

**Report on**  
**“Credit Management System of**  
**IFIC Bank Ltd.”**



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**Internship Report**

**On**

“Credit Management System of  
IFIC Bank Ltd.”

**Submitted to:**

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## **Letter of Transmittal**

December 23, 2013

Sohana Wadud Ahmad

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Dear Madam,

I am a student of BBS, BRAC University. I am glad to present my internship report on Credit System of IFIC Bank, Bangladesh. I worked as an intern for 12 weeks in the credit department of IFIC Bank, Uttara Branch and have endeavor my best to follow your guidelines for this report. I have collected all the possible information which was needed to complete this report. It was a great challenge for me. I enjoyed every bit of this challenge. I am earnestly thankful to you for your guidance during the preparation of this term paper. I hope you will appreciate my collective effort put forth hereby.

Sincerely yours,

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## **Acknowledgements**

First I want to pay my gratitude to almighty Allah for enabling me to prepare the report successfully. Then I would like to express my sincere gratitude and cordial thanks to some specific persons who helped me in preparing this report.

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Lastly, this Report would not have been possible without the dedication and support of my supervisors and senior colleagues of my credit department. I express my sincere gratitude to Mr. Sk. Sohel Khurshid, Senior Vice President and Relationship Manager, IFIC bank, for his valuable suggestions and continuous support during the time of my internship what made this report possible. Moreover, I want to thank, my senior colleagues, Shafiqur Rahman, Rabeya Akter, Saif Muhammad Fahad for helping me throughout my internship period to learn those works.

## **Executive Summary**

The growth has started all over with the banking system and its contribution towards financial development of a country is highest in the initial stage. International Finance Investment and Commerce (IFIC) Bank Limited started banking operations on June 24, 1983. Earlier in 1976 it was set up as a joint venture finance company at the instance of the Government of the People's Republic of Bangladesh. Credit is continuous process. Recovery of one credit gives rise to another credit. In this process of revolving of funds, bank earns income in the form of interest. A bank can invest its fund in many ways. Bank makes loans and advances to traders, businessmen, and industrialists. According to the borrower need bank provide various types of loan. But the total loan is divided into two categories – Consumer Finance and Small and Medium Enterprise Finance. Credit activities are the risky step for any types of the bank especially commercial bank. For getting assurance to recover the loan bank critically examine the loan and loan borrower depending on the information. In the time of loan appraisal credit management follow some steps like Collection of Application, Approval Process, Credit Administration, Security Types, Credit Documentation, CIB Report, Risk Measurement, Disbursement, Custodial Duties and Compliance Requirement. There should be formal procedures and a system in place to identify potential credit losses and remedial action has to be taken to prevent the losses. Beside that the systems should be in place to report the following exceptions to relevant executives in credit. Moreover, regular contact with customers will enhance the likelihood of developing strategies mutually acceptable to both the customer and the bank the collection process for personal loans starts when the account holder has failed to meet one or more contractual payment (installment). IFIC bank Ltd. Uttara branch mainly provides three types of credit, which are – Fixed term loan, Continuous loan and Micro credit. They avoid short term agriculture Loan. Performance in the field of deposit mobilization, credit disbursement, foreign Trade, remittance, and income has increased then that of previous year.

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# 1. Introduction

For the economic development of nation commercial banks are the most important functionary of the financial system which mobilize of savings and allocate of credit to productive sectors. However, directed and inefficient credit allocation by the commercial banks of Bangladesh in various economic sector.

Without sufficient credit assessment and monitoring, ultimately led to the extensive loan delinquency and worsening health of the entire financial system. In their noble effort of development financing, commercial banks are facing various problems such as mismatch of sources and uses of funds, extreme dependence on traditional collateral securities, politicization of credit delivery system, absence of sound legal system for recovery of loans, lack of government's extension facilities in the form of data base, investment counseling, appropriate technology, infrastructure, marketing of products, etc. However, they should increasingly involve themselves in development financing in order to gain long-term viability benefitting themselves as well as the economy, but that should not occur at the cost of viability of the total financial intermediation process.

In 1996, World Bank published 'Bangladesh: Agenda for action' in which it has suggested a lot of recommendations for economic development of our country. These recommendations include special presentation for reforming banking sector. In this agenda, World Bank has suggested to introduce bank management program as follows:

“Professional sings the banking business will generate large, long term payoffs in the form of a more efficient banking system apart from functional and technology-related training required at Bangladesh Bank and the commercial banks.”

After completion of the 11<sup>th</sup> semester institutional course, I was placed in IFIC Bank Limited, for 12 weeks long Internship Program to acquire practical knowledge. This is an orientation to the entire banking procedures of IFIC Bank Limited and finally a study on a particular area. While working there, I had to select a point of concentration consulting with both of my supervisors in

which I can make a detail research presented my understanding about that operational area in this report. The Credit Management Department was the area of my study. This internship program is a firsthand experience of the practices in banking and helped to develop a broad understanding about the detailed process of credit management system of IFIC Bank Limited. This practical operation is also having positive development in professional field.



## **1.1 Job description as Intern**

During my internship, I came to know that at present there are 52 Banks operating in Bangladesh including Government Banks (4), Specialized Banks (4), Private Banks (35) & Foreign Banks (9). The main function of a Bank is Borrowings & Lending. They keep the money as deposit and lend it as loan to borrowers. But lending is more important for a Bank than the deposit just because it provides the earnings to the Bank.

Therefore I preferably worked at credit/loans & advance department during my internship. I have learnt quite a lot about the loan approval process of this Bank. The entire loan approval process has been described below in the eyes of Banking rules. But first of all my learning's on loans & advances is being described below:

1<sup>st</sup> of all, an applicant (individual/proprietorship/partnership/Ltd. Co.) got to have an account with IFIC Bank Limited. Thereafter, after receiving of application for credit facilities from the applicant, branch will enquire the Credit Information from Bangladesh Bank to observe whether the applicant have any default loan from other Bank/NBFI or not. And it's called CIB.

If any default loan exist is the CIB of the applicant, branch will not process any credit proposal in favor of the applicant until the default loans have been adjusted/regularized by the applicant.

If the applicant has no such default loans, branch will process the credit proposal. And the applicant must have to submit all required papers/documents to the branch for processing the same.

Upon receiving of all required papers/documents, branch will assess the applicant's business/ financial/ managerial/ security risks and the relationship with the bank as well. Mention be made here that, the assessment must have to obtain at least 75 points (acceptable) out of 100.

Another essential assessment is the security value. Bank will not approve any credit limit more than the distressed value of proposed security (Land/Flat/Any other property).

Thereafter branch will recommend the credit limit to Head Office CRM (Credit Risk Management) Division. And the Division will assess the credit proposal by themselves. Upon discretionary power of Head of CRM for sanctioning the loan, they will approve the credit proposal of the branch.

Simultaneously, The DMD (Deputy Managing Director) or MD (Managing Director) will approve the credit proposal if needed (in case of discretionary power).

Lastly the Board of Directors can approve any kind of credit facility (Within Bangladesh Bank guideline of course) upon their decision.

Thereafter, upon receiving of Sanction Advice from Head Office, Branch will complete all the related documentation formalities for disbursement of the loans in favor of the borrower. The disbursement will be made only after receiving the Disbursement authority approved from Head Office that, all documentation formalities have been completed in due course.

After that, the post approval process i.e. monitoring of loans & advances come into force. Branch will look after the loans that the approved credit limit is being used only for the purpose of sanctioning the loan and the status of repayment of the loan.

I have also learnt the steps regarding recovery of bad debt and different types of loans in terms of classification.

In terms of overdue criterion of Bangladesh Bank guideline, there are 2 types of loans:

1. Unclassified (Standard)
2. Classified –
  - a) SMA (Special Mention)
  - b) SS (Sub Standard)
  - c) DF (Doubtful)
  - d) BL (Bad & Loss)

The process of recovery of bad debt includes the following:

1. Early Alert Reporting – For SMA Accounts
2. Serving Final Notice upon the borrower /guarantor
3. Preparing Down Grade Check List to Head Office for Action Plan. For SS/DF/BL accounts.

Usually the Action Plan from Head Office to recover Bank dues includes:

1. Serving Final Notice
2. Publication of Auction Notice
3. Filing of suit against the defaulter borrower.

After filing of suit, if the bank feels that the recovery of the bad loans are bleak by any means, then bank takes necessary steps for writing-off the loans.

## **1.2 Different aspects of Job Performance**

During my three month internship period, I was assigned for different types of task and activities; and by doing those tasks I achieved performance appraisal from my supervisor.

- Checking Loan proposals of clients, if the securities/mortgage is valued according to the amount of credit demanded or how much credit can be facilitated against such security.
- Checking past information of the client, if any past loan record is available in CIB or any default in loan repayment as all these information are available at CIB report of Bangladesh bank.
- I was assigned to fill up more than 5000 forms of IPO application through Excel sheet and did it in minimum time with accuracy, my speed of working in excel was appreciated by my supervisor Soheil sir.

### **1.3 Objectives of the Study**

The major objective of this study is to be present at the course of Practical Orientation in Banks, which is essential after the completion of B.B.A Program. But the purpose behind this study is something broader. Objectives of the study are summarized in the following manner-

- a.** To comply with the entire branch banking procedure.
- b.** To make a association between the theories and practical dealings of banking day to day activities.
- c.** To understand the practical difference that has been taught in the last four years in Finance courses.
- d.** To study the performance of the branch as well as IFIC Bank Ltd. as a whole.
- e.** To have some realistic exposures that will be supportive for my career after completion of B.B.A. Program.

### **1.4 Methodology of the Study**

The report was fully exploratory in nature. Data have been collected from both primary and secondary sources.

#### **Primary sources of data**

- v Consultation with the bank officers and staffs.
- v Informal conversation with the clients.
- v Different manuals of IFIC Bank Limited.
- v Different circulars sent by Head Office of IFIC Bank Limited.

## **Secondary sources of data**

- v Annual report of IFIC Bank Limited.
- v Different papers of IFIC Bank Ltd.
- v Different circular sent by Bangladesh Bank.
- v IFIC bank official website.

## **1.5 Scope of the Report**

The study was conducted to evaluate and study the credit management system of IFIC Bank Ltd; its problems and probable solution were identified. This report contains the overall credit function performed by IFIC Bank Ltd, Uttara Branch. The credit procedures were evaluated.

## **1.6 Limitations of this Report**

The present study was not out of limitations. But as an intern it was a great opportunity for me to know the banking activities of Bangladesh especially IFIC Bank. Some constraints are as follows:

- First, one of the major limitations is the short internship period. Since three month is not enough to know everything of a Bank, so this report does not contain all the area of IFIC bank Ltd.
- Second, limitation of the personal knowledge is another one. Since knowledge has no bound, so this report is incapable to represent all things with more depth.
- Third, because of the limitations of various sources of information the report doesn't contain many important information and data.
- Every organization has their own secrecy that is not revealed to others. While collecting data they did not disclose much information for the sake of organizational confidentiality.
- Since banks personals were very busy they could provide me very little time.

## **2. Organization Profile**

### **2.1 IFIC- a Sketch**

**International Finance Investment and Commerce (IFIC) Bank Limited** started banking operations on June 24, 1983. Prior to that it was set up in 1976 as a joint venture finance company at the instance of the Government of the People's Republic of Bangladesh. Government then held 49 percent shares while the sponsors and general public held the rest.

The objectives of the finance company were to establish joint venture Banks Finance Companies and affiliates abroad and to carry out normal functions of a finance company at home.

When the Government decided to open up banking in the private sector in 1983, the above finance company was converted into a full-fledged commercial Bank. Along with this, the Government also allowed four other commercial Banks in the private sector. Subsequently, the Government denationalized two Banks, which were then fully Government-owned.

### **2.2 Mission**

Our Mission is to provide service to our clients with the help of a skilled and dedicated workforce whose creative talents, innovative actions and competitive edge make our position unique in giving quality service to all institutions and individuals that we care for.

We are committed to the welfare and economic prosperity of the people and the community, for we derive from them our inspiration and drive for onward progress to prosperity.

We want to be the leader among banks in Bangladesh and make our indelible mark as an active partner in regional banking operating beyond the national boundary.

In an intensely competitive and complex financial and business environment, we particularly focus on growth and profitability of all concerned.

## **2.3 Ownership Structure**

Ownership of the Bank is held by the sponsors in the private sector and Government of the People's Republic of Bangladesh. Sponsors and individuals now own about 65% of the share capital and the Government own a little more than 35% of the shares.

## **2.4 Milestone of the Development**

1976 – Established as an Investment & Finance Company under arrangement of joint venture with the Govt. of Bangladesh.

1980 – Commenced operation in Foreign Exchange Business in a limited scale.

1982 – Obtained permission from the Govt. to operate as a commercial Bank.

1983 – Setup its first overseas joint venture (Bank of Maldives) on the Republic of Maldives.

- Commenced operation as a full-fledged commercial Bank in Bangladesh.

1985 – Set up a joint venture Exchange Company in the Sultanate of Oman.

1987 – Set up its first overseas branch in Pakistan at Karachi.

1993 – Set up its second overseas branch in Pakistan at Lahore.

1994 – Set up its first joint venture in Nepal for banking operation.

1999 – Set up its second joint venture in Nepal for lease financing.

2003 – Bank celebrated its 20th founding anniversary.

2005 – Acquired MISYS solution for real time online banking application

–Core Risk Management implemented

2007 – Launched VISA branded Credit Card (completed full range of Cards i.e. Debit, Credit & Prepaid by 2010)

2010 – Set up Offshore Banking Unit (OBU)

2011 – Established a fully owned subsidiary exchange company named IFIC Money Transfer (UK) Ltd.

2012 – Inauguration of 100th Branch at Tejgaon-Gulshan Link Road in Dhaka

- Overseas Branches in Pakistan amalgamated with NDLC, to establish a joint venture Bank: NDLC-IFIC Bank Ltd., subsequently renamed as NIB Bank Ltd



### **3. Credit Management**

This is the most important unit of the bank because until and unless the success of this section the continued existence is a question to every bank. If this section is not correctly working the bank may become bankrupt. This is important because this is the earning unit of the bank. Banks are accepting deposits from the depositors in condition of providing interest to them as well as safe keeping their deposits. Now the question may gradually arise how the bank will provide interest to the clients and the simple answer is – Loan. Why the bank provides Loan to the borrowers –

- a)** To earn interest from the borrowers and give the depositors interest back
- b)** To accelerate economic development by providing finance to different industrial as well as agricultural institutions
- c)** To create employment by providing industrial loans
- d)** To pay the employees as well as meeting the interest groups profit

Credit is a continuous process. Recovery of one credit gives rise to another credit. In this process of revolving of funds, bank earns income in the form of interest. A bank can invest its fund in many ways. Banks provide loans and advances to traders, businessmen, and industrialists. Moreover nature of credit may differ in terms of security requirement, disbursement provision, terms and conditions etc.

This section has been analyzed in this report in the following manner-

1. Types Of Loan Provided By The Branch
2. Selection of the borrower
3. Process of the loan
4. Recovery System
5. Regulation

### 3.1 Types of Loan

According to the borrower need bank provide various types of loan. But the total loan is divided into two categories. These are –

#### Consumer Finance

Easy Loan (Secured Personal Loan)

Consumer Durable Loan

Parua Loan (Education Loan)

Thikana (House Building Loan)

Peshajeebi Loan (Loan for Professional)

#### Requirements:

1. Age limit: Minimum age 25 years and maximum age 60 Years.
2. Loan size: Minimum Tk. 100000 and Maximum Tk.500000 ( Depend on the nature of the loan)
3. Disbursement Mode: Loan general/ overdraft/ Term Loan.
4. Rate of Interest: As prescribed or as revised form time to time.
5. Penal Interest: Additional 2% P.A on the overdue amount.
6. Repayment Method: Equal monthly installment.
7. Service Charge: 1% on loan amount to be realized before disbursement of loan
8. Required documents:
  - 2 copy passport size photograph from the intending borrower.
  - CIB Report on the borrower
  - Letter of arrangement
  - Letter of disbursement (for loan)

- Letter of installment (for loan)
- Letter of continuity (for SOD limit)
- Letter of lien on security
- Surrender form (for ICB unit certificate)
- Personal guarantee of spouse/parents
- Memorandum of deposit of claques
- Bank statement for minimum last 6 month

## 9. Legal Documents

### **Small and Medium Enterprise Finance**

Retailer Loan

Transport Loan

Commercial House Building Loan

Possession Right Loan

Contractor's Loan

Letter of Guarantee

Working Capital Loan

Letter Of Credit

Loan against Imported Machinery

Project Loan

Woman Enterprise Loan

Muldan Loan

## Requirements:

1. Nature of loan: Overdraft or Loan General
2. Age limit: Minimum 21 years and Maximum 65 years
3. Rate of interest: Basis on the nature of the security
4. Penal interest: Additional 2% per annum on the overdue amount.
5. Disbursement mood: overdrawing the CD account/credit to party's CD account in the case of loan general.
6. Disbursement pre-condition:
  - Acceptance of sanction terms
  - Clean CIB report
  - Payment of all charge
  - Deposit of instrument duly discharged
  - Execution of all charge document
  - D.P Note
  - Letter of arrangement
  - Letter of disbursement (for loan)
  - Letter of installment (for loan)
  - Letter of continuity (for SOD limit)
  - Letter of lien on security
  - Surrender form (for ICB unit certificate)
  - Pledge set up confirmed by CDBL
7. Legal documents
8. Tenor
9. Service charge

On the basis of the nature loan is divided into two categories:

**Term loan**

- Industrial loan
- Agriculture loan
- House building loan
- Transport Loan
- Loan general (Easy Loan)
- Flexi Loan

### **3.2 Selection of the Borrower**

Credit checks are the risky step for any types of the bank especially for commercial banks. For getting assurance to recover the loan bank critically examine the loan and loan borrower depending on the information provided. This process is called borrower selection process or credit analysis. As bank lends its depositors money, the employment of such fund is therefore, required to be made judiciously so that it comes back in the ordinary course of business. So right selection of the borrower mostly ensures repayment of the fund. Right selection needs a careful and systematic study of the affairs of the intending borrower. At the time of selection of the borrower credit management should consider the following five 'C's'.

- Character
- Capacity
- Capital
- Collateral &
- Condition

Before forwarding and advance proposal there are some other steps for being appropriate in selecting the right borrower. These are:

- Reports obtained through friends or rivals especially from the borrower in same line of trade or business
- Statement of accounts with other bank
- Statement of assets and liabilities
- Balance sheet, profit & loss statement of accounts for three years
- Income tax statement
- Trade and other report in the press
- Confidential reports from other banks

- Personal contact and interview
- Date of opening of the account – nature of transaction – average balance – present balance.
- Business – its nature – dealing items – average turnover.
- Purpose of financial accommodation
- Nature of primary security
- Collateral security – if any
- Period for which the accommodation sought for
- Repayment method
- Personal characteristics of the borrower
- Business experience
- Credit worthiness of the applicant
- Investment of the business
- Other source of income – if any
- Market reputation – goodwill
- Other investment – if any
- Financial obligation – if any
- Audited Balance Sheet, Profit and Loss account
- Location of the business
- Banker's confidential status report
- CIB report

After studying the borrower's documents, the credit manager is to take decision whether the borrower may be provided advance or not. If the analysis borrower selection is positive, the credit manager can give loan or credit to the selected borrowers.

### 3.3 Procedures of Loan Appraisal

#### Collection of Application

Applicant applies for the loan in the prescribed form of the bank describing the types and purpose of loan.

#### Approval Process

The responsibility for preparing the credit proposal would rest with the RM within the corporate/commercial banking department. Credit proposal shall be recommended for approval by the RM team and forwarded to the approval team CRM and approved by individual executives.

The recommending or approving executives shall be responsible and accountable for their recommendations or approval.

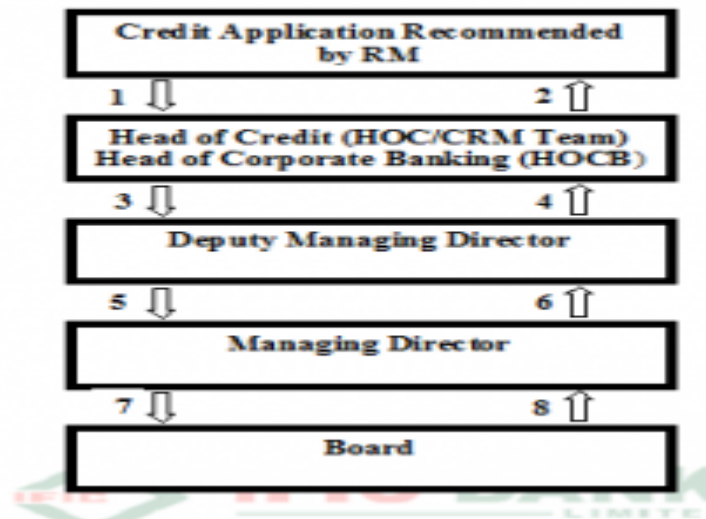


Figure: APPROVAL PROCESS



1. Proposal forwarded by RM (Branch Manager) to Head of Credit (CRM).
2. HOC/CRM Executive advise the decision as per delegated authority to RM ( Branch Manager)
3. HOC supports & forwards to Deputy Managing Director.
4. Deputy Managing Director advises the decision as per delegated authority to HOC.
5. Deputy Managing director supports & forwards to Managing Director
6. Managing Director advises the decision to Deputy Managing Director/ HOC.
7. Managing Director presents the proposal to Board.
8. Board advises the decision to Managing Director.

Any decline credit may be re-presented to the next higher authority for reassessment/approval through HOCB. However there should be no appeal process beyond the Managing Director.

### **De Duplication Check**

All approved application must be checked against banks database to identify whether the applicant is enjoying any other loan in other account apart from the declared loans. It must also be checked that the applicant has a credit card (if the bank offers this product) and any payment default is made this should be mandatory for credit card approval. In such cases the application must be rejected.

### **Credit Administration**

The credit administration function is critical in ensuring that property documentation and approvals are in place prior to the disbursement of loan facilities. For this reason, it is essential that the function of credit Administration be strictly segregated from relationship management/marketing in order to avoid the possibility of controls being compromised or issues not being highlighted at the appropriate level.

## **Security Types**

The success of bank and its profit depend on how efficient and safely it makes best use of its available resources, capital and deposit by making advances to various types of borrowers. In allowing advance sound judgment of a banker is very much needed. The main factor for successful advance is ability to judge the character and credit worthiness of the borrower. The security offered for an advance is only an insurance to fall back upon in case of need. A banker would not normally like to recover the advance from the sale of the security. Security serves as a safely value for an unexpected emergency. If they are left out there are chances that the borrower may raise funds from elsewhere by charging them to other.

## **Forms of Securities**

Charging a security means making it available as a cover for an advance. Security taken by a bank as cover of such advance may generally be classified as under.

### **Personal**

Personal security involves a personal right of action against the customer. The following may be grouped under this type of security-

- Personal Bond
- Personal Guarantee
- Promissory Note

## **Impersonal**

Impersonal security is something that can be realized by sale or transfer. The following grouped may be under this type of security-

- Land
- Stocks
- Shares
- Goods

## **Direct**

Direct the customer himself deposits security. Third party to secure a customer's account deposit indirect security. The following may be grouped under this type of security.

- Advance against FDR in the name of the borrower himself

## **Primary**

Primary security is that which is regarded as a cover for an advance. The following grouped may be under this types of security-

- Advance against pledge of Good/Stocks
- Advance against pledge of FDR
- Demand Promissory Note

## **Collateral**

Property or other assets that a borrower offers a bank to secure a loan. If the borrower stops making the promised loan payments, the bank can seize the collateral to recover its losses. Because collateral offers some security to the bank in case the borrower fails to pay back the loan, loans that are secured by collateral have lower interest rates than unsecured loans.

## **CIB Report**

To build a disciplined environment for borrowing, the automated CIB service provides credit related information for prospective and existing borrowers. With this improved and efficient system, risk management will be more effective. Banks and financial institutions may furnish credit information to CIB database 24 by 7 around the year; and they can access credit reports from CIB online. To lower the loan risk, banks must collect information regarding borrower from CIB. The information may be –

- Whether there is any information about bankruptcy against the Borrower.
- Whether there is any sue against client.
- If there is any loan in the name of the borrower and checking if repayment is done in the provided time allocated by the bank.

## **Risk Management**

### **1. Credit Risk**

The credit risk is managed by the consumer credit & collection unit (CCCU), which is completely isolated from sales. The following elements contribute to the management of credit risks:

- Loans will be given only after proper verification of the customer static data and after proper assessment & confirmation of income related documents, which will objectively ascertain customer's repayment capacity.
- Proposals will be assessed by independent credit division (CCCU) completely separated from sales.
- There will be dedicated collection force that will ensure timely monitoring of loan repayment and its follow up.

All verification is done to verify the declared or undeclared information of the applicant.

## **2. Third Party Risk**

In case of other Banks deposit instrument, the branch shall send the instrument to the issuing office and also their head office, for verification and written confirmation on lien marking and encashment of the instrument.

## **3. Liquidity and Funding Risk**

This risk will be managed by the assets liability committee headed by the managing director/CEOs of the bank.

## **4. Political and Economical Risk**

Political and economical environment of a country play a big role behind the success of business. Bank should always keep a close watch in these areas so that it is able to position itself in the backdrop of any changes in country's political and economical scenario.

## **5. Operational Risk**

For the consumer loans, the activities of front line sales and behind the scene maintenance and support are clearly segregated. Consumer credit & collection unit (CCCU) will be formed.

CCCU will manage - Inputs, approvals, customer file maintenance, monitoring, collection;

It will ensure uncompromising checks, quick service delivery, uncompromising management of credit risk and effective collection & recovery activities.

## **Disbursement**

Security documents are prepared in accordance with approval terms and are legally enforceable. Banks standard loan facility documentation that has been reviewed by legal counsel should be based on authorization from an appropriate executive in CRM.

Disbursements under loan facilities are only be made when all security documentation is in place. CIB report should reflect/include the name of all the lenders with facility, limit & outstanding. All formalities regarding large loans & loans to Directors should be guided by Bangladesh Bank circulars & related section of Banking companies Act. All credit terms have been met.

## **3.4 Recovery Management**

### **Monitoring Process**

When customer starts repayment of loan Relationship officer monitors that and if any irregularity of customer is observed by the relationship officer then information is given to credit relationship manager and to the customer informed.

If potential weakness is found in the supervision and monitoring then early alert report is prepared by relationship manager.

### **Early alert process**

If breach of loan covenant, or owners show lack of commitment, or industry mature or long term decline turn then early alert report is prepared. Early Alert is something like alarming situation of whether the loan will be classified or not.

### **Recovery Process**

The collection process for personal loans starts when the account holder has failed to meet one or more contractual payment (installment). It therefore becomes the duty of the collection department to minimize the outstanding delinquent receivable and credit losses.

This procedure has been designed to enable the collection staff systematically recover the dues and identify / prevent potential losses, while maintaining a high standard of service and retaining good relations with the customers. It is therefore essential and critical, that collection people are familiar with the computerized system, procedures and maintain effective liaison with other departments within the bank.

To identify and manage arrears, the following aging classification is adopted-

Days Past Due (DPD)	Collection Action
01-14	Letter, Follow up & Persuasion over phone
15-29	1 <sup>st</sup> Reminder letter
30-44	2 <sup>nd</sup> reminder letter + single visit
45-59	3 <sup>rd</sup> reminder letter  group visit by team member  follow up over phone  letter to guarantor, employer, reference all above effort follows  warning on legal action by next 15 days
60-89	Call up loan  Final reminder & serve legal notice  Legal proceedings begin  repossession starts
90 and above	Telephone call and legal proceedings continue  Collection effort continues by officer agent  Letter to different banks association



## 4. Findings

On the basis of analysis of credit management system of IFIC bank Uttara branch my findings are as follows:

- According to the annual report published by the IFIC Bank Ltd in 2012, Recovery rate of loans and advances is satisfactory in comparison to the Industry. Recovery rate of Uttara branch is more than 86%.
- The two credit officers are experienced and very much careful about their dealings.
- Credit officer depends largely on the balance sheet and income statement figure supplied by applicants. Sometimes financial statements supplied by client cannot be relied upon.
- In many cases data like production, trade, total demand and supplies of different industries, industry performances are inadequate.
- Borrowers are very much irregular in giving their installment of loan amount. But credit officer works hardly to collect the installment.

## 5. Recommendation

Within such a short period of time in internship program, it is not possible to find out all the problems. In spite of shortcomings I tried my level best to make the report fruitful. IFIC bank has a very good image in the banking sector of Bangladesh. It is the duty of the bank to hold that same image and continue with the Business. To enrich and maintain a better reputation is the only solution to make a business more progressive.

Some suggestion can be recommended to increase effectiveness of the system and to overcome the problem.

- Proper investigation should be done whether the loan is utilized as per the purposes. If necessary, legal steps may be enforced to ensure proper utilization.
- Before sanction the loan credit division should analysis the economy position of borrower industry. Now in Bangladesh, some industry future economy condition will go down.
- Provide updated training facilities to credit officer for increasing efficiency in dealing all customers.
- Beside experienced employees IFIC should welcome fresh graduate with good computer literacy and hard working capability, this can boost the level of work.

## 6. Conclusion

Banks and financial institutions play an important role in the process of economic growth of a country. In this globalization world business does not mean just selling and purchasing the products or services. Given their considerable economic potential, these institutions have a far-reaching impact on the development and welfare process of the surroundings societies. A country cannot long continue to have a deficit on foreign current account but a favorable balance of payments on current account may conceal a heavy adverse balance of payments with one individual country or group of countries. Banking sector in Bangladesh is playing a vital role by providing loan to business concern. Credit is one of the sources of their income. But granting loan is risky. Flexible interest rate can provide the incentive to improve their position. Finally, with all of its limitation IFIC, Uttara Branch, real judgment and honesty of the authorized personnel can help the bank to increase their credit and to make them optimum safe and secured resulting in increase in profitability.

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### **Books:**

Annual Report of IFIC

### **Interviews :**

Personal conversation with Amirul Islam ( Seniouir officer at credit department, IFIC bank Uttara branch )

Personal conversation with Muhammad Shafiqur Rahman ( Junior Officer, IFIC bank Uttara brunch)