Report On

Improving Credit Management for Enhanced Customer Satisfaction and Borrower Loyalty through Transparency and Flexibility in Loan Terms

By

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19304024

An internship report submitted to the BRAC Business School in partial fulfillment of the requirements for the degree of Bachelor of Business Administration.

BRAC Business School
BRAC University
October 2023

Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

Student's Full Name & Signature:

____

Mohd. Moktasid Hossain Bhuiyan
19304024

Supervisor's Full Name & Signature:

____

Riyashad Ahmed
Assistant Professor, BRAC Business School
BRAC University

Letter of Transmittal

Riyashad Ahmed

Assistant Professor,

BRAC Business School

BRAC University

66 Mohakhali, Dhaka-1212

Subject: Submission of Internship Report

Dear Sir,

This is my pleasure to display my internship report to complete the BBA program at BRAC University. I primarily focused on how having a transparent credit management can lead to higher customer satisfaction. I learned how different departments in the bank work together and how to deal with different customers and tend to their needs in a swift and efficient manner during my internship at Mercantile Bank Ltd.

I have attempted my best to finish the report with the essential data and recommended proposition in a significant compact and comprehensive manner as possible.

I trust that the report will meet the desires.

Sincerely yours,

____

Mohd. Moktasid Hossain Bhuiyan

19304024

BRAC Business School

BRAC University

Date: October 30, 2023

Non-Disclosure Agreement

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

This agreement is made and entered into by and between [Name of Company] and the undersigned student at BRAC University……………………………………..

Acknowledgement

First, I would like to express my gratitude to the Almighty who has given me the opportunity to go through the total process of internship and to write a report in this regard.

I am incredibly appreciative of the chance to work as an intern at the Mirpur Branch of Mercantile Bank Limited. I am very thankful to Sk. Mostafizur Rahman (FAVP) and Md. Ruhul Amin (Principal officer) who helped me and taught me everything during my internship period. Also, I am very thankful of the guidance I received from my supervisor, Riyashad Ahmed, who is presently Assistant Professor of BRAC Business School.

Executive Summary

Credit management procedures must be improved so that we can increase customer satisfaction and borrower loyalty. For the customers, they perceive risks of the lending procedures and practices are transparent from the bank also and rigid and improved credit management can help with loan defaults and delinquencies in essence. This kind of strategies cost loyalty and satisfaction and strengthened the overall health in lending institutions.

Keywords: Transparency; Trust; Repeat Business.

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1.1 Student Information

Name: Mohd. Moktasid Hossain Bhuiyan

ID: 19304024

Program: Bachelor of Business Administration (BBA)

Major 1: Finance and Banking

Minor 2: Computer Information Management (CIM)

1.2Internship Information:

1.2.1Internship Company Information:

Period: 3 months (1st July 2023 to 3rd September 2023)
Company Name: Mercantile Bank Ltd
Department: Credit Division
Address: Razia Mansion, 184, Senpara Parbata, Begum Rokeya Sarani, Dhaka 1216

1.2.2 Internship Company Supervisor's Information:

Name: Sk. Mostafizur Rahman
Position: First Assistant Vice President

1.2.3 Job Scope:

Job Title: Intern
Duties and Responsibilities:
When I entered Mercantile Bank Limited as an Intern, I was assigned to their Mirpur Branch. This is their AD (The concerned authorized dealer) branch making it one of their busiest branches. I was primarily assigned to the Credit Division and occasionally worked in the Foreign Exchange Division. I gained actual experience with how a bank function as a whole as a result. Working there made me aware of the connections between the departments.

I organized applicant files with the necessary paperwork, signed documents, and supplied seals in the Credit Division. I monitored interest charges, filled out IMP and EXP forms, filed L/C entries, and kept records while working in the Foreign Exchange Division.

1.3Internship Outcome

1.3.1 Students Contribution to The Company:

As an Intern most of my work consisted of sorting out documents of customers, helping my colleagues with their works and help monitoring and maintaining the registries for different outward and inward events.

While working in the Credit Division it was my responsibility to set up a file for applicants with the necessary paperwork (such as the applicant's information, company invoices, an ETIN, a VAT certificate, a credit report, etc.) and to assist them in filling it out. I added stamps to several documents, such as Demand Promissory Notes, and I also provided seals, such as the Signature Verification Seal. I also organized and printed out vouchers. The credit division in charge took an initiative to digitalize the customer information as the branch lacked an efficient way to check for necessary customer information if needed by any employee. I held create a way to store and manage all the original paperwork a client needs to provide to work with the bank, going through the files of existing clients and digitalized them. I also created a naming system for every digital document so they can be identified by the name of the client, year and type of document.

I also occasionally worked in the Foreign Exchange Division. There, I performed a variety of tasks, including calculating the amount of each L/C or Back-to-Back L/C, interest charges, filling out IMP (Import) and EXP (Export) forms, submitting newly opened L/C entries to the Bangladesh Bank, maintaining records in various register books, etc. Verifying customer documentation for various verifications was another aspect of my job. I carefully examine and double-check the supplied information to make sure it is accurate and complies with legal standards. I contribute to ensuring the security and integrity of our operations by doing rigorous evaluations, which ultimately promotes trust between the business and its esteemed clients.

1.3.2 Benefits to The Student:

As an intern I develop my professional skills at Mercantile Bank Ltd while being in an environment where I worked well with other departments to achieve the company's goals. I learned very important lessons from Mercantile Bank on how to always act professionally when engaging with clients. As a result, I've become better at communicating swiftly and clearly with both my colleagues and the various clients we service. This skill goes beyond straightforward communication and includes the ability to respond skillfully in stressful situations.

Additionally, I had several customer interactions during my time working at this bank, made possible by a variety of communication channels like phone calls, messages, and emails. My interpersonal and communication abilities were put to the test by this extensive exposure.

I've become better at working closely with others as a team member. I now know more about how to participate in a work environment without causing any issues. My ability to manage a variety of situations and my understanding of how a corporation is constructed have both increased.

I've encountered situations throughout my internship where I had to do several jobs at once. My ability to multitask well has substantially increased as a result of this experience. I had the chance to improve my time management skills because each of these duties had a specified deadline. After having to balance several tasks while adhering to deadlines, I gradually honed my multitasking and time management skills.

Mercantile Bank Ltd. values the work that interns have produced. As a result, they show their appreciation by paying interns like me a salary each month, covering our travel costs, and offering us other helpful perks. Additionally, it increases a student's motivation and job focus.

1.3.3 Challenges to The Student:

Stepping into the work life from being a student made me face a lot of problems but overcoming them also made me feel very confident and assured me for my future career. It was rather hard at first to get used to this new schedule and keep regular office hours, but with time, I was able to adjust and handle the demands of my new life.

With personal challenges I also faced difficulties related to how the bank operates with their interns and those are:

My coworkers and I had some trouble communicating because it seemed like they were mostly concerned with themselves, which made working together a little difficult. Though their work is very important for the bank but not having someone specific to ask question from or learn how to do something from made it very difficult to finish simple task sometimes. I was left to navigate the process rather blindly because I was never given any explicit, structured instructions to follow over the entire internship.

Even though they were vital for the general functioning, several of the duties I was given were not directly related to my goals for my career or internship, which occasionally made my job seem pointless. They mostly tasked me to fill in the registry for outward and inward which is an experience that taught me an aspect of the working procedure of the institution but this knowledge is not something that I can carry over to my future workplace in my career as these things are done very differently from organization to organization.

I also did not receive any kind of field experience in my time of being in the bank. In credit division going to a site which client wishes to mortgage is a very important part of the survey and evaluation process of the client. If I was able to go to these places, I would have gained very valuable knowledge of how to actually survey a site and evaluate.

1.3.4 Recommendation:

My advice to Mercantile Bank is to develop a new platform for internship opportunities for students who are genuinely interested in working in banking and who want to understand how the federal financial system operates. The student can learn about that agenda from all of the bank's departments through a program they can design that is structure-based. Additionally, giving students internship opportunities will increase awareness of the bank. Here are some official suggestions for them to abide by: -

- Suitable mentoring and organized programs
- challenging initiatives and goals
- performance assessment

- versatile workplace
- Long-term possibilities
- regular communication and feedback

Chapter 2: Organization Part

2.1 Introduction:

On June 2, 1999, Mercantile Bank Limited (MBL), a bank, was established. Since that time, the bank has gained its clients' trust and loyalty as well as a solid reputation as a reliable brand.

MBL has built a solid foundation for seizing emerging possibilities thanks to its transformational approach, vivacious leadership, and decisive management interventions. Through a team of experts, they provide customer-centric services using developing technology, driving innovation in need-based banking products and services.

They have a significant network of 152 branches, 30 sub-branch locations, 3 subsidiaries, 193 ATMs, 20 CDMs, 45 Islamic Banking Windows, 2 offshore banking units, and 187 agent banking outlets.

In this part of the report, I will analyze the strengths, weaknesses, opportunities, and dangers of the company as well as the competitiveness of the industry in which Mercantile Bank Limited operates. The study will conclude with a summary of the key findings and potential conclusions from the interpretation, followed by suggestions for improvement.

2.2 Company Overview:

2.2.1 Corporate Structure:

Figure 1: Corporate Structure

2.2.2 Vision:

The goal of Mercantile Bank Limited is to establish itself as a leading financial institution in Bangladesh known for its customer-centric philosophy, innovative solutions, and support of the nation's economic growth. By offering them financial services, the bank hopes to be a trusted and effective partner for people, companies, and industries.

2.2.3 Mission:

The mission of Mercantile Bank is to provide exceptional financial services with a focus on customer happiness. The bank is committed to establishing enduring connections with its clients, getting to know their needs, and offering tailored financial solutions. In all facets of its operations, including customer service, product innovation, and technical advancement, Mercantile Bank strives for excellence.

2.2.4 Core Values:

MBL has seven core values are the foundation of their culture, brand and their business strategy. These core values embody who they are as a company, guide their decisions. These core values are: -

- Customer Delight
- Innovation
- Caring for Human Resources
- Ethical Values
- Socially Responsible
- Commitment
- Shareholders Value

2.2.5 Corporate Philosophy

Mercantile Bank places equal value on their shareholders, staff, and clients. Financial inclusion will help them realize their goal of strong company growth. They offer solutions based on a high level of customer satisfaction across all client segments at the lowest possible cost, while also promoting the success of their staff members and shareholders. Mercantile Bank has a strong dedication to provide superior client services, thus they are always creating new, cutting-edge products and services that meet the needs of the customers. They provide their staff with an excellent working environment and cutting-edge compensation packages. They never forget about their shareholders and work hard to improve their financial situation and share value. This has provided them with a road to development and advancement.

2.2.6 Strategic Objective

- to boost the value of shareholders
- to add economic value
- to dominate the market for new product development
- to rank among the three most effective financial organizations in Bangladesh
- to hold a position among Bangladesh's top five financial institutions in terms of market share across all the market segments we serve.

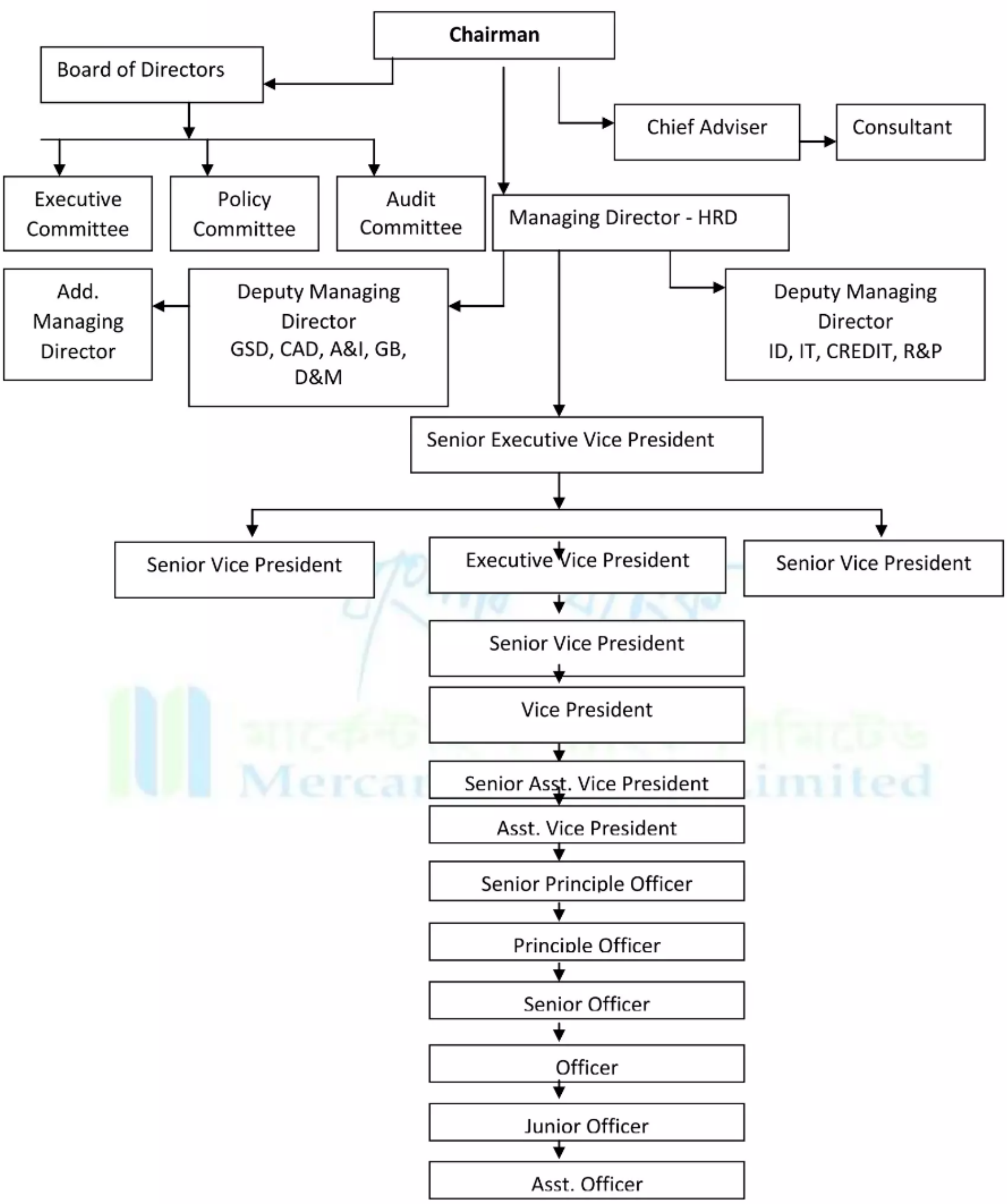
2.3 Management Practices

2.3.1 Leadership Style

The widespread application of participative leadership at Mercantile Bank Ltd. This word is mostly thought of as a process word. Participation from managers, staff, and employees is encouraged, and they are heavily involved in making decisions. A participatory leadership approach prioritizes open communication, empowerment, and inclusion. By employing this leadership style, Mercantile Bank Ltd encourages everyone to voice their opinions. Giving staff members the flexibility to take the initiative and make decisions fosters teamwork and collaboration.

2.3.2 Organogram of Mercantile Bank Ltd.

Figure 2: Organogram



2.3.3 Recruitment Process

Mercantile Bank looks for inventive and hardworking individuals who are eager to start a demanding career. Mercantile Bank engages in a variety of actions during its search for talent, such as:

- Daily newspaper advertisements
- Online databases
- Accepting CV submissions in hard copy to the Human Resource Division
- Sometimes from Job Fairs

2.3.4 Considerable Factor in Selection Process

Mercantile Bank implements various selection-process considerations before beginning the selection process. These elements include: -

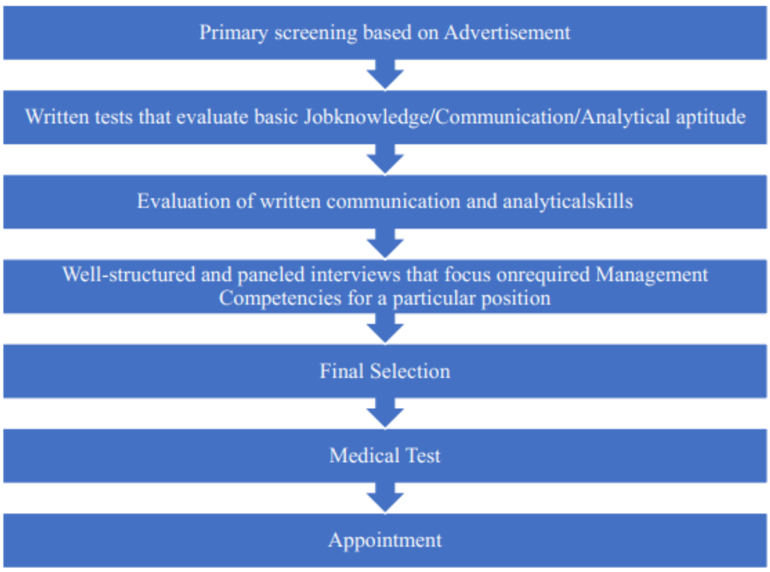
- Resignations and job terminations
- Quality insurance and employee nature
- Employee administrative and technological changes
- The candidates' access to capital.
- Trend research

Using a computer to predict the need for staff. The Mercantile Bank's human resource manager completes these when predicting staffing requirements. Finally, the production volume of the chosen candidates is estimated.

2.3.5 Selection Process

To ensure the long-term success of the business, MBL places a strong emphasis on attracting and retaining top talent. The bank actively pursues recent graduates from diverse academic backgrounds at reputable universities, recognizing them as a source of innovation and fresh ideas. These new graduates are required to go through a selection process of written tests in Viva. Other than bringing in new graduates they also bring in industry experts, who have already had enough experiences in the same field.

Figure 3: MBL Selection Procedure



2.3.6 Training and Development

New Employee Orientation: All the new employees go through an orientation program so that they can know about the workplace and familiarize themselves with HR personals.

Product Training: All the new Graduates go through a training program in which day gain knowledge of all the products the bank is offering Lake lawn products, deposit products and product operations.

Skill Development: This training program also helps them with developing their skills in key areas like creates, sells negotiation and Project management.

On-the-Job Training: on the job training is the most important and real-life training. They can get while doing the day today jobs and learning through that.

Management Development Training and Conferences: the bank also provides adequate training and opportunities, so that the employees build up necessary skills like strategic thinking, business, acumen, and leader ship skills.

2.3.7 Compensation and Benefits

There has always been a competitive pay and benefits system in the banking industry. Banks have long engaged in competitions to recruit high-performing employees, but they have diminished recently. The competitiveness has improved as a result of financial technology advancements. In order to create a successful management strategy, Mercantile Bank Ltd is making an effort to fully focus on this goal by examining current trends in compensation incentives and human resource practices. This is due to the anticipated increase in competition for luring excellent performers. Hospitalization benefits, which are both short-term and financial resources, gratuities, and superannuation funds, which are long-term resources, are all included in the compensation package we are providing. The fact that Mercantile Bank provides healthcare facilities, cheap rates, and priority services both domestically and abroad is its most alluring quality. In addition, Mercantile Bank provides loans to its employees for a building, a lake house, and provident funds.

2.3.8 MBL Risk Management Tools

1. **Guidelines:** MBL has comprehensive rules that have been duly approved by the bank's board of directors and are regarded as a significant tool for the bank's risk management. It makes sure the Bank is properly informed about each and every risk issue and specifies how to measure and mitigate it. The Bank's Board of Directors approves it after periodic assessment.
2. **Process:** The approved procedures and tasks for identifying, evaluating, recording, documenting, reporting, and controlling core risks
3. **Standards:** Under the direction of the Risk Management Division, MBL adopts industry best practices and develops the foundation for authorized guidelines and policies.
4. **Policies:** While developing policies and processes, MBL simultaneously introduces regulatory requirements as well as industry best practices. It is managed by the Bank's established criteria and guided by the cap set in the risk appetite. The ERMC or other important risk committees analyze various manuals and management-level policies, which are then authorized by the bank's board of directors.

5. **Risk Appetite Statement:** One of the key techniques for budgetary control is limit structure. The Risk Appetite Statement lists multiple risk thresholds for all corporate operations, including credit, market, and market.
6. **Stress Testing:** Stress testing is a risk management technique that determines how much capital is required to absorb any losses in various stressful conditions. It is used to assess the potential consequences on an institution's financial health based on a set of assumptions.
7. **Recovery Plan:** In accordance with the advice given by Bangladesh Bank, Mercantile Bank Limited has created, managed, and carried out the bank's recovery plan. The strategy guaranteed maximizing the bank's chances of surviving without oversight or government help. The strategy also aids in preparing the bank to take the required steps to restore its financial and operational strength in the event of extraordinary circumstances.

2.4 Marketing

2.4.1 Marketing for Bank

The goal of marketing is to serve the needs of both current and potential customers by planning, pricing, promoting, and distributing goods and services that meet those needs. The American Marketing Association's official definition of marketing is the conduct of business operations that control the flow of goods and services from producer to consumer or user.

Various bank marketers have defined the term "bank marketing" as the area of management activity that aims to target specific clients with the flow of profitable banking services. The adoption of the marketing concept would acknowledge that bank customers' wants, requirements, desires, expectations, and difficulties are changing, and that banks must describe these in clear terms before evaluating their offerings in terms of their customers.

2.4.2 Marketing Mix Adopted by the Bank

The combination of controllable marketing factors known as a marketing mix is what a company utilizes to try to get the desired number of sales in the target market.

To satisfy various target markets' wants and performances, we can state that the four Ps are connected and must be combined into one integrated whole. The product, price, promotion, and place components of the marketing mix are all linked to one another.

2.4.3 Products offered by Mercantile Bank

To suit its customers' banking needs, Mercantile Bank Limited provides a wide range of goods and services. The following are the main services and product categories that Mercantile Bank offers:

1. Deposit Accounts:

- Savings Accounts: Mercantile Bank provides competitively-priced savings accounts that enable customers to safely deposit money and increase their savings.
- Current Accounts: Both people and organizations can use current accounts to conveniently manage daily transactions.

- Fixed Deposit Accounts: To assist customers maximize the returns on their savings, Mercantile Bank offers fixed deposit accounts with a range of tenure options and competitive interest rates.
- Foreign Currency Accounts: The bank provides foreign currency accounts in popular currencies for clients conducting business abroad.

2. Advances and Loans:

- Personal Loans: Mercantile Bank provides personal loans for a range of needs, including travel, home renovations, medical bills, and education.
- SME Loans: The bank offers lending options designed for small and medium-sized businesses (SMEs) to assist their needs for working capital and company expansion.
- Corporate Loans: Corporate loans are provided by Mercantile Bank to large companies and corporate clients for project finance, investment, and other business needs.
- Trade Finance: To support international trade transactions, the bank offers trade finance services, such as letters of credit, guarantees, and export-import financing.

3. Online banking:

- Internet Banking: Mercantile Bank provides internet banking services, allowing users to access their accounts, perform transactions, pay bills, and manage their finances from the comfort of their own homes.
- Mobile Banking: The bank offers mobile banking solutions for convenient and safe banking on the go, allowing users to conduct transactions using their cellphones.
- Card Services: Mercantile Bank issues debit cards, credit cards, and prepaid cards, giving consumers access to a variety of merchant services as well as practical payment alternatives.

4. Payment Services:

- Domestic Remittance: Mercantile Bank offers reliable, secure domestic remittance services that let customers send and receive money inside Bangladesh.
- International Remittance: Through its correspondent banking partnerships, the bank provides international remittance services that let customers send and receive money internationally.

5. Commerce Services

- Import and Export Financing: Mercantile Bank offers financing alternatives for importers and exporters to help them with their business operations.
- Letters of Credit (LC): The bank provides LC services to make sure that domestic and international commerce transactions are safe and easy.
- Guarantees: To promote trade and business activity, Mercantile Bank issues a variety of guarantees, including bid bonds, performance bonds, and advance payment guarantees.

6. Treasury Management:

- Foreign Exchange Services: Mercantile Bank conducts foreign exchange business, offering customers reasonable rates and services for their foreign currency needs.
- Money Market Operations: To maximize liquidity and returns on its funds, the bank manages money market activities, including short-term borrowing and lending.
- Investment in Government Securities: To create revenue from fixed-income investments, Mercantile Bank makes investments in government securities like treasury bills and bonds.

These are the key services and product categories that Mercantile Bank Limited offers. To address the changing demands of its customers, the bank continuously aspires to develop and introduce innovative financial products.

2.4.4 Product Marketing Strategy

1. Market research and audience segmentation: Recognize customer personas and the demands and preferences of the Bangladeshi market.
2. Product Development: Create and hone banking products and services to fulfill the needs of the market.
3. Competitive analysis: we can find areas where Mercantile can be different by looking at what other banks in Bangladesh offer.
4. Value proposition: to make sure customers prefer Mercantile Bank they should clearly state what makes their product special.
5. Promotion: using both traditional and digital marketing methods, they can create a marketing plan to make people aware of the bank's product
6. Distribution: by improving, the banks, physical branches, and online services, they can make sure customers easily have access to the bank's products
7. Customer experience: by providing great customer services in person, and online they can help banks marketing
8. Partnership and alliances: partnering with retailers and Fintech farms. It can reach more companies and customers.
9. Compliance and security: the bank need to protect its customers, information and money to abide by the law of Bangladesh
10. Feedback, an improvement: an easy way to get feedback from customers and track product performance is in place so that it can help improve its product.
11. Analytics and measuring: the track customer acquisition retention revenue to measure the success of marketing goals
12. Adaptation: considering changes in market conditions, law and customer preferences they are ready to change plans as needed.

2.5 Financial Performance and Accounting Practices

2.5.1 Income Statement

(BDT in Millions)

Figure 4: Income Statement (3 Years)

Particulars	2022	2021	2020	Changes over 2021 in %
Interest Income	22,826.37	22,411.64	23,348.45	101.85
Interest Expenses	14,197.83	13,516.41	16,732.22	105.04
Net Interest Income	8,628.54	8,895.23	6,616.23	97.00
Non-Interest Income	6,729.10	4,482.98	3,927.34	150.10
Non-Interest Expenses	8,218.75	7,266.09	6,595.83	113.11
Net Non-Interest Income	(1,489.64)	(2,783.11)	(2,668.49)	53.52
Total Income	29,555.47	26,894.62	27,275.79	109.89
Total Expenditure	22,416.58	20,782.50	23,328.05	107.86
Profit before Provision and Tax	7,138.89	6,112.12	3,947.74	116.80
Provision for Loans and Advances & Other Provision	4,136.31	1,893.50	1,236.41	218.45
Profit after Provision before Tax	3,002.58	4,218.62	2,711.32	71.17
Provision for tax including deferred tax	800.00	800.00	550.00	100.00
Profit after Tax	2,202.58	3,418.62	2,161.32	64.43

Foreign Exchange Business

(BDT in millions)

Figure 5: Foreign Exchange (3 Years)

Particulars	**2022**	**2021**	**2020**	**Changes over 2021 in %**
Import	254,945.00	278,533.10	172,773.50	91.53
Export	209,222.50	164,212.50	135,418.10	127.41
Remittance	68,272.90	40,848.60	30,893.00	167.14

Credit Quality

(BDT in millions)

Figure 6: Credit Quality (3 Years)

Particular	**2022**	**2021**	**2020**	**Changes over 2021 in %**
Non-performing Loans (NPLs)	19,928.63	12,112.51	11,751.16	164.53
Provision for Unclassified Loan	7,960.42	7,398.18	6,847.42	107.60
Provision for classified Loan	8,062.79	5,131.60	4,882.58	157.12
Provision for Contingent Liabilities	1,334.25	1,340.15	988.60	99.56
NPLs to total Loans and Advances	7.09%	4.54%	4.72%	156.17

Balance Sheet Matrix

(BDT in millions)

Figure 7: Balance Sheet (3 Years)

Particulars	2022	2021	2020	**Changes over 2021 in %**

Authorized Capital	12,000.00	12,000.00	12,000.00	100.00
Paid-up Capital	10,848.78	10,332.17	9,840.16	105.00
Paid-up Capital	25,275.15	24,403.90	22,101.78	103.57
Deposits	294,060.00	274,905.61	252,817.40	106.97
Loans and Advances	280,870.00	266,766.60	248,994.39	105.29
Investments	60,561.00	62,397.89	48,953.71	97.06
Fixed Assets	3,760.34	3,815.63	3,093.34	98.55
Total Assets	382,328.47	359,411.36	330,785.56	106.38
Total Off Balance Sheet Items	168,272.20	175,067.32	108,112.30	96.12
Interest Earning Assets	346,551.55	334,144.06	302,164.54	103.71
Non-Interest Earnings Assets	35,776.92	25,267.31	28,621.02	141.59

Operating Profit and Performance Ratio

Particulars	**2022**	**2021**	**2020**	**Changes over 2021 in %**
Net Interest Margin (NIM)	2.54%	2.81%	2.26%	90.39
Credit Deposit Ratio	86.82%	85.98%	84.30%	100.98
Yield on Loans and Advances	6.97%	7.37%	8.29%	94.57
Return on Average Assets	0.59%	0.99%	0.73%	59.60
Return on Average Equity	8.87%	14.70%	10.05%	60.34
Operating Profit as % of Working Fund	1.87%	1.70%	1.19%	110.00

2.5.2 Horizontal Analysis

2.5.2.1 Balance Sheet

(All in Percentages)

Figure 8: Horizontal Analysis of Balance Sheet (3 Years)

Particulars	2022	2021	2020
Property and Assets			
Cash	106.21%	93.70%	99.38%
In hand (including foreign currencies)	133.64%	109.12%	101.69%
"Balance with Bangladesh Bank and its agent bank (including foreign currencies) (including foreign currencies)"	101.42%	91.01%	98.97%
Balance with other banks and financial institutions	166.66%	118.13%	178.18%
In Bangladesh	117.89%	287.12%	93.37%
Outside Bangladesh	653.86%	54.59%	210.07%
Money at Call and short notice	100.00%	378.21%	171.10%
Investments	155.37%	160.09%	125.59%
Government	158.40%	165.29%	131.12%
Others	137.86%	130.04%	93.65%
Loans and advances/investments	125.27%	118.97%	111.04%
Loans, cash credits, overdrafts, etc.	128.70%	120.53%	114.59%
Bills purchased and discounted	81.58%	99.11%	65.93%
Fixed assets including premises, furniture and fixtures	114.35%	116.03%	94.07%
Other assets	231.60%	124.56%	143.30%
Non-banking assets	100.00%	100.00%	100.00%
Total assets	131.21%	123.35%	113.52%
Liabilities and Capital			
Liabilities			

"Borrowings from other banks, financial institutions and agents"	169.42%	176.65%	189.59%
Subordinated non-convertible bonds	37.50%	50.00%	75.00%
Mercantile Bank Perpetual Bond	100.00%	-	-
Deposits and other accounts	122.57%	117.68%	106.68%
Current accounts and other accounts	182.56%	164.69%	123.78%
Bills payable	89.16%	122.41%	138.51%
Savings bank deposits	155.29%	155.22%	128.55%
Fixed deposits	102.69%	90.45%	88.32%
Deposits under schemes	95.65%	113.67%	180.15%
Other liabilities	202.70%	148.36%	121.39%
Total liabilities	130.93%	122.85%	113.19%
Total Shareholders' equity	135.28%	130.62%	118.30%
Paid up capital	133.13%	126.79%	120.75%
Statutory reserve	137.35%	128.99%	117.24%
General reserve	100.00%	160.71%	110.71%
Other reserve	106.66%	102.54%	113.65%
Foreign currency translation gain/(loss)	100.00%	-	-
Surplus in Profit & Loss Account	106.01%	147.20%	119.50%
Total liabilities and Shareholders' equity	131.21%	123.35%	113.52%

2.5.2.2 Profit and Loss Statement

(All in Parentage)

Figure 9: Horizontal Analysis of Profit and Loss Statement (3 Years)

Particulars	2022	2021	2020
Operating Income			

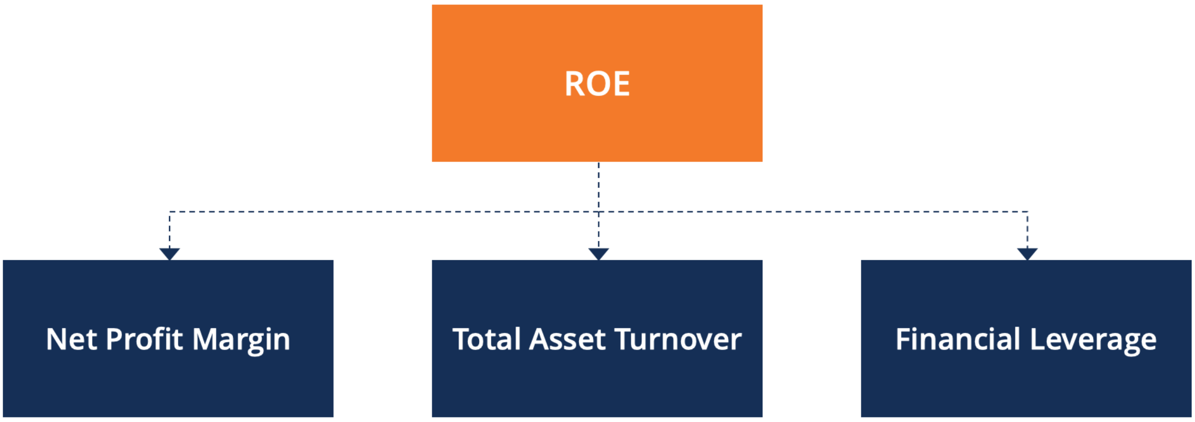
Interest income / profit on investments	92.81%	89.27%	95.13%
Interest / profit paid on deposits, borrowings, etc.	87.23%	83.04%	102.80%
Net interest / net profit on investments	114.96%	113.97%	64.72%
Investment income	115.16%	134.72%	116.30%
Commission, exchange and brokerage	211.30%	108.46%	92.53%
Other operating income	83.81%	73.60%	86.01%
Total operating income	129.70%	112.99%	89.05%
Salaries and allowances	173.16%	166.96%	124.22%
Rent, Taxes, Insurance, Electricity, etc.	85.61%	72.26%	48.60%
Legal expenses	156.52%	100.38%	87.96%
Postage, Stamp, Telecommunication, etc.	107.24%	104.91%	91.31%
Stationery, Printing, Advertisements, etc	130.00%	100.23%	85.83%
Managing Director's salary and fees	83.89%	79.29%	74.15%
Director's fees	113.05%	111.50%	115.81%
Auditors' fees	83.71%	86.05%	82.14%
Depreciation and Repair of Fixed Assets	181.57%	158.15%	201.92%
Other expenses	141.89%	107.13%	137.35%
Total operating expenses	149.57%	132.23%	120.03%
Profit / (loss) before provision	112.50%	96.32%	62.21%
Provision for loans and advances			
Provision against Unclassified Loans (General provision)	72.55%	52.78%	18.16%

Provision against Classified Loans (Specific provision)	282.09%	26.85%	33.91%
Provision for off-balance sheet items	7.25%	100.00%	-2.41%
Other provisions	4062.40%	5738.80%	5592.00%
Total provision	207.37%	94.93%	61.99%
Total profit / (loss) before taxes	69.01%	96.96%	62.32%
Provision for taxation			
Current tax	57.63%	57.53%	40.49%
Deferred tax	16.58%	14.01%	34.15%
Net profit after taxation	73.40%	113.92%	72.02%

2.5.3 DUPONT Analysis

The main concept of Dupont analysis is to help us analyze how a company makes money. To get into more details, and Breakstone return on equity in three parts which is net profit, margin, asset, turnover, and financial leverage. Below will get into a comprehensive deeper analysis that will help us understand the under the which factor that affects the companies' profits. The overarching goal of DuPont analysis is to identify and comprehend the central factors that drive changes in ROE.

Figure 10: DUPONT Analysis of MBL



Net Profit Margin

The net profit margin encompasses three pivotal components, specifically the operating profit margin, the influence of non-operating items, and the effects of taxes, as outlined in the second-level breakdown. In 2022, the operating profit margin experienced an increase, rising from 22.73% in 2021 to 24.15%, primarily driven by a modest 0.87% uptick in net interest income. Conversely, the impact of non-operating items decreased from 0.6902 in the previous year to 0.4206. Additionally, tax effects reduced from 0.8104 in 2021 to 0.7336. The combined effect of these three components, including the operating profit margin, the influence of non-operating items, and tax effects, resulted in a decline in the net profit margin, which stood at 7.45% in 2022, in contrast to the 12.71% reported in the prior year.

Total Asset Turnover

Banks located in Dhaka maintain a keen focus on the comprehensive asset turnover of their clientele. An uptick in asset turnover is a clear indication of efficient asset deployment, a highly favorable signal. It suggests that the borrowing company is skilled at generating revenue from its assets, thereby bolstering its capacity to consistently meet its financial commitments. This dedicated attention to asset turnover underscores the financial stability and robust operational performance of these enterprises, particularly in the eyes of the banking sector.

Financial Leverage

In the year 2022, the Bank diligently oversaw its financial leverage ratio, maintaining it at an optimal level. This careful management took into account the objectives of stabilizing earnings, benefiting from favorable tax treatment, and adopting a balanced approach to managing risks. Consequently, MBL witnessed a slight uptick in its financial leverage, increasing to 14.9306 compared to the previous year's 14.8411. This alteration highlights the bank's commitment to strategic financial structuring for the purpose of enhancing performance and effectively managing risks.

2.5.4 Accounting Practices

Regulatory Framework:

As a commercial bank in Bangladesh, Mercantile Bank Limited operates under the rules set forth by Bangladesh Bank, the nation's national bank. The Bangladesh Bank establishes the requirements, rules, and regulations that all banks in the nation must follow. The accounting techniques used in banking are covered by these regulations, among other things.

International Financial Reporting Standards (IFRS):

Mercantile Bank follows the International Financial Reporting Standards (IFRS), just like many other banks around the world. A thorough framework for creating financial statements is provided by IFRS, a widely acknowledged and recognized accounting standard. It includes topics including the identification, evaluation, presentation, and disclosure of financial data.

Income Recognition:

The bank tries to employ an effective interest rate approach to generate interest, revenue recognition while adhering to IFRS guidelines

Provisioning for Bad Loans:

Play following regulatory requirements and guided by its quality of fluent portfolio the bank maintains reserves for situations and to cover potential loan losses

Capital Adequacy:

The bank maintains financial stability and cover potential risks by ensuring it meets its capital adequacy ratio.

Risk Management:

By ensuring a thorough and robust risk management practices, the bank actively manages credit market and operational risks.

Audit and Disclosure:

Accounting standards are audited by in third-party external entity, which verifies banks, financial health.

Corporate Governance:

With the help of an independent board of directors and an active audit community, the bank promotes good corporate governance throughout its organization.

Technology and Digital Banking:

With the goal to enhance their customer experience and optimize internal processes, the bank is actively adopting gnu, digital banking solutions.

Financial Inclusion:

To ensure access to financial services for underserved populations, the bank is actively broadening its reach in financial inclusion initiatives

2.6 Operation Management and Information System Practices

2.6.1 Operation Management

Customer service: Providing quick issues resolution, efficient processing of transactions and quick responses are the key initiate use taken to prioritize customer satisfaction.

Risk management: In order to safeguard deposits and adhere to regulatory requirements and robust risk, assessment and mitigation strategies are implemented.

Technology and automation: New and upcoming technology is like, including online banking, mobile apps, data analytics, and also the inclusion of AI for fraud detection are being implemented to ensure customer service and support.

Security measures: To protect its customers, information and financial transactions, they have implemented gnu, an advanced security measures like authentications and encryptions.

Branch Network Management: Opening up new branches in different areas and remote areas where other banks branches don't exist is the key strategy to expand its network management.

Product and Service Development: By researching the market and product testing and also customer service, the bank is continuously trying to develop new products and services for its customers.

Human Resource Management: Do nurture an environment where people can reach the companies operational goals and serve its customers effectively the bank, prioritizes, new, recruit, men's trainings, efficient angel practices in the development of skilled workforce.

Cost Management: To ensure that the bank maintains profitability without disregarding its customer service, the bank implements cost control measures.

Performance Metrics: Like any other institution, the bank follows standard accounting practices, and accounting metrics to ensure that operational efficiency us are met with the same level that was expected.

2.6.2 Information System Practices

Core Banking System: Ensuring data accuracy and enabling real time transaction processes by also managing customer accounts, transactions, and other banking activities are the main priority.

Online Banking and Mobile Apps: There are technologies implemented to help and facilitate customers with their banking activities over the convenience of Internet.

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Data Security: With the goal of safeguarding sensitive information's that are security measures implemented, for example, two factor authentication encryption, and firewalls.

Customer Relationship Management (CRM): The bank implements measures to enhance the customers overall satisfaction and experience by tracking data, transaction histories, and preferences of individuals.

Business intelligence and analytics: The bank has employed different solutions and analytical processes that helps extracting customer data and the transaction trends to help with their product development decision making and marketing approaches.

2.7 Industry and Competitive Analysis

2.7.1 Porter's five Forces Analysis

Threat of New Entrants

Bangladesh bank maintains strict regulation and restriction in Bangladesh banking platform. There are barriers that are put in the way of new entrance who tried to enter the market and setting up a banking constitution requires fulfilment of different requirements. As an established institution, Mercantile bank have many benefits like economies of scale client trust and branch network. Therefore, it takes a lot of effort to compete with this bank and its financial resources.

Bargaining Power of Suppliers

The company that offers technological solutions and security services and professional staff in the banking industry is considered suppliers. This bank is dependent on technical solutions such as the core banking systems and cyber security systems. So, it's crucial to keep good relationship with the suppliers in order to get access into cutting edge technology and cyber security.

Bargaining Power of Buyers

The customers do have a lot of negotiating power in the banking industry and they can decide whether or not they will take a specific bank service or not. Therefore, the customers can switch banks that will end up in increasing the competitions, forcing the banks to provide more easy cheap interest rates and fees. So, this bank understands that importance of customer satisfaction and retention which allows them to continue their commitment towards them. Mercantile eagerly focuses on meeting customer preferences and maintaining competitive pricing.

Threat of Substitutes

The growth of Fintech is a huge threat when it comes to the emerging competition in the market of different banks and that's why this bank has focus their resources on investing in digital infrastructure. Customers can now quickly perform easy transactions and access to their account electronically thanks to online banking possibilities. By embracing technological innovations and inspiring partnerships with different Fintech companies this bank is improving the digital

Competitive Rivalry

Bangladesh's banking industry is filled with great amount of banking institutions and the competition between them is really severe. The core strategy of Mercantile bank is to follow a differentiation strategy where they deliver distinctive financial products and specialized services. The bank gives high importance in building good customer relationship and maintaining the agility in response in their evolving marketing dynamics. In conclusion, we can see that the Operation of Mercantile bank in the competitive scenario is consistently facing pressure from others therefore it also faces adapting to the changing consumer demands and financial preferences.

2.7.2 SWOT Analysis

Strength:

Strong Brand Value: The bank over the years gained a strong reputation over its customers and build a huge brand value fostering confidence and trust from its customers.

Eminent and Experienced Board of Directors: Within very experience board of directors who have industry experience behind them helps to ensure that they can guide strategic decision making in the company.

Pool of Effective and Skilled Human Resources: over the year the bank has built up and very effective and strong work force that is skilled and trained in this industry.

Wide Branch and ATM Network: Over the years the bank has tried to expand its reach to all over the country and in process has built up very good and thorough networks of branches and ATM so that they are customers can easily access they are banking needs.

Wide Variety of Competitive Financial Products and Services: By providing a wide variety of competitive financial products and services, one may satisfy a variety of consumer needs. By addressing each of their unique financial needs, Mercantile Bank is able to draw in and keep a wide range of clients, from retail clients to corporate clients.

Strong financial position: A bank must keep its financial situation strong. It guarantees that the bank can pay its debts and endure market changes. Customers and stakeholders are comforted by this financial security.

High-Quality Credit Rating: A bank's creditworthiness and capacity to fulfill its financial obligations are indicated by a high credit rating, such as AA for long-term obligations and ST-2 for short-term obligations. This rating is necessary for obtaining loans with attractive terms and luring both individual investors and institutional investors.

Strict Ethical and Moral Practices: Upholding ethical and moral standards is essential for gaining the community's trust and preserving a favorable reputation. Strict commitment to ethical standards in Bangladesh not only guarantees conformity to laws but also improves the bank's reputation as a trustworthy and responsible institution.

Weakness

Credit Concentration: The bank's exposure to a select group of borrowers or a certain industry or sector is referred to as credit concentration. A bank is more susceptible to economic downturns or other unfavorable situations affecting those borrowers or sectors when there is a high degree of credit concentration. If a sizable share of the bank's loan portfolio is concentrated in one region, this can result in a higher level of risk. To counteract this shortcoming, the loan portfolio must be diversified, and credit risk must be adequately managed.

Lack of Complete Automation for In-House Report development: since delay is errors can happen as a result of manual and automatic report generation which also hinders timely decision making the bank tried to streamline process and improve efficiencies by implementing advance reporting and analytical tools.

Poor Recovery from Non-Performing Loans: to help come back non-performing loans there are strategies implemented to minimize the losses and improve asset quality the strategies are negotiations legal actions and restructuring.

Market rivalry: A practice and habit has been built up in the workforce to always innovate new products and services to help retain customers which helps computing the bank against other banks in the industry.

Operational Effectiveness: By streamlining processes and reducing redundances also optimizing readers allocation helps improving operation se which helps mitigate in efficient processes that can increase operation cost and cause delays.

Talent Retention and Development: Helping privatizing employee development and fostering and environment which is positive to work in can also help retain top talents which puts the bank in a very good position to lead to talent loss.

Opportunities:

Exploration of New Business Avenues, such as Islamic Banking: A potential market segment can be accessed if the bank wants to reach out to that customer population through sharia compliant financial solutions. This can also enhance the brands image as an inclusive, and for thinking company, while potentially also generating a significant revenue and market share.

Cross-Selling of Products and Services: o offer additional financial products and services; the bank can leverage existing customer relationships to do that. Increasing customer satisfaction and loyalty can help with this approach, which will drive revenue growth and profitability up.

Digital Transformation: Mercantile Bank has a revolutionary opportunity by embracing digital transformation. The way it interacts with consumers, streamlines procedures, and handles data can be completely transformed by modernizing its operations with cutting-edge digital technologies and cutting-edge digital banking services. This transition improves consumer convenience, lowers operating expenses, and puts the bank in a strong competitive position in the quickly changing digital banking market. Mercantile Bank may tap into the expanding market of tech-savvy customers who seek smooth and convenient banking solutions by developing user-friendly mobile apps, online account management, and secure digital payment methods. Additionally, it presents an opportunity to improve operational efficiency and adjust to shifting client expectations.

Financial Inclusion: The undeserved and unbanked committee is in Bangladesh is a great scope do generate extra and Neue revenues. The bank implements a different strategies like micro loans, remittance solutions and specialized financial products and services to them to help support local economic development increase brand loyalty, improve the lives of underserved communities and also expand the banks customer base.

Bangladesh's expected Economic Growth: Leveraging the country's economic growth, the bank implemented different strategies like supporting, expanding businesses, providing investment opportunities and finding infrastructure projects so that the bank can facilitate trade and commerce, attract foreign investments, grow loan portfolio and position the bank for long-term success.

Threats:

Insolent Political Ambience due to the Upcoming National Election: A difficult political atmosphere may be brought on by the impending national election. Elections can cause policy and regulatory uncertainty and volatility, which has an effect on the business environment, investor confidence, and economic stability. Political changes could result in adjustments to monetary and fiscal policy, which could have an impact on the banking industry. Changes to tax, interest rate, or investment incentive policies may have an impact on the bank's bottom line, clientele, and overarching business plan. Political upheaval can also spark social unrest or rallies, which can disrupt regular banking operations and pose security problems.

The Russia-Ukraine War has changed the geopolitical outlook: The Russia-Ukraine conflict has repercussions that could affect worldwide trade, energy prices, and the state of the world economy. Commodity price swings can have an impact on inflation rates and trade balances due to geopolitical concerns. As a component of the global financial system, Mercantile Bank may encounter difficulties as a result of interruptions in international trade and economic turmoil. To minimize potential negative consequences on its operations, investments, and asset quality, the bank must continuously watch the geopolitical environment and modify its risk management procedures.

Capital Market Stability Is Lacking: Since the Ben acid value investment portfolio and profitability can be negatively impacted by fluctuating stock, prices and unpredictable market conditions, the bank has implemented efficient, risk management practices, while also diversifying holdings and monitoring the market continuously.

Cybersecurity: Financial losses and operational disruptions, including data breaches can occur by cybernetics to tackle that effective proactive risk assessments regular training on cyber security, has been implemented.

Exchange Rate Fluctuations: Banks asset values profitability, and foreign currency denominated liabilities can be affected by ever-changing exchange rates. The bank has implemented different hedging and diversification practices and risk management techniques to mitigate currency rate risks.

2.8 Conclusion

overall, it can be said that mercantile bank and its approach to the operational strategies, information systems and their financial and accounting performances, marketing initiatives and overall image altogether illustrates financial institution that adapt with the current environment in the landscape of banking industries. In the field of constant competition, the bank is standing out with its unwavering dedication to put their customers first embracing digitalization and upholding sustainable banking standards. The bank's unwavering commitment to cybersecurity and risk management highlights its financial stability and protects consumer data in the digital era. The diversification of Mercantile Bank, the strength of its board of directors, and its longstanding market presence all contribute to its reputation as a forward-thinking organization. With a focus on sustainability and innovation, Mercantile Bank is incredibly well-equipped to succeed in the rapidly changing financial industry.

It is clear from an analysis of Mercantile Bank's operations management and information system practices that the bank is actively undergoing a digital transformation. Mercantile Bank has made financial services more comfortable and accessible for its customers by placing a high priority on cutting-edge technology and user-friendly mobile applications, perfectly fitting with current banking requirements.

Mercantile Bank competes in Bangladesh's very competitive banking market, according to the industry and competitive analysis. However, it is ideally positioned thanks to its steadfast commitment to customer-centricity, sustainable banking practices, and strategic industry expertise. The bank's diversification of its product line and pursuit of prospects in less price-sensitive segments strengthens its position in the competitive market.

In terms of Financial Performance and Accounting Practices, Mercantile Bank places a strong emphasis on cybersecurity and rigorous risk management, underscoring its dedication to upholding financial stability and protecting consumer data in the digital age.

Through carefully targeted campaigns, Mercantile Bank cleverly draws attention to its advantages, such as first-rate customer service and cutting-edge digital solutions, in terms of marketing strategies.

2.9 Recommendations

I strongly advise Mercantile Bank to keep putting all of its effort into embracing digital transformation and being customer-centric. The bank may consistently improve accessibility and convenience for its customer base by embracing cutting-edge technology and user-friendly mobile applications, ensuring it stays at the forefront in the digital age.

Regarding its place in the market, Mercantile Bank should look into prospects in less price-sensitive areas and think about expanding its product line to meet the various demands of its clientele Industrial knowledge along with the establishment of specialized banking units, we can find specialized solutions and make the banks market position stronger.

To properly ensure financial stability sustainable banking methods and adequate management is crucial. Moreover, since the digital environment is rapidly enhancing the cyber security platform is very crucial in order to preserve data.

The brand of mercantile bank can be much strong through targeting specific marketing initiatives that can highlight assets like high class customers and digital solutions

Mercantile Bank will be able to respond quickly to market changes by upholding an innovative corporate image, diversifying business activities, and cultivating a culture of innovation and adaptation.

The bank's infrastructure and operating efficiency will be further improved via open communication with clients, demand-based branch network optimization, and investigation of cost-effective branch models in high-growth areas. In the end, Mercantile Bank has established a strong base and maintained a dedication to quality. Mercantile Bank is well-positioned to succeed in the constantly changing banking industry by remaining adaptable, embracing digitalization, and keeping committed to client service and sustainability.

Chapter 3: Project Part

3.1 Introduction

No days when the world of banking is most fierce than and competitive than ever, there is nothing more important, other than keeping the customer, satisfied and loyal. the banks in the market right now aren't just trying to attract new and new customers. They also want to keep their existing customers, happy and loyal to them because unhappy customer tends to stick around and do more and more business with the bank. They also tend to suggest other people to work with that bank. This chapter is all about the connection between how a bank manager, six credit division, its loans and satisfaction and loyalty office borrowers. We are going to be discussing about a significant player in this market, which is Mercantile bank Limited right here in Bangladesh.

3.1.1 Background/literature review

I like the case, with everywhere else in the world banking in Bangladesh, has seen some pretty big changes in recent years. One of its most prominent shifts is the growing importance of building, strong and loyal relationships with its borrowers Mercantile Bank limited, who is a key player in this industry has been trying to improve and introduce new ways to manage the loans. while looking to maintain a healthy loan portfolio, they also are working to make sure their borrowers have a positive experience. Nowadays, while borrowers want the financial help, they also highly regarded values like transparency, flexibility, and fair terms when they are dealing with their banks.

When we analyse, the existing research is done by many parties that are available to us it's very clear how the bank manages its loans including aspects like loan terms, flexibility and transparency, it plays a big role on satisfaction and the loyalty of borrowers. Many studies have found that clients who see their banks as responsive to their needs, and wants also is straightforward in its dealings, and willing to adapt to the clients' requirements tend to be happier and more loyal. So, having the understanding of how loan management practices, influence, customers, satisfaction and relationship is a big deal.

3.1.2 Objectives

This report is driven by the overreaching objective of doing an in-depth examination and analysis of how the transformative impact associated with elevated credit management practices on the level of client's satisfaction and loyalty to Mercantile Bank Limited. To attain this our focuses extends to reach the multi faceted dimensions of loan terms, flexibility and transparency Within the operational framework of Mercantile Bank Limited.

Secondary Objective

- Becoming familiar with MBL's credit functions
- Understanding how services are being provided to the clients.

3.1.3 Significance

This study is very important for a lot of reasons. Increase of Mercantile Bank, limited edition opportunity to find out how they can fine-tune the loan management practices for a better match with what the client expects ultimately increasing the customer satisfaction level and producing a stronger customer loyalty to them. Beyond that scope, it's also a very valuable contribution for the broader banking, sectors in Bangladesh, giving a lot of insights into the best practices that they can adept to better their servings to the borrowers, strengthen relationships and grow their business.

As we build into this investigation, we are aiming to uncover the intricate connections between loan management practices and client satisfaction which will give us better understanding of how to create a happy and loyal clientele base in the present ever evolving and fiercely, competitive world of banking.

3.2 Methodology

This part of the report provides an overview of the research methods and approaches that were employed to investigate how enhanced credit management practices on client satisfaction and loyalty impacts being in the context of mercantile bank Limited. It also acknowledges the limitations that were faced during the research process

3.2.1 Data collection

Online sources: a wide range of online outlets were chosen, where data would be gathered diligently for this report. This outlet consists of official page of Mercantile Bank annually, published reports of Mercantile Bank, industry reports and scholarly journals. These online reports and outlets, how does identifying and analysing the data management practices loan terms, flexibility, and transparency of Mercantile Bank limited

Primary data collection: To ensure a mix, viewpoint and questionnaire survey, was given to the employers and the clients of Mercantile Bank, which presented them questions that can determine the client satisfaction level.

3.2.2 Ethical Considerations:

Ethical considerations played a central role throughout the research process, ensuring that the rights and privacy of survey participants and interviewees were upheld through the diligent acquisition of informed consent. All data collected were securely stored and exclusively utilized for research purposes.

3.2.3 Limitations:

It is crucial to acknowledge the limitations of this research:

1. **Sample Size:** While the sample size for the quantitative component was substantial, it may not have fully represented all borrower profiles. A larger and more diverse sample could have provided a more comprehensive perspective.
2. **Time Constraints:** The study was constrained by a three-month timeframe, potentially limiting its ability to capture long-term changes in customer satisfaction or account for seasonal variations.
3. **Response Bias:** Despite efforts to minimize response bias, it is possible that survey respondents did not always provide entirely accurate information, and there may have been a degree of social desirability bias influencing the results.
4. **Qualitative Depth:** While qualitative interviews with bank personnel provided valuable insights, a more extensive range of participants, including customers themselves, could have enriched the qualitative analysis.

5. **Despite these limitations,** this research offers valuable insights into the relationship between credit management practices and customer satisfaction at Mercantile Bank Ltd. The findings and conclusions drawn will contribute to a more comprehensive

understanding of how banks can enhance customer satisfaction and loyalty through effective credit management.

3.3 Findings and Analysis

3.3.1 Loan Terms and Flexibility

Funded Credit Facilities:

CC (Hypo) - Cash Credit (Hypothecation):

- Continuous credit limit for trading and manufacturing units to procure and maintain stock.
- Validity may be one year, renewable at the bank's discretion.
- Primary security: Hypothecation of stock.

SOD (G) or OD - Secured Over Draft (General) and Over Draft:

- Continuous credit for businesses not maintaining stock.
- Validity may be one year, renewable at the bank's discretion.
- Primary security may not be available.

SOD (WO) - Secured Over Draft (Work Order):

- For contractual firms executing government orders.
- Disbursement based on progress.
- Primary security: Assignment of bills.

SOD (FO) - Secured Over Draft (Financial Obligation):

- Credit for business entities against financial obligations.
- Primary security: Lien on underlying financial obligation.

Loan (FO) - Loan against Financial Obligation:

- Short-term loan for business entities.
- One-time drawing, non-renewable.
- Primary security: Lien on underlying financial obligation.

Time Loan:

- Specific-purpose, short-term loan.
- Adjusted through sales proceeds or other sources.
- Primary security: Hypothecation of stock.

LTR - Loan against Trust Receipt:

- Post-import finance for releasing goods.
- Tenure of 30, 60, 90, 120, or 180 days.
- Primary security: Hypothecation of imported goods.

PC (Export) - Export Packing Credit:

- Short-term facility against export L/C for packing/shipping of goods.
- Adjusted from export proceeds.
- Maximum tenure up to 120 days.

ECC - Export Cash Credit:

- Short-term credit for exporters.
- Adjusted from export proceeds within 180 days.
- Primary security: Export L/C/firm contract.

IDBP - Inland Documentary Bill Purchase:

- Demand loan for (deemed) export/supply to local export-oriented industries.
- Primary security: Confirmed acceptance and documentary bills.

FDBP(F) - Foreign Documentary Bills Purchase:

- Demand loan for foreign documentary bills against export L/C.
- Cash drawing allowed after adjusting liabilities.
- Maximum tenure 21 days for sight L/C.

FBP - Foreign Bills Purchase:

- Demand loan for purchase of foreign currency drafts.
- Amount up to 90% of the draft value.
- Liability adjusted from draft proceeds.

IBP - Inland Bills Purchase:

- Demand loan for government cheques/drafts.
- Amount up to 80% of the value.
- Liability adjusted from proceeds.

Loan Against EDF:

- Loan against Export Development Fund.
- Repaid within 6 months from export proceeds.
- Primary security: Deemed export L/C, export L/C documents.

OD(Export) - Over Draft (Export):

- For import payments under BTB L/C against export L/C.
- Adjusted from export proceeds.
- Forced liability.

Lease Finance (LF):

- Term financing for capital machinery with ownership retained by the bank.
- Customer pays rental payments.

Hire Purchase (HP):

- Term financing for assets with customer providing equity.
- Customer responsible for asset maintenance.

Term Loan:

- Term financing for capital machinery or specific purposes.
- Liability adjusted through periodic installments.

HBL(Com) - House Building Loan (Commercial):

- Term loans for commercial space or house construction.
- Disbursement in multiple phases.
- Adjusted through periodic installments.

Loan (General) or Loan (G):

- Miscellaneous term financing.
- Purpose and repayment source identified before approval.

Syndication Loan:

By combining resources from various banks for a single client, syndication lowers risk.

Independent risk assessment and oversight improve this approach.

Analyses of risk and return resemble loans that are obtained directly.

Lead Bank's Position:

- The lead bank manages all loan processes, including appraisal and documentation.
- The lead bank has the authority to call meetings of the syndicate's members.

Participation of Mercantile Bank:

To spread out risk and fill capital shortfalls, Mercantile Bank participates in syndication as a lead arranger, agent, and more.

Syndicated Loan Parties:

- An arranger is chosen by the borrower to negotiate the terms of the facility.
- A bank syndicate is organized by a bookrunner.
- Co-arrangers can create syndication in phases.

Agents' Functions:

- The agent keeps in touch, keeps an eye on compliance, and manages payments.
- They are paid for providing these services.

Trustee for security:

A lender acts as a security trustee for all lenders in secured loans by retaining assets on their behalf.

Most Common Lenders:

In big syndicates, decision-making authority is frequently ceded to a majority lender group.

Features/Norms:

- In syndication loans, many banks pool their security.
- Loans may be long-term, revolving, or unfunded.
- A pari passu agreement on assets is a primary security measure.

Non-Funded Credit Facilities:

Letter of Credit (L/C):

A Letter of Credit is a financial instrument that facilitates trade between importers and exporters. It obligates the importer's bank to make payment on behalf of the importer, provided the exporter meets the specified terms and conditions. The key features and types of L/Cs are as follows:

- L/Cs are governed by the UCPDC-600 (Uniform Customs and Practice for Documentary Credits).
- The transaction adheres to the Foreign Exchange Guidelines, Foreign Exchange Regulation (FER), and Import Policy.
- The bank pays the beneficiary upon presentation of compliant documents or stipulated conditions.
- Types of L/Cs include:

  a. Sight L/C: Payment made upon sight of shipping documents.

  b. Usance or Deferred Payment (DP) L/C: Payment is deferred to a later date.

  c. UPAS L/C (Usance Payable at Sight): Combines sight and usance features.

  d. Standby Letter of Credit: A guarantee of payment issued by a bank.

  e. Back-to-Back (BTB) L/C: Opened under a Master L/C or sales contract for mobilizing export inputs.

ABP (Accepted Bills for Payment):

An interim arrangement allowing payment after a certain period against shipping documents. It does not require pre-facto or post-facto approval.

Bank Guarantee (BG):

An unconditional undertaking by a bank in favor of a beneficiary to pay a specified amount if the customer (on account of which guarantee is issued) fails to fulfill contractual obligations.

Types of BGs include Bid Bond (BB), Performance Guarantee (PG), Advance Payment Guarantee (APG), Retention Money Guarantee, Payment Guarantee, Customs Guarantee, and more.

BGs are unconditional and irrevocable, obligating the bank to pay the beneficiary.

Pricing mode: Commission, typically on a quarterly basis.

Primary security: Counter Guarantee of the customer.

These facilities and instruments facilitate international trade and secure transactions between buyers and sellers, ensuring compliance with established regulations and agreements.

3.3.2 Transparency in Credit Management

Discoveries Regarding Transparency in Credit Management

Mercantile Bank Limited has implemented a wide range of transparent credit management practices which are pivotal in maintaining the confidence of borrowers. In below are given findings that shines light do the key components of transparency, in the organizations, credit management:

Transparent loan terms and conditions:

Mercantile Bank has an organization promises to ensure that loan agreements will provide unambiguous terms and conditions which enables borrowers to family grass their obligations. This transparency helps to serve prevent confusion and disputes between organization and the customer.

Open lines of communication:

The bank tries to maintain and transparent and open communication with its borrowers regarding their loans. All the borrowers of the bank are clearly informed of any changes in their loan terms, interest, rates, or repayment schedules.

Accessible documentation:

Mercantile Bank promises to offer convenient access to all loan documentations, including terms, policies, and fees, via both its website and customer service channels. This ability to easily access bolsters the transparency, and helps the borrowers to review all the needed information at any time according to their convenience.

Disclosure of credit scoring factors:

The bank has a history to openly disclose all the factors and aspects that might impact credit scoring determination, affording borrowers insight into why the loan application they made might be approved or declined. This level of transparency helps to eight in inches, establishing a firm trust and managing the client’s expectation.

Well defined dispute resolution system:

Mercantile Bank tries to clearly outline any dispute resolution process, which is communicated to each borrower. This process enables the bank to ensure that any credit management related issue or incoming concerns can be solved in an adequate and open manner.

Effects of Transparency on Borrower Satisfaction and Loyalty

The available transparent credit management practices help to establish influence on borrower satisfaction and loyalty.

Fostering Trust and Confidence:

Any probability of misunderstandings and disputes are reduced by the availability of transparent communication and easily accessible documentations.

Minimized complaints and dispute:

The bank ensures that the borrower comprehend the terms and conditions of the loans, and the factors that influence the credit decisions, which enables the borrower to more likely to trust the bank. This practice helps foster trust and confidence among borrowers.

Strengthened loyalty:

Being transparent with credit management practices, contributes to hell and bolster high satisfaction, which makes the borrowers content. This helps to make the borrowers remain loyal to the bank and aids in customer retention for Mercantile Bank Limited.

Enhanced reputation:

Demonstrating a level of transparency in credit management also helps boost the bank standing in the market. This makes the satisfied borrowers, more eager to recommend Mercantile Bank as a trustworthy organization to their friends and family, helping expanding the banks customer base.

To summarize, Mercantile Bank's open commitment to having a transparent credit management policy, helps them to ensure contentment and loyalty from its borrowers. Through these clear loan terms, open communication and accessible documentation with robust dispute. Resolution processes, the organization, fulfills regulatory requirements. While also augmenting the banks, reputation and forges, enduring relationship with its borrowers. Transparency is seen as an investment in trust and trust is the backbone of customer loyalty in this ever growing.

3.3.3 Customer Satisfaction and Loyalty

In late 1980s, A. Parasuraman, Valarie Zeithaml and Leonard Berry developed a model to assess service quality which is called SERVQUAL. It is a commonly used framework for people to precisely evaluate and measure the service quality of various industries and sectors. Organizations use the help of this model to better understand, manage and improve the customer service quality that they are providing. SERVQUAL is recognized and implemented widely due to its unbiased approached for service quality assessment.

RATER is a commonly used acronym for five key dimensions that can assess service quality, and this model is based upon that. RATER stands for:

Reliability: reliability as a dimension, fundamentally focuses on the ability to consistently provide services accurately and dependably of a service provider. In essence, it means service should be received by the customer reliably, and in an error, free manner just like they were promised. Reliability measures that the service provider can consistently meet the customers expectation. The importance of delivering on promises being consistent and minimizing error is the main highlights of this dimension.

Assurance: the ability to instil confidence, and trust in clients by the by the provider is pertained by assurance. This dimension encompasses the aspects of service provider like, competence of service providers, ability to convey credibility, capacity to assure customers that their needs will be met and their knowledge. This dimension helps to feel secure and 13 that the clients are in capable hands staff professionalism, ability to address customer concerns, and questions effectively is also a part of this dimension.

Tangibles: the physical, invisible part of service delivery is it dealt by the tangibles dimension. Evaluating the appearance of service, personal equipment, facilities, and other tangible elements that the client can touch or see is a or part of this dimension. A client's perception of service quality is positively influenced by and professional, clean, attractive and well-maintained appearance. As it sits in the field for service experience, and can shape the first impressions. It is very important.

Empathy: this dimension primarily focuses if the provider has ability to understand and relate to customers needs concerns and emotion. The importance of personal interaction and the service providers capacity to respond to and establish a connection with clients on an emotional level is emphasized in this dimension. It involves understanding the client's perspective, active, listening, and showing genuine interest in customers will being. It plays a huge role in establishing a genuine emotional connection between the service provider and the customer.

Responsiveness: responsiveness helps us to measure the willingness of the provider and capability to help customers promptly. it measures how quickly a customers, inquiries and requests are addressed, as well as the flexibility and willingness of the provider to adapt to customers needs. Responsiveness helps ensure that support and assistance will be provided to the customer when they need it. The dynamic nature of a clients needs, and, the importance of the ability to adapt to changing circumstances is also acknowledged in this dimension.

Project analytics

In this study, I have decided to find out what the customers of Mercantile Bank Limited are thinking, using the SERVQUAL system. I kept in mind the five characteristics of this survey model, which are reliability assurance, tangibles, empathy, and responsiveness while creating the questionnaire for this assessment. The evaluation of this questionnaire intends to find out if Mercantile Bank is meeting its customers expectations. responses gathered in the survey on a scale of 1 to 5 determines the average rating for the survey on Mercantile Bank Limited. All the results of the questionnaire and analysis are as shown below.

Figure 11: SERVQUAL Rating Scale

Strongly Agree	5
Agree	4
Neutral	3
Disagree	2
Strongly Disagree	1

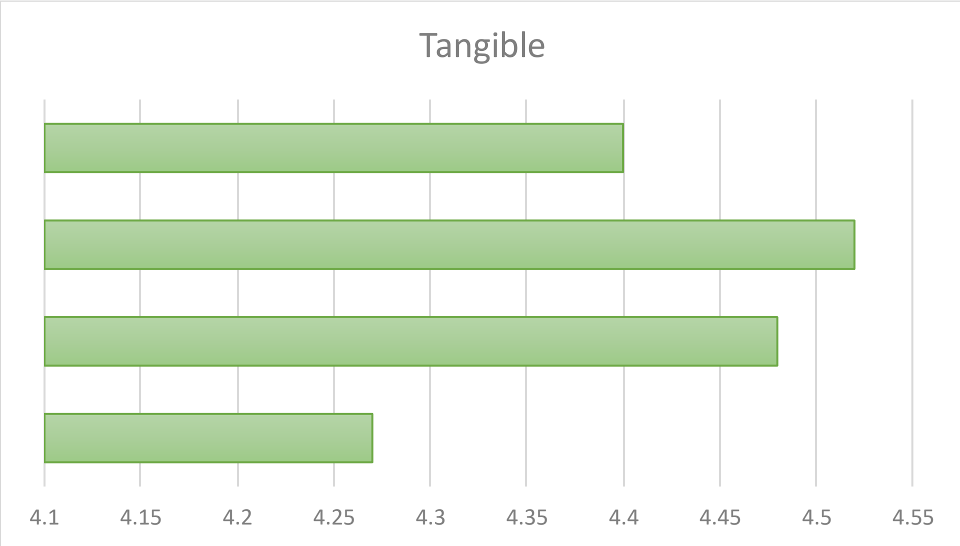
Tangibles

In my survey, there were four questions each. I created the assess the tangibles dimension for Mercantile Bank Limited. Each question of the questionnaire, received an evaluation score from the clients and has been analysed to an average rating based on the survey model. In below the given table, shows us the service average findings for this dimension and the overview.

Figure 12: Tangibles Question

Tangibles Dimension	Avg. Rating
The physical facilities and appearance of the Credit Section are appealing and professional.	4.27
The documentation and materials provided by the bank are of high quality.	4.48
The bank's online and offline channels for credit information are user-friendly and well-maintained.	4.52
The appearance of bank personnel (dress, grooming) conveys professionalism.	4.4

Figure 13: Tangible Chart



Most of the surveyors repeated the questions in this dimension positively. It shows that the customers. are very happy and appreciate the tools that Mercantile Bank uses to offer customer service. The above driven table and graph shows a positive performance which implies that customers have huge trust on the support and service the bank provides them with.

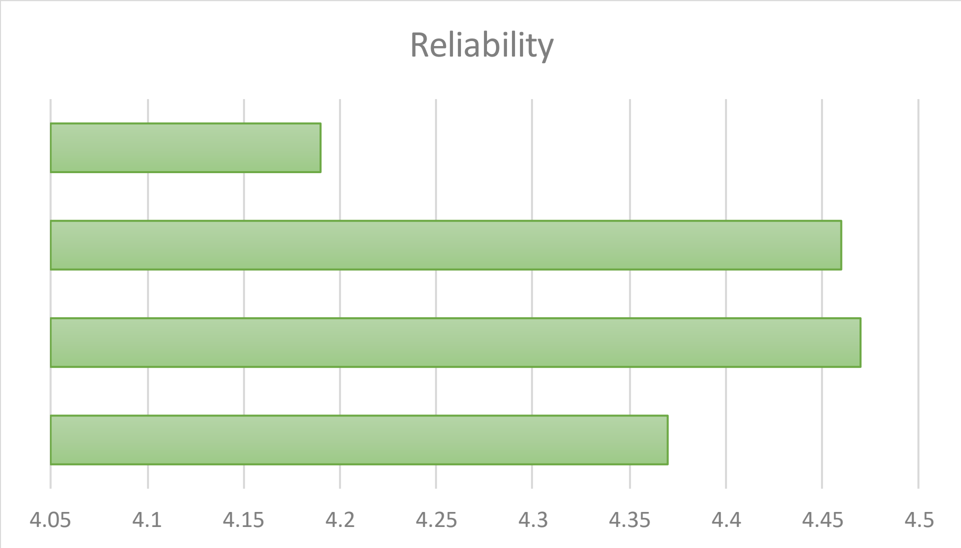
Reliability

The table below shows us the four oceans that were present in the questionnaire which relates to the reliability dimension of the survey.

Figure 14: Reliability Question

Reliability Dimension	Avg. Rating
The bank consistently delivers its promised credit services accurately.	4.37
Credit applications and approvals are processed in a timely and efficient manner.	4.47
I can rely on Mercantile Bank Ltd. to meet its credit-related commitments.	4.46
The bank's credit services are error-free and dependable.	4.19

Figure 15: Reliability Chart



In this section, Mercantile Bank Limited also scored very positively and received a solid rating from the customers. It shows that how dedicated Mercantile Bank is to provide good and genuine supports for its customers needs.

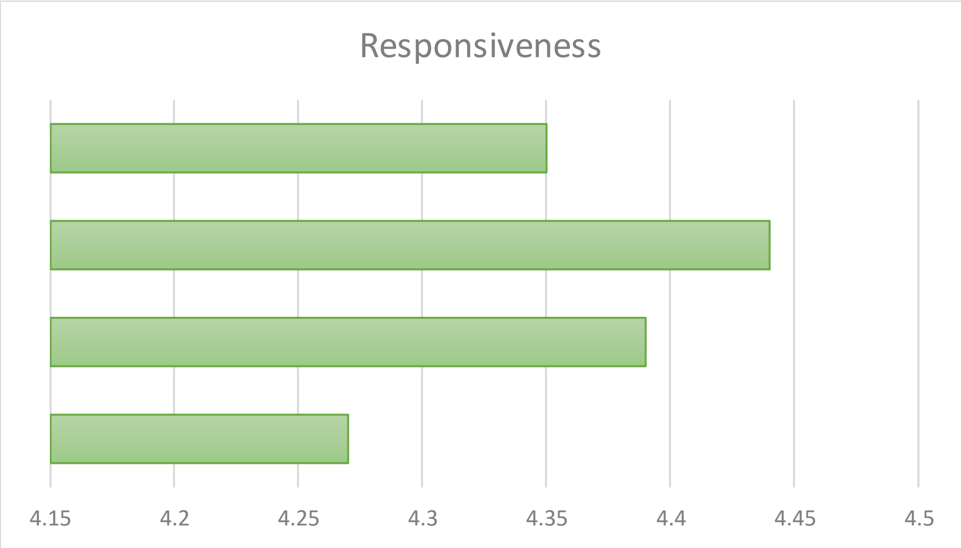
Responsiveness

Following is the table that presents us with four questions of the questionnaire that assesses the responsive sector of the survey model.

Figure 16: Responsiveness Question

Responsiveness Dimension	Avg. Rating
The bank's staff are willing to help and provide prompt assistance when needed.	4.27
The bank is responsive to my specific credit requirements and concerns.	4.39
The bank takes prompt action to resolve any credit-related issues or complaints.	4.44
The bank is proactive in keeping customers informed about changes in credit policies.	4.35

Figure 17: Responsiveness Chart



Here as we assist the graph and the table, we can see the customers also highly rate the responsiveness factor of the Mercantile Bank Limited. The result shown by this table tells us that mercantile bank has shown its commitment and its eagerness to assist. It's a loyal clientele as much as possible. Though the average score of this part is high there is still room for improvement.

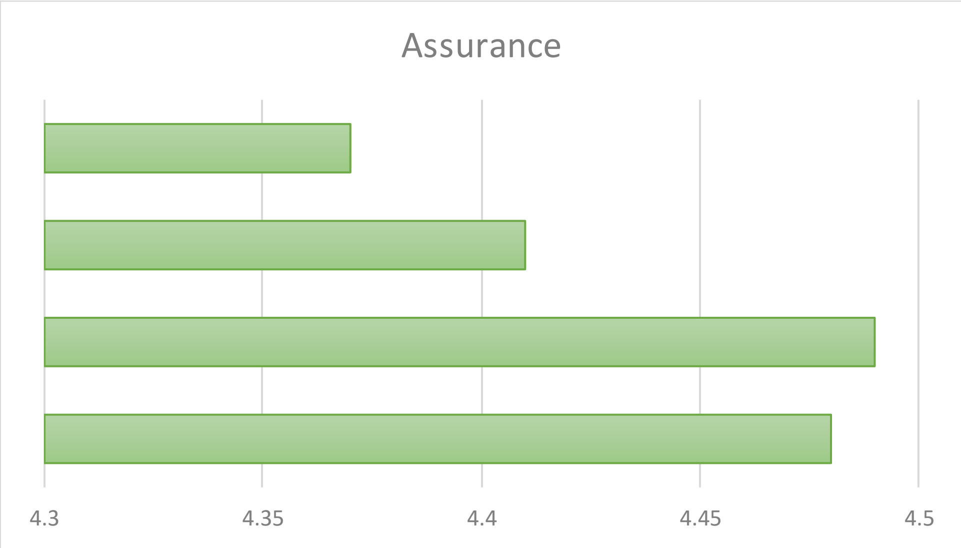
Assurance

The table given below, shows us, the average rating of the questions received from the customers that evaluates the assurance section of the server model.

Figure 18: Assurance Question

Assurance Dimension	Avg. Rating
I feel confident in the competence of Mercantile Bank Ltd. in handling my credit matters.	4.48
The bank's employees are knowledgeable and able to answer my credit-related questions.	4.49
I trust that my confidential credit information is secure and handled with care.	4.41
The bank's credit services instil a sense of reliability and trust in me as a customer.	4.37

Figure 19: Assurance Chart



The survey shows that MBL also performs very well in the assurance section. The employee's capacity to build genuine relationship, and ability to have good faith in individuals were highly regarded by the consumers of MBL. The employee team's dedication to work hard and eagerness of providing the best service to the customers was able to come out with the assessment of this section.

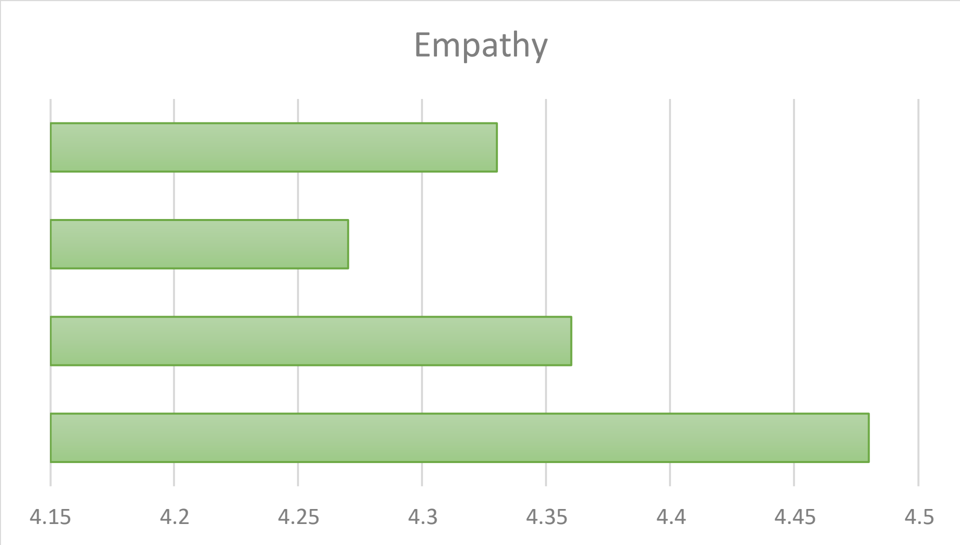
Empathy

The following table shows us all the questions from the questionnaire that responses to the empathy dimension of the side of a model. The average response rating is given in the table with a graph chart below:

Figure 20: Empathy Question

Empathy Dimension	Avg. Rating
The bank understands my specific credit needs and offers tailored solutions.	4.48
Bank employees are attentive and considerate of my individual credit requirements.	4.36
I feel valued and appreciated as a corporate client of Mercantile Bank Ltd.	4.27
The bank demonstrates a genuine interest in building long-term relationships with its corporate clients.	4.33

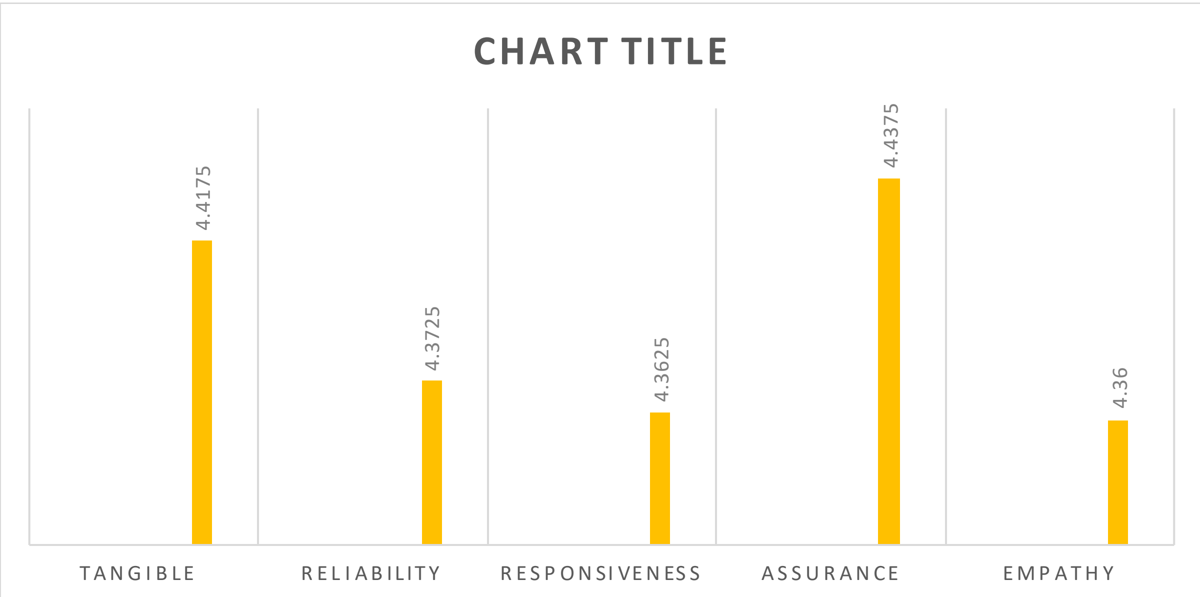
Figure 21: Empathy Chart



And the clientele of MBL is very satisfied at this branch, because of how much the bank works and dedicate their resources to meet the customers demands. From the survey we can find out that the employee's skills to satisfy the clients needs as well as making the client feel important and needed to the bank, which was very highly regarded by the customers who filled out the survey.

Overall comparison of the five dimensions:

Figure 22: Overall comparison of the five dimensions chart



The given chart shows the comparison among the dimensions of tangible, reliability, responsiveness, assurance, and empathy. On an average tangible scored 4.4175, reliability scored 4.3725, responsiveness scored 4.3625, assurance 4.4375, while empathy scoring the lowest 4.36 on a scale of 1 to 5. Though we can say, based on the scale that all of the dimensions scored pretty highly, we can still say that there is significant room for improvement. As the chart dictates that the insurance dimension scored the highest, while empathy scored the lowest. Therefore, we can conclude that if MBL focuses its effort to improve on the areas where the bank got lower score from the customers on this survey questionnaire, they can improve the clientele's perception of the bank.

3.4 Summary and Conclusions

After assessing the result of the questionnaire, you can say that the employee's assistant and the facilities provided by the Mercantile Bank limited, are capable of fulfilling Its customers needs. All the tangible products and all kinds of technological services the Mercantile Bank limited delivers, are capable of meeting and satisfying. Their customers need. but the outcome of the questionnaire also shows us that there are rooms to improve the technological and materialistic services provided by the bank. From the client's viewpoint, MBL provides the customer with a trustworthy and outstanding quality service. The customer satisfaction level is very high as the bank and its employee tries to provide a pleasant and trustworthy standard of their service and also tries to quickly and efficiently assist any of the customers problems. By providing these efficient services and responsive solutions, it helps the bank increase the perception of the service value provided by its employees to the customers. Customers can look forward to receiving highly dedicated team and organization that seeks to always assist and build a genuine empathetic and faithful relationship with its customers.

3.5 Recommendations

Here are some suggestions and constructive recommendations for improving the quality of service provided by Mercantile Bank Limited:

- Some customers sometimes feel as if that their case is not being responded properly and timely. In reality, the unavailability of enough employees is the reason for this issue. More recruitments of talented individuals would solve this issue.
- The bank still runs on a very analog system. Everyone has to write everything in a piece of paper, or in a physical registry, which adds time do the amount of time needed to complete a single task. It would be very profitable for the bank to implement a more automated system, so that the employees can finish each work as quickly as possible to help the client.
- The employee culture of mirror full branch has to be mentioned here as in Intern I faced a lot of problems, where I could not get information from anyone as there were no dedicated supervisor for me who would help me learn how the banking system works. Implementing a dedicated system to handle all the interns who are doing their internship at the bank can help the organization get the best out of them, while also providing as

much resources as needed for the interns to migrate to their working career from their university level.

- In the Mirpur branch, the three divisions of the bank were separated by two floors. The bank had no proper system built so that the two-division upstairs can smoothly communicate with the general banking division downstairs. This created a lot of problems and delay of work because employees needed to physically go downstairs from upstairs or vice versa to complete a task that needed the help of another division. Establishing a system with which employees can smoothly communicate and transfer documents as fast as possible with much efficiency can boost the result of work done in a day significantly.
- The technological resources that are available in the Mirpur branch are very outdated and very slow. This created little delays in the completion of work, which at a glance might not look like a big problem, but when it adds up over the day, it created problems, which prevented the work to be done efficiently. upgrading to a newer generation of technological resources can help mitigate this problem.