future internships.

Chapter 2: Organizational Overview

History of Agrani Bank Limited

Agrani Bank come out as a nationalized commercial Bank following the rules and regulation of Bangladesh Bank. Agrani Bank consolidated with a state-owned commercial Bank under the companies Act 1994. The agrani bank has 11 circle office, 53 zonal office and 37 division head office. Agrani Bank want to expand their branches outside of the Bangladesh. They have remittance house in Singapore, Malaysia and Canada.



অগ্রণী ব্যাংক লিমিটেড
Agrani Bank Limited

Committed to serve the nation

Mission

The ABL mission is to set a framework by their regulator to improve their business policies and procedure for their customers and workforce.

Vission

The ABL vision is to maintain the international level of quality, efficiency and excellent customer service for leadinf state-owned commercial Bank

Values

The core value of ABL for maintaining the honesty and professionalism to provide the customer high quality of service.

CORPORATE ORGANOGRAM

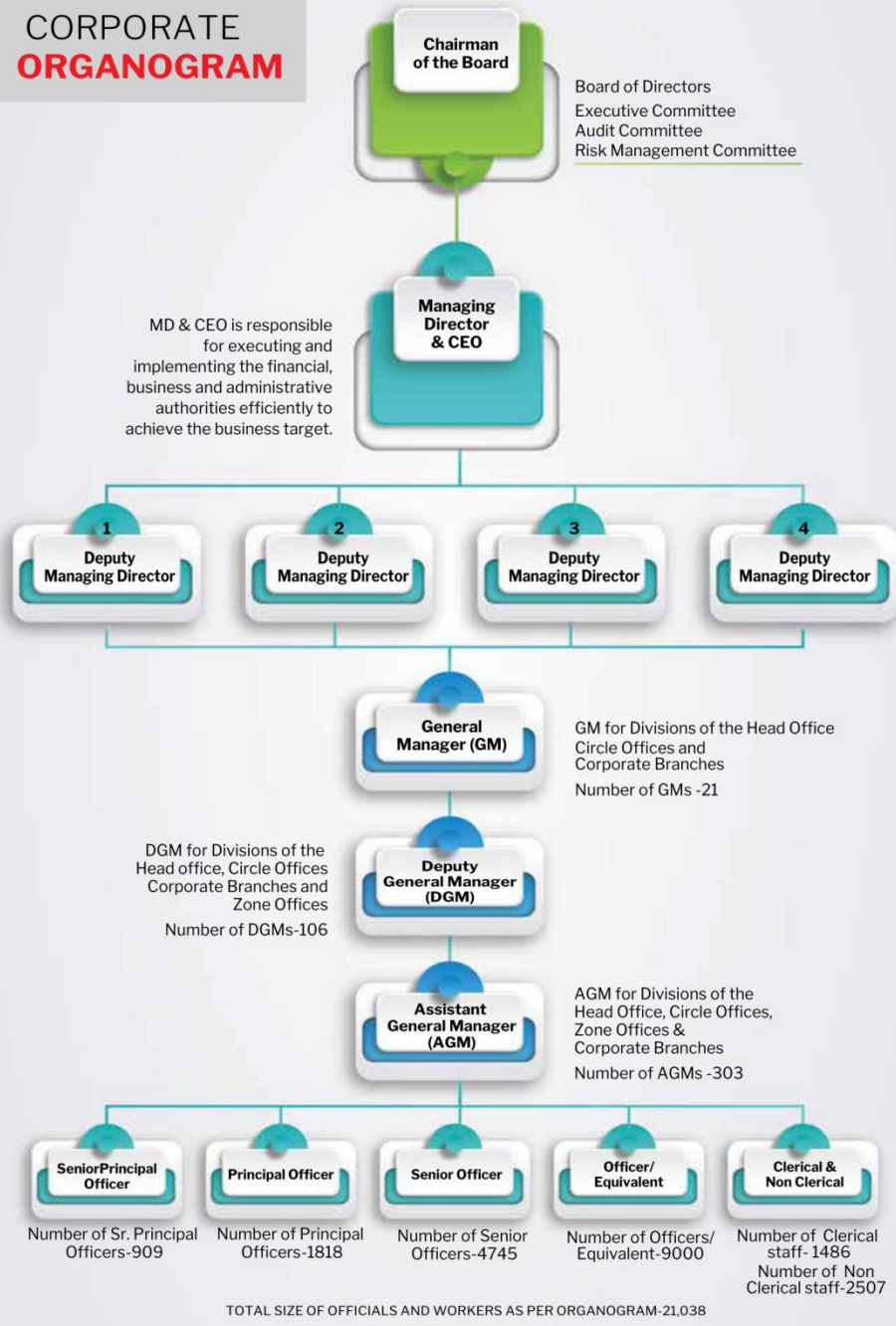


Figure 1: Corporate Organogram

(Source- Agrani Bank Annual Report-2021)

Existing Divisions of Agrani Bank

1. AML &CFT Division
2. Industrial Credit Division
3. Information Technology and MIS Division
4. International Trade & Foreign Currency Management Division
5. Law Division
6. Procurement & Common Services Division
7. Public Relation Division
8. Reconciliation Division
9. Rural Credit Division
10. SME Credit Division
11. Risk Management Division
12. Recovery and NPA Management Division
13. Sustainable Financial Division
14. Treasury Division
15. Vigilance Division

SWOT Analysis of Agrani Bank Limited

In the swot analysis ,we can do competitive analysis of any company by analyze its strengths, weaknesses, opportunities and threats.

A SWOT analysis of ABL is given below-

Strenghts:

- Very good reputation in the industry.
- One of the oldest and trusted banks in Bangladesh.
- A dedicated research department.
- Diversified benefit scheme and low transection fees.
- Outstanding training program for ensuring highest possible level of service

Weaknesses

- Lack of proper promotional activities.
- Backdated technology.
- Some employees have lack of motivation.
- Credit facility procedure is lengthy.

Opportunities

- ABL has huge investment opportunity with its fund.
- By updating its technology, it can ensure best customer service.
- By opening new branches, it can have more potential customer.
- By ensuring better workplace it can motivate its employees.

Threats

- Now there are many new banks coming to the scenario so the bank has to face too much competition in this industry.
- Frequent devaluation and fluctuation of foreign exchange rate is a treat.
- Too much rules and restrictions from government.

Chapter 3: Project Part (Loans and advances management of Agrani Bank Limited)

Background of the Report

The report mainly focuses on the loan and advance activities of Agrani bank limited. All the information collect from this report is from Agrani bank, Hatkhola branch and the official website of Agrani Bank Limited. The report covers all types of loans and advance given by Agrani bank and the full process of loans and advances from loan sanction to loan recovery process, how the bank works for it. Also, it covers all types of loans available in Hatkhola branch

and what percentage of which loan the branch given in recent years. Overall, this report is an exposure of the actual world of business

Objective of the study

Every study or research work has its own study. The following objectives-

- creating an understanding on loan and advances
- Analyzing the loan and advance system of Agrani Bank Limited.
- Evaluating the performance of loan and advance section of Agrani bank, Hatkhola branch.

Methodology of the report

For preparing this report both primary and secondary data were collected.

Primary data sources:

- A. Interview- for collecting primary data I mainly use interview technique. I took interview of my supervisor, manager of the branch and other officers to collect different information of that branch.
- B. Observation- This is another technique I used for collecting primary data. I carefully observe their activities and how they deal different situations. Also, I observe their hierarchy and different practical desk works help me to gather information.

Secondary data sources:

I also use different secondary data sources to make this report, such as-

- Annual report of ABL
- Credit operation manuals of ABL
- Official website of ABL
- Some other websites, blogs and published articles related to loan and advances.

Limitation of the study

The study also has some limitations, such as-

- Insufficiency of information, as the banking system need to keep some information secrets for legal restrictions and other purposes so all information was not available for this study.
- All information was not very updated and I had to use some old information as every updated information was not available.
- Different legal documents were not available such as steps against non-performing loans.
- Lack of opportunity to talk with peoples assigned in different positions.

Theoretical overview of loans and advances

The word bank refers to a financial institution that provides deposit facilities to people acting as a payment agent for customers and borrowing and lending money. According to Hasan Ahmad and Rashid (2018), a modern banking collect, pay, invest, deal, exchange and claim to money both locally and internationally. Bank earn profit from these activities, it charges higher interest on loan and enclose all its expenses from this money and earn profit from the rest of the amount (Hassan et al, 2018).

Loan

Loan is an amount of money that a person borrowed from another person for a specific purpose like for business purpose, building construction etc.

Advance

The term “Advance” refers to the maximum percentage of the value of collateral that the lender is willing to provide for a loan (Haralayya, 2021). This rate helps the borrower to determine the kind of collateral needed to take this short-term loan amount. The value of collateral can be fluctuated and it minimize the probability of loss for the lender.

Loans and Advances provided by Agrani bank

Continuous Loan

Continuous loan is a type of loan where borrower can take the loan without revealing the purpose of the loan. Agrani bank provide different types of continuous loan, those are given below-

- Cash Credit loan (CC Loan)
- Overdraft

Term loan

Term loan is a type of loan where borrower get a large quantity of loan with a fixed repayment schedule. Here borrower should be agreeing with certain loan condition for example, borrower either agree with fixed or variable interest rate or a repayment plan. Usually, this type of loan is given to a more establish firm which have a solid financial foundation. Based on the time period of the loan “term loan” can be three types; Short term loan (time period is up to 12 months), Medium term loan (time period is more than 12 months and up to 36 months), Long term loan (time period is more than 36 months.)

Personal loan

In the personal loan, the person can apply for loan on the particular branch from where he/ she withdraw salary. No security/mortgage is needed for getting this loan which is one of the major benefits of this loan. The age limitation for this loan should be 18 to 55 years. The loan limitation is up to 20 lacs and the interest rate is 9%. This loan is usually for 8 year or up to the period of service. Also, the processing of this loan is so easy .

Any purpose loans

Any purpose loan is applicable for any employee for Agrani bank who has associated with worked at least 5 years. The loan limitation is until 3 lacs and the interest amount is 9%. The time period for this loan is 5 years and the borrower can repayment the loan by monthly installment.

Freedom fighter loan

Freedom fighter loan is only applicable for freedom fighter who avails government subsidize/government allowance for branch of Agrani bank limited. Also, freedom fighter’s wife, son, daughter who involve in small business can benefit from it. The credit limitation is up to 12 lacs and the interest amount is 8% (changeable). The time period for this loan is 7 years and monthly installment can be adjusted from freedom fighter monthly or quarterly government allowance. Overall, the loan process is very easy in order make it more convenient for it.

Loan against pension vata of retired government officer/staff

Any retired government officer or staff is eligible for the credit. The maximum age limitation for this credit is 65 years. The credit limitation is up to 5 lacs and the interest amount is 9% (changeable). The time period for this loan is 5 years and monthly installment can be adjusted

from the borrower's pension vata/benefit. the credit is easy to collect and there is no complex procedure.

Agrani bank Loan for overseas worker (ALOW)

The credit provided by Agrani bank for people who has got a valid visa of abroad and has willingness to go to abroad for job is applicable for this loan. Also, people who has completed their passport, training, Visa, health exam, smart card, airline tickets or partially completed of these are eligible for this loan. Moreover, a person wishes to go abroad and need money to complete these processes can apply for it. The credit maturity limitation for this credit is 18 to 45 years. The credit limitation is in between 50,000-3,00,000 and the interest amount is 9% (changeable). The time period for this credit is 15 to 18 months and monthly installment will be deducted from the borrower's savings account. This credit needs personal guarantee of client's close relatives who are present in the country and personal guarantee of client.

Short term SME loan

Short term SME loan is applicable for small business in a short duration. Borrower needs to have 3 years previous experience to get this credit. The maturity duration for this credit is 18 to 60 years. The credit duration is up to 3 lacs and the interest amount is 9% (changeable). The time period for this credit is 2 years and credit can be repaid through monthly installment. For getting this credit borrower needs personal guarantee, guarantee of a solvent person and guarantee of client's father/mother/wife/husband. There is different kind SME loan provided by Agrani bank such as:

- Service sector loan
- Trading sector loan
- Manufacturing sector loan
- Women entrepreneurs loan.

Loans and Advances of Agrani bank, Hatkhola branch

Loan products and services available in Agrani Bank, Hatkhola branch are given below-

- **CC Loan (Cash Credit Loan):**

The full term of CC loan is Cash Credit loan. It is a pay-day loan for businesses to suitable their working capital requirements. Bank offer this loan based on borrower's previous credit history and financial stability. The time period of this loan is 12 months, so borrower must repay the amount within one year and it can renew yearly basis. This loan need mortgage, so borrower need to submit a certain amount of collateral or security for this loan, for example in Hatkhola branch if the borrower needs 1 crore TK loan, then the mortgage should be 1.5 crore TK.

- **Term loan**

Another type of loan available in Agrani bank, Hatkhola branch. Here borrower get a large quantity of loan with a certain loan condition such as fixed or variable interest rate or a repayment plan. Based on the time period of the loan "term loan" can be three types; Short term loan (time period is until 12 months), Medium term loan (time period is added to 12 months and until 36 months), Long term loan (time period is added to 36 months). All types of term loans do no need mortgage such as short-term loan, ABS loan., personal loan etc.

- **SME CC**

A loan usually given by Agrani bank, Hatkhola branch to SME businesses to meet their working capital requirement. This loan is needed mortgage, usually backed by CC/OD.

- **Short term loan**

This is a mortgage free loan given by Hatkhola branch for a shorth time period which is up to 12 months. Personal guarantee is needed for this loan.

- **Freedom fighter's loan**

This loan is offered in Agrani bank, Hatkhola branch for freedom fighter loan who have government subsidize/government allowance for any branch of Agrani bank limited. Also, their wife, son, daughter who involve in small business can benefit from it.. The credit limitation until 12 lacs and the interest amount is 8% (changeable). No mortgage is needed for this loan. Time period for this credit is 7 years and monthly installment possible adjusted from freedom fighter monthly or quarterly government allowance.

- **Personal loan**

Personal loan another loan provided by Agrani bank, Hatkhola branch for any staff member of the bank . Here the person can apply for loan on the particular branch from where he/ she withdraw salary. No security/mortgage is needed for getting this loan which is one of the major benefits of this loan. The maturity limitation for this credit should be 18 to 55 years. The credit limitation until 20 lacs and the interest rate is 9%. This loan is usually for 8 year or up to the period of service.

- **Any purpose loans**

This loan is given by Agrani bank, Hatkhola branch to any staff member who has associated with woked at least 5 years.. The credit limitation until 3 lacs and the interest amount is 9%. The time period for this loan is 5 years and the borrower can repayment the loan by monthly installment. No mortgage is needed for this loan.

- **Consumer loan**

This loan is given by Hatkhola branch. This is one type of term loan and for this loan no mortgage is needed. The purpose of this is purchasing consumer products such as TV, fridge etc.

- **ABS Loan**

ABS account is basically a deposit pension scheme where customer can deposit a specific amount oof money every month and the time period are 5 or 10 years. At the end of the time period customer get a certain amount of money.

The ABS loan given by Agrani bank, Hatkhola branch is against ABS account. No mortgage is needed for this loan.

- **FDR Loan**

This loan is available in Hatkhola branch where bank give loan against FDR. Here the borrower can get loan up to 80% of the amount deposited on his/her FDR account. No mortgage or collateral is needed for this loan.

Credit Risk Management of Agrani bank

Certification requirement

For getting a loan from Agrani bank the borrower must be an eligible candidate for that loan. According to the Credit Risk Management Guideline of Agrani bank, there are some certification requirements based on which the bank takes a decision about giving a loan to the borrower and these criteria are strictly followed by Agrani bank. Those are given below-

- For an individual borrower or any proprietary entity, there are eligibility criteria-
 - The person/the entity should be a resident of Bangladesh
 - Must have adulthood to apply for the loan
 - Lastly, must have a sound mind.
- For corporation or joint stock company -
 - It should be well ordered.
 - For foreign companies, they can borrow under Bangladesh bank guidelines.
- The applicant must be engaged in a productive business (such as agrobusiness, power sector, export, manufacturing, service sector) or can propose for a loan a productive business.
- Also, there are some types of businesses or entities who are not eligible for a loan in Agrani bank-
 - Default companies
 - Block shares in borrowers
 - Military equipment
 - Risky assets
 - Joint bank financing
 - Foreign countries/entities who belong to politically unstable or economically problematic countries.

Lending criteria for general loan proposal

The lending criteria a lender needs a proper guide in this process for properly selecting the borrower. Here we can use the famous “Five C’s of Credit” as a tool or framework for credit

analysis. With this framework lender can evaluate the creditworthiness of the borrower. (Baiden, 2011)

So before lending money it is important for lender evaluate the candidate in these 5 categories.

The 5 C's are given below-

- **Character**

Character represents borrowers' intention or willingness to pay back the loan. Lender usually analyzes this quality through interview and investigation of the borrowers. This is may be the most important quality of the borrower because if the borrower has good character but face financial crisis in business then possibility is high that borrower will try the level best to repay the loan. Also, a borrower with good quality usually cooperates with banks. Sometimes lender stop the lending process if the borrower's character is not satisfactory.

- **Capacity**

Capacity describes borrower's ability to pay. Lender can measure this criterion by analyzing previous performance of the borrower and physical observation. Some important documents can help in this process such as borrower's previous cash flows, balance sheets and profit and loss statements etc.; also reference of other lenders can help in this case.

- **Capital**

Capital also called equity or net worth, indicates financial strength of the borrower or the business to cover the risk. This indicates customer's capacity to invest his own money to business, it also indicates if borrower is only trying to borrow the lender's money or he has willingness to invest his own fund for the project. For evaluating this quality financial statements of borrower can help.

- **Collateral**

Collateral is the security proposed by the borrower to secure the loan. It is the lender's secondary source of repayment if borrower is unsuccessful on repayment. This collateral can be movable such as right form of stock, inventories etc. or it can be irremovable such as building, plants, machinery

- **Conditions**

The general business condition between two parties. It refers to the national, international and local economy, the industry and the bank itself and highly effect on credit and credit quality.

Guideline for lending and Investments

Loan application process

Whenever the bank approves any loan application it goes through a particular process.

- First of all, the borrower does loan application to the bank.
- Then the manager tries to evaluate if the borrower is eligible for the loan he applied.
- After evaluating the eligibility of the borrower, the manager goes for personal assessment where he collects information about the borrower such as the purpose of the loan or which section want to spend money its very vital option for this process.
- Bank try to evaluate the applicant's family background, financial condition etc. Agrani bank do not lend money to any company or individual who has political influence.
- After analyzing and evaluating all necessary information by branch manager customer complete the loan application process.

Collection of data

Once the loan application process is complete bank collect some necessary information for analyzing the loan/credit proposal. Information bank collects for this step is given below-

- Full information of the borrower
- Business plan
- Updated CIB report
- Certified Tax Return statements
- Audited financial statements of last three years
- Financial Statements (personal)
- Transaction profile
- Liability position
- Cash flow analysis
- Trade License

After collecting above information bank also do initial customer visit/site visit for evaluating loan proposal . During this site visit bank also do the valuation of collateral and verify some essential data-

- Physical Address
- Branch office
- Nature of business/Purpose of loan
- Web address

Appraisal analysis

In this step bank already have all necessary information that it collected in previous step, so here approval authorities of Agrani bank verify all data and get the following apperances-

- Bond rating
- Debt service ratio
- Cash flow analysis
- Cost benefit anaysis
- IRR
- Liquid asset

The appraisal analysis of loan proposal is based on updated market price, quality and other information of merchandise and product. This process is checked by higher authority to ensure that it was in order and reviewed time to time, at least once a year. All necessary terms and conditions are clearly mentioned in loan document and it is approved by Agrani bank's Board or committee.

Basis for approval loan and advances

▪ **Viability**

In the viability process, the bank granted the financial aid with some criteria. The bank check out the all documents and scoring on this. If the documents pass the criteria, than get the financial aid.

▪ **Creditworthiness**

Bank also consider the creditworthiness of borrower and their main supporter's team when granted loan and advances. Bank evaluate the creditworthiness for analysing the borrower past

compensation performance, debt payment and liability to the borrower. Loan proposal must not be overly affected by sponsor's reputation or their willingness of inject fund, rather it should be based on proper financial analysis and risk analysis. Here CIB report is very important as it is required for all loans.

- **Sufficiency**

Sometimes bank give non-funded credit to fulfill the project or business together with borrowers equity. When the bank is insufficient, then they take additional loan from other banks. The overall leverage of the bank doesnot exceeds the saving limit.

Security and protective requirement

- Generally, all types of credit funded by bank is fully secured by acceptable tangible asset and the security can not be less than 1.5 times of the principal amount. However, there are some exceptions in two case-
 1. If loan products are designed to be unsecured
 2. If there any recommendation by board of directors.
- Bank also make sure that the security is safe against any danger such as fire or strike by a duly accredited insurance firm.
- Bank do regular inspection (monthly, quarterly or half yearly) and preserve the report for future.
- If value of security decreased bank, then take additional security to reduce risk.

Types of acceptable securities

- Land or landed property.
- Buildings .
- Some other securities acceptable by bank:
 - Raw material/Merchandise inventories (preferable nonperishable one)
 - Share of stock of any company listed in DSE/CSE
 - Bank guarantee by the issuing bank
 - Fixed deposits

Valuation of Security

Before accepting any property, land or any form of asset as security bank do a proper valuation of that asset by the respective branch of Agrani bank. For this valuation they first calculate

“Forced sale value (FSV)” in case of emergency sale of that property. Also bank conduct other internal valuation. Also, Agrani bank ask borrower to prepare another valuation certificate by a bank approved chartered consultant at borrower’s expense.

For share of stock of any company listed in DSE/CSE bank consider the lower value for credit appraisal. If the value of any security decrease bank than ask for additional security for its safety

Maturity of loan

- ✚ For working capital loans, the time period should not be more than 1 year. In case of permanent working capital loans maximum allowed time period is 3 years.
- ✚ For medium- and long-term loans the time period depend on the cash flow capability of the project. Here the time period is in between 3 to 10 years.

Approval authorities of Individual and corporate loans in Agrani bank

The Agrani bank limited follow a proper hierarchy structure loan approval. All employees of the bank have to follow the structure and the credit guidelines of Agrani bank.

- ✚ The board of Agrani bank limited is primarily responsible for guiding bank’s credit strategy, approving policy. Board set the credit risk limits and monitor related operations for attaining business objectives.
- ✚ The credit committee of the bank is responsible for reviewing daily credit activities and the committee also ensure that bank properly follow all policies and procedures proposed by the board. Sometimes credit committee also take responsibility for approve loans and investments in accordance with delegated authority from board.
- ✚ In the functional level of bank, responsibilities are properly assigned to individuals to ensure proper management of credit such as the marketing and account management is front officer’s responsibility, where processing, approval, documentation, monitoring of the portfolio, loan recovery and giving independent credit review is back officer’s responsibility.

- ✚ For no-performing loan, the functional level of bank tries its level best for recovery and make a non-performing loan unit. This unit report directly to credit committee about non-performing loans.

A functional chart is given below for presenting Board Memorandum-

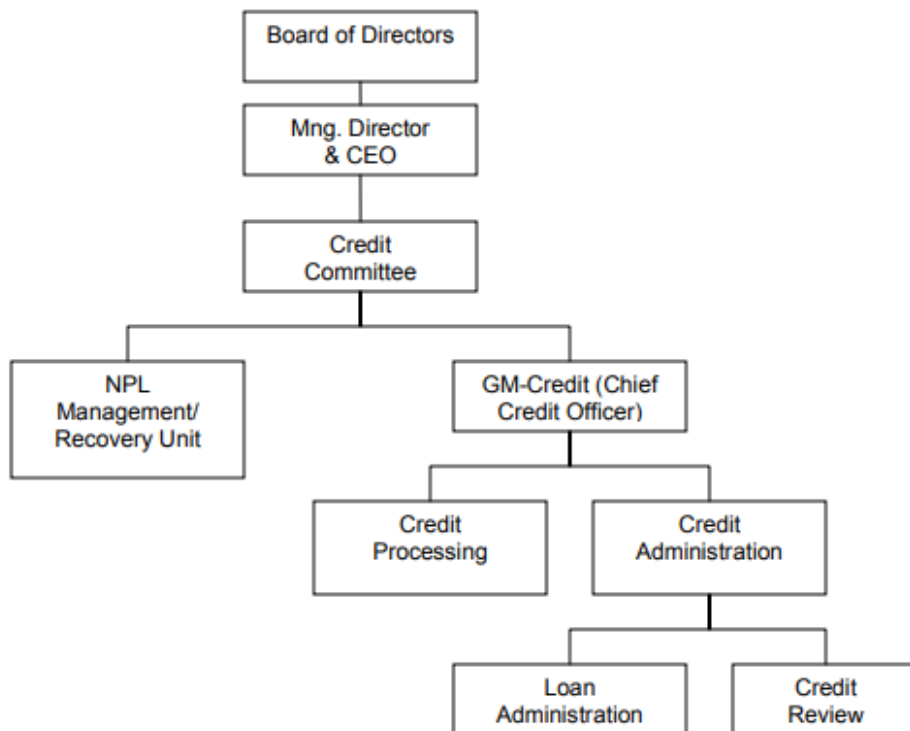


Figure 2: A Functional Chart of Board Memorandum

Source- (Agrani bank Credit Risk Manual)

In case of loan sanction from any branch of Agrani bank the particular branch has a limit based on the highest authority of that bank, for example if the highest authority of a branch is up to AGM, then that branch can give loan up to 20 lacs which is the highest limit for that branch or if the highest authority is GM, then the branch can give loan up to 1 crore and this is the highest limit for that branch. So according to the information I get from my branch manager, the amount of loan sanction power of banks staffs according to hierarchy is given below-

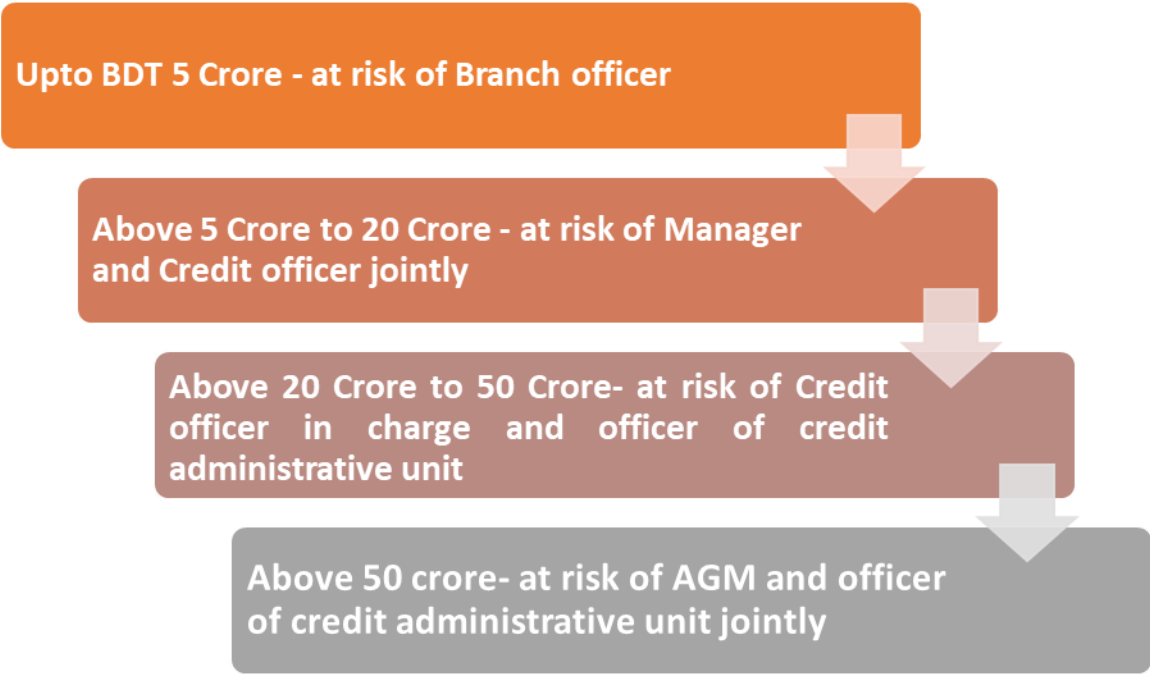


Figure 3: The amount of loan sanction power of bank staff

For CC loan-

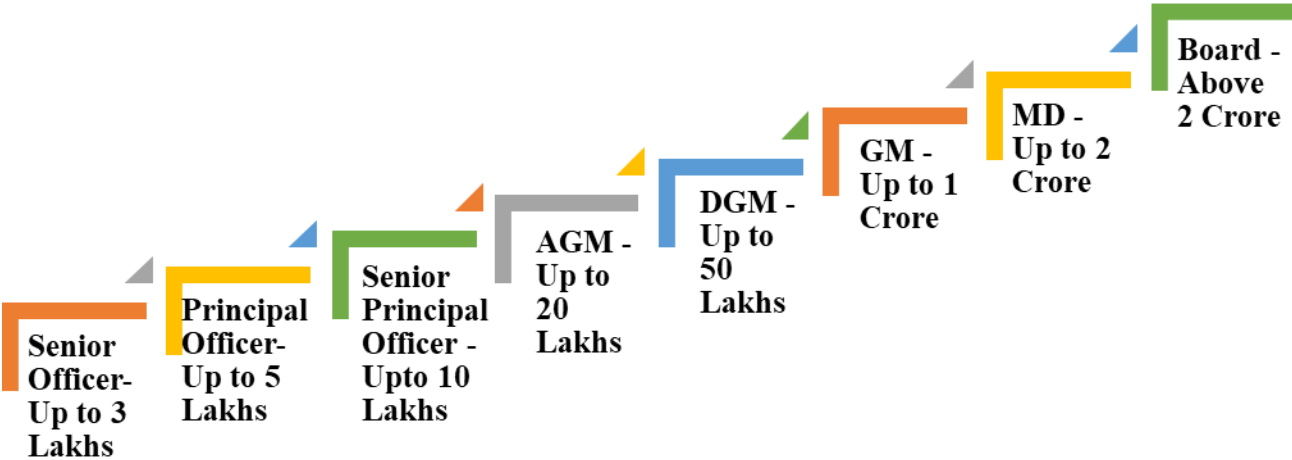


Figure 4: For CC loan

For individual loan

Table 1: For individual loan

Personal loan	Highest limit 20 lacs
Freedom Fighter loan	Highest limit 20 lacs
Any purpose loan	Highest limit 5 lacs
Short term loan	Highest limit 5 lacs

Documentation

The credit administration of ABL complete the documents for maintaining the loan policy of ABL. All necessary papers, documents, agreement must be needed for completeness the documents. The proper documentation follows some rules and regulation for maintaining the completeness the document. A written clearance is needed in accordance with the credit guidelines of Agrani bank limited to make any changes in approved terms and condition of loan. If anyone engage in such activity it will consider as a fraudulent act and bank will treat it in that way for breaking the policy of bank. The credit documentation is also necessary for regular inspection by management or auditors.

Credit disbursement procedures

The credit department of the bank ensure proper approval of credit application before lending the money. It is mandatory to complete the all formalities and follows the Bangladesh bank guidelines and Bank Company Act before disbursing the credit amount. Also, all financial documents should be recorded properly for accounting and monitoring purpose. After the successful completion of all agreements and receipt of collateral holdings can disburse the credit amount to customer. The credit officer inspects the implementation site before disburse the amount and if he finds it satisfactory then give the money and continuously verify proper utilization of the fund.

Credit monitoring and recovery

After the completion of credit approval and disbursement the credit must be monitored continuously by the bank. The branch manager or branch official are responsible for monitoring and recovery of credit. The credit department of the bank analyze all data to monitor the portfolio and recovery risk.

Recovery process of non-performing loan

Non-performing loan

Non-performing loan or in short NPL is type of loan where the complete payment of principal and interest is impossible. This type of loan is the highest risk of failure for any bank. According to the definition given by International Monetary Fund (IMF), non-performing loans or (NPL) is the particular amount of interest and principal that is duration is more than 90 days (Chowdhury, 2020).

In Bangladesh there are three types of NPL-

1. Substandard (the loan is due 3 months <9 months)
2. Doubtful (here loan is due 9 months <12 months)
3. Bad or loss (here loan is due more than 12 months) (Adhikary, 2006).

In Bangladesh the portion of NPL is increasing in all types of banks and the reasons behind this is sanction of loans without proper appraisal analysis, asset valuation, interference of top management in loan processing and banker's negligence (Chowdhury, 2020).

Recovery of Non-performing Loans

The NPL recovery unit following activities:

- ❖ Thoroughly review all accounts to make proper decision based on borrower's business and try to find the best way of recovering the least possible amount.
- ❖ There are some accounts where the borrower is cooperative but suffering temporarily. The unit try to rehabilitate such accounts by closely monitoring their performance
- ❖ The NPL recovery unit prepare accounts to identify those operations which are active but the borrower is not cooperative and then bank take legal action. For taking legal action

bank consult with internal or external lawyers. After examining everything court make the final judgement.

The NPL recovery unit first communicate with the client and try to recover the loan by warning 3 times with 3 official notices. Lastly bank send a legal notice to the client for payment. If the unit see that all these processes are not working then bank take legal action against the borrower and try to recover as much amount as possible to minimize the loss.

Analysis of loan and advances of Agrani bank, Hatkhola branch

Loan products and services of Agrani bank Hatkhola branch

- SME CC Loan
- Short-term Loan
- Freedom Fighter Loan
- Personal Loan
- Any Purpose Loan
- Consumer Loan
- ABS Loan
- FDR Loan
- General House Building Loan
- Staff loan
- ODR Loan

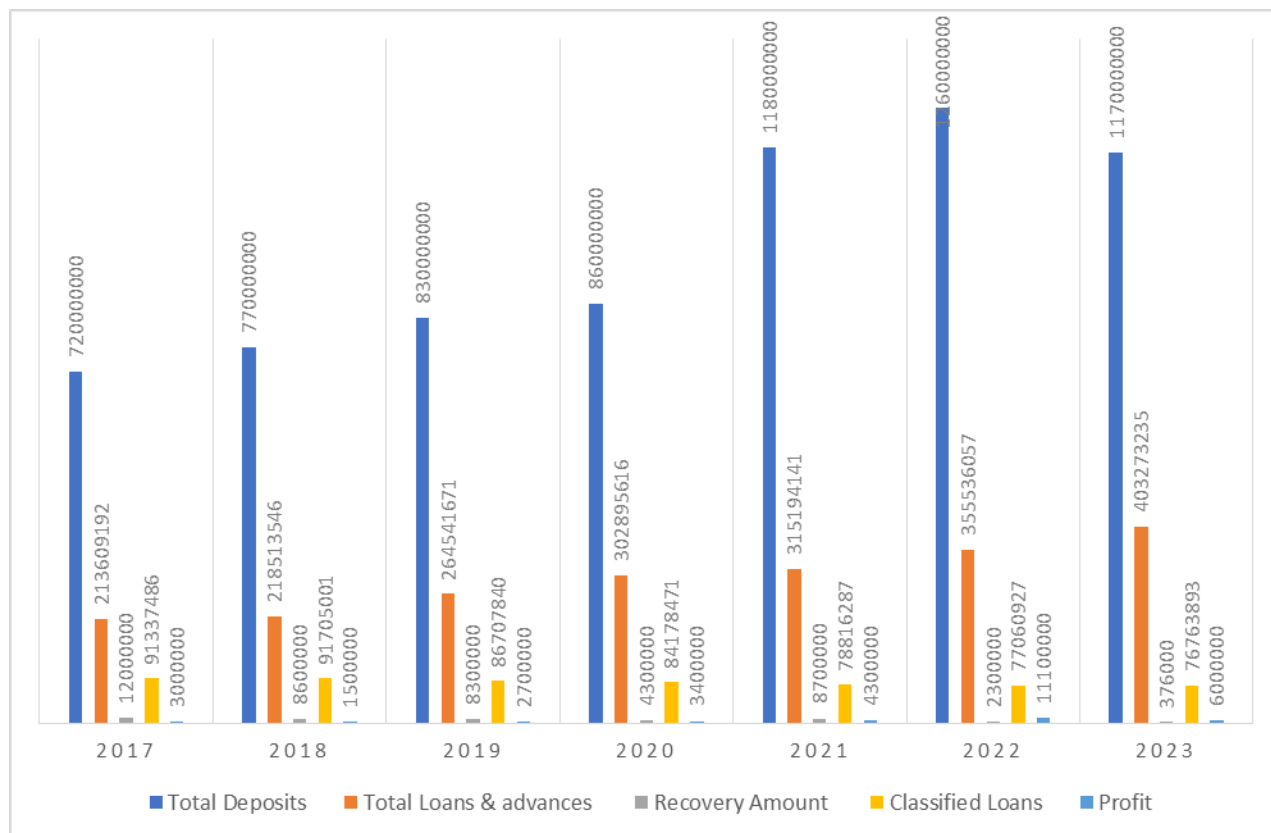
Financial Highlights of Hatkhola Branch

Total deposits, total loans and advances, recovery amount, classified loans profit of Agrani bank, Hatkhola branch from 2017 to June 2023 is given below-

Table 2: Financial Highlights of Hatkhola Branch

Year	Total Deposits	Total Loans & advances	Recovery Amount	Classified Loans	Profit
2017	72,00,00,000	21,36,09,192	1,20,00,000	9,13,37,486	30,00,000
2018	77,00,00,000	21,85,13,546	86,00,000	9,17,05,001	15,00,000
2019	83,00,00,000	26,45,41,671	83,00,000	8,67,07,840	27,00,000
2020	86,00,00,000	30,28,95,616	43, 00,000	8,41,78,471	34,00,000

2021	118,00,00,000	31,51,94,141	87,00,000	7,88,16,287	43,00,000
2022	126,00,00,000	35,55,36,057	23,00,000	7,70,60,927	1,11,00,000
2023 (June)	117,00,00,000	40,32,73,235	3,76,000	7,67,63,893	60,00,000



Product portfolio mix of Hatkhola Branch in 2022-

Table 3: Product portfolio mix of Hatkhola Branch in 2022

<i>Products</i>	<i>Loan and Advances (TK)</i>	<i>Percentage</i>
<i>SME CC Loan</i>	5,18,18,009	14.57%
<i>Short-term Loan</i>	5,93,723	16.70%
<i>Freedom Fighter Loan</i>	22,34,542	62.85%
<i>Personal Loan</i>	5,60,45,016	15.76%
<i>Any Purpose Loan</i>	19,85,348	55.84%
<i>Consumer Loan</i>	5,41,56,282	15.23%

<i>ABS Loan</i>	1,63,358	04.59%
<i>FDR Loan</i>	12,20,145	34.31%
<i>General House Building Loan</i>	5,18,94,109	14.59%
<i>Staff loan</i>	9,55,61,455	26.88%
<i>ODR Loan</i>	3,97,02,452	11.16%
<i>Others</i>	1,61,636	04.54%
<i>Total</i>	35,55,36,075	100%

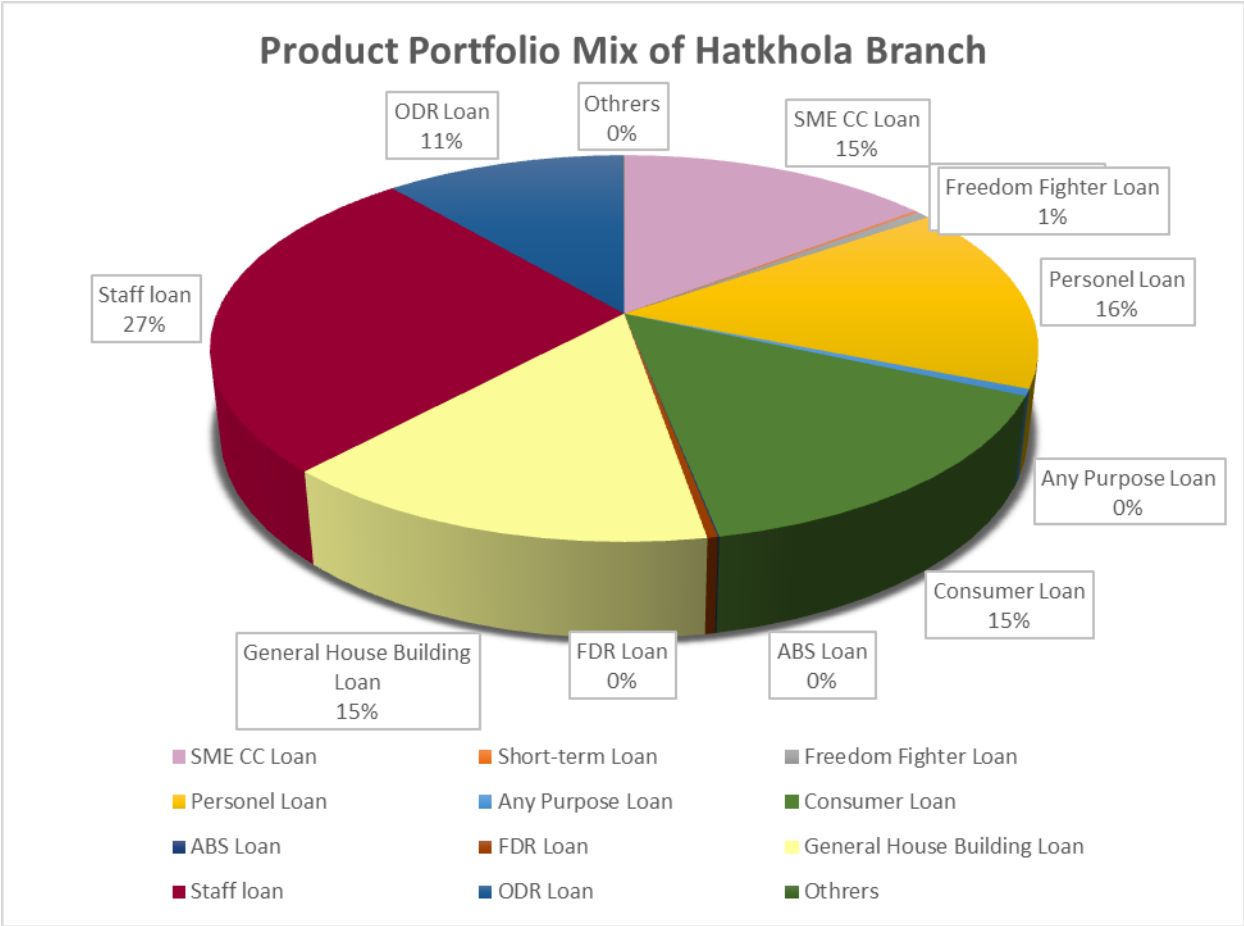


Figure 5: Product Portfolio Mix of Hatkhola Branch

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