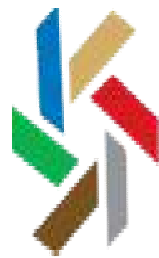
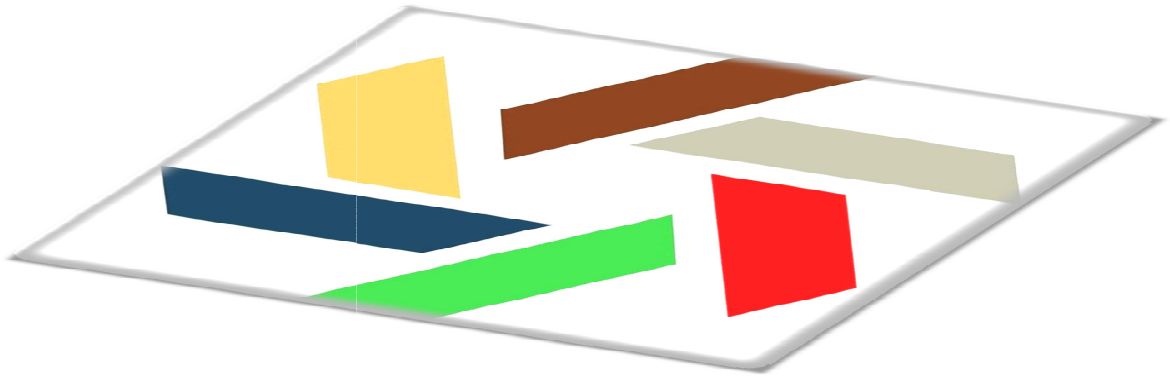


# South Bangla Agriculture & Commerce Bank Ltd.



**SBAC Bank**

সাউথ বাংলা এগ্রিকালচার এ

LOCAL BANK GLC



# BRAC University

Internship Report on

“How SBAC Bank Ltd. minimizes their risk level in case of different loan categorizes?”

## Prepared For:

**Sharmin Shabnam Rahman**

Senior Lecturer, BRAC Business School  
BRAC University

## Prepared By:

A.M. Tamim Ahmed  
ID: 09204053

Date of submission: June 25th, 2014



## Letter of Transmittal

June 25th, 2014

**Sharmin Shabnam Rahman**

Senior Lecturer, BRAC Business School

BRAC University

**Subject: Submission of Internship report.**

Dear Madam,

With the great pleasure I submit the internship report as a partial fulfillment of BBA Program. I tried to give my best effort to prepare this report on “**South Bangla Agriculture & Commerce Bank Ltd.**”, Principal Branch, Dilkusha, Motijheel, according to your guideline. I also tried to focus my best work sincerely to cover all aspects regarding the matter.

Practical exposure is very essential for orientation with the real world- working area. I have gained a sound knowledge and understanding of the basic operation of the bank. I have thoroughly enjoyed preparing this internship report which has contributed significantly to my understanding of the essentials and importance of practical knowledge. I express my special gratitude to you for dedicating your valuable time and helping me whenever needed.

Sincerely Yours,

A handwritten signature in blue ink, appearing to read "A.M. Tamim Ahmed", enclosed in a light blue rectangular box.

**A.M. TAMIM AHMED**

**ID # 09204053**



## **Executive Summary**

With the slogan “A Local Bank with Global Vision” SBAC Bank Limited started its journey since April 28, 2013 with the firm commitment of excellent customer service. In its beginning year of operation, the Bank has opened 12 branches with real time online banking services and has made expected progress in all areas, making operating profit of Tk.139.15 million. Their aim is to build the bank as an institution of Financial Excellence. They have started this bank with two advantages: uniquely qualified leadership and BDT 408.96 Corer in capitalization. Building on this rock-solid foundation of financial empowered us to offer their customers a wide array of financial solutions. Combining these solutions with our wealth of banking experience provided us the momentum to propel our customers’ financial interests forward.

SBAC Bank Ltd. has already been moving through all avenues of a conventional banking like export, import, opening LCs, remittance, and both the funded and non-funded business. It also got approval for 10(ten) new branches for the year 2014 and they planning for open them very soon within this year.

In this report my main concern is on the credit management policy of SBAC Bank Ltd. Credit process is a long one and it has several stages. Firstly, the borrower’s application is considered after examining its financial strength and quality of assets. Based on the financial and asset qualities a risk grading is tagged to the borrower. The Business unit decides whether the borrower will be provided credit facility or not. A separate Risk Chain monitors the whole process in collaboration with the business unit. After decision of lending primary documentation and account opening process is performed by the respective units and upon perfection of the required documentation, the borrower is provided credit facilities. Credit related documents are standard documents formulated by the legal team of the bank. Upon perfecting of documentation CRM (*Credit Risk Management*) unit maintains the credit lines for the borrowers.

Before letting the customer to take drawdown, CRM collects the CIB (*Credit Information Bureau*) Report from the Database of CIB and checks the status of the borrower in question. This is a major checking done by CRM and the Head of CRM deals



with this to make sure there is no error in the process.

Loan monitoring is solely done by the CRMS unit. Repayment schedules are also closely monitored by CRM and classification status of the borrower's changes if there is any discrepancy or delays in repayment schedule CRM maintain that. Thus the whole process goes on in both the pre-sanction and post-sanction stages.

Under this long term process SBAC Bank manage their credit lending amount and also make their credit less risky as much possible. To make less risky they also take collateral as security along some valuable properties. There is also having so many ways to manage credit all are mention in details in this report later.

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# CHAPTER-1

## **Introduction**



## **1.1-INTRODUCTION**

Bangladesh is one of the developing countries in the world with the developing economy. Therefore, in an economy like this, banking sector can play a vital role to improve the overall social – economic condition of our country. The main motives of banks are profit-earning. The word ‘Bank’ refers to the financial institution that deals with money transaction in case collecting deposit like people’s idle money and investing other sectors or providing loans. Banks collect deposits at the lowest possible cost and provide loans and advances at highest cost. The spread between the two is the profit for the bank. Commercial banks are primary contributors to the national development of the country. The revenue earning sources of banks are mainly loans and advances. The credit facility can be two types: funded and non-funded. Funded credit can be expensive for the banks, as the bank has to pay interests. Non-funded credit includes Letter of Credit, Foreign Guarantee, Bank Guarantee, Remittance etc. These are the main source of income for the foreign exchange business. If a bank can increase its import and export transactions, its profit will obviously reach a higher level, as the costs are negligible here.

SBAC Bank Limited deals with money transaction as well as it deals with the customers. As the banks provide finance or lending to its counter parts, there arises a risk of credit risk, which is the possibility that a borrower or counter party will fail to meet its obligations in accordance with agreed terms. Even at present, this problem is haunting many banks and poses a major threat towards their sound performing. So it’s very important to have an effective and sound credit risk management system in place which will help the bank minimize its risk level and carry out successful financing service or lending.

With that issue in mind the topic “How SBAC Bank Ltd minimize their risk level in case of different loan categorizes” has been undertaken as my internship report.

## **1.2-Origin of the report:**

The internship program was a very crucial part of the BBA degree. The entire program duration was 12 weeks (3 months), which I spent learning about the organizational proceedings as well as professionalism in employees at *South Bangla Agriculture and Commerce (SBAC) Bank Ltd. Principal Branch, Motijheel Dilkusha*. These learning from internship would make any student more professional, sincere, well communicator, punctual and smart in various aspects.

During my three month internship I worked in different departments. That was a great opportunity for me. At first 1.5 month I have worked for General banking department. Under general banking there are three sections one is account opening (front desk also providing information to the clients), second one is cash section and third one is cheque clearance section. I got chance to work in two section under general banking. At 1<sup>st</sup> week I have worked in the account opening for 2 weeks then I shifted to Clearance section for rest of the one month. After the one and half month I finally shifted to the credit department. So it was a great experience for me to have chance to work in different departments

## **1.3-Objective of The Study**

### **A.Primary objectives**

General objectives are to gain the practical knowledge on the range of activities, policies associated with credit risk management policy. This report will also give the opportunity to relate my theoretical understanding with actual scenario in the light of Credit Risk Management Policy of Banks & state my findings & recommendation.

### **B. Secondary Objective**

- ✓ To apply theoretical and subjective knowledge in the practical field
- ✓ To know the banking activities properly

- ✓ To know about Retail/Loan products of a bank
- ✓ To know the decision undertaken by the top-level management to approve credits to the borrowers
- ✓ To analysis the Lending procedures maintained by the SBAC Bank Ltd.
- ✓ To identify problems in credit operations of The SBAC Bank Ltd.
- ✓ To measure the actual position in classified Loan and provisions maintained by SBAC Bank Ltd.
- ✓ To compare the performance with other commercial banks
- ✓ To recommend suggestions for the successful Lending Operations of the SBAC Bank Ltd.

## **C. Project Objective**

Presenting and Emphasizing on credit operation, credit risk management and credit performance including the credit payment system. And also to know how SBAC Bank minimizes their risk level in terms of different loan categorizes.

### **1.4-Scope of the study:**

Through my three month internship I worked in different departments. That was a great opportunity for me. At first 1.5 month I have worked for General banking department. Under general banking there are three sections one is account opening (front desk also providing information to the clients), second one is cash section and third one is cheque clearance section. I got chance to work in two section under general banking. At 1<sup>st</sup> week I have worked in the account opening for 2 weeks then I shifted to Clearance section for rest of the one month. After the one and half month I finally shifted to the credit department. So it was a great experience for me to have chance to work in different departments during these three months.

## **1.5-Methodology**

Here this Information has been collected to furnish this report from both primary and secondary sources. Most of the data of this report is mainly based on primary data. But I have also used secondary data from different sources and these are mentioned below.

**The primary sources are:**

- ✓ Face to face conversation with the manager and officers of the bank.
- ✓ From my daily work
- ✓ Practical desk work.
- ✓ Face to face conversation with the clients.
- ✓ Relevant document's studies as provided by the officers concerned.
- ✓ Personal diary what I have listed every day as my responsibilities.

**The secondary sources are:**

- ✓ Website.
- ✓ Annual report of SBAC Bank Ltd. 2014.
- ✓ Messages from Chairman and directors
- ✓ Relevant books, Research papers, newspapers and journals.
- ✓ Through internet searching

Most of the necessary information has been collected by face to face interview with the people working in different departments and also with my supervisors. Moreover, what I have learned from my three months working experience under different departments? Basically, I have written my understanding about banking during my internship time period.

## **1.6-LIMITATIONS OF THE STUDY:**

After my internship when I am going to make this report, I have realized that, there are lacking of information especially on my topic because Credit department is highly confidential department bank is not willing to provide my all question answer in more specifically. Moreover there is also having time limitation. What I have learn after a time being they thing that I am not a trustworthy person not a permanent employee so they do not feel free to provide me all information due to confidential.

- ✓ The duration of the internship is only 3 months (12 weeks) is not enough for the study in detail.
- ✓ Data are not available in a systematic way and not well organized what I have found so far due to they are very new bank.
- ✓ The authorities were unwilling to provide data because of confidentiality of the organization.
- ✓ Since banks personals were very busy they could provide me very little time.
- ✓ Their website's information is not updated.
- ✓ Most of new employees are not that much sure what information was providing to me.

CONFIDENTIAL

## CHAPTER-2

### **Organizational Overview**

## **2.1- HISTORY OF SBAC BANK Ltd.**

South Bangla Agriculture and Commerce (SBAC) Bank Ltd. is one of the new generation commercial bank got license in early 2013 and started operation in 28<sup>th</sup> April, 2013. The bank under intense supervision and some watchful steps climbed up to the peak in only a few months period. SBAC Bank has already opened 12 branches without head office in the main points like around Dhaka it has eight branches, Chittagong two branches, Khulna two branches etc. SBAC Bank Ltd. has already been moving through all avenues of a conventional banking like export, import, opening LCs, remittance, and both the funded and non-funded business. It also got approval for 10(ten) new branches for the year 2014 and they planning for open them very soon within this year. In the month of May, 2014 they have opened 3(three) more new branches.

### **a. VISION**

Their vision is to build poverty free, pollution free, healthy Green Bangladesh through sustainable development by application of latest information technology. They want to be the leading Private Commercial Bank in terms of efficiency, capital adequacy, asset quality, sound management and Profitability with strong liquidity. Their cherished dream is to establish ourselves firmly at home and abroad as a front ranking Bank of the country.

The SBAC Bank also, aiming to play a leading role in the economic activities of the country, is firmly engaged in the development of trade, commerce, agriculture and industry by investing in network expansion and new technology adoption to have competitive advantage.

### **b. MISSION**

The mission of SBAC Bank Ltd. is to provide a customer friendly environment by service excellence for all of corporate, agro based SME and retail segments by twisting agriculture, industrialization, trade & commerce and mobilization of foreign investment together as to foster emerging economy of green Bangladesh with the help of advanced Information Technology through different compatible delivery channels.

## **c. OBJECTIVE**

SBAC Bank believes in its uncompromising commitment to fulfill its customer needs and satisfaction and to become their first choice in banking. Taking cue from its pool esteemed clientele, SBAC Bank also focus on its tagline “LOCAL BANK GLOBAL VISION”.

## **2.2-PRODUCT AND SERVICES**

### **A. Deposit account:**

#### **1. CURRENT DEPOSIT:**

Current Deposit Account is the net flow of current transactions with no restrictions, including services and interest payments. Types of Current Deposit Account:

- ✓ Individual, joint
- ✓ Proprietorship
- ✓ Partnership
- ✓ Club, Society, Trust, Autonomous Body, Govt. Dep’t., Directorate etc.

#### **Regular Deposit Product Rate**

<b>Product Name</b>	<b>Interest Rate</b>	<b>Effective Date</b>
Current Deposit	0.00	2014-02-15
Saving Deposit (General)	6.00	2014-02-15
Short Noticed Deposit (7 Days)	<b>5.50 (Flat)</b>	<b>2014-02-15</b>
Foreign currency Accounts	0.00	2014-02-15



## 2. SAVINGS DEPOSIT ACCOUNT

A Saving Bank account (SB account) is offered to promote the habit of saving among the people of their idol money. Types of Savings Deposit Account:

- ✓ Individual
- ✓ Joint
- ✓ Club
- ✓ Society
- ✓ Others

## 3. Monthly Savings Scheme

Monthly Installment	500	1000	2000	2500	3000	4000	5000	Effective Date
03 years	21700	43400	86800	108500	130200	173600	217000	2014-02-15
05 years	40950	81900	163800	204750	245700	327600	409500	2014-02-15
08 years	79350	158700	317400	396750	476100	634800	793500	2014-02-15
10 years	113050	226100	452200	565250	678300	904400	1130500	2014-02-15

### Benefits to the Monthly Savings Scheme Accounts

- ✓ Scheme Accounts can be maintained and deposit from any branch.
- ✓ On maturity MSS accounts will get profit with attractive interest rate or will get flexible tenure benefit for pre-matured encashment.
- ✓ Standing Instructions facility will be free of charge.
- ✓ Secured Overdraft Loan facility is available against MSS accounts.

#### 4. Monthly Benefit Scheme

Product Name	Interest Rate	Monthly Profit per 1 Lac Deposit	Effective Date
3 years	12.00	1000	2014-02-15
5 years	12.00	1000	2014-02-15

#### Benefits to the Monthly Benefit Scheme Accounts

- ✓ Scheme Accounts can be maintained and Profit Withdraw from any branch.
- ✓ Account can be opened at any working day by depositing only Tk.1,00,000/- or it's multiple.
- ✓ Higher Profit can be get every Month against the deposited amount.
- ✓ Profit Transfer Instructions facility will be free of charge.
- ✓ Secured Overdraft Loan facility is available against MBS accounts.

#### 5. SHORT TERM DEPOSIT ACCOUNT:

Short Term Deposit Account is the net flow of current transactions including services and interest payments. Types of Short Term Deposit Account:

- ✓ Public Limited Co.
- ✓ Private Limited Co.
- ✓ Govt./ Semi Govt. / Autonomous / Corp
- ✓ Societies / Clubs. Etc

## 6. FIXED DEPOSIT ACCOUNT:

A fixed deposit is meant for those investors who want to deposit a lump sum of money for a fixed period; say for a minimum period of 30 days to one year and above, thereby earning a higher rate of interest in return. Investor gets a lump sum (principal + interest) at the maturity of the deposit.

### Fixed Deposit Receipt Products

Product Name	Interest Rate	Effective Date
FDR – 1 Month	09.00	2014-04-06
FDR – 3 Months	11.50	2014-05-19
FDR – 6 Months	11.50	2014-05-19
FDR – 12 Months	11.50	2014-05-19

### Benefits to the FDR Accounts

- ✓ Money can grow with attractive interest rate and flexible tenure starting from 1 Month FDR.
- ✓ FDR accounts can be opened with any amount.
- ✓ Auto renewal or profit transfer on maturity instruction can be facilitated and no need to come at branch frequently for such reason.
- ✓ Secured Overdraft Loan facility is available against FDR accounts.

## 7. Special Benefit Scheme:

Product Name	Interest Rate	Effective Date
Double Benefit Scheme	6 Years	2014-02-15
Triple Benefit Scheme	9 Years 7 Months	2014-02-15

### Benefits to the DBS & TBS Accounts

- ✓ Attractive and higher profit for the DBS and TBS Scheme products.
- ✓ Account can be opened at any working day by depositing only Tk.10,000/- or it's multiple.
- ✓ Secured Overdraft Loan facility is available against DBS and TBS accounts.

### 8. TRUST SMART SAVERS SCHEME (TSS):

The name of the scheme is 'Trust Smart Savers Scheme (TSS)' and an Account holder subscribing to this scheme will be called TSS Account holder.

### 9. SBAC LAKHOPOTI SCHEME:

It is a benefit-rich Savings Scheme Account Product with Terminal Benefit of 1 Lac Taka for any resident citizen of Bangladesh. The period of maturity for these accounts will be 3 Years, 5 Years, 10 Years or 15 Years regarding the Monthly Deposited amount.

Interest Rate	Tenor for Matured Benefit of Tk.1 Lac	Monthly Installment	Effective Date
12.50	3 Years	2,305	2014-02-15
12.50	5 Years	1,225	2014-02-15
12.50	10 Years	445	2014-02-15
12.50	15 Years	210	2014-02-15

They also have some other special purpose deposit scheme like TRUST EDUCARE SCHEME,

Monthly Benefited Deposit Scheme beside these also has some other saving schemes under their banking service.

## **B. Retail banking products:**

Though SBAC Bank is a new comer in the banking sector so, till now it's not providing all retail services already other banks have launched, but there are trying to covering main services. All are listed below which are already offering and planning to offer very soon.

- ✓ House Hold Durable Loan scheme
- ✓ Doctor's Loan
- ✓ Advance against Salary
- ✓ Education Loan
- ✓ Travel Loan
- ✓ Hospitalization Loan
- ✓ Any Purpose Loan
- ✓ CNG Conversion Loan
- ✓ Marriage Loan

## **C. OTHER PRODUCTS**

### **1. Credit Card service:**

Credit Card is going to designed to be a privileged card for anyone to enjoy benefits to make the best of their lifestyles. This will not just a credit card; it is going to be the most modern solution for financial situations that gives you prestige and respect for every transaction you make with this card.



## **2. Debit Card service:**

South Bangla Agriculture & Commerce Bank Limited is already offered the facilities of ATM/Debit Card to all its account holders. From the starting of SBAC Bank, it has invested a great deal on expansion of its ATM infrastructure. Apart from providing facilities through its own channels, They also have come into terms with other major ATM service only to bring in more area of coverage to provide ATM and POS service to SBAC's clients. As a result SBAC Customers can enjoy the facilities throughout the country.

## **3. 24x7 service**

24x7 service packages are all about making your life easier, giving you the freedom and flexibility to manage your banking requirements wherever and whenever you want. South Bangla Agriculture and Commerce Bank Limited is working on opening 24 X 7 banking for you

## **4. Off Shore Banking**

Off Shore Banking is a unique solution for Banks across the globe to carry out international banking business involving Non-resident foreign currency denominated assets and liabilities taking the advantages of low or nonexistent taxes/levies and higher return on investment. SBAC Bank Ltd. is taking a strong step to extend its network in the special export processing zone created for foreign investors and local entrepreneur engaged in 100 percent export based industry.

## 5. Lease Finance:

As a part of its strategy to ensure steady growth and add value to shareholders, SBAC Bank diversified its business into Lease Finance for acquisition of all types of Industrial, Manufacturing and Service Equipments.

## 6. Syndicate Finance

SBAC Bank offerings syndicate finance for its valued customers. We are always for our customer, so if you need a massive amount to invest and it has strong base for progress, we must go for it and will take the necessary steps for making a syndicate with other bank.

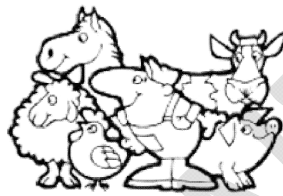
## D. AGRICULTURE BANKING

SBAC Bank has provided financial services to the agricultural sector of Bangladesh and is committed to the development of agriculture across the nation. They are the only one private bank of Bangladesh who has main focus on agricultural sector, That's why with the name of their Bank, agriculture word is clearly included. They offer a wide range of finance, investment and risk management solutions across a diverse range of agribusiness products and commodities, and services to the agricultural value chain.



## 1. Livestock Loans

The Livestock Loan program of SBAC Bank Ltd. facilitates growth of nations' livestock industry, including cattle, fisheries and sheep. The program provides producers with alternative financing options to purchase livestock or construct or expand feedlot facilities. Some producers also use the program as a management tool to generate cash flow through retained ownership of livestock.



## 2. Agro Help Desk

SBAC Bank Ltd. aims to provide Agricultural Support for farmers and growers of Bangladesh and for this reason its every branch has special dedicated *Agro Help Desk*.

## 3. Farmers Deposit

Bangladesh is an agriculture dependent country and farmers are its life. South Bangla Agriculture and Commerce Bank Limited believe that farmers should get proper banking coverage along with all banking facilities. That's why SBAC Bank working on developing various farmers deposits scheme and products to secure their life.

## 4. Machineries Loans

SBAC Bank Ltd. has the facilities to provide financial support for purchasing, repairing and expansion of the farmer's machineries



## **5. Grower Loans:**

SBAC Bank Ltd. is working for the country's grower's prosperity. At this aim various products and services are going to be introduced soon.

## **E. OTHER SPECIAL SERVICES**

SBAC Bank Ltd. believes on customer's satisfaction. We are aiming to provide all types of Technology Banking and for the higher satisfaction of customer we are bringing Call Centre, Evening Banking service and Utility Services. We are continuously working for improving our services and our goal is to reach the top on customer services.

### **1. Technology Banking**

SBAC Bank's Banking Technology services that makes managing your finances a pleasure, letting you fulfill most of your banking needs online. Currently they are using *TEMENOS T24* one of the top most core banking software of the world for providing superior customer service and very soon they are going to launch the entire IT related banking product such as Internet Banking, Mobile Banking, and SMS Banking for our customers.

### **2. Evening Banking**

SBAC Bank Ltd. offers premium retail banking services to individual customers with a large variety of deposit and loan products. Our Consumer Banking business continuously meets the challenges of developing new products and services to match the specific requirements of customers. At SBAC Bank, we know your time is precious; and that's why we have Evening Banking & Saturday Banking facility for you. Evening Banking is available after regular banking hour. This service is attractive for those like shopkeepers who accumulate cash as sales proceeds in the afternoon when counters of Bank Branches usually remain closed. The service is available at selective branches of our Bank.

### **3. Ramittance Service**

To facilitate sending money in Bangladeshi Taka directly, South Bangla Agriculture and Commerce Bank Limited is going to take drawing arrangement with many banks/exchange companies in different countries. The expatriate Bangladeshis may send their money in BDT (Bangladeshi Taka) through the branches/subsidiaries of SBAC Bank Ltd. and foreign banks/exchange companies.

### **4. Utility Service**

SBAC Bank Ltd. provides different utility services to our valuable customers through several services. These entities work under respective departments. The services include various utility services. Each service works under its own legal and business framework. And the customers have to pay to government according to their bills. Respective entities are responsible for providing services and billing of the customers.

### **5. Call Center**

Call Center is an important part of modern banking system. It is almost impossible to believe modern banking without a Call Center. It's an important part of modern banking customer care service. SBAC Bank Ltd. from the beginning understands the need of call center for its valuable customers. Call Center operation is going to be online for our customers soon.

## CHAPTER-3

### **Job**

### **Description**

### **3.1-WORKING EXPERIENCE AT SBAC BANK**

All though SBAC Bank Ltd. is new comer in the banking sector but it has very fast growth and I hope very near future it will reach it's targeted. SBAC Bank is spreading network all around the country slowly. Till now it has 14 branches with head office these are just covering the main commercial areas and 1<sup>st</sup> priority targeted places. But SBAC Bank is planning their growth with several branches all over the country, already this bank got permission for 12 more branches in several places. Being able to work in this bank I find myself lucky. Because it is a new bank so I got chance to had real work experience what actually their Trainee Officer do. I worked at the Dilkusha, Motijheel Principal-Branch of SBAC bank. The working environment of SBAC bank was really nice. The experience that I collect in three months that is very effective for me. I did my internship under my supervisor Mr. Sheikh Sharfuddin, First Assistant Vice President, Principal-Branch, Dilkusha, Motijheel.

### **3.2-SPECIFIC RESPONSIBILITIES**

During my three month internship I worked in different departments. That was a great opportunity for me. At first 1.5 month I have worked for General banking department. Under general banking there are three sections one is account opening (front desk also providing information to the clients), second one is cash section and third one is cheque clearance section. I got chance to work in two section under general banking. At 1<sup>st</sup> week I have worked in the account opening for 2 weeks then I shifted to Clearance section for rest of the one month. After the one and half month I finally shifted to the credit department. So it was a great experience for me to have chance to work in different departments.

**Table 1: Plan of Job rotation**

<b>Duration</b>	<b>Department</b>
February 2 <sup>st</sup> through 13 <sup>th</sup>	General Banking (Accounting opening & front desk)
February 16 <sup>th</sup> through 13 <sup>th</sup> March	General Banking ( Cheque clearing)
March 16 <sup>th</sup> through 30 <sup>th</sup> April	Credit and Loan

In the general banking department I was under the supervision of MR.. Asaduzzamn Asad, Executive Officer (in change). Under general banking I have worked in two sections firstly at account opening section after that at cheque clearance section. In the below I have described what I have learned from General Banking Department.

### **3.3-Description**

#### **A. Account opening Section:**

Under account opening first two days I just understood what are they do here and tried to learn what type of account are offering and what type of documents needed for what type of account. Then from 3<sup>rd</sup> day I was working with the help of other officers and finally I found it is pretty easy and also interesting, but one thing is highly tough I found that is customer facing in case of providing information and helping in different case because different customers have different attitudes.

#### **A.1-Responsibilities and Performance:**

- ✓ Fill up current accounts from
- ✓ Checking all required documents
- ✓ Make transaction portfolio
- ✓ Provide cheque books

- ✓ Provide voucher books
- ✓ Provide internet banking form and help to fill it up
- ✓ Scan signature card and photograph
- ✓ Fill up Scheduled Bank Statistics (SBS) and KYC form for each customer
- ✓ Write Pay Order
- ✓ Prepare FDR and Pay Order block with seal
- ✓ Late on I also provided some basic and particular information to the customers

## **A.2-Critical observation and recommendation:**

During, my internship time period I found there are some weakness in the accounting opening section though SBAC Bank is new bank so their main target is hunting more customer therefore they open account without fulfilling all requirements and documents. Therefore their pending and dummy account is rising day by day.

- ✓ They use photo copy before original form so it is time consuming.
- ✓ Lots of dummy and incomplete account form
- ✓ As information desk there have to have more expert employees for better customer service because there was one offices rest of them were trainee officer (TO)

## **B-Cheque Clearance Section:**

After two weeks I was shifted to the cheque clearance section and I like that job most because there all activities were highly time based and same activities need to do every day. Here we 1<sup>st</sup> collect cheque form cash section then at first used cross sill of our principal branch. After that, at the back side of the cheque we used different seals according to the cheque types. If cheque is low value or regular (below then 5 laces) we have used clearing seal and payee's account credit at the back. In case of high value we have used payee's account credited and same day clearing seals at back side. Then we present all cheques to the Bangladesh Bank through scanning.

According to Bangladesh Bank we need to present high value cheque (5 lacs or above) by 11.45pm

In the clearance section there are two types of cheque presentation one is **inward** and other is **outward**. In case of inward cheque we need to debit customer account and here we also confirmed over phone before debited account. We also cut charges of cheque like for high value cheque 60tk (included Bangladesh Bank charge 50tk, income 8.50tk and vat of income 1.5tk). IN case of regular cheque u cut 10tk (included Bangladesh Bank charge 8tk, income 1.70tk and vat of income 0.30tk). After that I also input all charges to the server. Finally we need to wait for presenting report of Bangladesh Bank if it is done we count how many cheque have passed and if there any dishonor cheque we called the customer and noted to the register with valid reason why dishonored?

### **B.1-Responsibilities and Performance:**

- ✓ Collect clearing cheques (cheques from another branch)
- ✓ Putting different seal on cheques
- ✓ Count vouchers
- ✓ Cutting changes of cheque
- ✓ If there are any return cheque call customer
- ✓ Record return cheques in register book

### **B.2-Critical observation and recommendation:**

I had a great experience working at SBAC Bank Ltd., Dilkusha principal-Branch. This experience helped me to learn many things from them. After working with them I have observed and some of my recommendations about clearance section are given below:

- ✓ They have a very friendly working environment and their employees are co-operative.

- ✓ Though banking hour is 09.30 am to 6.00 pm but most of the time bankers can't leave workplace before 7 to 8 pm because of work pressure.
- ✓ In case of inward cheque we they need to confirm over phone but sometimes some customers do not feel comfort with this system compare to other banks
- ✓ Lastly, IT department is not well developed as most of the day I saw their system was down and did not work properly which creates problem for both employees and clients. So they should work on that.

### **C-Credit Department:**

Finally, after one and half month I have shifted to the credit department that is situated in the 1<sup>st</sup> floor of same building. At the first day, I got introduced to all the officers in the Credit Division of the principal-Branch. Here I also found another supervisor currently he is the First Assistant Vice President, Mr. Sheikh Sharfuddin. My supervisor is very fun loving person and he also helped me to gather all knowledge regarding credit and also share some practical experience.

Since the first day, the two officers who I work along with and my supervisors started teaching me how the whole credit division works. I did not understand the whole thing the first day but after a few days I got familiar with all the documents and the process.

There is not much work to do in my division compared to the front end, as in general banking or the foreign exchange department.

#### **C.1-A brief summary of how the credit division of SBAC works:**

- ✓ Client comes for loan
- ✓ Client provides application for loan
- ✓ Client provides all the documents including financial statements
- ✓ Officers go on field visit for verification
- ✓ CIB (Credit information bureau) reports are taken from the Bangladesh Bank for farther analysis
- ✓ A proposal is created which includes CRG (Credit Risk Grading), CIB and financial statements analysis.



- ✓ The head office approves the loan
- ✓ A disbursement of the loan is created and the banking software is updated crediting the loan amount in the loan/savings account

### **C.2-Usual Charge Documents to be obtained from the client:**

- ✓ Demand Promissory Note (D.P. Note)
- ✓ Letter of Arrangement/Agreement
- ✓ Letter of Disbursement
- ✓ Letter of Authority to debit/realize margin, interest and charges from customer's SB/CD/Loan A/C.
- ✓ Personal Guarantee of the Borrower and his/her spouse.
- ✓ Personal Guarantee of the Mortgagors (if any).
- ✓ Letter of Continuity
- ✓ Letter of Hypothecation.
- ✓ Letter of Revival to cover limitation period.
- ✓ Letter of Trust Receipt (for LTR).
- ✓ Counter Guarantee (for Bank Guarantee)
- ✓ Letter of Indemnity.
- ✓ Letter of Lien (for keeping FDR/FO as security)

### **C.3-FSS (Financial Spread Sheet) Analysis:**

After three weeks, I have learned about the FSS (financial spread sheet) provided by the Bangladesh Bank. It is provided along with the CRG report and a FSS is made before the CRG. The outputs of the FSS are used in the CRG report of the client.

The FSS is well designed and programmed excel sheet having two parts. Input and Output Sheets. The financial numbers of the clients need to be inputted in the Input Sheets, which will then automatically generate the Output Sheets.

The clients provides at least three years of audited financial statement to the branch. The

numbers from these audit reports are then inputted into the FSS.

**The outputs of the FSS provide the following ratios:**

- ✓ Growth ratios
- ✓ Profitability ratios
- ✓ Coverage ratios
- ✓ Activity ratios
- ✓ Liquidity ratios
- ✓ Leverage ratios

Along with the ratios, it also provides a generated indirect cash flow statement in its output in another sheet.

#### **C.4-Client's Proposal includes:**

The final output of all the statements made for the client who includes the FSS, CRG; CIB etc are inputted in the proposal for the loan of a client.

Before we begin writing the client's proposal, there are four things that you need to be able to clearly address:

- ✓ How the client's business will use the money.
- ✓ How much money the client needs.
- ✓ How the client will repay the loan.
- ✓ What the client will do if your business is unable to repay the loan.

**Proposals vary from client to client. Generally, a loan proposal should include these elements:**

- ✓ Executive Summary
- ✓ Business Profile
- ✓ Management Experience
- ✓ Loan Request

- ✓ Loan Repayment
- ✓ Collateral
- ✓ Personal Financial Statements
- ✓ Business Financial Statements
- ✓ Equity Investment
- ✓ Projections

### **Critical observation and recommendation:**

In the credit department I have found there is lots of work pressure for preparing loans proposal. There most worth thing was for me this department is more confidential so there are do not have much work for me as intern. So in this case I have to collect my required information by asking to officers of credit department and I also did some task what gave my supervisor to me. I have found some good and bad things in this department.

- ✓ This is the department is highly organized
- ✓ Good working environment
- ✓ In CIB report total loan amount of client is given but here we did add up all amount in excel sheet and I think it is time consuming.
- ✓ Disbursement Time is around 1 month so; it is really a huge time for a person which creates customer dissatisfaction.

# CHAPTER-4

## **The Project Part**

## **4.1-Credit**

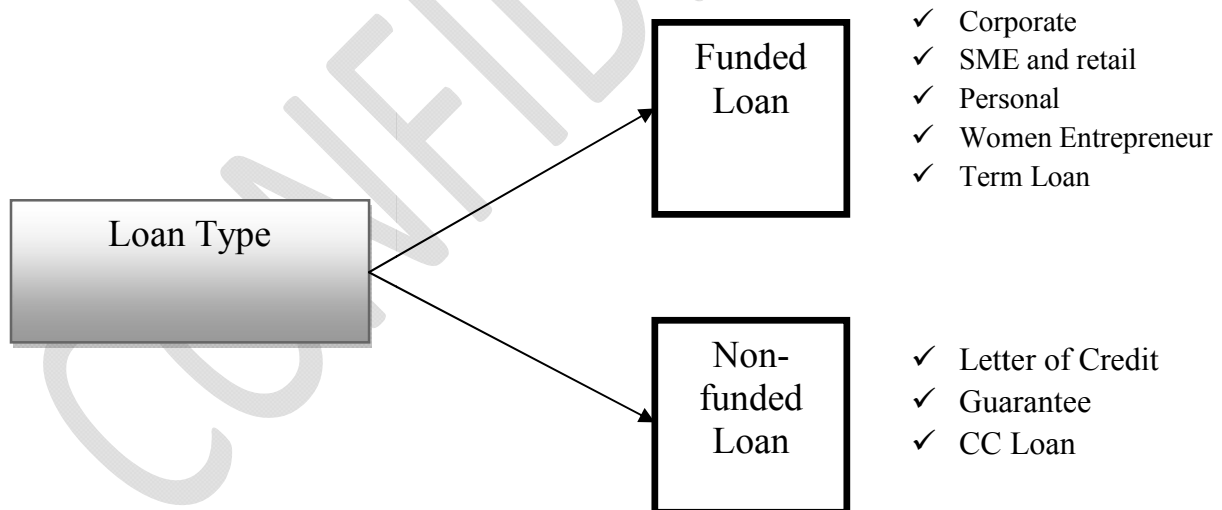
Generally terms Credit means a contractual agreement in which a borrower receives something of value now and agrees to repay the lender at some date in the future, basically with interest. The term also refers to the borrowing capacity of an individual or company.

Another way we can say that, the amount of money available to be borrowed by an individual or a company is referred to as credit because it must be paid back to the lender at some point in the future.

Now days this is much known in case of banking activities and in every bank there is a department named Credit Department they manage the credit activities. I have mentioned before providing loan is the only way to make profit for a bank therefore, credit department is a most important department for a bank.

In formulating a credit judgment and making quality Credit Decisions, the lending officer must be equipped with all information needed to evaluate a borrower's character, transaction habit, management competence and capacity, capital, ability to provide collaterals and external conditions which may affect his ability in meeting financial obligations.

### **Basic Categorized of Loans:**



Though SBAC Bank Ltd. is a very new so, they are not well organized yet with their different loan categorizes but they are providing different types of loans directly conducting with their customers at own place, these are not published in their website yet. But very soon all types of loan's information will be available in details in their website.

## **4.2-Credit Risk**

Credit risk is the possibility that a borrower or a counter party will fail to meet its obligation in accordance with agreed terms.

Credit risk arises from the bank's dealing with or lending to corporate, individuals and other banks or financial institutions.

Credit risk is an investor's risk of loss arising from a borrower who does not make payments as promised. Such an event is called a default. Another term for credit risk is default risk.

## **4.3-Probable causes of Credit risk:**

- ✓ Short term cash flow or liquidity problem
- ✓ Inability to pay installment
- ✓ Delays in payment due to operational issues with the treasury function
- ✓ Unwillingness to pay
- ✓ When a government grants bankruptcy protection to an insolvent consumer or business
- ✓ Longer term solvency issues

## **4.4-Procedure of loan distribution**

First Credit department personnel's collect all information of clients like organization's back ground, their payment trends, transaction behavior, total loan amount, running loan amount, assumption future condition etc. The primary factor determining the quality of the bank's credit portfolio is the ability of each borrower to honor, on a timely made to the bank. The authorizing credit personnel prior to credit approval must accurately determine this. If the report of the project appraisal is very satisfactory to approve the loan proposal, than the following steps furnish the approval procedure and send proposal to the *Head Office* for further consideration.

## **Steps SBAC Banks follows:**

- ✓ Make a proposal by the client to the bank
- ✓ Give all the necessary documents
- ✓ Bank will send the parties statement to the Bangladesh Bank, their CIB (Credit Information Bureau) will inquiry that whether this party is defaulter or a new one.
- ✓ Bank will take the collateral from the party and analysis that how much it will cover the total loans.
- ✓ Bank will send this proposal to the head office. In the head office the Board of Directors and Managing Director will approve the loan.
- ✓ Head office will send the approval to the branch office.
- ✓ Branch office will give the sanction letter to the party.
- ✓ Bank will take the security and make it in their favor.

## **Disbursement**

After completing all the necessary steps for sanctioning loans bank will create a loan account by the name of the party and deposit the money to that account. Bank will give cheque books to the party and advise them to draw the money and use it as soon as possible, because whenever the money will transfer to the account interest will count from that time. That's how a loan approved by SBAC Bank.

## **4.5-Deposit, loan and profit during 2013**

During 2013, SBAC Bank has expanded its business significantly: deposits Tk. 4,441.95 million, loans and advances Tk. 3,006.76 million and operating profit Tk. 139.15 million. Earnings per share are Tk. 0.11. The bank maintained a healthy loan deposit ratio of 67.69% during the year 2013.

## **4.6-Credit Analysis terms**

In term of analysis every bank uses lots of techniques some are their own analytical terms and some are used according to Bangladesh Bank (central bank) policy. In the below I have mention some important terms of them used by SBAC Bank Ltd.

### **A.Credit risk grading:**

Credit risk grading is an important tool for credit risk management as it helps the Banks & financial institutions to understand various dimensions of risk involved in different credit transactions. It is the technique of Bangladesh Bank (central bank) so it is same for all banks. The aggregation of such grading across the borrowers, activities and the lines of business can provide better assessment of the quality of credit portfolio of a bank or a branch. The credit risk grading system is vital to take decisions both at the pre- sanction stage as well as post-sanction stage.

At the pre-sanction stage, credit grading helps the sanctioning authority to decide whether to lend or not to lend, what should be the loan price, what should be the extent of exposure, what should be the appropriate credit facility, what are the various facilities, what are the various risk mitigation tools to put a cap on the risk level.

Moreover, at the post-sanction stage, the bank can decide about the depth of the review or renewal, frequency of review, periodicity of the grading, and other precautions to be taken. Therefore, credit risk grading is most important tool to consider before and after loan stages. In the below I have mention how it works?

### **Functions of Credit Grading**

Well-managed credit risk grading systems promote bank safety and soundness by facilitating informed decision-making. Grading systems measure credit risk and differentiate individual credits and groups of credits by the risk they pose. This allows bank management and



examiners to monitor changes and trends in risk levels. The process also allows bank management to manage risk to optimize returns. Here all activities based on the risk score.

## Use of Credit Risk Grading

- ✓ It is policy structure applying by the Bangladesh Bank so it is same for all banks and financial institutions.
- ✓ By CRG borrower is rated with the risk level and the other decisions would be related to pricing & specific features of the credit policies. These would largely constitute obligor level analysis.
- ✓ Risk grading would also be relevant for surveillance and monitoring, internal MIS and assessing the aggregate risk profile of a Bank. It is also relevant for portfolio level analysis.

## Number and Short name of Used in the CRG:

For scoring the risk there are different status and different numbers by adding final score come up.

- ❖ The proposed CRG scale consists of 8 categories with Short names and Numbers are provided as follows:

GRADING	SHORT NAME	NUMBER
Superior	SUP	1
Good	GD	2
Acceptable	ACCPT	3
Marginal/Watch list	MG/WL	4
Special Mention	SM	5
Sub standard	SS	6
Doubtful	DF	7
Bad & Loss	BL	8

### ❖ **My contribution In CRG**

Credit Risk Grading is very critical task so my supervisor did not wanted to do this type of work by me. So basically I did not have any participation in this analysis work but basic things I knew from Mahathir Mohammad Uday, Officer Credit Department. They analyze a client's all required information and documents properly as CRG follows. Then they come up with a status among 8 (right) statues and according to the number they just add up scores and finally able to find the risk level of that organization. In this way SBAC Bank Ltd. using CRG analysis minimizes their risk level in case of different loans.

### **B. Credit Information Bureau (CIB) Analysis**

The Credit Information Bureau (CIB) of Bangladesh Bank is responsible among others for collection, processing and maintaining an updated database of credit related information supplied by participants, institutions which extend credit i.e. banks(Act.14, 1991),Financial Institutions(Act.27, 1993), HBFC (Presidential Order 7, 1973), ICB (ICB Order 40, 1976). The CIB was set up on 18 August 1992 in the Bangladesh Bank. One of the objectives behind setting up of the CIB was to minimize the extent of default loans by providing the participants with timely reports on credit information based on the enquiry/request about the loan applicants so as to facilitate credit risk analysis by the banks/Fis and decide promptly on the loan applications

CIB report is a document of an individual, which contains the repayment history of liability. The CIB is generated from central bank of Bangladesh which is Bangladesh Bank. In the previous time, the CIB was generated manually which took about 15 to 20 days but now a days, it is generated through online from the server of Central Bank which takes just a few seconds.

Therefore, CIB report is one of the most important analytical terms that help the sanctioning authority to decide whether to lend or not to lend. In the below explained in detail.

### **Process of generating CIB:**

- Browse the website of central bank (Only authorized person are allowed to visit).
- Select the liability type that the applicant wants to take from home financial institution.
- Input all the required information about the applicant and submit it.
- Download the pdf format of CIB.
- They also calculate the all loan amount to make over sure the CIB report.

### **Mandatory Information required for generating CIB:**

- Applicant Name
- Parent's Name
- Applied Amount
- Date of birth (DOB)
- District of birth
- National Id/Passport/Driving License number.
- Permanent Address

I have spent the last one month of my internship obtaining CIB reports of various clients who have submitted an application for loans to the principal branch.

### **How works CIB**

Though all personnel are very busy in the bank but, the officers I work with still found some time to show me how to analyze the CIB reports which are downloaded last week. CIB reports are confidential documents and clients are not supposed to have access to it. The banks from which the client has taken loans and advances are not mentioned but the amounts due, defaults on loans, amounts outstanding on each loan are shown separately.

If the clients have not paid installments and have exceeded the time or amount limit, the loan's status is marked as below shown.

**Loan Classification Status is as follows:**

- **UC** (unclassified): regular payment status
- **SMA** (Special Mentioned Account): 2 to 6 months unpaid
- **SS** (Sub-Standard): 6 to 9 month unpaid
- **DF** (doubtful): 9 to 12 month unpaid
- **BL** (Bad and Loss): 12month or more unpaid
- **BLW** (Bad and Loss Written-off): Totally unpaid

If borrowers have classified account i.e. SS, DF, BL, BLW are treated as defaulters and bank not going to give any loan to that client.

Details for: Term Loan			
Ref	1	Next due installment amount:	0
Role:	Borrower	Monthly instalment amount:	2920000
Phase:	Living	Remaining instalments:	
Facility:	Term Loan	Number:57	Amount:199999853
FI code:	F13	Unpaid due instalments	
Starting date:	11/06/2013	Number:0	Amount:0
End date of contract:	15/06/2018	Maximum unpaid amount:	0
Method of payment:		Maximum level of default:	0
Personal guarantees:	Payment Guarantee	Number of months with maximum level of default:	0
Total number of instalments:	60	Number of days of payment delay:	0
Payments periodicity:	Monthly instalments		
Number of time(s) rescheduled:	0		
Term Loan	Living	Borrower	26/05/2013 27/10/2013 0

**A sample screenshot of a loan marked UC from a client's CIB report.**

## Other Uses of CIB Report:

I also learned how to input the loan and advance information into the Bangladesh Bank online CIB database. So far we only took out CIB reports out of the database for consumers and corporate clients. When their loans are approved and disbursed, these loans must be inputted back into the database so that other banks can have access to the information for future reference and for giving future loans. These databases of all the clients of the bank must be updated every month to reflect the current position of the loan outstandings and dues. Updating and creating these loan profiles must be done very carefully and accurately.

*Below is a screenshot of the profile of a client's loan in the bank:*

Contract >> Edit Installment Contract			
Branch Code	0102	Starting date of Contract	2013-08-01
FI Subject Code*	100001879	Request date of Contact	2013-08-01
FI Contract Code*	01892000002148	Planned end date of Contract	2019-07-31
Contract Type*	TL	Actual end date of Contract	
Contract Phase*	LV	Date of Last Payment	2014-02-27
Contracts Status*	Unclassified (UC)	Flag Subsidized Credit	
Currency Code	BDT	Flag pre-finance of Loan	
Currency Code of Credit*	BDT	Code Reorganized Credit	
Personal Guarantee Type	072	Personal Guarantee Amount	
Real Guarantee Type		Real Guarantee Amount	
Total Financed Amount*	2300000	Type of Leased Good	
Total number of Installments*	72	Value of Leased Good	
Periodicity of Payment*	M	New / Used	
Method of Payment	DIR	Brand	
Monthly Installment Amount	31945	Registration No	
Expiration date of next Install	2014-03-31	Date of Manufacturing	
Amount of next Expiring Installment	31945	Due for Recovery	
Number of Remaining Installments	65	Recovery during the Reporting Period	

The contract type means the type of the loan the client has taken. Here TL stands for term loan.

The contract phase means the current status of the loan. Here LV stands for living which means the loan is still active. A loan contract which has ended will be marked terminated

After CIB report analysis if a client who has a SMA or below status on a loan are not given any sort of loans from any banks in Bangladesh. In this way a SBAC Bank minimize their risk level or make more secure loan.

### ❖ **My contribution In CIB Analysis**

CIB analysis is another important tool for reducing risk level. Very first in credit department I have learned about CIB after learning loan all categorizes of SBAC Bank. In CIB I have good contribution and I have lots of work there. CIB report is a document of an individual, which contains the repayment history of liability (all loans). At first we need to browse the website of Bangladesh Bank here only have authorized person access. We have to select the liability type that the applicant wants to take from home financial institution. Input all the required information about the applicant and submit it. Finally, we download CIB report of that client as pdf format. These all tasks to do there need authorized person only so I did not do anything up to download. CIB report is very well organized and has clear information. After that I had work there like in CIB there are total loan amount, total number of loans, total amount of due amount have given but to make over sure we do check it again and sum all the all amount again in their programmed excel sheet, if it is same as CIB report then we have done. UC (unclassified) statues client get loans very easily. SMA (Special Mentioned Account) may get loan if it is not over the limit amount mentioned my Bangladesh, but other statues client like SS, DF, BL and BLW will not get any loan from any bank. SBAC Bank that's how uses CIB analysis to reduce their risk level.

## **C. Field Visit or Physical Observations of Organization:**

Physical observation is one of the most important parts of the analysis regarding loan. It is reflect the present condition of the organization, show type of business, present assets available, areas of business, whether the business has enough cash flow to meet the installments of the loan or not etc.

One day with an officer with whom I worked, we went on two field visits. One of them was in an Eye Hospital who wanted a loan to buy a few hospital equipments. The other field visit was to a factory in Old Dhaka which produced various machineries which made paper cartons. Most of their clients were from the garments sector. They wanted to expand their business and go towards backward integration to cut on costs due to increased pressure from Indian and a few local manufacturers of the machineries they produced.

### **The things to assess in a regular field visit:**

- Assessment of the Sales Register of the applicant's business.
- A stock report of the applicant's business.
- Assessment and valuation of fixed assets which could be held collateral for the loan.
- Expenses incurred by the business including employee salaries.
- Assessment whether the business has enough cash flow to meet the installments of the loan.

### **❖ My contribution In Physical Observations**

Physical observation is also very effective for risk management and very strongly applied by the SBAC Bank Ltd. It is a secondary activity of risk management after getting the loans proposal from clients & all required documents and after CIB analysis they go for physical observation. By physical observation they can find out the present condition, assets and documents legality what their clients provided. One day with an officer with whom I worked, we went on two field



visits. One of them was in an Eye Hospital who wanted a loan to buy a few hospital equipments. The other field visit was to a factory in Old Dhaka which produced various machineries which made paper cartons. Most of their clients were from the garments sector. After the physical observation they go for more critical analysis of their client's financial issues with different ratios to make loan more secured.

#### **D. Financial Spread Sheet (FSS) Analysis:**

I also have learned about the FSS (financial spread sheet) provided by the Bangladesh Bank. It is provided along with the CRG report and a FSS is made before the CRG. The outputs of the FSS are used in the CRG report of the client.

The FSS is well designed and programmed excel sheet having two parts. Input and Output Sheets. The financial numbers of the clients need to be inputted in the Input Sheets, which will then automatically generate the Output Sheets.

The clients provides at least three years of audited financial statement to the branch. The numbers from these audit reports are then inputted into the FSS.

Basically, a bank using the financial spread sheet of a client they apply in different ratios to check the financial condition, company's growth rate, asset availability, profitability, payment ability, cash or liquidity etc. By these ways SBAC Bank Ltd. analyze the worthiness of their clients to make the loans more secure and to minimize the risk level.

#### **The outputs of the FSS provide the following ratios:**

- ✓ Growth ratios
- ✓ Profitability ratios
- ✓ Coverage ratios
- ✓ Activity ratios



- ✓ Liquidity ratios
- ✓ Leverage ratios

Along with the ratios, it also provides a generated indirect cash flow statement in its output in another sheet.

## **E. Collateral management:**

A bank always prefers collateral to make their credit more secured. SBAC bank also applies collateral strategy in their credit management. A collateral loan is a loan secured by some asset that company or individual has own who asking for loan. That individual or company promise to hand the asset over to the lender if you cannot repay the loan as agreed. By using a collateral loan, the lender takes less risk, and it may be easier for r bank to get funding.

Without collateral loans are unsecured. When a loan is unsecured, there is no property or collateral to secure or guarantee the loan so; in this case loans are more risky loan but, if there are collateral then if an individual/company/client fail to repayment at that case bank has right to sell the property to collect their loan amount.

## **What things can be used as collateral?**

### **1. The Land or car itself**

If any client wants loan for purchasing a land or car in this case that same land or car can be the collateral and it is more preferable for a bank

### **2. Property**

If you own a piece of property, you can use this property as collateral on essentially any other loan. This includes a home, car or office building. Any physical asset owned by you

### **3. Stock and Savings account**

Physical assets are not the only ones that can be collateral. Investments and savings can also be

used to secure a loan. In this case, you will also get benefit of interest though it is under bank control

#### **4. Home Equity**

Home equity is a solid source of collateral for a number of large loans. A home's value tends to go up over time, which means the collateral maintains a stable or increasing value. In this case a borrower does not need to fully own a home in order to use it as collateral. Even 20% ownership in a home can generate the equity needed to serve as collateral on a car loan.

#### **F. Proposal Making**

I learned how to make proposals but, I never made a full proposal for a client but I did partial work on the proposals. The other parts were handled by the other officers. The final output of all the statements made for the client which includes the FSS, CRG, CIB etc are inputted in the proposal for the loan of a client.

**B**efore we begin writing the client's proposal, there are four things that you need to be able to clearly address:

- ✓ How much money the client needs.
- ✓ How the client's business will use the money.
- ✓ How the client will repay the loan.
- ✓ What the client will do if your business is unable to repay the loan.

#### **Charge Documents for Proposal:**

Charge documents are pre-formatted and printed forms provided by the Bank to the client for execution to create charge on the securities against loans and advances.

#### **Usual Charge Documents to be obtained from the client:**

- ✓ Demand Promissory Note (D.P. Note)
- ✓ Letter of Arrangement/Agreement
- ✓ Letter of Disbursement

- ✓ Letter of Authority to debit/realize margin, interest and charges from customer's SB/CD/Loan A/C.
- ✓ Personal Guarantee of the Borrower and his/her spouse.
- ✓ Personal Guarantee of the Mortgagors (if any).
- ✓ Letter of Continuity
- ✓ Letter of Hypothecation.
- ✓ Letter of Revival to cover limitation period.
- ✓ Letter of Trust Receipt (for LTR).
- ✓ Counter Guarantee (for Bank Guarantee)
- ✓ Letter of Indemnity.
- ✓ Letter of Lien (for keeping FDR/FO as security)

**P**roposals vary from client to client. Generally, a loan proposal should include these elements:

- ✓ Executive Summary
- ✓ Business Profile
- ✓ Management Experience
- ✓ Loan Request
- ✓ Loan Repayment
- ✓ Collateral
- ✓ Personal Financial Statements
- ✓ Business Financial Statements
- ✓ Equity Investment
- ✓ Projections

## ❖ **My Contribution**

I was given files of documents by sorting to their clients, all containing charge documents which I had to fill up according to the client details they provided and get them stamped and signed by the clients. Most of them were from SOD (Secured Overdrafts) and CC (Cash Credit) loans. A few of them were personal loans and car loans mostly taken by the officers of the bank. After I was done with all the documents, they were stored in the Banks vault for safe keeping until they were needed in the future.

## **G.Other basic criteria's for minimizing risk level:**

South Bangla Agriculture & Commerce Bank Ltd. judge their loan proposals according to different criteria's to make the loan more secured and to reduced their risk level. These are the very basic things and mandatory for every bank to analyze before critical judgments. This how SBAC Bank primary decide good or bad loan among their proposals. In the below some criteria has been explained.

- ❖ **Conditions:** Understanding the present business and economic conditions. Try to understand what will Change after the loan is made?
- ❖ **Transaction Character:** Make sure that the individual or company you are leading has good financial transaction statuses.
- ❖ **Invested Capital:** Need to know that, the individual or company you are leading to have an appropriate level of investment in that company. Capital information should be more specific and clearer.
- ❖ **Repayment Capacity:** Make sure that the individual or company you are leading to have the capacity of repaying your loan.
- ❖ **Collateral:** Consider the collateral or “Second way out” of a credit with a good contract with proper and valuable property.

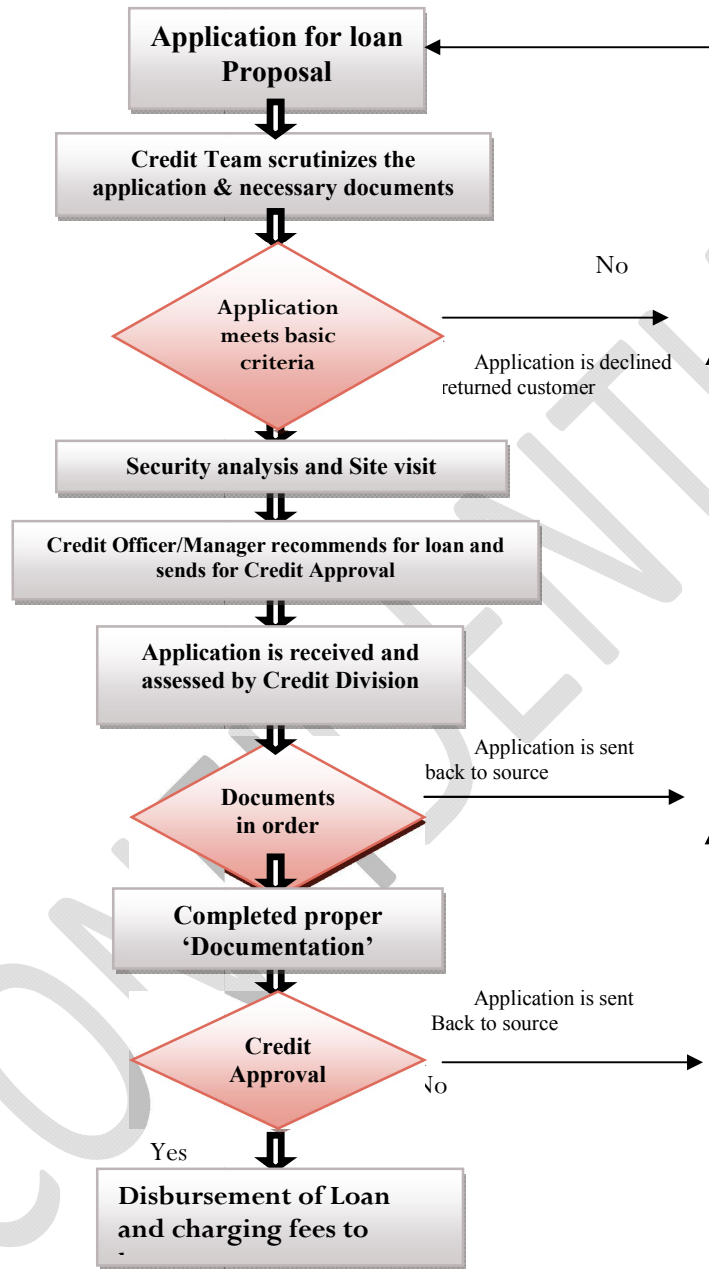
- ❖ **Proper Documents:** Remember that documentation, follow up and consistent monitoring Are essential to high quality loan portfolio.
- ❖ **Communication:** They Share credit objectives, credit decision making both vertically and laterally within the bank's related departments.
- ❖ **Measuring Risk Level:** Need to assume risk level as perfect as possible, particularly the downside Possibilities and that the structure and price the loan consistently With that understanding.

#### **4.7 Others tools of good and bad loans are as follows as:**

To make a good decision for lending money as bank Credit department need to go through some other tools to make their loans more secured and to minimize risk level.

- ✓ Liquidity.
- ✓ Profitability.
- ✓ Source of repayment.
- ✓ Purpose of loan.
- ✓ Nature of loan.
- ✓ Diversification of investment.
- ✓ Policy of Central Bank.

### 4.8 Fig: Whole Process of secured loan:



# CHAPTER-5

## **Analysis & Findings**

## **5.1-Analysis**

In this part I am going to analyze SBAC Bank Ltd.'s different parts in some critical ways. Here I want to show how its look like in the whole industry, what is the present position in the banking sector, how much they have faced to enter into the competitive market etc.

### **A.SWOT Analysis**

SWOT analysis is a tool that identifies the strengths, weaknesses, opportunities and threats of an organization. The method of SWOT analysis is to take the information from an environmental analysis and separate it into internal (strengths and weaknesses) and external issues (opportunities and threats). Among them Strength & Opportunities are positive side for a organization and Weakness & Threats are negative things.

#### **❖ Strength:**

- ✓ Provide high-level customer service
- ✓ Highest interest rate for FDR
- ✓ Offering unique products in agriculture sector.
- ✓ Cut lowest service charge
- ✓ Using TEMENOS T24 software





❖ **Weakness:**

- ✓ New bank and new employees
- ✓ System is not well organized
- ✓ Lack of proper training
- ✓ Small number of Branches

❖ **Opportunities**

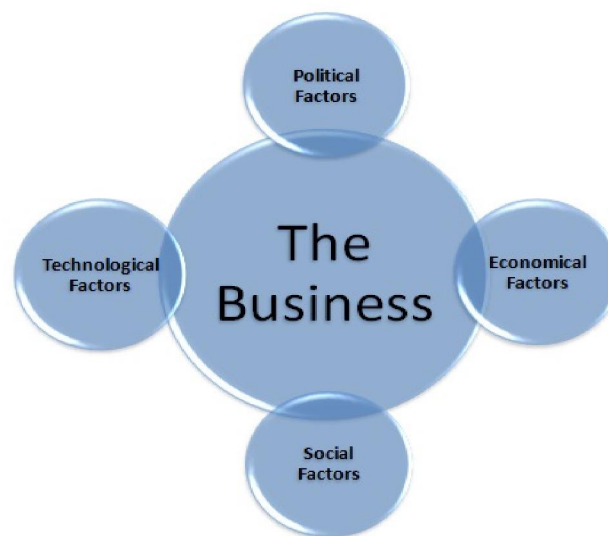
- ✓ From beginning using online banking
- ✓ Involve with the core economic activities like agricultural and related diversification to ensure quality service.

❖ **Threats:**

- ✓ Banking sector is highly competitive at present.
- ✓ Growth and profitability is very slow because of less different between interest getting and giving.

**B. PEST Analysis of SBAC Bank.**

PEST analysis is doing based on macro economy of a country or industry. PEST refers to Political, Economical, Social and Technological factors of a country or industry. In below the PEST analysis is applying for SBAC Bank Ltd.



### **Political factors**

Generally a bank faces some political factors like tax policy, labor law, environmental law, trade restriction, tariffs and political stability. SBAC bank also by fulfilling all criteria's and agreeing with all laws launched its journey in 28<sup>th</sup> April, 2013. So in case political factors here SBAC bank is favorable, though have faced some problem due to political unstable situation in Bangladesh.

### **Economical factors**

Economical factors are very important for any business. Strong economic condition can boost up any business specially banking sector. Among economical factors some are highly related with banking like central bank policy, monetary policy, FDI (foreign direct investment) policies, GDP growth, inflation rate, saving and investment, interest rate etc. SBAC Bank is also facing some problems as well as getting some benefits for over all economical condition of Bangladesh at present.

### **Social factors**

Social factors of a country refers to culture & tradition, life style, number of population, literacy rate, religion, size of a country, major sector of economy etc. Now a day in Bangladesh most of the banks are thinking for *Shariah* banking due to Muslim country. SABC bank also may be in future they will think for *Shariah* banking. In Bangladesh agriculture is the main sector so SBAC bank has main concern on agriculture sector.

### **Technological factors**

Technology plays a very important role in bank's internal control mechanisms as well as services offered by them. Through the technology new products and services are introduced. It include technological aspects such as R&D (resource and development) activities, automation, online banking, Automated Teller Machine (ATM) service, credit card service, mobile banking, 24x7 banking etc. Very beginning SBAC bank is more concern about technology. Therefore, they have online banking; in one year life they have started ATM, credit and debit cards. Moreover they are also planning mobile banking, evening banking very soon.

## **5.2 Findings**

Bases on observation and interpretation I found some positive and negative side in SBAC Bank during my internship period. Those are given below:

### **P**ositive issues

- ❖ SBAC Bank has a positive growth rate in Net profit for the 1<sup>st</sup> year.
- ❖ SBAC Bank Follows the overall credit assessment and risk grading process according to Bangladesh Bank maximum time.
- ❖ Loan and the advances are vital to finance the projects. An appropriate credit distribution system and monitoring will ultimately lead to the profit maximizing of banks. It is evident from that the size of DBBL loans and advances are increasing over the years. It indicates mire earning for the bank. It shows a positive growth rate.

### **N**egative issues

- ❖ The SBAC Bank does not go through back ground investigation for all parties.
- ❖ Some time the loan documentation is not fairly done.
- ❖ Some time the document verification is done after loan sanction.
- ❖ The SME loan section is very poor because they focused on corporate loan.

## Recommendations

In the credit department I have found there is lots of work pressure for preparing loans proposal. There most worth thing was for me this department is more confidential so there are do not have much work for me as intern. So in this case I have to collect my required information by asking to officers of credit department and I also did some task what gave my supervisor to me. I have found some good and bad things in this department.

- ✓ This is the department is highly organized
- ✓ Good working environment
- ✓ In CIB report total loan amount of client is given but here we did add up all amount in excel sheet and I think it is time consuming.
- ✓ Disbursement Time is around 1 month So, it is really a huge time for a person which creates customer dissatisfaction
- ✓ The Bank has to give emphasis the SME loan section
- ✓ After giving the loan to the customers, a banker should also perform certain duties to the customers to decrease the bad debt problem. Like-monitoring, supervising and follow up the loan that is taken by the customers.
- ✓ SBAC bank can provide a student loan. In many countries bank provide this facility. This may encourage the students to come forward to do something for the economy as well as it will differentiate DBL a bit.
- ✓ Director's interference in case of giving loan should be lessening because in this way risk may increase and bad debt may also increase.
- ✓ SBAC Bank should have more loan categorizes to complete with other banks.
- ✓ In Bangladesh there is no risk measuring Model. Bangladesh Bank should take immediate steps to introduce a *risk measuring model* by which all Banks can measure the credit risk clearer.
- ✓ SBAC Bank should adopt a credit grading system itself to make more secured loans.

## **Overall Recommendation**

- ❖ **Weak marketing:** Although they are offering some services, ATM, retail loans etc but till now they are not updating in the website so, they need to have more active marketing department.
- ❖ **Increase number of branches:** Till now they have only 13 branches all over the Bangladesh including principal branch. So, they have to have more branches for their growth.
- ❖ **Recruit more train up employees:** SBAC bank should increase their number of expert employees. Most of the not that much expert so need to train up them very soon. Moreover, sometimes I have found employees cannot give proper attention to their clients because of increasing working pressure.
- ❖ **Improved customer service:** Improvement of customer service is very much essential. To compete with other banks, customer service should be improved as online service, internet service, 24 hours customer service as soon as possible to grab the customers.

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## **Conclusion**

In my point of view, success in the banking business largely depends on effective lending and effective lending depends on the minimizing risk level, less the amount of loan losses, the more the income will be from lending etc. The more the income from lending operations the more will be the profit of the bank. SBAC bank needs to have more concern on profit making also to provide better services to the customers.

After my investigation I can say that, SBAC Bank's products and services are satisfactory to customers but they need more continuously support to meet the challenges of developing new products and services to match the specific requirements of customers.

They are more concern about credit lending by this way they are able to minimize their risk level in case of credit lending.

As a very new bank their growth is more than enough but to compete to other banks they have to be faster to engage in every sector in the economy. They have very modern banking plan I hope very near future they will meet their goal. After that their tagline "LOCAK BANK GLOBAL VISION" will be successful.

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