

Loan Disbursement Practice: A Study on Dhaka Bank Limited.



Inspiring Excellence

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May 24, 2016

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Internship Report

(Prepared to fulfill the partial requirement of MBA Program)



Inspiring Excellence

Submitted by

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May 24, 2016

LETTER OF TRANSMITTAL

24 May, 2016

To

Mr. Hasan Maksud Chowdhury
Assistant Professor
BRAC Business School
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Subject: Submission of Internship Report.

Sir,

I am highly delighted to submit my report on, “**Loan disbursement Practice of Dhaka Bank Ltd.**” to you. I have got the opportunity to work at Dhaka Bank Ltd at Mirpur Branch for my internship program, which is an essential part of my academic program, and it is a great achievement to work under your supervision and guidance.

The whole report is prepared based on my academic knowledge from MBA program and also the experience acquired during internship session in the Dhaka Bank Ltd. I have tried my best to represent all the things accurately that I have learned during the internship program in the Dhaka Bank Ltd, Mirpur Branch.

Finally, I would like to thank for your valuable guidance and care in preparing this report. I shall gratefully response to any clarification when required. I shall be highly obliged if you are kind enough to give approval to this report.

Sincerely yours

.....
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Every work accomplished is a pleasure – a sense of satisfaction. However a number of people always motivate, criticize and appreciate a work with their objective ideas and opinions, hence we would like to use his opportunity to thank all, who have directly or indirectly helped us to accomplish this project.

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EXECUTIVE SUMMARY

Dhaka Bank Ltd. started its journey in the financial sector of the country as an investment company back in July 5, 1995 with an authorized capital of Tk. 1000 million and paid up capital of Tk. 100 million. The Present authorized capital of the bank is Tk. 10000 million and the paid up capital of the bank stood at Tk. 15,408 million as on December 31, 2015. For collecting primary data personal interview technique has been used through a set of small ranged and unstructured informal way has been used as the instruments. In order to collect the secondary data different related printed materials like Dhaka Bank Annual Report, Dhaka bank website etc has been used. The mission is to mobilize financial resources from within and abroad to contribute in agriculture, industry, and socio-economic development, continuously improve their service quality and productivity. The vision includes, becoming socially responsible financial institution by bringing credit & commerce together for profit and sustainable growth. To gain profit and sustainable growth Dhaka Bank performs some activities for their clients. The activities includes, general banking, loan and advance, capital market operation etc. Dhaka Bank generates profit by performing the activities. The main source of income is interest income that comes from disbursed loan. The loans and advances in the year 2011 is tk. 75,983 millions, and in 2015 it stands at tk. 117,840 million. The loans and advance increases year by year. The bank provides loan in various sector but they provide maximum loan for industry development and lowest in agriculture and storage sector. The loan recovery target of Dhaka Bank is about 95%, but they are able to achieve more than their target. Dhaka Bank provides loan by credit rating, as a result there have a lower chance to be classified loan. They follow a complex but appropriate way to sanction a loan. They measure all risk components before sanctioning loan. When all the formalities complete, then respective officer disburse the loan. After disburse the loan, it is the duty of bank to recover the disbursed loan. To recover the loan Dhaka Bank follows three methods, such as: persuasive recovery, voluntarily recovery and legal recovery. If first two methods fail then bank go legal recovery procedure. The bank monitor loan regularly to protect default of loan. Hypothesis testing in this report is done to compare the quality of the loan across different term loan. The name of sample is house building loan (HBL), Lease finance (LF) and Loan General (LG). The sample size is 12 and the name of test is t-test. The standard deviation

of house building loan, lease finance and loan general is calculated. From quality test one we get, the house building loan and lease finance has the same risk level that is default risk of LF is not significantly higher than that of HBL. From quality test two, the lease finance and loan general have not the same risk level. According to the two-tail test it is found that the default risk of loan general is significantly higher than lease finance and from quality test three, the house building loan and loan general has not the same risk level. Every bank has some source from which the profit came and bank continuously invest in new sectors or widen its area of operation to increase its profitability. To find the causal relationship between variables we use regression analysis. From regression analysis it is shown that, among all sources commission & interest income change profitability more because profit is highly sensitive to the change in commission and interest income. From the study we get some findings about Dhaka Bank Ltd. For example, SME loan for women is a new product of Dhaka Bank and it is so popular to the women entrepreneur, the loan sanctioning procedure is Complex, Dhaka Bank provides higher loan in industry development because they think, Industry development is the precondition for the development of a country. On the basis of findings it can be recommend for Dhaka bank by which they can achieve their mission, vision and objective, such as: to improve bank's financial position, banks have to invest in new area to preserve its market share and to penetrate new market share through diversification of its product range, such as: micro credit loan, travel loan, doctor's loan, CNG conversation loan, marriage loan, hospitalization loan etc, the bank should give same attention towards all types of loan because it is the main income source of the ban. Finally we can say, the bank is currently doing average. The bank has been able to create a multi components loan portfolio. However non-performing loan are a real challenge to the sound credit management. The bank is trying to increase its loan quality by accelerating its recovery policy. The bank can concentrate on the loan sector where default risk is low and its investments are profitable. The loan procedure has been made more calculative, logical to keep the credit sound.

CHAPTER 1: THE ORGANISATION



1.1 Introduction:

The financial system of Bangladesh consists of the Bangladesh Bank, Scheduled and Non-Scheduled Banks, non-bank financial institutions, micro finance institutions, insurance companies, credit rating agencies, stock exchange, etc. In the year 1971 the banking system of Bangladesh consisted of two branch offices of the former State Bank of Pakistan and seventeen large commercial banks, two of which were controlled by Bangladeshi interests and three by foreigners other than west Pakistanis. Besides this there were fourteen smaller commercial banks and all of the banking services were concentrated in urban areas. Soon after the independence the Government of Bangladesh designated the Dhaka branch of the State Bank of Pakistan as the central bank and renamed it Bangladesh Bank. The central bank was responsible for regulating currency, controlling credit and monetary policy, administering exchange control and the foreign exchange reserves. The Government of Bangladesh initially nationalized the entire domestic banking system and proceeded to reorganize and rename various banks. Meanwhile, the foreign-owned banks were permitted to continue doing business in Bangladesh. The primary function of the credit system throughout the 1970s was to finance trade and the public sector. The number of rural bank branches doubled between 1977 and 1985 to more than 3330. After the private industrial growth Bangladesh bank and the World Bank began to focus their lending on the emerging private manufacturing sector. After the independence the banking industry in Bangladesh started its journey with six nationalized commercial banks, two state owned specialized banks and three foreign banks. The banking industry of Bangladesh achieved significant expansion with the entrance of private banks in the year 1980. Currently, the banks in Bangladesh primarily are of two types – Scheduled Banks and Non-Scheduled Banks. The banks which get license to operate under Bank Company Act, 1991 (Amended in 2003) are termed as Scheduled Banks. On the other hand, the banks which are established for special and definite objectives and operate under the acts that are enacted for fulfilling those objectives are termed as Non-Scheduled Banks.

There are 56 Scheduled Banks in Bangladesh which operate under full control and supervision of Bangladesh Bank in compliance with Bangladesh Bank Order, 1972 and Bank Company Act, 1991. The Scheduled Banks can be classified into four categories which are – State Owned

Commercial Banks (SOCBs), Specialized Banks (SDBs), Private Commercial Banks (PCBs) and Foreign Commercial Banks (FCBs). There are 4 State Owned Commercial Banks which are fully owned by the Government of Bangladesh. There are 4 specialized banks majorly owned by the Government of Bangladesh which were established for specific objectives like agricultural or industrial development. One of the renowned Specialized Bank is Bangladesh Krishi Bank, a specialized agricultural banking institution from which the farmers and the fishermen borrow money for agricultural development. There are 39 Private Commercial Banks which are majorly owned by the private entities and these banks can be categorized into two groups – Conventional PCBs and Islami Shariah Based PCBs. There are currently 31 Conventioanl PCBs operating in the banking industry and they perform interest based operations. There are 8 Islami Shariah Based PCBs in Bangladesh who execute banking activities according to Islami Shariah based principles i.e. Profit-Loss Sharing (PLS) mode. There are 9 Foreign Commercial Banks operating in Bangladesh as the branches of the banks which are situated in foreign countries. Besides the Scheduled banks there are 4 Non-Scheduled banks operating in the banking industry of Bangladesh which are – Ansar VDP Unnayan Bank, Karmashangosthan Bank, Probashi Kollyan Bank and Jubilee Bank.

1.2 Historical Background of Dhaka Bank Limited:

Dhaka Bank Limited is a brainchild of a host of committed entrepreneurs and farsighted dreamers of banking excellence. Dhaka Bank was established as a Public Limited Company on April 6, 1995 under Companies Act, 1994 and the company commenced banking operations on July 5, 1995 with an authorized capital of Tk. 1000 million and paid up capital of Tk. 100 million. The Present authorized capital of the bank is Tk. 10000 million and the paid up capital of the bank stood at Tk. 15,408 million as on December 31, 2015. From the very beginning of its journey, Dhaka Bank has brought into focus the heritage and history of Dhaka and Bangladesh from Mughal outpost to modern metropolis. Most of its presentation, publication, brand initiatives, delivery channels and financial manifestations bear the bank's commitment to this attachment. Today the bank is widely recognized for its exceptional service, simplicity, proximity and cutting-edge way of delivery.

Dhaka Bank has stood out for its financial strength and operational craftsmanship marking its position as the potential market player in all core areas of banking in the country. In the year 2000, Dhaka Bank Limited got itself listed in Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE). Dhaka Bank Limited got hold of a country wide reach through its large network of branches, ATMs, SME channels, agricultural outreach and mobile banking. Dhaka Bank Limited has established its presence at 87 locations including 2 Islamic Banking Branches, 1 Offshore banking Unit, 3 SME Service Centers, 1 Business Kiosk and 53 ATMs and 19 ADMs across the country. The bank has also established a subsidiary company named ‘DBL Securities Ltd’ which has six countrywide branches catering to the needs of Capital Markets. Dhaka Bank Limited’s relationship with and beyond banking boosted by superior customer service and good governance culture has given the bank a proud brand image which is – ‘Excellence in Banking’. This brand image is taking shape in the employees’ everyday excellence from improved customer service, corporate governance, and innovative products and caring for the society. The first dividend of DBL was declared on March 16, 1996 and the Initial Public Offering (IPO) was made in the year 1999. The first ATM of DBL was introduced on February 24, 2002. The first Consumer Banking or Retail Banking of DBL was launched on March 29, 2002 and first Islamic Banking commenced on July 2, 2003. The Real-time Online Banking of DBL started on April 1, 2004. The Flexcube which is a transition to Centralized Banking System also started on April 1, 2004. On May 22, 2006, the Offshore Banking Operation was launched for the first time. The launching of Internet banking happened on September 5, 2007 and the Centralization of Trade and Credit Operations was initiated on April 1, 2009. The Research & Development Unit of DBL was established on December 28, 2011 and the Automated Deposit Machine (ADM) was introduced for the first time on April 29, 2013.

1.3 Products of DBL

Different banking products and services are being offered exclusively to the Non Government Organizations and international projects in Bangladesh and its staff, both local and expatriate, based in Bangladesh. With the assistance of the Marketing Team, who has prior experience of serving diplomatic missions with other multinational banks, the Bank has tailored a list of products to address the NGO / International Organization’s unique banking requirements in

Bangladesh. Dhaka Bank Limited is committed to developing and delivering to the corporate relationships total banking solutions while ensuring a level of service that exceeds customer expectations.

1) Retail Banking:-

In 2001 DBL. introduced its personal banking program responding to the market demand for a complete range of modern banking products & services. Last year they introduced a new product called Savings bundles Product. Designed exclusively for the salaried executives, Excel Account offers a packaged solution to companies and organizations in processing their employees' salaries and funding employees' loans.

Retail Banking consists of the following products:

Liability Products-

- Savings bundled Products
- Deposit Pension Scheme
- Special Deposit Scheme
- Deposit Double Scheme
- Gift Cheque

Asset Products-

- Home Loan
- Personal Loan
- Vacation Loan
- Car Loan
- Any Purpose Loan

Services-

- Internet Banking
- SMS Banking
- Locker
- ATM Card
- VISA Credit Card

- Utility Bill/Tuition Fee Collection
- Letter of Credit
- Western Union and other money transfers like Placid, Rupali etc (Note: they do not provide MoneyGram Services)

Savings Bundle Product

Dhaka Bank Saving Bundle Product is the first of its kind in Bangladesh. A unique blend of all flexibilities of a current account and provision high interest on daily balance and monthly interest paid savings account in three schemes, namely-

- Dhaka Bank Silver Account
- Dhaka Bank Gold Account
- Dhaka Bank Platinum Account

Feature	Dhaka Bank Silver Account	Dhaka Bank Gold Account	Dhaka Bank Platinum Account
Minimum Balance Deposit	Tk.30,000	Tk.50,000	Tk, 1,00,000
Interest	4% P.A. (Paid monthly)	4.25% P.A. (Paid monthly)	4.5 %P.A.(Paid monthly)
Dabit Card	Free	Free	Free
Credit Card	Free Limit upto Tk.50,000	Free Limit upto Tk.90,000	Free Limit upto Tk.500,000
SMS and Internet Banking	Free	Free	Free
Yearly fee	Tk.2000	Tk.3000	Tk.5000
Maximum Monthly Withdrawals	06	10	12
Cheque Book	1 Cheque Book of 50 leaves free per	2 Cheque Books of 100 leaves free	3 Cheque Books of 150 leaves free

	year	per year	per year
Minimum Income	Tk.30,000/-	Tk.75000/-	Tk.150000

Customer will get the following benefits for opening any of the above account

- Last 6 month's bank statement
- TIN Certificate, National ID/Passport
- Post facto CIB etc.

Deposit Pension Scheme

Dhaka Bank is well poised to be the leading Personal Banking business amongst the local private banks. Bank's conscious efforts in brand building, introducing and supporting new packaged products, developing PB organization along with non-traditional delivery channels have resulted in good brand awareness amongst its chosen target markets.

Installment based savings schemes are a major category of saving instruments amongst mid to upper middle-income urban population. DPS is an installment based savings scheme (Deposit Pension Scheme) of Dhaka Bank for individual clients. The key differentiators of the product will be –

Amount of monthly deposit – The scheme offers the clients the flexibility of tailoring the amount of monthly deposit based on his monthly cash flow position. The minimum monthly deposit will be BDT 500.00 The client will have the option of depositing any amount in multiples of BDT 500.00 subject to a maximum of Tk 20,000.

Flexible tenor of the scheme– The client has flexibility of deciding on the tenor of the scheme in-terms of number of months. However, the minimum tenor would be 48 months and the maximum would be 144 months.

Flexibility to open any number of DPS Account– A client can open maximum five DPS accounts in client's name, in his/her spouse's name or in the name of his/her children or in joint names with any of his/her family members.

Bonus point – if the client continues the scheme up-to maturity then at maturity, the client will be awarded a bonus 1% on the total deposit amount. However, to qualify for the bonus point, client may default in paying maximum 2 installments within the tenure of the DPS.

Premature encashment – if any client closes the deposit account before one year, s/he will not be entitled to any interest. Account running more than a year will be eligible for the prevailing interest offered in the savings account.

Late payment fee – Clients failing to deposit any installment will pay 5% late payment fee on the deposit installment amount as late payment fee, which will be realized at the time of depositing the next deposit Installment.

Payment through Account – Clients will have to open an Account with Dhaka Bank Limited and a standing instruction will be executed for auto-debit to effect the monthly installment.

OD Facility against DPS – Clients will have the option of taking advance upto 90% of the deposited amount at the time of application. However, to be eligible for the OD facility, the account must be at least 2 years old or the minimum ticket size of the advance will be Tk 20,000.00.

Interest– the bank will be give 11.50% interest on his/her deposit.

Deposit Double

Deposit Double is a time specified deposit scheme for individual clients where the deposited money will be doubled in 5 years 4 month. The key differentiators of the product will be.

Amount of deposit – The minimum deposit will be BDT 50,000.00 (either singly or jointly). The client will have the option of depositing any amount in multiples of BDT 10,000 subject to a maximum of Tk 20, 00,000 in a single name and Tk 35, 00,000 in joint name.

Tenure of the scheme – The tenure of the scheme will be 5 years. 4 months & normal 6 years.

Premature encashment – If any client chooses to withdraw the deposit before the tenure, then she/he will only be entitled to prevailing interest rate on savings account in addition to the initial deposit. However, withdrawal of the deposited amount before one year will not earn any interest to the depositor(s).

OD Facility against Deposit – Clients will have the option of taking advance upto 90% of the initial deposited amount. The lending rate will be tied up with the interest rate offered on the deposit.

Product Features	
Deposited Amount	Min Tk 50,000 (singly or jointly) Max Tk 20,00,000 (in single name) Tk 35,00,000 (in joint name)
Lone facility	90%
Tenure	5 years.

Govt. Charges – The matured value is subject to taxes and other Govt. levies during the tenure of the deposit.

Income Unlimited

The management of Dhaka Bank Limited is pleased to launch Special Deposit Scheme, a new liability product on May 04, 2005.

Product Name– Special Deposit Scheme

Products Features

Deposit Amount	In multiples of Tk 50,000 However the minimum deposit will be Tk 1,00,000 (singly or jointly) and the maximum Tk 50,00,000 (singly/Jointly).
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Interest Due	One month after the initial deposit date the interest will be credited to the savings/current account.
Tenure	1,2&3 Years
Monthly income on Tk 100,000	Tk 1,000 subject to 10% Income Tax(if he/she have a TIN certificate)
Rate of Interest	6.5%

Excel Account

Excel Account has been tailored in the manner of having both asset and liability characteristics blended into a single product for salaried individuals employed in any institution. On virtue of this product, prospective clients receive a credit interest based on the credit balance available in the account. The clients will also be required to pay the bank OD interest if the balance of the account becomes overdraft.

The tenure of the account will be for 3 years maximum, having renewal facility for every year until the client resigns from the institution. OD facility is a pre-embedded feature of the Excel Account. An OD limit is given to the account up to the amount of the salary of the individual employed at the institution. For a credit balance this facility provides an interest rate of 4.5% p.a. based on the daily balance of the account. If in the case, the account is utilized for an OD limit, the debit balance will be subject to a debit interest rate of 16% p.a.

Salary Account

Dhaka Bank has launched a special package of savings account for employees belonging to institutions with which Dhaka Bank has a corporate agreement. With this package salaried employees of these institutions enjoy interest on a daily balance. The key features of the Salary Account are:

- Interest to be calculated on a daily balance basis
- No Periodic Service Charge
- ATM Card Facility
- Credit Card Facility
- On-line Banking Facility

- Internet & SMS Banking Facility

Smart Plant

Smart Plant offers the opportunity to multiply initial cash to 10 times in 6 years. The customer deposits at least Taka 10,000 or multiple of it to avail the opportunity. In single name one can deposit maximum Taka 50,00,000. Dhaka Bank shall contribute 4 times of your deposited amount to build up a fund for issuance of Smart Plant. Maturity period of the Smart Plant is 6 years.

The total Smart Plant amount (customer's deposit + Bank Contribution) will double in 6 years. For example; if you deposit Taka 10,000, bank shall contribute Taka 40,000, altogether the Smart Plant amount will be Taka 50,000. On maturity (after 6 years) the Smart Plant amount will be Taka 1, 00,000. You will repay the bank contribution amount in 72 equal installments. After repayment of all installments the matured value will be credited in your savings account.

Shopno Jatra Student Services

Shopno Jatra Student Services [SJSS] of Dhaka Bank Limited is destined to provide “One Stop Solution” for Bangladeshi students going overseas for study purpose. Understanding the need, this exclusive service is tailored to provide same day banking solution at lowest charge/fees.

Shopno Jatra Student Service Offers:

- Transfer of student Application charges to foreign educational institute
- Opening / Processing of student file
- Issuance of Foreign Currency for Tuition Fees & Living Expenses
- Issuance of Student International VISA Card
- Special Study loan

Dhaka Bank, has a dedicated student service wing is pioneer to launched Student International VISA Card for the first time in Bangladesh, which allows the students of flexibility & safety of plastic money, which they can avail for living expenses. Card is affordable & easy to re-charge is the fastest solution to remit living expenses to the students.

Gift Cheque

Dhaka Bank has recently refurbished its Gift Cheque. The features of the gift cheque are as follows:

- Can be encashed at any branch even if the encashing branch is not the issuing branch of the instrument.
- Interest will be applicable only if the instrument is encashed after three months from the date of issue in the following manner:
 - No Interest if encashed before 3 months from the date of issue.
 - 5% if encashed after 3 months and before 6 months from the date of issue.
 - 5.5% if encashed after 6 months and before 12 months from the date of issue.
 - 6.00% if encashed after 12 months
- The gift cheque may be encashed using either of the two modes, (a) cash or (b) Fund Transfer. Encashment of gift cheque is not allowed over clearing.
- Dhaka Bank Limited issues gift cheques in three denominations of Tk.100, Tk.500 and Tk.1000
- Refunded if lost or stolen
- Free of service charge

1.4 Services of DBL

The Bank offers the full range of banking and investment services for personal and corporate customers, backed by the latest technology and a team of highly motivated officers and staff.

The Bank has launched Online Banking service, joined a countrywide shared ATM network and has introduced a co-branded credit card.

Dhaka Bank Limited offers various types service. Those are:

Corporate Banking:

Providing a tailored solution is the essence of our Corporate Banking services. Dhaka Bank recognizes that corporate customers' needs variation from one to another and a customized solution is critical for the success of their business.

Dhaka Bank offers a full range of tailored advisory, financing and operational services to its corporate client groups combining trade, treasury, investment and transactional banking activities in one package.

Whether it is project finance, term loan, import or export deal, a working capital requirement or a forward cover for a foreign currency transaction, our Corporate Banking Managers will offer you the right solution. You will find top-class skills and in-depth knowledge of market trends in our corporate Banking specialists, speedy approvals and efficient processing fully satisfying your requirements – altogether a rewarding experience.

Islamic Banking

Dhaka Bank Limited offers Shariah based Islamic Banking Services to its clients. The bank opened its First Islamic Banking Branch on July 02, 2003 at Motijheel Commercial Area, Dhaka. The second Islamic Banking branch of the bank commenced its operation at Agrabad Commercial Area, Chittagong on May 22, 2004. Dhaka Bank Limited is a provider of on line banking services and any of its clients may avail Islamic Banking services through any of the branches of the bank across the country.

Dhaka Bank Islamic Banking Branches offer fully Shariah based, Interest free, Profit-Loss Sharing Banking Services. Dhaka Bank Shariah Council is closely monitoring its activities. Besides, Dhaka Bank is an active member of Islamic Banking Consultative Forum, Dhaka and Central Shariah Board of Bangladesh.

Capital Market Services

Capital Market Operation besides investment in Treasury Bills, Prize Bonds and other Government Securities constitute the investment basket of Dhaka Bank Limited. Interest rate cut on bank deposits and government savings instruments has contributed to significant surge on the stock markets in the second half of 2004, which creates opportunities for the Bank in terms of capital market operations. The Bank is a member of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited.

ATM Card Services

- Cash Withdrawals – up to Tk.1 Lac per day

- Utility payments – T&T, Mobile phones, DESA, etc.
- Multi-account access
- Fund Transfers
- Mini Statements
- PIN change
- Low cost,
- Time saving,
- Easy to monitor a/c position,
- Easy to reach within every Residential & Commercial Location.

Credit Card Services

Dhaka Bank Limited brings you Your Everyday Credit Card in the shortest possible time. We recognize that you need your card every day. That is why we have developed processes to guarantee delivery of your card in just 7 days when you apply for a fully secured card; for an unsecured card it will be ready in just 10 days.

Locker Services

A client could use the locker facility of Dhaka Bank Limited and thus have the option of covering your valuables against any unfortunate incident. DBL offer security to our locker service as afforded to the Bank's own property at a very competitive price.

Online Banking Services

Dhaka Bank Limited introduces Net Banking and intends to maintain the lead with enhanced facilities through this media. Client can get access to real time account information through the Internet. Transfer money from his/her account, utility bill payment and more. Through on-Line Banking Services, clients can deposit to and withdraw from his/her account held with a particular branch up to a limit of Tk: 10,000.00 through any branch of Dhaka Bank Limited.

Internet Banking Services

Through Internet banking the client can access the account to view and print the balance account statement for last 20 (twenty) transactions.

1.5 Other Products and Service

Global Trade Services (GTS)

Global Trade Services (GTS), Head Office consists of two units- Financial Institutions or FI and Remittance Unit. FI arranges correspondent banking network, credit lines and other facilities required for 15 Authorized Dealer (AD) branches and one Offshore Banking unit of DBL. With a vast network (320+) of correspondents throughout the globe, Dhaka Bank Limited is one of the banks in Bangladesh enjoying credit line facility from International Finance Corporation (IFC) under its Global Trade Finance Facilitation Program (GTFP) for confirmation of the L/Cs issued by itself. Dhaka Bank Ltd. provides the following services:

- Import Letter of credits
- Export Letter of credits, negotiation & documentary collection
- Local guarantees against counter guarantees

Small and Medium Enterprises

Dhaka Bank has come forward to extend its services towards Micro and Small & Medium Enterprises. Since inception, the Dhaka Bank has held socio-economic development in high esteem and was among the first to recognize the potentials of SMEs. Recognizing the SME segment's value additions and employment generation capabilities quite early, the Bank has pioneered SME financing in Bangladesh in 2003, focusing on stimulating the manufacturing sector and actively promoting trading and service businesses.

1.6 Correspondent Relationship

The Bank established correspondent relationships with a number of Foreign Banks, namely American Express Bank, Bank of Tokyo, Standard Chartered Bank, Mashreq Bank, Hong Kong Shanghai Banking Corporation, CITI Bank NA-New York and AB Bank Ltd. The Bank is maintaining Foreign Exchange Accounts in New York, Tokyo, Calcutta, and London. The Bank has set up Letter of Credit on behalf of its valued Customers using its Correspondents as advising and reimbursing Banks. The Bank maintains a need based Correspondent Relationship Policy, which is gradually expanding. The number of Foreign Correspondents is now 406.

1.7 Departments of DBL

If the Jobs are not organized considering their interrelationship and are not allocated in a Particular Department it would be very difficult to control the system effectively. If the any Departments are not fitted for the Particular Works there would be Haphazard Situation and the Performance of a Particular Department would not be measured. Dhaka Bank Limited (DBL) has does this work very well. Different Departments of Dhaka Bank Limited (DBL) are as follows:

- Human Resources Division
- Personal Banking Division
- Treasury Division
- Operations Division
- Computer and Information Technology Division
- Credit Division
- Finance & Accounts Division
- Financial Institution Division
- Audit & Risk Management Division

1.8 Existing Branches:

Dhaka Bank limited has 87 conventional Branches and 3 SME Service Centres, 1 Business Kiosk, 1 Offshore Banking Unit along with 53 ATMs & 19 ADMs. Total Assets of DBL is around Tk. 176 billion, equivalent to USD 2.24 billion as at the close of 2015. With a total of 4,39,544 customer-base (accounts), Tk. 139 billion in Deposits and Tk. 118 billion in Advances, Dhaka Bank turns out to be a change agent to contribute to the stand-out economic growth of Bangladesh.

1.9 Organizational Structure of Dhaka bank limited

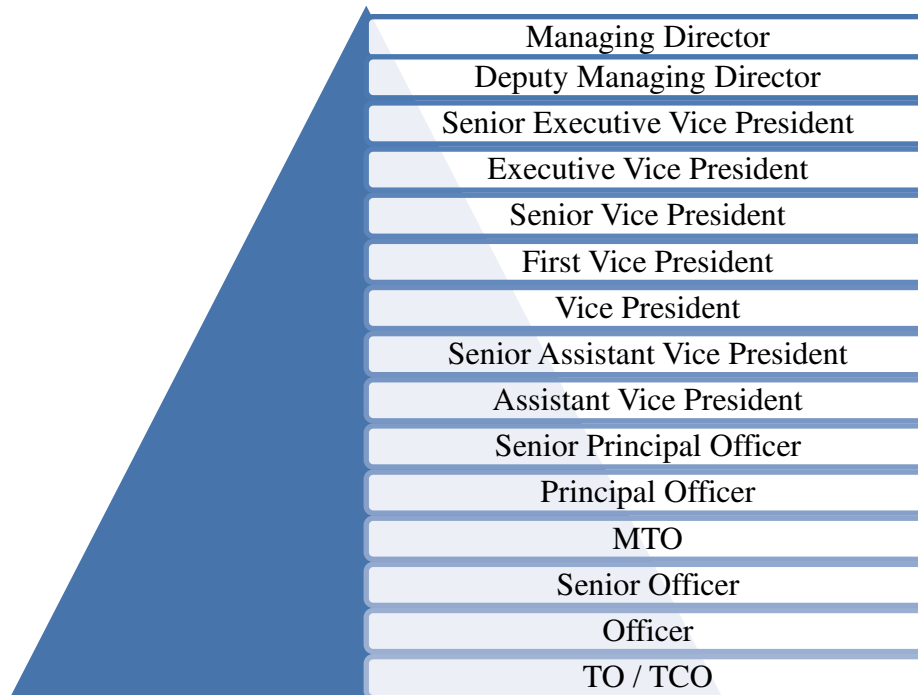


Figure: Organizational Structure

1.10 Mission and Vision of DBL

Mission

“To be the premier financial institution in the country providing high quality products and services backed by latest technology and a team of highly motivated personnel to deliver Excellence in Banking.”

Vision

“At Dhaka Bank, we draw our inspiration from the distant stars. Our team is committed to assure a standard that makes every banking transaction a pleasurable experience. Our endeavor is to offer you supreme service through accuracy, reliability, timely delivery, cutting edge technology, and tailored solution for business needs, global reach in trade and commerce and high yield on your investments.”

“Our people, products and processes are aligned to meet the demand of our discerning customers. Our goal is to achieve a distinction like the luminaries in the sky. Our prime objective is to deliver a quality that demonstrates a true reflection of our vision – Excellence in Banking.”

1.11 Values of DBL

- Customer Focus.
- Integrity and Honesty
- Quality
- Teamwork.
- Respect for the Individual
- Responsible Citizenship
- Transparency and Accountability
- Environmentally Conscious
- High Morale

CHAPTER 2: JOB DESCRIPTION



2.1 Nature and Specific responsibilities of the Job:

At Credit and Foreign Trade division, Most of the time in my intern period I have spent in credit department and that's why I prefer 'Loan disbursement policy of DBL' as my internship report topic. Firstly I was assigned in credit dept. more than 8 weeks under direct supervision of **Mr. Syed Mohammad Haseeb, Asst. Vice President** and at that time I have to perform below activities-

- Receive export documents and prepare a forwarding letter to issuing bank for bank acceptance.
- Update every kinds of register;
- Checking status of the bank acceptance and date of payment by log in into SWIFT account;
- Filling up the LC & IMP forms;
- Putting the LC and IMP into their following registers;
- Printing, typing and photocopying different documents related credit;
- Photocopy & Preparing for CPC (Control Processing Center) papers;
- Put different types of seals on the forms;
- Taking signature form operational manager and manager of the branch;
- I had to organize all the customer files (e.g. car loan, home loan) & keep them at a specific place separately;
- Checking and filling up different loan's forms;
- Data entries in the computer;
- Helping clients that where to signature on the form;
- Sometimes helping supervisor balancing credit & debit;

At General Banking (GB) Department, for next 3 weeks I was in GB under **Ms. Rebecca Sultana, Senior Principle Officer.** Job activities are-

- Making Saving Account and Current Account opening form;
- Taking signature from Rebecca Sultana, SPO as well as from other department senior officer for different purposes (e.g. FDR, DPS, Pay Order, A/C Opening);

- Helping supervisor by finding out old forms (e.g. Current a/c , saving a/c ,FDR, DPS);
- Aiding customer in the process of A/C opening;
- Authorized Cheque books from SPO;
- Photocopying various documents given by the in- charge;
- Put different types of seals on the forms;
- Fill up KYC (Know Your Customer) and SBS form;
- Providing various kind of information to customers about bank interest rate on different account and bank charge.

At Clearing Desk, I worked 1 week under Ms. Afroza Khatun, Officer. In that dept, I had to print memo, counting voucher, putting different seal on cheques, give call to that customer whose cheque is returned and so on.

At Remittance & Sanchaypatra Desk, I worked 1 week in this dept. and fill up remittance form, photocopied national ID card of the clients and rearranges the files.

At Cash Department, Generally intern students are not allowed in cash department but I have the opportunity to work in cash dept. for 1 day. I have assisted them in many ways like counting voucher, photocopying documents.

2.2 Observation and Recommendation

Working at DBL, Mirpur Branch was a great experience for me. I have learnt many things from them. From my little knowledge what I have observed and some recommendations are as follows:

- Work environment is very friendly and employees are co-operative.
- Employees are active and sincere to their assigned job responsibilities.

- Generally, banking hour is 10.00 am to 6.00 pm but most of time bankers can't leave office before 8 to 9 pm because of work pressure. Therefore, I had to work till 8 pm.
- In Credit, in case of issuing SOD (Secure Overdraft) and LABA (Loan Against Bank Acceptance), there are 2 sign needed. One from Credit in-Charge which located in 1st floor and other from operational manager which located in ground floor. When I was in Credit, sometimes I had to go down & again come up almost 30-40 times per day for those signing purpose. So they should design it in such a way that it reduces time as well as pain for the sign taker.
- And finally, IT department is not well developed because most of the day I found that their system was hanged and did not work properly. So they should work on it.

CHAPTER 3: DESCRIPTION OF THE PROJECT



3.1 Introduction:

Banking business is associated with risks. In order to remove or minimize risks, banks follow some rules and regulations. Rules and policies are adopted to ensure less risk for every banking business. Dhaka Bank is a fast growing private sector bank. One of the strongest sides of Dhaka Bank is that it has a big market share of loans and advances. This means, this bank gives or sanctions a big amount of loans to corporate and retail customers each year. Before sanctioning loans, bank does proper judgment of the customer. Dhaka Bank takes every measure to minimize risks. But, many loans become classified every year. Bangladesh Bank has imposed some rules and regulations of credit, which must be maintained by every bank. Bangladesh bank is very eager to bring discipline in the banking sector and improve the loan quality of every bank. Dhaka Bank also has its own credit policy which helps the bank to maintain quality of loans.

3.2 Objectives of the Report:

The primary objective of the report is to find out how much effective is the Dhaka Bank Credit Policy in order minimize classified loans as well as default loans.

The secondary objectives of the report are:

- ◆ To enhance the knowledge of banking credit.
- ◆ Find out the different credit facilities that Dhaka Bank is providing for their customers.
- ◆ The credit sanctioning procedure.
- ◆ The reasons for loans classification and default.
- ◆ Various steps taken to recover the loans classified and defaulted.

Scope of the report:

Dhaka Bank is a leading private sector bank in Bangladesh. It is a great opportunity for me to gain an in depth knowledge about credit system of banks and prepare a report on it. In the organization part, I gave an overview and description of the functions of Dhaka Bank Ltd. In the research part, I will discuss about the existing credit policy of Dhaka Bank, some credit

guidelines of Bangladesh Bank, which must be obeyed by every commercial bank, reasons for loan default and classification and various steps taken recover classified and defaulted loans.

3.3 Methodology:

In order to fulfill this report, two types of data collection method is used: Primary and Secondary Data.

Primary data is collected through direct communication and interviewing of the bank executives and officers.

Secondary data is very much essential to accomplish the report. Different types of secondary data were used in this report. Sources of secondary are:

- ◆ Annual reports of banks and Journals;
- ◆ Bank's profiles;
- ◆ Different books and periodicals on banking;
- ◆ Bank's web site;
- ◆ Banking manuals, brochures;
- ◆ Bankers training material and officers guidebook.

This is an explanatory research. The data and the information are summarized according to the concepts of the topics. Tables, charts and statistical analysis graphs are used to make the analysis clear and more understandable.

3.4 Limitation of the Report:

There are some limitations I faced while preparing this report. The major limitations are:

- Information about the related field is very much necessary to accomplish a report. I also needed a lot of information. But the information gathering process is very difficult in banks. There is much confidential information which bankers don't want to give to intern students because of leakage of information to competing banks.

- Time is an important factor to prepare a report. An internship period consists of three months. In these three months, students remain really busy in the office and for collecting information. After completion of the internship, a student is given only fifteen days to submit his report. So, this time is very much insufficient to accomplish a wide range of report.
- I did not have any past experience about banking credit system. So, lack of experience has also acted as constraints for the exploration of the topic.
- Another limitation is the format of information. Banking performance analysis is done by the yearly data. But, branches always keep quarterly data. Branches do not compile quarterly data to yearly data. Yearly data can only be collected from head office and the Annual report. Again, some sort of data is not available in the annual report also.
- The officers and executives of Dhaka Bank Ltd, Mirpur Branch, Credit division, remain so busy that it is very hard to take time from them for interview and communication, for the purpose of collecting information.
- Less time to work on as I came back from office at 8 pm.

CHAPTER 4: LOAN DISBURSEMENT PRACTICE



4.1 Credit:

The word “Credit” is derived from Latin word “Credo”, which means, “I believe”. It is usually defined as one’s ability to buy with a promise to pay. From a banker’s point of view, credit is the confidence of the lender on the ability and willingness of the borrower to repay the debts at a future date.

Banks charge a higher interest for loans than the deposit rate given to customers. The difference in rates is the profit for a bank. 80% of a bank’s profit comes from the interests.

Loans and advances comprise a large portion of a bank’s assets and this is the backbone of a bank’s structure. The strength of a bank is primarily judged by the soundness of its loans and advances. So, the loan and credit department is a very important department of a bank. Credit policy is very important. If a bank takes very strict credit policy, then the amount of loan will be less. If the credit policy is flexible, then the amount of loan will be much. But strict credit policy leads to lesser bad loans. Sometimes, credit policy cannot prevent customer’s bad intention of not adjusting loans. This is why, strict credit policy is very necessary for every bank for the safety of their investments.

4.2 Principles of Lending:

Banks invest and earn profits in many ways. At the same time, there is a risk of default loans. This is why, banks are required to follow certain principles of lending. The principles of lending are:

- Safety;
- Liquidity;
- Profitability;
- Purpose, and
- Supervision.

4.3 The importance of Securities in Credit:

Securities play a vital role in sanctioning credit. Security means things deposited as a guarantee of the undertaking or loan to be forfeited in case of failure to repay the same. The customer/

guarantor should own it. In other words, the assets against which banks allow credits are called Securities. Good and strong securities help a bank to take decision about sanctioning credit. It also minimizes the risk. The type of securities offered may be, Government bonds, share, assignment of book debt or bills receivables, raw material and finished goods, fixed deposit receipts, land, factory building and other movable and immovable assets of the borrower. If a borrower becomes unable to adjust his loan, then bank can recover the loan amount by selling securities. That is why the role of securities is very important in credit system.

4.4 Classification of Credit Facilities:

Credit or loans can be classified broadly into two categories:

- ❶ Funded Credit Facilities;
- ❷ Non Funded Credit Facilities.

4.4.1 Funded Credit facilities:

All type of credit facility which involve direct outflow of Bank's fund on account of the borrower, is termed as funded credit facility. Funded credit facility can be classified into four categories-

a) Loans:

When a lender lends money to a borrower imposing interest for the lended money, for a given time period and which is repayable in fixed monthly installments is called loan. Loan is allowed for a single purpose where the entire amount may be recovered at a time or in a number of installments within a period of short span. After disbursement of the entire loan amount, there will be only repayment by the borrower. A loan once repaid in full or in part, cannot be drawn again by the borrower.

Types of Bank Loans:

The banks make a wide variety of loans to a wide variety of customers for many different purposes- for purchasing automobiles, buying new furniture, taking dream vacations,

constructing homes and for other corporate and project loans. Bank loans may be divided into the following broad categories of loans, delineated by their purpose:

1. Term Loans: This type of loan is sanctioned for more than one year and designed to fund longer term business investments, such as the purchase of equipment or the construction of new physical facility. Term is allowed for one to five years. Usually, the borrowing firm applies for a lump-sum loan based on the budgeted cost of its proposed project and then pledges to repay the loan in a series of installment. This loan is given for capital expenditure such as construction of factory building, purchase of new machineries, modernization of plant, etc.

2. Commercial and industrial Loans: This type of loan is granted to industries to cover such expenses as purchasing inventories, plant and equipment, paying taxes, meeting payrolls and other operating expenses.

3. Syndication Loan: To finance a project, a big amount of money is needed. It may not be possible for a bank to finance cent percent of it. Then this amount is taken from several banks. These banks are called a Syndicate and this loan is called a Syndication loan. There is a percentage on equity for sanctioning of loans. For that reason, not all the banks can give same amount of loans. This is according to the banks reserve and equity. Every bank has the equal right to get the money back irrespective of the loan amount sanctioned. Priority does not work here.

4. Loan against Work Order: Sometimes, govt. development work like road construction, bridge construction, setting of sewerage line, setting of underground pipeline takes place. Govt. invites tender and the lowest rate giver wins the work order. But the contractor needs money to start the work on. Then the contractor submits his work order to a bank and takes loan against of that.

5. Demand Loan: Demand loan is payable on demand which is allowed for a short period to meet short term working capital need. This type of loan can take only banks existing clients, with whom bank has a good relation and maintains good transaction over his account.

6. Consumer loans: this loan is given to individual customers for the purchase of automobiles, homes, electrical appliances, for vacation and for other personal purposes, which is extended directly to the individual.

7. Working Capital Loan: This type of loan is given to industries ranging from small to medium for the time span of one year. This type of loan is most often used to fund the purchase of inventories, raw material, etc. Working capital loan is designed to cover seasonal peaks in the business customer's production levels and credit needs.

8. Lease financing: Under this loan scheme, bank buys equipment or vehicles and leases them to its customers. Customers pay the loan installments and after full adjusting the loan, bank gives the ownership of the vehicle or asset to the respective customer.

9. Asset based Loans: this kind of loan is secured by a business firm's assets, particularly stocks, inventories and accounts receivables.

10. Other Loans: other loans in the funded loan category are Real Estate Loans, Financial institutions loans, agricultural loans, installment loans, etc.

b) Cash Credit:

Cash Credit facilities are allowed against pledge or hypothecation of goods. Under this arrangement the borrower can borrow any time within the agreed limit and can deposit money to adjust whenever he does have surplus cash in hand. All the nationalized banks allow cash credit both hypothecation and pledge facilities

c) Overdraft:

Overdraft is withdrawing money from an account even if the account holder does not have that much amount of balance in his account. Bank gives this money as loans. This is a credit facility against any securities. The customer of the bank who have any savings account or DPS in the bank, can get overdraft facilities from the bank against these securities. The customer can withdraw a certain limit of amount within a fixed period of time. The interest amount is calculated on the actual debit balance.

d) Bills Discounted and purchased:

Discount: Banks allow advances to the clients by discounting bill of exchange or promissory note which matures after a fixed tenure. This way, the bank calculates and realizes the interest at a prefixed rate and credit the amount after deducting the interest from the amount of instrument.

Purchase of Bill: Banks also make advances by purchasing bills, instead of discounting, which are accompanied by documents of the title of goods such as bill of lading or railway receipts, etc. In

this case the bank becomes the purchaser of such bills which are treated as security for the advance. This allowed primarily relying on the credit worthiness of the client.

4.4.2 Non Funded Credit Facilities:

Though these types of credit facilities are primarily non funded in nature but at times it may turn into funded facilities. As such, liabilities against this type of credit facilities are termed as contingent liabilities. The facilities are:

- Letter of credit;
- Bid Bond;
- Performance bond;
- Back to Back L/C;
- Advance payment Guarantee;
- Foreign counter Guarantee.

4.5 What does Credit Department do?

Sanctioning loans is the most important and sensitive part of every banks. Interest from credits is the big income of a bank. Loans and advances comprise a large portion of bank's total assets. The strength of a bank is primarily judged by the soundness of its loans and advances. So, credit department is the most important department of a bank.

The main functions of this department are:

- To manage the credit portfolio of Dhaka Bank Ltd;
- Receive credit proposal from retail or corporate customers;
- Processing of the proposal and approval from head office;
- Monitor and follow up of the loans and advances;
- Takes necessary steps to recover classified and default loans;
- Time to time adjustment of the rates of loans and advances;
- Prepare various statements to submit to Bangladesh Bank;
- Makes part and full adjust of loans;
- Gives balance outstanding statements to customers.

Credit department is fully responsible for analyzing and making recommendations on the fate of most loan applications. Banks need income from business. But at the same time, bank must ensure the safety of the invested amount, which is done by this department.

4.6 Credit Policy of Dhaka Bank Ltd:

Loans and advances is an important function of every commercial bank. Banks earn a big amount of interest from sanctioning and creating loans. So Credit Department is the most important department of a bank. The surplus money, specially the deposit of individuals is invested to the deficit sector. And the difference between these two interest rates is the profit of banks. Credit policy is very important. A strict credit policy can lead to lesser amount loan disbursed and low rate of bad loan. Again a flexible credit policy can lead to high amount of loan default and high amount of loan disbursed. Credit policy is like a guiding light of every loans and advances. A wise and prudent credit policy creates healthy loan, earns money and provide safety of the invested money. Dhaka Bank also has credit policy. Credit policy of DBL generally aims at:

- 1) Sanctioning healthy loan assets to ensure interest earning of the Bank.
- 2) Ensuring safety through judicious selection of banks.

4.7 Procedures for Sanctioning Credit in Dhaka Bank Ltd:

Dhaka Bank Sanctions Credit based on three most essential elements of the borrower:

- Character: This is the most important element of three factors. It includes integrity of purpose, reputation for honesty, promptness in paying debts and fulfilling contracts. Record of past performances and antecedent connections, etc.
- Capacity: It refers to borrower's business ability, particularly profit making records and his acumen to avoid loss.
- Capital: this is the real measure of a borrower's strength. It helps the borrower to recover any loss in the business. It is the financial strength to cover risk.

Every branch managers are given authority to sanction loans upto a certain limit. But if any branch receives any loan application beyond that limit, then the proposal must be sent to the head office for the approval of that loan. The steps for sanctioning loan are discussed below:

1. Application for loan: Customer applies for loan at bank's prescribed form. Branch will obtain loan application's duplicate from the customer. The form must be signed by the proprietor or partners or directors. In conformity with the loan application, each customer must have a bank account is Dhaka Bank. All required documents, papers mentioned in the application form have to submit.

2. CIB form fill up: Bangladesh Bank established a new department, "Credit Information Bureau" in 1992 to procure information on default borrowers and also to streamline credit information of the banking systems. When a person or a company applies for a loan, then the credit department of the bank sends a CIB report to the Bangladesh Bank including all the information of the applicant.

The forms of CIB that a retail or corporate customer must fill up to give information to Bangladesh Bank are:

- a) Form: CIB 01 (Borrower information)
 - Form: CIB 02 "
 - Form: CIB 03 "
 - Form: CIB 04 "
 - Form: CIB 05 (Guarantor information)
- b) Form: CIB 1A (Inquiry form)
 - Form: CIB 2A (Owner Information)
 - Form: CIB 3A (Information of group)
- c) CIB undertaking: Contains Name, Address, and Sister Concern of borrower.
- d) Form SC 8.
- e) Form: CIB 01 (Segment 5)
- f) Company Letterhead form.
- g) Form (XII): This form contains the information of all the directors of the company. This form is needed to submit at the time of enlistment as a limited company at RJSC (Register of Joint Stock Companies). But in case of giving loan to customers this form is essentially kept by bank for the purpose of getting director's information and reporting to CIB. Through this form, bank can get the information- who are the directors, number of directors, etc. If any director resigns and any new director joins in, then this information must be submitted by the company to the bank within two weeks.
- h) Schedule (X): This form contains the information about the sponsor shareholders of a firm. Directors can also hold shares of the company. So, this form informs, who the

shareholders are, if any director is holding shares, what percentage of share a director is holding of the total share, etc. This information helps the respective bank to take any decision about that company in the future. If the company fails to repay the loan, bank will claim money to all the directors according to the percentage of their shares.

3. Report to Bangladesh Bank: Bank sends all the CIB forms to Bangladesh Bank in order to inform Bangladesh Bank about the borrower. Along with the forms, Bank sends soft copy of the information of the borrower.

At the same time, bank urges CIB of Bangladesh Bank to inform them about that borrower whether, there is any report about that borrower.

4. Response from Bangladesh Bank: Credit Information Bureau of Bangladesh Bank informs the respective bank about the borrower. If the borrower has taken any loan from any bank previously, then CIB will be able to provide information regarding that borrower. There is a form, called **Response Form**, through which CIB provides all the information about that borrower. If the borrower has taken loan from a bank and adjusted it, then his report will be clean. If he has taken loan from a bank but did not adjust his loan within the prescribed period, then his report will be adverse and the borrower will be unable to obtain loan from the respective bank.

There is another way of obtaining information about a client. Information can also be obtained by **Confidential Opinion**. This is an inter bank confidential report and cannot be published in general. At the time of interview of the customer, bank officials ask informally to the client whether he is having any credit facilities from any bank. If the client tells the name of the banks from where he is having credit facilities, then the bank officials take a note of the name of the banks. Then the bank official issues letters to those banks requesting to supply credit information about that customer. Then those banks give information on credit outstanding about that customer. This report is called confidential opinion. Each Bank also informs to other banks and all their branches about the loan defaulters by this confidential opinion.

5. Credit Risk Grading: If the credit amount is Taka 1 Crore or above, Credit Risk Grading is to be done according to the prescribed format supplied by Bangladesh Bank. If the loan amount is below of Taka 1 Crore, then CRG is essential. Loan is disbursed only after reporting to CIB. In that case, bank takes the Balance Sheet of previous three years of the company. If the CRG is

good, then the company is not risky and bank takes the decision to sanction loan to that company. In that case, proposal is sent to Head Office. CRG is to be forwarded along with the proposal. But if the CRG proves that the company is risky, then the branch itself rejects the application and do not send any proposal.

But recently, Dhaka Bank has revised their decision about doing CRG. Previously, it was amount 1 Crore or more for doing CRG. But now, CRG will be done in the following way:

Category of Loans	Loan Amount for CRG
Personal Loan	10 Lac
Corporate Loan	10 Lac
SME	10 Lac

The above table shows that bank has taken decision to do CRG if the loan amount is above 10 Lac. This decision reflects the consciousness to make every loan of the bank secured. It will help the bank to raise the quality of loans. After this decision, all the categories of loans will fall under one category, that is, CRG must be done on 10 lac loan amount.

6. Company Visit: The purpose of visiting a company is to find out the actual position or scenario of the company. In other words, the purpose of company visit is to find out whether there are similarities or dissimilarities between the said position and the actual position of the firm. Senior executives of bank usually go for company visit. The executives scrutinize every single aspect of the company. They tries to find out whether the company really exists or not, what type of company is that (Manufacturing/ Service/ Production)? , how much is the stock of Raw Material and inventory. If the loan is house building loan, then what is the position of land, how much the borrower have invested from his own pocket in the construction of that building, etc. When the officers go for a visit, the team carries all the necessary equipments with them. They use still camera and video camera also for recording the scenario of the project at that time for future reference. Visit report includes the following:

- Name of Visitors;

- Date of visit;
- Company location;
- Nature of project;
- Land and building;
- Machinery;
- Raw material;
- Existing manpower; and
- Overall observation.

7. Proposal to Head Office: Every branch managers are given authority to sanction loans upto a certain limit. Managers have some discretionary power, over which they can take some decision. Managers can take decision about sanctioning loans against F.D.R, D.P.S, loan against securities, personal and third party guarantee. That is why, head office approval is not required for all types of loans. Sometimes, big loan like project loan application comes in and managers cannot take decision alone in these cases. Head office approval is must for large loans.

8. Head Office sanction of Proposal: The executive committee of head office sanctions loans and takes decisions regarding credit of Dhaka Bank Ltd. The Executive Committee considers the following things before sanctioning credit to a prospective client:

- ◆ Credit risk grading is good of the company;
- ◆ The company has given proper security to the bank;
- ◆ CIB report is clean;
- ◆ The company in not badly liable to other financial institutions;
- ◆ The company possess good repayment capacity;
- ◆ Company has given other personal and third party guarantee;
- ◆ The interest rate and terms of payment is in banks favor.

The sanction limit of bank is guided by the Central Bank. Every commercial and private banks set up this limit according to the rules of Bangladesh bank. The sanction limits to various types of loans are:

1. In general, a corporate or retail customer can get loan:

Type of loan	Maximum limit
Funded loan	15% of Bank's Equity.

2. For 100% export oriented company:

Type of loan	Maximum limit
Funded loan	15% of Bank's equity
Non funded loan	35% of Bank's equity

3. For purely domestic company:

Type of loan	Maximum limit
Funded loan	20% of Bank's Equity.

If all the criteria satisfy the Executive committee, then the committee sanctions credit. The credit sanction letter includes:

- Name of the Borrower;
- Nature of facility;
- Extent of limit;
- Purpose of Credit;
- Interest on funded facility;
- Margins;
- Commissions;
- Mode of disbursement;
- Mode of adjustment;
- Validity;
- Security details; and
- Other conditions.

This sanction letter is for branch use stored for future reference. Then the branch issues another letter called Offer letter. This offer letter includes interest rate, mode of disbursement, mode of repayment, securities and all other conditions of sanctioning loans. The party is given the

original copy and keeps the duplicate of that letter. If the party agrees all the terms and conditions, then signs in the offer letter. This is the final agreement between the party and the bank. According to the agreement, loan is disbursed, party receives the loan amount and repays at the prescribed time schedule.

9. Mortgage: Mortgage is very essential for large loans. Without mortgage, loan is not sanctioned. It is a security to the bank against the loan amount. If the amount of mortgaged asset is higher than the loan amount, then the bank feels quite safe. Bank becomes the owner of the mortgaged asset and holds the ownership upto the full adjustment of loans. If the loan is fully adjusted, then bank returns the ownership of the mortgaged asset to the borrower through registration. The main purpose of mortgage is, if the party becomes unable or do not adjust the loan willingly, then bank can recover the loan amount by selling the mortgaged asset. Different types of asset are kept mortgage against different types of loans. These are given below:

Types of loans	Assets Mortgaged
Project loans	Land, Building, Factory building, machinery, stock of inventory.
Corporate loans	Building, Land.
Lease finance	Machinery, Vehicle.
Personal loan	Land, Building, Gold, Insurance Policy.

10. Signing of Charge Documents: Charge documents play a very important role in loan documentation. Charge document is the means by which bank can sue and take legal action against the borrower in case of loan default. Charge documents must be signed by the borrower before loan disbursement. There are various charge documents. Appropriate charge documents are signed for a particular loan. This charge documents has legal acceptability to the court and is a useful tool for taking legal action against the loan defaulter. Govt. stamps are attached to each document. This is how charge documents get acceptability to the Government and bank gets priority to the Govt. in case of loan recovery. These charge documents are very important documents for bank and kept in the vault of the bank safely, in case of future need. Various charge documents for different types of loans are given below:

- ❖ Promissory note;
- ❖ Counter guarantee;
- ❖ Debit balance confirmation slip;
- ❖ Letter of revival;

- ❖ Loan disbursement letter;
- ❖ Right to recall the loan;
- ❖ Trust receipt;
- ❖ Letter of authority to debit account;
- ❖ Letter of continuity;
- ❖ Letter of guarantee for opening L/C;
- ❖ Hypothecation of Vehicles;
- ❖ Hypothecation of Goods;
- ❖ Letter of guarantee;
- ❖ Third party guarantee;
- ❖ Letter of authority to mark lien and appropriate proceeds;
- ❖ Memorandum of deposit of title deeds;
- ❖ Letter of authority for lien and encashment (Third party);
- ❖ Letter of authority to encashment of FDR/ SPS/ ICB unit certificates/ WES bonds;
- ❖ Request for credit limit;
- ❖ Limit input form;
- ❖ Letter of disclaimer.

11. Loan Disbursement: After completing all the documentation, security deposit and other formalities, bank disburse the loan amount. The mode of disbursement is pre agreed by both the parties. But bank do not disburse the loan amount by cheque. Bank transfers this amount to the account of the customer. In case of corporate loan or project loan, it is disbursed through the **CD account** of the customer. In case of retail customer, loan in disbursed through the customers **Savings account**. And then both the corporate and retail customers withdraw money from their respective accounts.

These are the steps by which a customer can obtain loan from Dhaka Bank. Though the process is very lengthy, but it is good for both the parties. Bank must ensure safety for its lended amount. On the other hand, customer must agree the terms and conditions imposed by bank. When the time for loan adjustment arrives, customer deposit the installment amount in their respective account and loan account is adjusted automatically. If any loan installment becomes overdue, after a certain period it becomes classified. This is a continuous process. Retail

customers adjust their loan. In case of corporate loan, party takes a loan, adjusts it and then again takes loan. So, in case of corporate customers, the process never stops. Corporate customers enjoy multiple credit facilities from Dhaka Bank. They maintain bank account, takes loan, open L/Cs, have PAD, etc. That is why, big customers build relationship with a bank, which can provide a wide range of products and services to them. And Dhaka Bank is one of the banks of first choice among the large corporate customers.

4.8 Interest Rates along with other conditions charged to different categories of loans according to the policy of Dhaka Bank Ltd.:

Personal Loan:

Rate of Interest:	14%-17% p.a.
Processing Fee:	1.50% of Loan amount.
VAT:	15% on Processing fee.
Late payment interest:	48% p.a. (4% p.m.) on the arrear installment amount or BDT 200 (whichever is higher).
Early settlement:	<ul style="list-style-type: none"> i. A fee @ 0.50% on the settlement amount (excluding VAT). ii. Payment of at least 3 (three) equated monthly installments in case of partial settlement.
Non refundable verification fee:	BDT 500.

Car Loan:

Rate of Interest:	14% p.a.
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Home loan:

Rate of Interest:	13% p.a.
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Lease Finance:

Rate of Interest:	15% p.a.
Risk Fund:	1% of lease amount.

Corporate Loan (CCH):

Rate of Interest:	15% p.a.
Margin on B.G.	10% Cash Margin.
Commission on B.B.	0.50% per Quarter.
Interest on Funded Liabilities:	14% p.a.
Margin on L/C:	10% Cash Margin.
Commission on L/C:	0.50% for 1 st Quarter; 0.25% from next Quarter.

Bank Guarantee:

Cash Margin:	10%
Commission:	0.40% for 1 st Quarter; 0.30% from Next Quarter.
Commission on 100% Cash Margin:	BDT 500.

LC/LG/ OD/ STL:

Rate of Interest:	13% p.a. with quarterly rest or as advised by the Head Office from time to time.
Margin on L/C:	10% in Cash.
Margin on B.G.:	5% in Cash.
Commission on L/C:	0.25% for 1 st Quarter; 0.15% for subsequent Quarters.
Commission on B/G:	0.25% per Quarter, i.e. 1% p.a.

Long Term Receipt (LTR):

Interest on Funded Facility:	14% p.a. (with quarterly rests or as advised from time to time).
Penal Interest:	In case of Overdue/ Excess, over 2% penal interest to be charged on outstanding loan amount.
Margin on L/C & L/G:	I. 10% margin, i.e. 5% at the time of opening L/C by keeping lien of FDR / STD accounts of sister concerns and rest 5% in the form of cash during the creation of LTR. II. 10% Cash margin in case of issuing B.G.
Commission on L/C & L/G:	I. 0.30% for 1 st Quarter and 0.20% for subsequent quarters for L/C. II. 0.35% per quarter on guarantee amount in case of Bank

	Guarantee.
Retirement of Documents:	By creating LTR upto 90% of CFR value if room is available / in cash.
Repayment:	a. From sale proceeds / in cash within the validity. b. Return of Original Bank Guarantee.

4.9 Classification of Loans and advances:

When loans become irregular in repayment, these loans are called Classified loans. Classification of loans is the process of identifying those loan accounts and giving special attention to those loans by separating those loan accounts. Classification of loans also measures the level of risk associated with it. Every banks give loans and advances. But not all the loans are repaid by the borrower in specific time. There are some loans, the repayment of which is irregular. Banks find out these loans and give special treatment to these loans.

Classification of loans is of two types:

- I. Classified Loans: Loans, the repayment of which is irregular.
- II. Unclassified Loans: Loans, the repayment of which is regular.

Classified loans are of three types again:

1. Substandard: Repayment is irregular, but it can be improved.
2. Doubtful: Unlikely to be repaid but special collection efforts may result in partial recovery of the loan amount.
3. Bad or Loss: No chance is left for recovery of loan.

4.10 Basis of Loan Classification

Classification as Sub-standard:

A loan is classified as sub standard if any one of the following conditions is met:

- a) If an advance or any portion of an advance or interest thereon remains overdue for one year or more but less than three years then the advance is classified as substandard.

- b) For an advance of a continuing nature, even if the loan is not overdue as much as one year, but the limit stands overdrawn by more than 50% for a period of 45 continuous days preceding the reference date for the classification, then it is classified as sub standard.
- c) If a loan has been renewed or rescheduled at least three times but is not overdue, and any of the required payments for the required period have not been made when they fall due, then the loan is classified as sub standard.

Classification as Doubtful:

A loan is classified as doubtful if any one of the following conditions is met:

- a) The advance or any portion of the advance or interest thereon remains overdue for three years or more but less than five years.
- b) A loan classified as substandard mentioned above has remained substandard for two years or more.
- c) Qualitative criteria based on judgment.
- d) Legal action has been initiated.

Classification as Bad or Loss:

A loan is classified as bad if any one of the following conditions is met:

- a) The advance or any portion of an advance or interest thereon remains overdue for five years or more.
- b) A loan classified as doubtful mentioned above has remained doubtful for two years or more.
- c) If legal action has been initiated and no court decision has been obtained within five years of initiation of action then the loan is classified as bad.
- d) Qualitative criteria based on judgment.

4.11 Credit Position of Dhaka Bank Ltd. In a bird's eye view:

(fig. in million Tk.)

Particulars	2015	2014	2013
Total Deposit	139,069	124,854	115,981
Total Loans and Advances	117,840	103,131	99,596
Total amount of Classified Loans	5,491	5,657	4,137
Credit Deposit Ratio (%)	84.74%	81.26 %	84.22 %
Return on Equity (%)	15.98%	15.92 %	16.21 %

4.12 Financial Performance in Credit Sector of Dhaka Bank Ltd.:

The amounts of financial performances in credit of Dhaka Bank is Given below-

Performance on Loans, Cash Credit, Overdrafts and others:

(fig. in million Tk.)

	2015	2014	2013
Overdrafts	30152	25895	24481
Cash Credit	8472	8177	9482
House Building Loan	835	1081	1507
Transport Loan	885	915	862
Term Loan	36751	33244	26214
Loan against Trust Receipt	7860	6881	9376
Payment against Documents	103	121	145
Loan against Imported Merchandise	63	293	270
Loan against Accepted Bills	1133	752	577
Packing Credit	290	122	135
Lease Finance	1938	1750	2330
Credit Card	268	235	213
Retail Loan	622	1596	1749
Other loans	26073	19841	20040
Total=	115,445	100,904	97,382

From the above table of the performance of credit, we can see that the total amount of loans is increasing. In 2013, it was 97,382 million and in 2015, it became 115,445 million. From the above categories, LTR, Term Loan, Overdraft, LIM, PAD these loans have been sanctioned most. Other types of loans are sanctioned steadily. Every broad sector of the loan outstanding is increasing. It signifies that the credit policy is well balanced in the portfolio. So in the existing credit policy, every broad sector got the treatment that every sector is doing well.

4.13 Industry Wise Loans including Bills Purchased & Discounted:

(fig. in million Tk.)

	2015	2014	2013
Agricultural Industries	545.75	1694.22	794.20
Pharmaceutical Industries	919.36	1016.22	1153.35
Textile and Garment industries	28868.19	26519.96	20515.90
Chemical Industries	1517.56	1321.39	1832.58
Food & Allied Industries	6909.70	5048.21	5374.65
Transport & Communication Industries	3640.58	3371.50	4124.42
Electronics & Automobile Industries	1854.82	1170.50	1134.86
Housing & Constructions Industries	14891.06	12900.38	12581.92
Engineering & Metal Industries	14120.49	11223.05	11930.22
Energy & Power Industries	3846.75	2487.73	3306.60
Service Industries.	5392.48	3677.80	3269.02
Other Industries	35333.41	32700.55	33578.14
Total	117,840.17	103,131.5	99,595.88

From the above table we can see the industry wise loan outstanding of Dhaka Bank of the year 2013, 2014 and 2015. The above table shows that Textile and Garment industries are given most priority for giving loans. Housing, Engineering and Food industries are also sanctioned a good amount of loan during those years. But Agricultural industries are given less amount of loan. The reason for that is, factory for agricultural based products in our country is low. Though our country is an agricultural country and agricultural products are vastly traded all over the country,

but because of less scope of agricultural based industries in our country, the sanctioned loan is low in this sector.

4.14 Geographical Location wise Loans & Advances: (fig. in million Tk.)

	2015	2014	2013
Urban			
Dhaka Region	75,219.99	64,046.18	62,248.55
Chittagong Region	24,553.80	21,955.25	21,718.42
Sylhet Region	687.78	612.59	650.69
South Region	22,73.91	2,052.23	2,026.57
North Region	2,517.19	2,182.83	1,775.70
Other	4,618.09	4,312.44	4,511.78
	109,870.77	95,161.52	92,931.72
Rural			
Dhaka Region	41,75.52	4,645.61	3,887.99
Chittagong Region	1,058.93	939.20	832.86
Chittagong Region	139.36	140.47	113.39
Sylhet Region	---	---	---
South Region	1,169.72	962.43	848.97
North Region	1,425.86	1,282.28	980.95
Other			
	7,969.39	7,970.00	6,664.17
Total=	117,840.17	103,131.52	99,595.88

Dhaka Bank is very selective in sanctioning loans to different locations of the country. From the above table we can see that Dhaka is the center of concentration for sanctioning loans of Dhaka Bank Ltd. As Dhaka is the capital, this division is given most priority for giving loans. In the next position, there is Chittagong. Chittagong is the Commercial and Port City of Bangladesh. Therefore this division is also given priority for giving loans. Sylhet and other regions are also given loans. But in recent years, Dhaka Bank did not sanctioned any loan in the rural areas of Chittagong. The reason may be, there are only two branches of Dhaka Bank in Chittagong. For the shortage of branches in Chittagong, Dhaka Bank did not sanctioned any loan in the rural areas of Chittagong.

4.15 Classification of Loans and Advances:

(fig. in million Taka)

	2015	2014	2013
Unclassified Loans	112,349.52	97,474.26	95,459.20
Classified Loans	5,490.65	5,657.26	4,136.69
Sub-standard	[1,236.02]	[688.52]	[1,420.50]
Doubtful	[265.36]	[496.35]	[153.60]
Bad/ Loss	[3,989.27]	[4,472.38]	[2,562.58]
Total=	117,840.17	103,131.52	99,595.88

From the above table we can see that in 2013, the amount of classified loans was 99,595.88 million. But in 2014, it increased to 3.40 percent. It was 103,131.52 million. But in 2015, the amount of classified loan again increased to 14,710 million.

CHAPTER 5: ANALYSIS



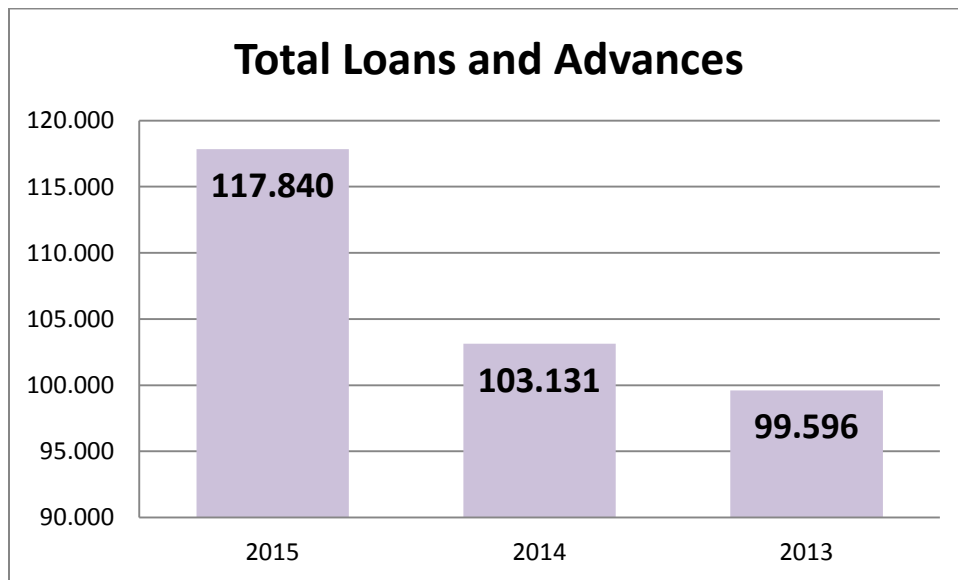
5.1 Analysis of the Credit Position of Dhaka Bank Ltd:

In this part, the credit position and the performance of Dhaka Bank will be discussed. The financial measurement will help to identify how much effective is Dhaka Bank's Policy of credit.

5.1.1 Total Loans and Advances:

(In million Tk.)

Year	Total loan outstanding
2015	117,840
2014	103,131
2013	99,596



As it has been mentioned before, that the portfolio of Credit of Dhaka Bank is large and diverse, therefore this bank issues a big amount of Loans each year. Dhaka Bank always maintains quality of loans. Before sanctioning credit, Dhaka Bank confirms the credit worthiness of the customer and repayment capacity. These procedures express the strengths of the Credit Policy of Dhaka Bank. From the above table, we can see that the amount of outstanding loans and

advances is increasing in the recent years. Because of the strong credit policy, Dhaka Bank was able to maintain loan quality which leads to increased loan amount every year. Customers are given good facilities beside loans and the after sales service is excellent in this bank. That is why, more customers are taking loans from this bank. Every year, this bank is making relationship with both new corporate and retail customers. This leads to increased amount of loan sanctioned. And another thing is, every year the amount of deposit is increasing in this bank. That is why, this bank is able to sanction more loans each year. There exists some external pressure also. Government directs its financial activities in the country through the Govt. fund. But some times, Govt. is in shortage of fund. At that moment, in order to continue the financial activities, Govt. makes Internal Borrowing. Govt. borrows from the Banks and financial institutions inside of the country. Then banks cannot save themselves from Govt. Borrowing. They must lend loans to the Govt. In that case, Bank's ability of giving more loans is reduced. In spite of these barriers, Dhaka Bank has successfully managed to give loans and advances to its customers and this amount is increasing every year.

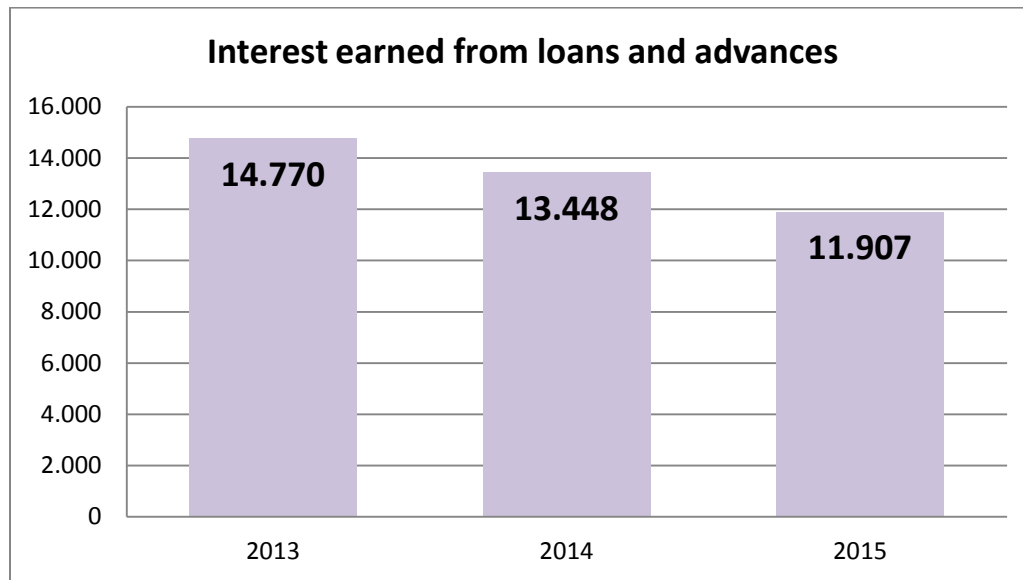
5.1.2 Interest earned from loans and advances:

Interest earned from different categories of loans and advances are given below-

(figure in Tk.)

	2015	2014	2013
Demand Loan	--	--	20,081
Term Loan	4,880,249,230	5,033,233,272	4,662,983,876
Overdrafts	3,899,738,657	4,009,438,004	4,104,620,426
Loan against Imported Merchandise	34,976,710	44,573,433	60,814,314
Loan against Trust Receipt	1,018,315,727	1,390,073,349	2,356,074,258
Packing Credits	15,998,755	11,560,050	16,554,646
Cash credit	1,036,347,745	1,339,874,822	1,720,252,932
Payment against Documents	28,802,637	444,817,245	430,132,491
House Building Loans	176,954,974	226,762,745	288,038,621

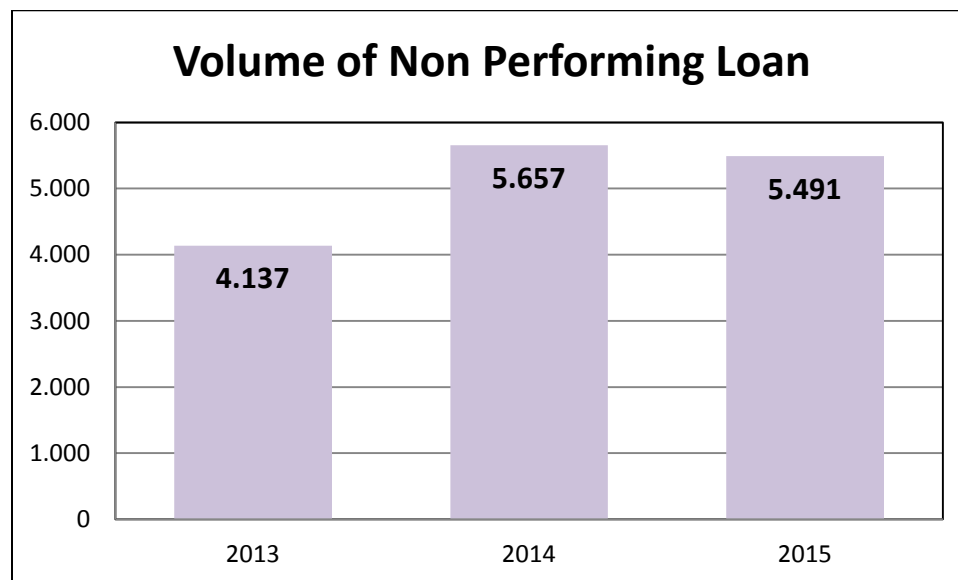
Transport loans	112,591,928	117,977,359	153,209,174
Syndicate loan	372,382,363	393,873,278	436,727,606
Hire Purchase	44,769,856	62,501,670	74,119,840
Lease rental	251,510,752	342,201,108	432,636,814
Credit Card	34,116,211	30,670,156	33,675,392
Total=	11,906,755,545	13,447,556,491	14,769,860,471



The above chart represents the interest income of loans and advances for the year 2013, 2014 & 2015. Here also we see that the interest is decreasing over the years. This is a very good sign for an institution. The increasing income refers that the way Dhaka Bank is operating credit division, is right. This also refers to the effectiveness of the Credit policy of this bank. We know that Dhaka Bank's credit portfolio is so diverse. Dhaka Bank also offers a wide range of products of loans and advances to its customers. Every year this bank is giving more and more loans in different loan categories. As a result, the bank is getting interests from these loans. Interest from loans is the major earning for a bank. So, higher the loans sanctioned, the higher it will be the interest income. Dhaka bank possess strict credit policies for each and every category of loans and maintains that very strictly also. That is the reason for maintaining good quality over the credits. This is another reason for gaining steady income from interest of loans over the years.

5.1.3 Volume of Non Performing (classified) Loans: (Figure in million Tk.)

Year	Non Performing Loan
2013	4,137
2014	5,657
2015	5,491



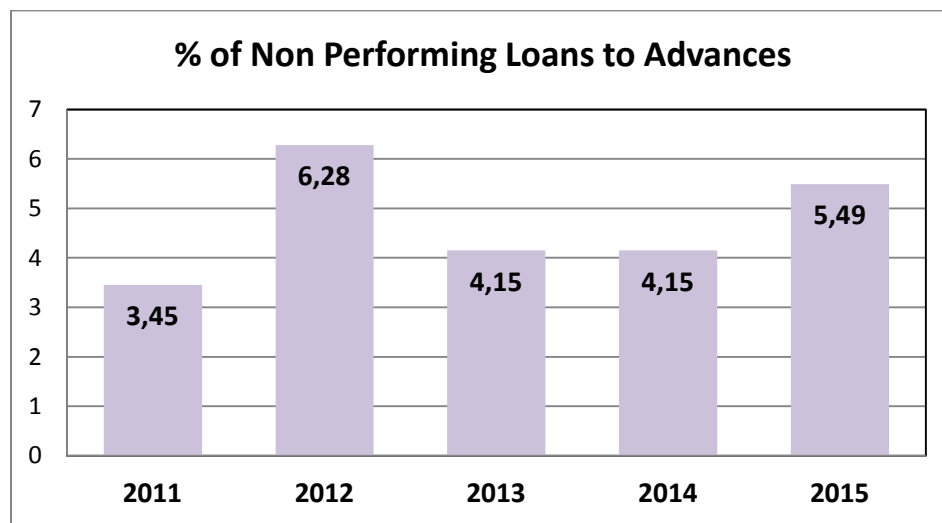
From the above table and chart we can see the Non performing loans or classified loans of Dhaka Bank Ltd. of the past few years. Every year Dhaka Bank gives a big amount of loans to different customer groups. Dhaka Bank’s policy is arranged in such a way, so that the loan is recovered smoothly and without any hazard. But despite all of these, every year there becomes some loans classified which by any means is inevitable. So, banks attempt to minimize these classified loans as low as possible. Dhaka Bank has taken it as a challenge. Dhaka Bank’s volume of classified loans was somewhat stable in the past years. But we can see that in 2014, the amount of non-performing loans mounted to 5,657 million. The main reason behind this big shock is the natural calamity that took place in the year. si Dhaka Bank'amount of loans to differen ming loans or Classified loans of Dhaka Bank Ltd. of some paor each and

5.1.4 Non Performing Loans as % of Advances:

In this segment, it will be tried to find out that the amount of Non Performing loans is what percent to the total amount of loans sanctioned.

Calculation Process= (Amount of Classified Loans/ Total amount of Loans & Advances)* 100.

Year	% of Non Performing Loans to Advances
2011	3.45
2012	6.28
2013	4.15
2014	4.15
2015	5.49



It is very important to mention that according to Bangladesh Bank regulations, a Bank will be termed as a Problem Bank if the percentage of Non Performing loans to Total Loans and Advances exceeds 5%.

According to the above calculation, we can see that in 2013, the percentage was 4.15, in 2014 it was 4.15 and in 2015, it gone up to 1.34 percent. In the above table, there are calculations of percentage of classified loans to Total loans and Advances of the last five years. As we can see that in none of the years, the percentage exceeded over 5 %, except 2012 and 2015. It was fluctuating between 3.5-5.5 percentages. But as we know that in 2012, the amount of classified loans was a little bit higher, that is why this percentage also increased to 6.28 percentage. But in the next year, it came to the normal position again. So we can say that Dhaka Bank has never been in a position to become a Problem Bank ever. Without an Effective Credit Policy and Credit Management, this would not be possible.

CHAPTER 6: RECOMMENDATION & CONCLUSION



6.1 Recommendation: Dhaka Bank is directing its operation with expertise. After starting, Dhaka Bank has passed 20 years. And in these years, this bank has developed in all the areas. But still there are some fields where Dhaka Bank needs to reshape the rules and policies. I want to recommend Dhaka Bank about some of the areas of Credit to improve in-

- 1) There is a norm in Dhaka Bank Credit Policy and Bangladesh Bank Regulation also, that if the CRG is not good of any client, no loan will be given. But Dhaka Bank relaxes this norm to some of the special cases. I would recommend Dhaka Bank to stick to this norm strictly in order to maintain good credit quality.
- 2) The Tax Payer's Identification Number (TIN) must be made compulsory for applying for the loan. Though it is a norm to submit TIN number by the client, but in many cases, it is ignored. The credit officials must ensure that this TIN number is submitted by the client before the sanctioning of loan.
- 3) If a borrower has taken loan from any of the banks or financial institutions previously, then the bank should revise that loan statement and the repayment behavior of the borrower before sanctioning loan. Bank should collect other additional information (if any) about the borrower from other banks.
- 4) Bank should not give loans to aged clients. Specifically, client over 55 years of age (in Bangladesh context) should not be given loan.
- 5) Bank should ensure that if a borrower dies, there are other capable persons who can take charge of the business and keep the business running without any interruption.
- 6) In case of Letter of credit and Bank guarantee, the necessity of creating Force Loan appears to the bank sometimes. In these cases, Bank should take securities before giving these sorts of facilities to the clients. As a result, there will not be any necessity to create force loan. If any claim arrives, from the beneficiaries of letter of credit and bank guarantee, then that claim can be met by selling that security.
- 7) In some special cases, Dhaka Bank relaxes in the lending rates of credit, which should not be done at all. It reduces profitability and increases risk. In order to maintain good quality of credit, Dhaka Bank should stick to its rules.
- 8) In order to secure a loan, Personal Undertaking should also be taken besides personal guarantee.

- 9) Sometimes, Bank buys loan of a customer from another Bank. It is called Debt buying. Dhaka Bank should not do it as this loan has 100% chance of becoming classified. Dhaka Bank should carefully select loan customers.
- 10) In case of loan default, case should be filed against the guarantor also, besides the borrower. This may be proved as an effective move and the loan may be adjusted.
- 11) Bank officials must supervise and ensure that the sanctioned loan is being used for the announced purpose in order to stop Fund Diverting.
- 12) Undertaking must be taken from all the partners of a Partnership Firm that in future, Bank will not be disturbed by any activities of the partners or by any disputes among them.
- 13) Bank do not sanctions Corporate loan, if the liability of the company is too much. In that case, bank can give loan to that customer by taking cash security or land mortgage security.
- 14) Dhaka Bank do not gives much loans to the rural areas. Dhaka Bank should think about it and sanction loans to the rural areas in some profitable sectors.
- 15) Bangladesh is an agricultural country. Bangladesh economy is still dependent of agriculture. But Dhaka Bank do not gives loan in this sector. Dhaka Bank should give loans to agricultural industries.

6.2 Conclusion:

Dhaka Bank is one of the 2nd Generation Banks and is being running successfully. This bank has highly skilled and committed workforce and experienced management to lead the bank from the front. Dhaka Bank has a wide range of products and serves its customers with latest technological tools. One of the strengths of Dhaka Bank is that this bank gives a huge amount of loans and advances to corporate and retail customers. Dhaka Bank is involved more with corporate customers. The credit portfolio of Dhaka Bank is so much diversified and invests in almost all the sectors of industries of Bangladesh. Credit Department, that is why, is an important department for this bank. Every year Dhaka Bank earns a big amount of interest form loans. So, we can say that interest income is the life blood of Dhaka bank. Dhaka Bank is eager to maintain good loan quality. That is why, the interest rates of loans and advances are higher in Dhaka Bank than other banks. In this case, Dhaka Bank is working with Bangladesh Bank. Bangladesh Bank has taken several measures to improve financial discipline in the Banking sector. In spite of maintaining good loan quality, some loans are becoming Bad / Loss every year. Dhaka Bank's credit policy is very strict. The Credit Management is very effective also. The Credit Management is using some effective tools. Credit Risk Grading, Special Mention Account, Loan classification, Loan Rescheduling, Provisioning of loans are the important tools for managing credit. That is why, every year the classification of loans and the amount of default loan is decreasing. So, we can say that **the credit Policy of Dhaka Bank is effective**. But still there are some opportunities to improve and reshape the credit policy in some areas. It can be hoped that Dhaka Bank will be able to contribute more in the Bangladesh economy in the coming years.

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