

A case study on- “Credit management challenges of Southeast Bank Limited.”

Internship Report

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August 23, 2017

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August 23, 2017

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Letter of Transmittal

23rd August, 2017

Ms. Humaira Naznin

Senior Lecturer, BRAC Business School

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Subject: Submission of “Internship report.”

Dear Madam,

It is indeed an honor, to deliver my internship paper on the topic of – **“A case study on, credit management challenges of Southeast Bank Limited,”** as a prerequisite for the partial requirement of my BBA program.

In completing the paper, I have invested my best effort to make it easy and simple to read.

However, if there are any questions regarding this paper, I will be pleased to clarify them as best as I can.

Sincerely,

Fariya Yeasmin

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BRAC Business School

BRAC University.

Acknowledgement

First and above all else, I would like to pay my deepest gratitude to the almighty Allah who has helped me through all the difficulties in my life. Also aided me with strength, and gave me the expertise and persistence needed to complete this paper.

My sincere gratitude goes to my supervisor Ms. Humaira Naznin, Senior Lecturer (BRAC University), who has guided me from the very beginning of my Internship program. Her guidelines, inspiration, appreciation and encouragement has helped me to be confident while completing my paper.

I would really like to thank my organization's supervisor Mr. Imran Ahmed, Executive Officer & Credit In- Charge of Mouchak Branch, Southeast Bank Limited. He helped me a lot by guiding me & providing the information I needed to complete my paper. I also would like to thank, Mr. A.K.M. Matiur Rahman (Senior Assistant Vice President & Manager Operation, Mouchak Branch, Southeast Bank Limited), Mr. Md. Helal Uddin Farid (Senior Officer, Mouchak Branch, Southeast Bank Limited), Mr. Md. Mizanur Rahman (Officer, Mouchak Branch, Southeast Bank Limited) & Mr. MD. Lokman Hassen (Probationary Officer, Mouchak Branch, Southeast Bank Limited) for giving me their valuable time while conducting interview.

Lastly, my sincere gratitude and love goes to my parents. Also, my other family members, who always believed in me and supports me throughout my good and bad times.

Table of Contents

Executive Summary	7
Chapter: 1	8
Organization Part	8
My job responsibilities:.....	14
Learning reflections:	14
Chapter: 2.....	16
Project Part.....	16
2.1 Introduction of the project.....	17
2.2 Problem Statement	17
2.3 Objective of the study	18
2.4 Methodology	18
2.6 Brief description about Southeast Bank Limited	19
2.7 Credit Policy of Southeast Bank Limited.....	19
2.8 Credit approval process of Southeast Bank Limited.....	20
2.9 Major credit management challenges of Southeast Bank Limited.....	20
2.10 Brief discussion about the challenges	22
2.11 Questionnaire	27
2.12 Findings.....	28
Graphical Representation of Findings	33
2.13 Recommendations:.....	36
The recommendations by using SMART method are given below-	36
2.14 Conclusion.....	42
Chapter: 3.....	43
Supplementary Part.....	43
Appendix.....	44
3.1 Credit Policies of Bangladesh Bank.....	44
3.2 References	47
The End.....	48

Executive Summary

This paper is prepared as a partial requirement of BBA Program, BRAC University. The objective of this paper is to provide detail information about the challenges of credit sanction and recovering process of Southeast Bank Limited. I have joined Mouchak Branch, Southeast Bank Limited as an intern on the month of May. Southeast Bank Limited is a private commercial bank. It has been founded on March 12, 1995 and the head office is in Dilkusha, Dhaka, Bangladesh. There are pros and cons of every approach to a report. However, this paper covers a very important aspect of Banking Industry (Credit management). The aim of this paper is to identify the challenges of Southeast Bank Limited while giving loans and to investigate those challenges for a depth insight into those challenges. Another important aim of this paper is to identify the challenges of Southeast bank limited while recovering the loan amounts and to recognize the importance of addressing those challenges. In the end of this paper, diagnose the steps that's been taken to tackle those challenges & to point out the problems/ limitations associated with those steps. Overall, this paper will elaborately discuss the challenges that are most often faced by the respective bank, while they try to invest on their respected clients. Mostly the major problems while sanctioning loans are- unwillingness to provide real information on business, proper documentation, weak recovery system, misuse of investments and so on. There is a big list of problems that are faced by the bank regularly. These challenges are faced not only while sanctioning loans, but also there are some major challenges while recovering those loan amounts. So, this paper will provide significant information about the challenges of the bank and how they tackle those challenges. Lastly, Southeast Bank Limited is working really hard to not to invest on a dead horse by project sights visit, inspecting other documents properly and some other measures that will be discussed in this paper. It is said that- "credit might become problem-credit overnight." If gradual deterioration in credit quality signals are not detected on time and proper actions are not taken to prevent problem-credit (Rahman, 2015).

Chapter: 1

Organization Part

Corporate Profile

I am doing my internship on Southeast Bank, Mouchak Branch from the month of May. The bank has been founded on 12th March, 1995 & received its banking license on March 23, 1995. It is a privately owned commercial bank and the legal form of the company is a public limited company. The bank is run by a very efficient team of professionals. Mr. Alamgir Kabir, FCA is the chairperson & Mrs. Duluma Ahmed is the vice chairperson of the company. The directors are Mr. M. A. Kashem, Mrs. Jusna Ara kashem, Mr. Azim Uddin Ahmed, Mr. MD. Akikur Rahman, Mrs. Rehana Rahman & Mrs. Sirat Munira. The team encourage and generate an environment of trust that motivates & encourage the employees to work together for achieving the missions of the bank. The address of the head office is- Eunoos Center, 52/53, Level 3, C/A, 1000, Dilkusha, Dhaka, Bangladesh. Which is at the heart of the Dhaka City, also known as Motijheel. Motijheel is the major commercial hub and business center of our country. The vision of the company is, “To become a pioneer banking institution of the country and significantly contribute to the growth of national economy.” The missions of the company are- high quality financial services with state of the art of technology, fast customer service, sustainable growth strategy, high ethical standards in business, steady return on shareholders’ equity, innovative banking at a competitive price, attraction and retention of quality human resource & commitment to Corporate Social Responsibility. The value of the company is to serve as a compass for their action and describe their direction. They believe in the core values of integrity, respect, fairness, harmony, team spirit, courtesy, commitment, service excellence, insight and spirit, enthusiasm for work & lastly the business ethics. Southeast Bank Limited takes the pride for bringing women into the banking profession. They believe in gender equality. At present, there are 18.14% women employees in Southeast Bank Limited. Southeast Bank Foundation initiated a scholarship program for poor meritorious student in 2009. So far, they have distributed 827 scholarships to the secondary level students & 1263 scholarships at the higher secondary level.

Five years performance of Southeast Bank Limited at a glance:

Five years performance at a glance

In Million Taka

Particulars	2015	2014	2013	2012	2011
Authorized Capital	15,000.00	15,000.00	10,000.00	10,000.00	10,000.00
Paid up Capital	9,169.50	9,169.50	8,732.86	8,732.86	8,317.01
Reserve Fund / Others	19,312.13	18,292.59	13,074.71	10,864.68	10,683.05
Deposit	210,431.09	189,472.54	177,519.46	152,901.24	127,178.22
Advance	168,878.46	147,070.81	134,863.82	126,968.97	107,288.56
Investment	58,829.27	56,378.59	57,589.06	37,656.56	29,846.60
Import Business	155,812.58	155,691.00	131,644.82	111,537.50	99,509.01
Export Business	126,423.89	112,137.60	95,220.40	84,464.20	75,982.06
Guarantee Business	15,245.19	13,603.30	17,226.41	21,506.65	25,673.90
Remittance Business	60,708.50	48,740.50	39,299.10	41,455.40	49,544.10
Total Income	26,260.72	27,667.10	26,918.30	23,134.18	19,931.91
Total Expenditure	18,226.45	19,337.34	20,218.11	17,638.99	13,846.24
Operating Profit	8,034.27	8,289.76	6,700.20	5,495.19	6,085.67
Net Profit after Tax and Provision	3,069.42	3,836.94	3,378.82	1,648.72	1,912.19
Fixed Assets	7,885.23	7,913.00	7,795.65	7,677.51	7,373.11
Total Assets	260,718.03	236,608.40	220,930.85	189,921.58	158,078.59

Company Organogram:

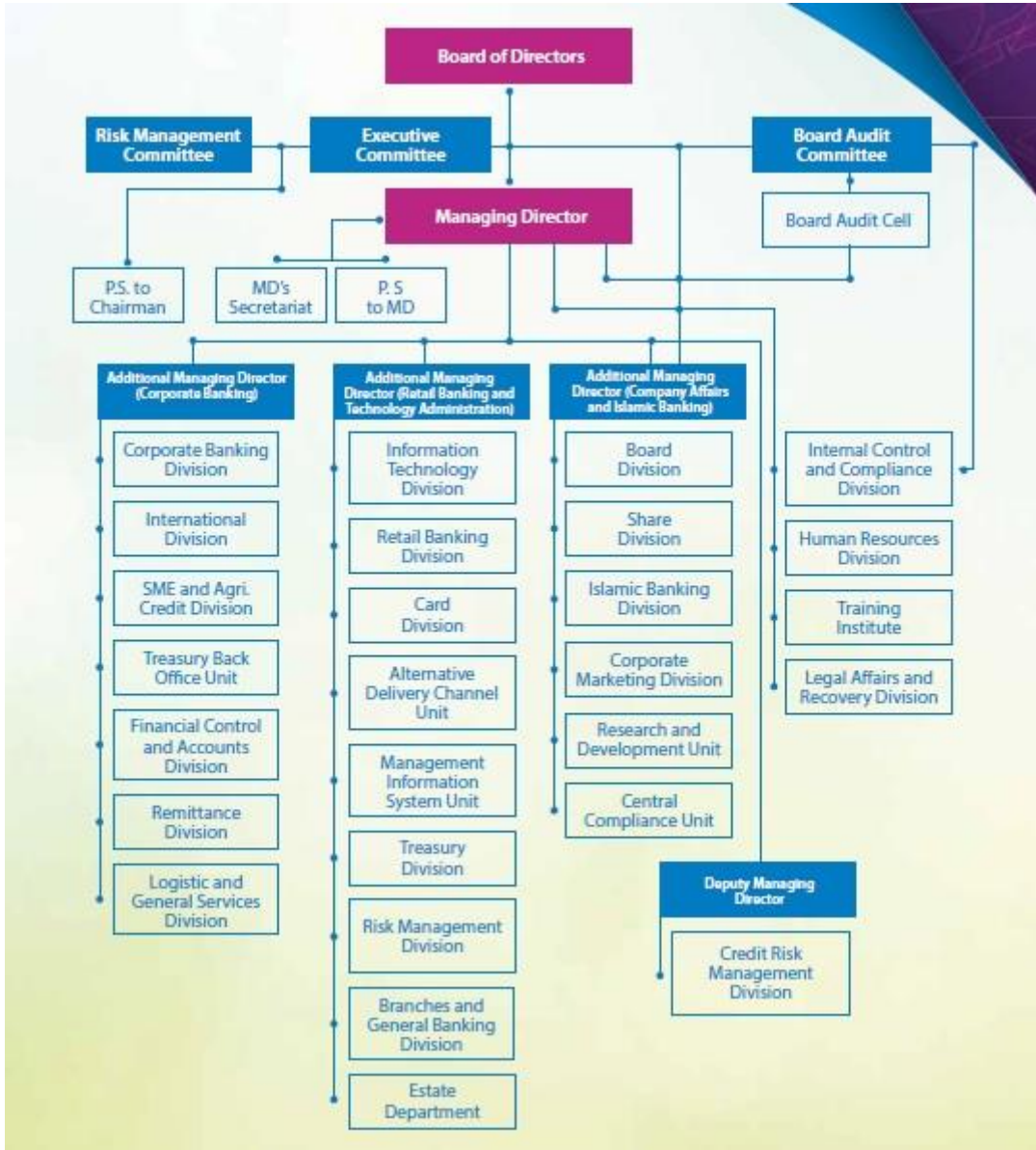


Figure: Company Organogram

The loans and advances provided by Southeast Bank Limited

The loans and advances provided by Southeast Bank Limited are: Working Capital Finance, Overdraft, Project Finance, Syndicated Loans, Packing Credit, Loan Against Export Bill and Loan Against Transport Bill.

The bank charges list for each loans and advances are given below-

- Working Capital Finance
 - ✓ 13% per annum at quarterly rest subject to change(s) that may be made by the bank from time to time.
 - ✓ Standard processing fee.

- Overdraft
 - ✓ 13% per annum at quarterly rest subject to change(s) that may be made by the bank from time to time.
 - ✓ Standard processing fee.

- Project Finance
 - ✓ Standard processing fee.

- Syndicated Loans
 - ✓ Standard processing fee.

- Packing Credit
 - ✓ Application form for request for loan facility @ 250/-.
 - ✓ 2% on approved loan amount.
 - ✓ 7% per annum at quarterly rest or as fixed by head office from time to time.

- ✓ Half yearly service charge:
 - Taka 1000/- on each account for urban clients.
 - Taka 500/- on each account for rural people.

- Loan Against Export Bill
 - ✓ Application form for request for loan facility @ 250/.
 - ✓ 2% on approved loan amount.
 - ✓ 7% or 13% per annum at quarterly rest or as fixed by head office from time to time.
 - ✓ Document negotiation charge @ minimum TK. 1000/- per documents.
 - ✓ Postage charges as actual.

- Loan Against Transport Bill
 - ✓ Application form for request for loan facility @ 250/-.
 - ✓ 2% on approved loan amount.
 - ✓ 13% per annum at quarterly rests subject to change(s) that may be made by the bank from time to time.
 - ✓ Half yearly service charge:
 - Taka 1000/- on each account for urban clients.
 - Taka 500/- on each account for rural people.

My job responsibilities:

I have joined Southeast Bank, Mouchak Branch on 17th May, 2017. There, I was assigned to several departments for learning purpose. Departments I have worked are given below:

- Accounts- Voucher sorting, Thursday Position (Weekly Position) preparing.
- Remittance- Filling up withdrawal forms and Pay order forms for clients.
- Credit and advance- Listening the discussion between client and credit manager. After that preparing a report based on the discussion. So that, every important information about clients are recorded.
- General Banking
 - Account opening forms filling up.
 - Checking whether the forms are correctly and completely filled or not.
 - Risk assessment of clients.

Learning reflections:

The day I have joined Mouchak Branch, Southeast Bank Limited a new phase of my life had started. It's a totally new chapter of learning for me, in the corporate world. I also got to know a lot about the corporate culture. It had given me the immense opportunity to apply my knowledge and skills in the practical life that I have learned throughout my whole life.

From the very first day of my office, I had reached office always on time. That made me learn to be punctual always & also the value of time. I had to work under several officers during office hours. Sometimes I had to work in accounts department, there I learned how to sort vouchers. Vouchers are basically daily transactions receipt of the respective bank and those are organized as per transaction categories. Such as, current account receipts should be under CD category, savings account receipts should be under SB category, special notice deposits are under SND category, fixed deposits under FDR category, deposit premium schemes under DPS category, loans under Loan category, assets under Asset category, liabilities under Liabilities category, all the other branch's transactions under Head Office category, incomes under Income category, expenses under Expense category and lastly demand drafts & pay orders are under DD/PO category. Also have to sort all the vouchers under debit and credit for each of the category. For Example- If any client withdraws his/her money from the bank, that transaction receipt will go under debit category for the bank. As, withdrawals of money by clients decrease liability for the bank. On the other hand, when any client deposits money into the bank that increases the liability of the bank and that's why deposits will go under credit category. However, I had to finish this voucher sorting within a given time. Then I had to work under general banking department. This helped me to learn about the time management. Sometimes, in one working day I also had to work under 3 departments one after another. Again, during office hours many new and old clients come to visit us for information, account opening, transaction related works etc. Various times I used to help the clients with their respective works. It helped me to strengthen my interpersonal skill. Additionally, I also got the technical knowledge about banking software of Southeast Bank Limited. The respective bank use ULTIMUS software by leads Co. for their day to day transactions. Last but not the least, I had to prepare several short reports for credit department based on clients' information, which helped me to increase my typing speed.

Chapter: 2
Project Part

2.1 Introduction of the project: This paper's topic is, "A case study on- Credit management challenges of Southeast Bank Limited." By credit management we understand that- "Nothing but the expectation of money with in some limited time" (Caouette, 2008). Simply, Credit Management is the process of granting loans for the clients of Bank, the terms & conditions it's granted on and recovering the loan amounts when it's due. While granting loans for their clients, bank faces several challenges. If those challenges are not tackled wisely and strong handedly, then things might just go wrong. For the bank and for the bank's branch manager as well. If money is handed over to a wrong person. That particular person might not return the money, s/he might have taken loan with the intention of cheating. Even those money can be used by terrorism. So, this topic is very important for the country's safety and economic growth. If one entrepreneur is taking loan for business, s/he is definitely contributing to the country's economic growth & development.

2.2 Problem Statement: Usually, we see and address the problems or challenges that a customer is facing while they go to the banks for any banking purpose. But, the challenges that a bank face while they are investing on a particular client or trusting a client is really a very big challenge. At present the world is facing gruesome acts by terrorists. So, it's high time, especially for banks to be alert on every step of investments by financial institutes. In Bangladesh, government is also emphasizing on entrepreneurship. In order to be an entrepreneur one needs capital to start his/her own business. For that capital, still bank is the first and foremost choice of ours.

2.3 Objective of the study:

- ✓ Identify the challenges of Southeast Bank Limited while giving loans.
- ✓ Investigate those challenges of Southeast Bank Limited.
- ✓ Identify the challenges of Southeast Bank Limited while recovering the loan amounts.
- ✓ Recognize the importance of addressing those challenges of Southeast Bank Limited.
- ✓ Diagnose the steps that's been taken by Southeast Bank Limited to tackle those challenges.
- ✓ Point out the problems/ limitations associated with those steps.

2.4 Methodology: For this paper, I have used “**Exploratory Type of Study.**” As, this paper is a case study, exploratory research method is more suitable for it. Exploratory research gives in depth insights into a problem. Exploratory research is one type of Qualitative research. Method used for this paper is – “**Focus Group Interview.**” The group I have focused is the Credit Team of Mouchak Branch, Southeast Bank Limited. For the interview, I have prepared a set of questions and also followed the Laddering Technique of Interview. After preparing the questionnaire, provided it to the respective credit team members of the bank. Then, we sit together and asked questions one by one. They gave their valuable opinions one by one to each question.

- ✓ **Primary sources of information** – Credit team, Mouchak Branch, Southeast Bank Limited and my Internship experience.
- ✓ **Secondary sources of information** - The available information on internet. Such as- articles, journals, reports, annual reports & publications.

2.5 Limitations:

- ❖ As, the interview has to be taken on group, it was a bit difficult to get all of the members of credit team free on the same time.
- ❖ The interview would take a lot of time and the audit team of Bangladesh Bank was going on. So, everyone was busy for it.
- ❖ Time constraint is also one of the major problems during preparing this paper. The time was very short. After a whole working day, it was quite tough to concentrate.
- ❖ Organizational confidentiality is also there.

2.6 Brief description about Southeast Bank Limited:

Southeast Bank has started its journey on March 12, 1995. From the starting of its journey it wanted to be the pioneer in banking industry. Their vision is to contribute to the national economy. Which they are doing quite a long time now. So far, they have achieved AA rating in credit management rating. Which clearly indicates that they are in a good condition for granting and recovering loans. Any bank's main earning source is giving loans to their clients. Southeast Bank's earning's main source is also the same.

2.7 Credit Policy of Southeast Bank Limited:

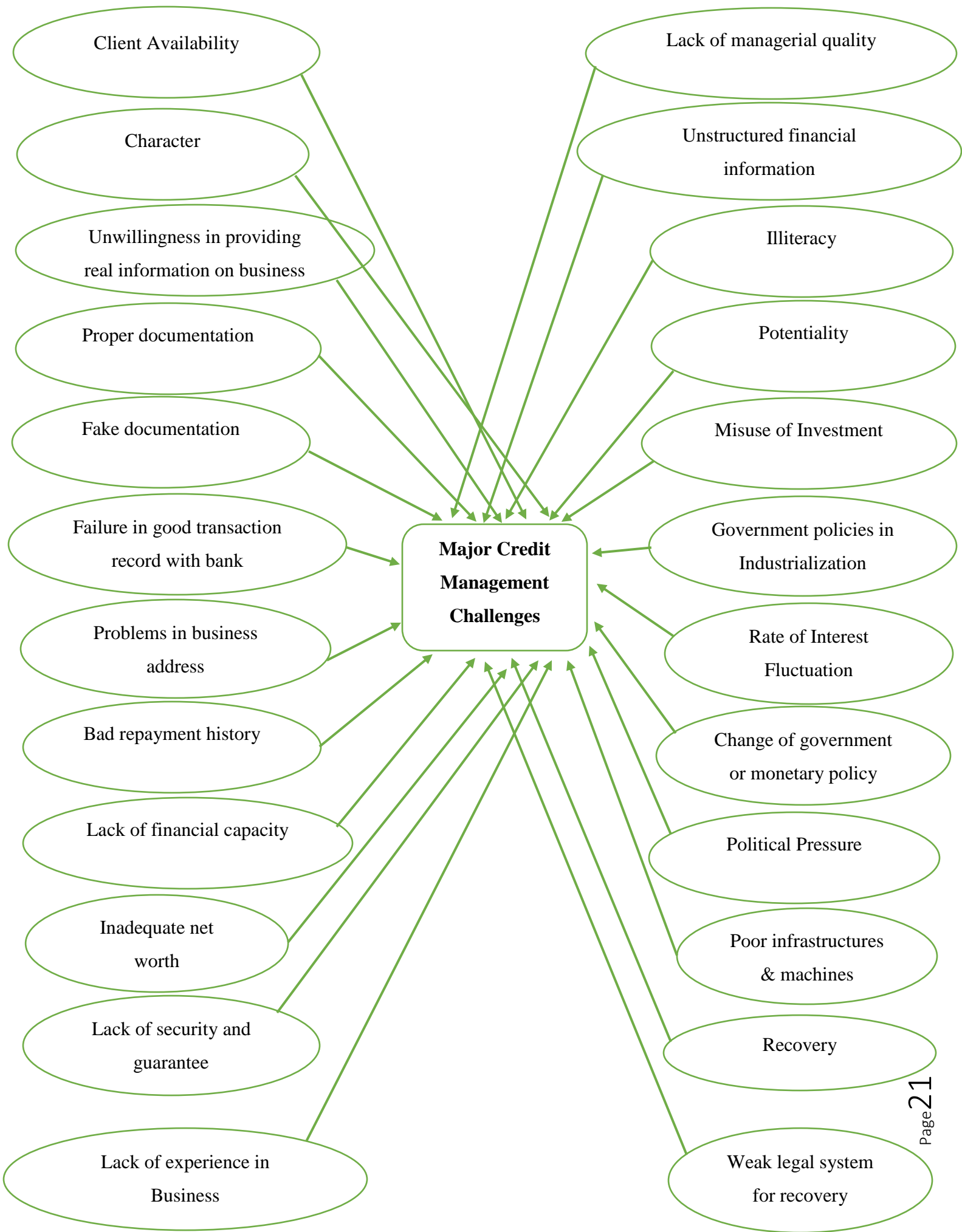
The overall credit policy has already been devised in accordance with Bangladesh Bank's guidelines. Corporate Banking activities of Southeast Bank are carried out addressing appropriate credit risk environment, sound credit approval process, suitable credit administration, measurement and monitoring process and adequate control over credit risk. There is a strong guideline by Bangladesh Bank that every bank should have Credit Policy of its own. Credit Policies should be updated periodically, taking into the considerations of internal and external factors. Bangladesh Bank urged that the credit policy must be communicated to the senior management and corrective measures should be taken. The credit policies of Bangladesh bank are attached on Appendix part.

2.8 Credit approval process of Southeast Bank Limited:

The Credit Officer acts as relationship officer between the bank and the client at branch level. Credit Officer has to ensure the accuracy of the entire credit application that is submitted for sanctioning. Complete credit and risk assessment is conducted before granting any loan application. The Corporate Banking Division, SME & Agri Credit Division, Islamic Banking Division, Retail Banking Division of Head Office are actively involved in scrutinizing, analyzing, assessing and processing the credit proposal and in some cases marketing (syndication finance). The Credit Risk Management Division is involved in evaluation and in-depth analysis of risks associated with the individual borrower and in finding out the mitigating factors to minimize those risks. Then the respective credit officers of Head Office further process the proposal embodying and complying the observations of CRM and place the proposal to Head Office Credit Review Committee (HOCRC) for consideration/decision. Upon recommendation of Head Office Credit Review Committee, the competent authority (as per delegated business power) may approve or decline the proposal. Managing Director may recommend the proposals which are beyond the Managing Director's delegated authority to the Board of Director as per delegation for approval/ decision. Upon approval a letter, conveying the sanction of loans, is issued in four copies (for the Branch, Credit Approval Department, Internal Control & Compliance Department and lastly Corporate Banking) by the credit approval Department of Credit Risk Management. (If declined, the same is communicated accordingly.)

2.9 Major credit management challenges of Southeast Bank Limited:

After conducting the focus group interview and researching several research & journal papers several challenges had shown up. The challenges graphical presentation is shown on next page-



2.10 Brief discussion about the challenges:

- i. Client Availability-** The most important challenge for the bank is getting potential clients. Now-a-days getting potential clients are a bit tough unless proper marketing strategy as per the credit team of Mouchak Branch, Southeast Bank Limited. By potential clients they meant, those clients who will borrow money from the bank and utilize those money in their businesses for earning profit. Lastly, will repay bank's money within the given time.

- ii. Character-** As per the senior officer of Mouchak Branch, Southeast Bank Limited, people's character is the most important challenge after meeting a probable client for the bank. According to him, if one's character is not good enough, s/he cannot be a potential client for Bank.

- iii. Unwillingness in providing real information on business –** The Senior officer also added that, in order to get a handsome amount of loan, clients sometimes do not provide the original scenario of their businesses.

- iv. Proper documentation-** According to the Manager Operation, Mouchak Branch, Southeast Bank Limited, Clients sometimes do not have the asked documents needed. Such as- Trade license, National Card, TIN certificate, Company's Visiting card etc. Proper documentation is a big challenge for the respective bank. According to the Manager Operation, proper documentation helps the client for building a good and positive image towards bank.

- v. **Fake documentation-** “Those who intend to get the loan but do not have proper documents, they sometimes forge the papers.” The statement was from the Credit In-charge, Mouchak Branch, Southeast Bank Limited. This had become a great challenge for the bank to tackle.

- vi. **Failure in good transaction record with bank-** According to the Senior Officer, there are also some clients whose transaction history with banks is not that much good. Also, make excuses and avoid paying back. Which causes loss for the bank. Failure in good transaction record with the bank is a major challenge. Because, if the client’s history predicts negative image, then for the bank it’s really hard to believe in that client.

- vii. **Problems in business address-** The Credit In-charge mentioned that, sometimes it’s also seen that the business address that’s been provided doesn’t exist at all. This is a big challenge for the bank while giving loans. In that case, that particular loan application got rejected.

- viii. **Bad repayment history-** Some clients are also there who does not pay back their loans on time. It creates a negative image for the clients. The Senior officer mentioned about this.

- ix. **Lack of financial capacity-** The Credit In-charge added that there are some clients who might have the potentials. But, their financial ability is not that up to the mark to pay back loans if business occurs loss any point of time.

- x. **Inadequate net worth-** According to the Manager Operation, If the net worth is not adequate it becomes impossible to get back the loan amounts.

- xi. Lack of security and guarantee-** As per the Credit In-charge, security and guarantee is the most important criteria for the respective bank. If security is strong enough then there is assurance that no matter what the bank will get back its money. But, when there is lacking in security and guarantee from the client's side then it becomes a very important challenge for the bank.

- xii. Lack of experience in Business-** If the entrepreneur does not have that much experience in that particular business then it's quite obvious that he is not going to do that business well and earn some profit. If he is unable to earn profit, then how he will pay bank's loan? The Senior Officer asked this question to me while asking him how much important this point is.

- xiii. Lack of managerial quality-** One entrepreneur might have quite good knowledge about business, the Manager Operation replied. But if s/he does not have managerial quality, then things will go wrong. Business might suffer loss as well if every aspect of business is not managed properly.

- xiv. Unstructured financial information-** There are certain clients who does not have proper financial documents of previous years. That becomes a huge challenge for the bank to find out the previous year's performance of any particular business the Credit In-charge added.

- xv. Illiteracy-** It's a challenge but not a major one, as per the Officer of Mouchak Branch, Southeast Bank Limited. The Credit In-charge also supported him by saying, if the client is literate then things become quite easy for the bank.

- xvi. Potentiality-** According to the Manager Operation, if one client does not have enough potential to invest the loan amount and utilize those for earning profit, then it can become a huge challenge for the bank.
- xvii. Misuse of Investment-** Not necessarily everyone takes loan with good intentions the Senior Officer added. Sometimes it's been seen that the clients are taking money for business but they are building houses for their own. Even, now-a-days terrorism is also a big issue.
- xviii. Government's policies in industrialization-** The Credit In-charge mentioned that, bank has to be careful about Government's policies on Industrialization. As, sometimes govt. imposes ban on several products to not to produce those in a certain area. Such as- Tannery at Hazaribagh area.
- xix. Rate of Interest fluctuation-** Sometimes, Central Bank change the interest rates, which sometimes increases the interest amounts for clients if rate increased. That makes clients to not to borrow from bank the Manager Operation added.
- xx. Change of government or monetary policy-** According to the Senior Officer, change in monetary policy is also a major challenge for the bank. Changes sometime favor the clients to borrow, even not to borrow from bank.
- xxi. Political Pressure-** The Credit In-charge added that when there are big budget projects and urgency is there political interference is there sometimes. It's been a challenge for a long time now for the bank.

- xxii. Poor infrastructures & machines-** Clients also have poor infrastructures and machines is surely a challenge for bank as per the Probationary officer, Mouchak Branch, Southeast Bank Limited. He asked, if infrastructure and machines are not in good condition then how come the particular business is going to run?
- xxiii. Recovery-** According to the Manager Operation, the biggest challenge face by the Bank is while recovering the loans. Recovery is basically getting paid the loan amounts that's been borrowed by the clients. Sometimes, client does not pay on time. The bank has to send them several notices.
- xxiv. Weak legal system for recovery-** According to the Credit In-charge, the recovery and legal system is still very weak in our country. For which most of the time people can escape after a money scam.

2.11 Questionnaire:

- Q1.** Categories of loans and advances offered by your Bank?
- Q2.** The way/ways of getting clients for your bank?
- Q3.** Sight visit members & their criteria of inspection? What they look for in a certain visit at a project?
- Q4.** Eligibility criteria of customers applying for loans in your Bank?
- Q5.** Fees and charges for a particular loan service in your Bank?
- Q6.** What are the risks associated with credit management for banks?
- Q7.** What are the major challenges in credit management of your Bank?
- Q8.** What is/are the challenge/s in terms of inspecting all the requirements?
- Q9.** If one customer is failed to fulfill some of the requirements that is needed, will his/her loan application will be approved?
- Q10.** Last 4 years information about credit management (Loan sanction & rejection rates)?
If there is any statistical graph available or not?
- Q11.** The reasons behind rejection or sanction?
- Q12.** Does literacy play a vital role for customers, while they are applying for loan services in your bank?
- Q13.** What are the actions taken by your Bank, when a client is failed to repay his/her loan within the given time?
- Q14.** How credit management committee handle political interference?
- Q15.** Is there any particular way of inspecting the misuse of investments by your Bank?
- Q16.** If fraudulent has done by any client, what are the actions taken by your Bank?
- Q17.** How to recover those amount for bank, that's been defrauded?
- Q18.** What are the steps that's taken to tackle those challenges?

2.12 Findings:

For this paper, I have taken group interview of the credit team of Mouchak Branch, Southeast Bank Limited. The findings are based on the opinions of respected credit team members of Mouchak Branch, Southeast Bank Limited.

- First of all, the loans and advances offered by Southeast Bank Limited are mainly in 3 categories: Corporate, SME, Consumer/ Retail. Another segmentation in terms of collateral are: without security, non-cash or landed security, fully cash backed.
- From the interview, it's been found that the ways of getting clients are- personal marketing, word of mouth marketing, mediators, personal relations, advertising on newspapers etc. All the other members also supported his statement.
- On the other hand, the eligibility criteria of customers applying for loans in the respected bank are- profitable business/ steady income source, good repayment history, good security (Collateral, Fixed deposits, strong Personal Guarantee), future prospects.
- When asked about what they look for in a certain visit and their criteria of inspection, it's been found that, Manger Operation must visit the particular sight at least once with other officers. They usually verify the possession of the security, verify the value and authenticity of that security with local Amin. When visiting factories, officers usually keep an eye on how many machines are running and how many of them are stopped.
- The fees and charges for a particular loan service are as per company and central bank policy. Mostly decided by the central bank. Sometimes the charges and fees are also set competitively by Southeast Bank Limited.

- The loans and advances provided by Southeast Bank Limited are: working capital finance, overdraft, project finance, syndicated loans, packing credit, loan against export bill, loan against transport bill.
- Team members also talked about the risks associated with credit management for banks. Those are- risk of non-repayment, interest rate fluctuations, changes in the regulations, economic downturn etc. In these scenario, bank has a chance to face loss. Because, it's very unusual to earn profit with that situation sometimes. So, they have to be extra careful always. And has to maintain a steady & stable situation for their bank.
- Here, when asked about the major challenges, different member added different points. Such as- the manager operation and senior officer both replied that a person's character is the most important criteria while granting credits. They supported their statement by saying that – “if a man has no tension about his or her reputation in the society, most likely s/he is intending to cheat the bank.”
- On the other hand, the challenges in terms of inspecting all the requirements for a credit, it's been said that, it's very hard to isolate every aspect of the job. They have a target to achieve in terms of acquiring new loans/client as well as profit. but they also have to bring such client who would provide perfect information, papers and securities. Practically, it is almost impossible to achieve such scenario. Sometimes it requires time to collect all the documents, inspect the validity of the securities as well as information. But in many situation clients doesn't provide the necessary time to perform these duties. They sometimes have to do simultaneous work which can hampers the accuracy.
- Again, when asked about, if one customer is failed to fulfill some of the requirements that is needed, his/her loan application will be approved or not? They replied, “No.” But depending on the requirement they sometimes allow small deviations when disbursing loans. Sometimes they give the client a time frame to

provide them with the documents and disburse the loan (in most case partially) upon receiving an undertaking from client.

- When asked about if literacy plays a vital role or not for customers, they replied- No. literacy does not play a vital role while clients are applying for loan services in Southeast Bank Limited. They acknowledge experience and intelligence more than education. But they prefer educated entrepreneur because in average they can provide more stable business environment.
- I also asked that what are the actions taken by Southeast Bank Limited, when a customer is failed to repay his/her loan within the given time and how to recover the amounts that's been defrauded. Findings are- they have a clear instruction given by Bangladesh Bank. First, they pursue the defaulter verbally. If the client does not acknowledge that, then they give another written notice. Again, if there is no response from the client then they send another notice with strong wording. Yet, there are some clients who does not response then Bank officer send ultimatum to the client by saying, if s/he is failed to pay the loan amount in a given period of time, then his/her collateral mortgaged must be auctioned. Lastly, when any customer ignores all the notices and does not repay bank's money then the respective bank has to auction off the collateral mortgaged with them. If they cannot sell the security or forced to sell at a reduced price then they take legal action through Artha Rin Court to adjust all the dues.
- Again, when it is matter of political interference, the senior officer and credit in charge replied that- Their credit management committee is really very strong. So far, they have tackled the political interferences strong handedly and their motto is, no matter what, clients have to maintain the documents, rules and regulations set by the bank. If clients are eligible enough and maintained what had asked from them, then their loan will surely be sanctioned. There is no need of a third-party interference. So, the team hope that their credit management committee will keep doing the same in future as well. Senior officer also added that, Politically Exposed Persons (PEP) sometimes also keep positive impact on the Bank. If, that person

wants to serve the society for a long time and want to be elected every time he stands for elections. Then, that person usually does not want to be declared as bankrupt. As, bankrupt persons cannot be nominated for elections.

- While finding out if there are any particular way of inspecting the misuse of investments, they replied that- they try to visit their invested projects as often as they can. They also monitor stocks, sales and other data time to time to ensure the client is using the fund properly.
- Again, if fraudulent has done by any customer, the actions taken by Southeast Bank Limited are, they immediately freeze client's accounts. If any loan has been disbursed they take immediate legal action to recover the dues.
- Finally, the steps that's taken to tackle those challenges are, there are several criteria for asking loans from Southeast Bank Limited. Which includes important documents related to the business. Such as, trade license, national id card of the client, TIN no, passport's photocopy etc. Right now, Southeast Bank Limited has the facility to check whether these documents are original or fake. By checking the authenticity of these papers, they can tackle some of the problems. Rests, they do inspect the project's sight, machineries, infrastructures etc. So that they can find out whether those are in good condition to invest or not. Above all of that, they personally interact with their clients to check whether they have the potential or not. Are they genuine or not? The Senior Officer also added that, that's totally based on their instincts. But they try as much as they can to identify the genuine & enthusiastic clients for Southeast Bank Limited.
- Lastly, while asked about the loan sanction rate and rejection rate, the manager operation replied that, usually they get 50 proposals of investment on average per year. Among those only 1 or 2 gets rejected. In this situation, the sanction rate becomes 96% and 4% rejection rate per year with 2 rejected proposals.

History of Last 4 years sanctioned Loan (Amount in Crores):

Year	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Total
2014	11.91	2.24	14.26	5.15	33.56
2015	.20	6.58	1.35	15.81	23.94
2016	5.17	0	3.44	12.90	21.51
2017	24.38	11.05	-	-	35.43

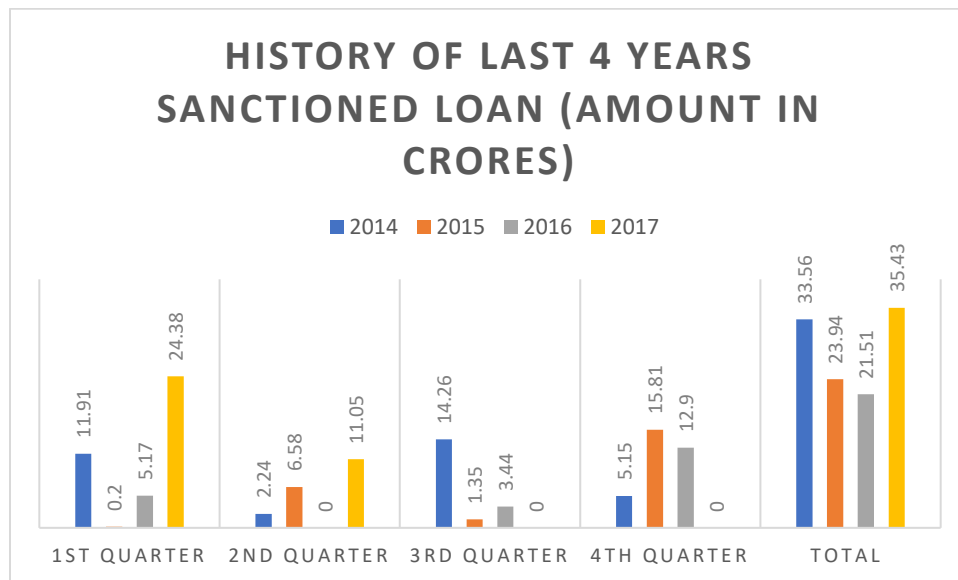


Figure: Performance history of SEBL

A bank has to face new challenges every day. That's why they have to be cautious at their each and every step. So that unwanted and unpleasant occurrences can be avoided. When it's the matter of Southeast Bank Limited, I must say, till now they have done quite good job. They are gaining profits every year by investing and recovering loans. Slowly and steadily they are approaching to achieve their vision.

Graphical Representation of Findings

Categories of loans and advances-	3 categories: Corporate, SME, Consumer/Retail.
The loans and advances provided by Southeast Bank Limited-	Working capital finance, overdraft, project finance, syndicated loans, packing credit, loan against export bill, loan against transport bill.
The way/ways of getting clients-	Personal marketing, word of mouth marketing, mediators, personal relations, advertising on newspapers etc.
Eligibility criteria of customers applying for loans-	Profitable business/ steady income source, good repayment history, good security (Collateral, Fixed deposits, strong Personal Guarantee), future prospects.
Sight visit members criteria of inspection-	Manger Operation must visit the particular sight at least once with other officers.
What they look for in a certain visit at a project-	Verify the possession of the security, verify the value and authenticity of that security with local Amin, how many machines are running and how many of them are stopped in the factories.
Fees and charges for a particular loan service-	As per company and central bank policy. Sometimes the charges and fees are also set competitively by Southeast Bank Limited.
Risks associated with credit management-	Risk of non-repayment, interest rate fluctuations, changes in the regulations, economic downturn etc.

<p>Major challenges in credit management of Southeast Bank Limited-</p>	<p>Client Availability, character, unwillingness in providing real information on business, proper documentation, fake documentation, failure in good transaction record with bank, problems in business address, bad repayment history, lack of financial capacity, inadequate net worth, lack of security and guarantee, lack of experience in Business, lack of managerial quality, unstructured financial information, illiteracy, potentiality, misuse of Investment, government's policies in Industrialization, rate of Interest Fluctuation, change of government or monetary policy, political Pressure, poor infrastructures & machines, recovery, weak legal system for recovery.</p>
<p>The challenge/s in terms of inspecting all the requirements-</p>	<p>Bank officers have to bring such client who would provide perfect information, papers and securities. It requires time to collect all the documents, inspect the validity of the securities as well as information. But in many situation clients doesn't provide the necessary time to perform these duties.</p>
<p>If customer is failed to fulfill some of the requirements that is needed, will his/her loan application will be approved or Not-</p>	<p>"No." But depending on the requirement they sometimes allow small deviations when disbursing loans.</p>
<p>The reasons behind sanction-</p>	<p>Proper Documentation, potentiality, securities etc.</p>

The reasons behind rejection-	Bad repayment history, lack of net worth, fake documentation etc.
Loan sanction rate and rejection rate-	Sanction rate 96% and rejection rate 4% per year.
Literacy plays a vital role for customers or not-	“No.” They acknowledge experience and intelligence more than education.
The actions taken by Southeast Bank Limited, when a client is failed to repay his/her loan within the given time-	They have a clear instruction given by Bangladesh Bank. First, they pursue the defaulter verbally. If the client does not acknowledge that, then they give several written notices. Lastly, they take legal action through Artha Rin Court.
Political interference influence banks decision or not-	“No.” The credit management committee of Southeast Bank Limited is really very strong. So far, they have tackled the political interferences strong handedly. They will continue to do so.
The ways of inspecting the misuse of investments-	Visit the invested projects as often as they can. They also monitor stocks, sales and other data time to time.
If fraudulent has done by any client, the actions taken by Southeast Bank Limited-	Immediately freeze client's accounts.
The ways of recovering those amounts that's been defrauded-	Take legal action through Artha Rin Court.
The steps that's taken to tackle those challenges-	Verification of trade license, national id card of the client, TIN no, passport's photocopy etc. Inspecting the project's sight, machineries,

	infrastructures etc. Personally, interact with their clients to check whether they have the potential or not. They are genuine or not.
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2.13 Recommendations:

The recommendations by using SMART method are given below-

Issue:

- ❖ Credit team members supervises total credit department. Includes, non-performing credits and Sight visits.
- ❖ Workload of credit team members are huge. Which needed to be decrease for better concentration on work.

Recommended Strategies:

- Establish a separate department for non- performing credits.
- Create a totally separate team for sight visits.
- Provide proper trainings to the Sight Visit Officers by the Credit Officers.
- Prepare a checklist of the requirements for the Sight Visit Officers, that is needed to be checked in order to grant loan applications.
- Board of directors must review the work of credit department, non-performing credit department and sight visit team’s reports time to time.

✚ Specific idea to address the strategies

Cost Analysis: New recruitments are needed in order to setting up separate department for non-performing credits and sight visit team. For non-performing credit department, full time employees and for sight visit team, part time employees are needed. For sight visits, full time employee is not needed. Part time employees will not only save the cost for the bank but also separate cabins are not required. Bank might follow their own policies for salaries and recruitment process. Yet, based on assumptions the probable costs that will involve while applying the recommended strategies are given below-

Department	No. of Employee	Type of Employment	Salary/Month in BDT	Total Salary/Month in BDT	Total Salary/Year in BDT
Non-Performing Credit	3	Full-Time	18,000/- Each	54,000/-	6,48,000/-
Sight Visit	3	Part-Time	8,000/- Each	24,000/-	2,88,000/-
				78,000/-	9,36,000

Figure: Cost Analysis

Recruitment Process:

Step 1: Advertisement- 1 Month Long advertisement on Newspapers and official website.

Step 2: CV Collection- In order to send Curriculum Vitae, candidates need to fill up the form at the official website.

Step 3: Sorting out CV- After CV collection, HR officer short list some candidates as per their requirement.

Step 4: Announcement of Written Test- A date is announced for the written test on the official website of the bank.

Step 5: Written Test: 40 marks

Pass Mark- 24 marks (60% of 40 Marks)

Subjects- General knowledge, Mathematics and English.

Step 6: Issuing Interview Cards- Those who passes the written test, interview card is issued to their mailing address.

Step 7: Interview: 36 marks, Covering 5 parts.

7 marks = Appearance and Personality,

8 marks = Knowledge and Related Subject,

7 marks = General Knowledge,

7 marks = Analytical skill &

7 marks = Communication skill.

Step 8: Background Investigation- After passing both the written test and interview, HR Department send officers to investigate about the background of particular candidate. So that, the candidates were not involved in any criminal activities that can be justified.

Step 9: Preparation of Desirable Candidates List- After proper investigation, a desired candidates list is sent to the board members.

Step 10: Final Approach by the Management- After board members select particular candidate then the management approach to the finalized candidate.

Step 11: Appointment and Posting- If approached candidate give his/her consent over for the job then an appointment letter is issued for him/her containing the job location and salary details.

Measurement of the Initiative

- ❖ At least, 30% of Credit Department employees' workload will get decreased.
- ❖ They can give more concentration on getting more clients for their bank.
- ❖ New clients might bring more profit for the bank.

Attainable

- ❖ Resource needed, BDT 78,000/- per month. BDT 9,36,000/- per year.

Relation

These recommended strategies support the Credit Department Employees to decrease their workloads by setting up separate Non-Performing Credit Department & Sight Visit Team.

-  **Timeline-** Total time needed for implementing the strategies, is only the time that is needed for the **recruitment process**.

Steps	Duration
Advertisement	30 Days Long
CV Collection	1 Working Day
Sorting out CV	2 Working Days
Announcement of Written Test	2 Working Days
Written Test	2 Working Days
Issuing Interview Cards	1 Working Day
Interview	3 Working Days
Background Investigation	5 Working Days
Preparation of Desirable Candidates List	2 Working Days
Final Approach by the Management	2 Working Days
Appointment and Posting	1 Working Day
Total Time	1 Month, 3 Weeks

2.14 Conclusion:

Lastly, there are certain challenges that a bank has to face on a regular basis. But bank is the only institute that provides the lion share of investments that is taking place in our country regularly. So, the contribution of banks at national economic growth is undeniable. Challenges will brew up. But, bank being the strongest financial institution in our country has to come up with strategies to tackle those challenges. Southeast Bank Limited is doing the same. They have gotten AA rating on credit rating report. Which means, they were able to maintain sound credit profile. Hope, they will keep this up in future as well.

The End

Chapter: 3
Supplementary Part

Appendix

3.1 Credit Policies of Bangladesh Bank:

- i.** Detailed and formalized credit evaluation/appraisal process
- ii.** Credit origination, administration and documentation procedures
- iii.** Formal credit approval process
- iv.** Approval procedure of credit extension beyond prescribed limits and other exceptions to the credit policy
- v.** Risk identification, measurement, monitoring and control
- vi.** Internal rating (risk grading) systems including definition of each risk grade and clear demarcation for each risk grade in line with BB regulations and policies
- vii.** Risk acceptance criteria
- viii.** Credit approval authority at various levels including authority for approving exceptions and responsibilities of staffs involved in credit operations

- ix.** Roles and responsibilities of staffs involved in origination and management of credit

- x.** Acceptable and unacceptable types of credit. These types can be on the basis of credit facilities, type of collateral security, types of borrowers, or geographic sectors on which the bank may focus

- xi.** Clear and specific guidelines for each of the various types of credits, including maximum loan-to-value (LTV) ratios

- xii.** Concentration limits on single party or group of connected parties, particular industries or economic sectors, geographic regions and specific products. Banks are allowed to set their own stringent internal exposure limits, as long as they are at least as strict as prudential limits or restrictions set by Bangladesh Bank

- xiii.** Pricing of credits

- xiv.** Review and approval authority of allowances for probable losses and write-offs

- xv.** Guidelines on regular monitoring and reporting systems, including borrower follow up and mechanisms to ensure that loan proceeds are used for the stated purpose

- xvi.** Guidelines on management of problem loans

xvii. Policies on loan rescheduling and restructuring and

xviii. The process to ensure appropriate reporting.

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The End