



The City Bank Limited

Internship Report

On

“Analysis of collection procedure of Retail Loan”

SUBMITTED TO

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Letter of Transmittal

18th January, 2012

To

Syeda Shaharbanu Shahbazi

Senior Lecturer

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Dear Madam,

I am pleased to submit the Internship Report as a partial fulfillment of BBA program. I try my best to present this internship report on “**Collection Procedure of Retail Finance Center**” according to your guideline. I tried my best to work sincerely to cover all aspects regarding the matter. Practical exposure is very essential for orientation with the real world-working arena. I have learned a sound knowledge and understand on the basic operation of the bank. Through I faced some limitations to prepare the report due to shortage of organized data, time limitation and little knowledge about banking sector, I have thoroughly enjoyed in preparing this internship report which has contributed significantly to my understanding on the essentials and importance practical knowledge.

However, if any need any clarification, suggestions, directions or recommendations for further improvement of the report, I will be obligate to provide with further explanation. I sincerely hope that you will appreciate my effort.

Your scincerely

.....

Bipasha Sharmin

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Acknowledgement

The internship program is very helpful to bridge the gap between the theoretical knowledge and real life experience as part of Bachelor of Business Administration (BBA) program. This internship report has been designed to have a practical experience through the theoretical understanding.

It is my privilege that I had the opportunity to do internship in The City Bank Limited, Retail Finance Center. I would like to thank all the people on whom I carry out my internship.

I express my deep gratefulness to Mohmmad Waliullah (SAVP & Head of collection), Mr. Maksudur Rahman (Credit Manager) and Mr. Mohiuddin Chowdhury (Assistant Manager) of City Bank Retail Finance Center for giving me the opportunity to three months in internship program. Also I express my deep gratefulness to all employees of CBL Retail Finance Center for cooperated to collect various requirement supports from various sources & help me to complete this internship report.

Finally I express my deep gratefulness to my supervisor syeda shaharbanu shahbazi.

Executive Summery

The report is based on the analysis of collection procedure of retail loan of the CITY BANK.

Internship program is the pre- requisite for the graduation in BBA. Classroom discussion alone cannot make a student perfect in handling the real business situation; therefore it is an opportunity for the students to know about the real life situation through this program. A report has to be built for the university and organization requirement. The topic of the report is “Analysis of collection procedure of Retail loan”. The main purpose of the report becomes very clear from the topic of the report. The report discusses about the collection procedure and activities of retail loan, interest rate of different bank, discussion of delinquency data of last financial year and forward flow and backward flow of retail loan.

The report is broadly categorized in seven different parts. At first there is a prefatory where describe the relation between banking sector and economy along with introduction, origins, objectives, scopes of the report, methodology and limitation. The main objectives of the report are identifying the collection procedure and activities and overall last financial years. Part two describes the overview of CITY BANK, vision, mission, values, organogram and also general activities of the CITY BANK. Part three focuses on activities which are undertaken in Retail Finance Center. It includes overview of Retail finance center, collection department, collection objectives, collection organization structure, activities undertaken in collection department, the key areas of responsibility as a front-end Collector, collection tools. Part four focuses on challenges of the responsible position and proposed course of action. Part five narrates lessons learned from the internship program and it focuses on inter personal achievements, organizational terms and understanding and provisioning policy. Part six is analysis the delinquency ratio of last financial year, forward flow, backward flow and reasons of these factors. Last part ends with a concluding summery and recommendation for future strategic action, bibliography and appendix.

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PART ONE



Introduction

With the advent of the 21st century, globalization and consolidation, amongst the multinational and foreign companies are making their impact in the third world economy including that of Bangladesh. To address this ever increasing competition, Bangladeshi financial institutions and other companies and firms gearing themselves in order to meet challenges both locally as well as internationally.

Due to globalization and expansion of international business, finance plays the major roles for the economic development. The development of a modern economy would not have been possible without the use of money. A fundamental characteristic of money is that it is like a collective commodity. There is a parallel relationship between the money and banking. Bank is an important and essential financial institution for the necessity of the use of money and the protection of the money.

At the very arena of globalization and technological innovation, banking business has become more competitive. To cope up with this, bankers should have huge theoretical knowledge and professional skill as well as technical basis. As a BBA student, I felt that banking is an excellent area to gather some practical knowledge. With a view to develop skilled professional in banking area, BRAC University has undertaken the internship-training program for its BBA students. As a partial and essential requirement of the BBA, on authority's instruction I have selected the City Bank Limited, one of the prominent banking institutions of Bangladesh to acquire some practical experience in banking, especially in the correspondent banking program.

It would not be out of place to mention here that during the course of the program I had worked in collection department of Retail Finance Center. Before going to the main report I would like to mention that it was not possible for me to cover the entire activity of the 25 years old banking organization in the given limited time.



Origin of the Report

This report is an internship report prepared as a requirement for the completion of the BBA program. The primary goal of the internship was to provide an ‘on the job’ exposure to the student and an opportunity for translation of theoretical conceptions in real life situation. We, the students, were placed in enterprises, organizations, research institutions as well as development projects.

In this connection, after the completions of the BBA program, I was assigned to the Retail Finance Centre of the City Bank Limited for practical orientation. I chose the topic “Analysis of collection procedure of retail loan” for my internship report under the supervision of Mr. Maksudur Rahman (credit manager) and Mr. Mohiuddin Chowdhury (Assistant Manager) of collection department of THE CITY BANK.

Objective of the report

The objective of the study is to gain the relationship between theoretical and practical learning and the real life situation of City Bank in operating Collection Team. The various concepts, which I have learnt from different courses during my BBA program, influencing an organization in various aspects, are considered chiefly here.

General Objectives

The general objective of this report is to gain knowledge about the company and its current functions and also discussing about some problem issues faced by the company.

Specific Objective

- To give an overview on CITY Bank and its services.
- To detail the Loan & Facilities of CBL and its Loan Operation System.
- To evaluate the performance of Loan collection team and find out the possibilities for an effective collection process.
- Finding out the shortcomings of the Bank in its Collection operations and providing some Recommendation.

Scope of the Report

The report covers retail banking services, procedures and activities of the City Bank Limited. This report especially emphasizes on the collection procedure and activities, delinquency ratio, process of regularize to delinquent accounts.

Methodology

To make the report more meaningful and presentable, two sources of data and information were used widely. Both the primary and secondary forms of data are used to make the report more rich and informative. The details of these sources are gives below:

Primary Sources

- Most of the information was acquired by discussing with the officers working in the Retail Sales Centre especially Mr. Maksudur Rahman (Credit Manager), Mr. Mohiuddin chowdhury (Assistant Manager) of collection.
- Interview, observation and work experience with divisional employee and suggestion and official instruction of the bank.

Secondary Sources

- “Annual Report 2010” of the City Bank Limited.
- Information about delinquency data of MIS department.
- Various circulars of the collection department, articles, compilations etc.
- Instruction circular of Head Office, brochures of different banks, newspapers and magazines regarding banking issues and so on.

Limitations

There were certain limitations while conducting the study. These are summarized below:

- The main obstacle while preparing this report was time. As the tenure of the internship program was very short, it was not possible to highlight everything deeply.
- Sufficient records, publications were not available as per my requirement.
- Work pressure in the office was another limitation restricting this report from being more detailed or analytical.
- Confidentiality of information was another barrier that hindered the study. Every organization has its own secrecy that is not revealed to someone outside the organization. While collecting data at the City Bank Limited, personnel did not disclose enough information for the sake of confidentiality rule of the organization.



PART-TWO

An overview of the city bank

THE CITY BANK is one of the oldest private commercial banks operating in Bangladesh. The Bank has been operating since 1983 with an authorized capital of **Tk. 1.75 Billion** under the entrepreneurship of twelve prominent & leading businessmen of the country. The noble intention behind starting this Bank was to bring about qualitative changes in the sphere of Banking and Financial management. Today The City Bank serves its customers 89 branches spread over the country & about three hundred overseas correspondences covering all the major cities and business centers of the world.

The services include wide diversified areas of trade, commerce & industry which are customized to the specific needs of the customers and are famous by an exceptional level of prompt and personal attention. Over the years the Bank has expanded its services. The extensive and ever-growing domestic network provides and carries various products and services.

THE CITY BANK has already introduced some new banking products like dual currency credit cards, ATM and online services which has created attraction among the clients. The Bank is going to introduce real time internet, SMS and phone banking systems with all modern delivery channels at an early date.

For significant performance, the Bank has earned national & international recognition. THE CITY BANK was one of the 12 banks of Bangladesh among the 500 banks in Asia for its asset, deposit & profit as evaluated by "ASIA WEEK" in the year 2000. Other than that, THE CITY BANK LIMITED received the "Top Ten Company" award from the Prime Minister of the People's Republic of Bangladesh.

We have a distinguished Board of Directors which consists of thirteen successful and reputed businessmen. Mr. Aziz Al-Kaiser, a top leading businessman, industrialist, pioneer personality & entrepreneur of private sector's bank in Bangladesh, is the Chairman of the Bank.



Mr. Kazi Mahmood Sattar a dynamic, nationally & internationally reputed Banker is the Managing Director of the Bank.

The bank currently has 89 online branches spread across the country that include a fully fledged Islamic Banking branch. Besides these traditional delivery points, the bank is also very active in the alternative delivery area. It currently has 100 ATMs of its own; and ATM sharing arrangement with a partner bank that has 225 ATMs in place; SMS Banking; Interest Banking and so on. Soon its Customer Call Center is going to start operation.

THE CITY BANK is the first bank in Bangladesh to have issued Dual Currency Credit Card. The bank is a principal member of VISA international and it issues both Local Currency (Taka) & Foreign Currency (US Dollar) card limits in a single plastic. City Bank prides itself in offering a very personalized and friendly customer service. It has in place a customized service excellence model called GAP (Graceful-Appropriate-Pleasing) that focuses on ensuring happy customers through setting benchmarks for the bank's employees' attitude, behavior, readiness level, accuracy and timelines of service quality.

CITY BANK is one of the largest corporate banks in the country with a current business model that heavily encourages and supports the growth of the bank in Retail and SME Banking. The bank is very much on its way to opening many independent SME centers across the country within a short time. The bank is also very active in the workers' foreign remittance business. It has strong tie-ups with major exchange companies in the Middle East, Europe, Far East & USA, from where thousands of individual remittances come to the country every month for disbursements through the bank's large network of 89 online branches.

The current senior management leaders of the bank consist of people from the multinational banks with superior management skills and knowledge in their respective "specialized" areas. The bank this year, is celebrating its 25th year of journey with the clear ambition of becoming no.1 private commercial bank in the country in 3 years time. The newly launched logo and the pay-off line of the bank are just one initial step towards reaching that point.



Vision

The Financial Supermarket with a Winning Culture Offering Enjoyable Experiences.

Mission

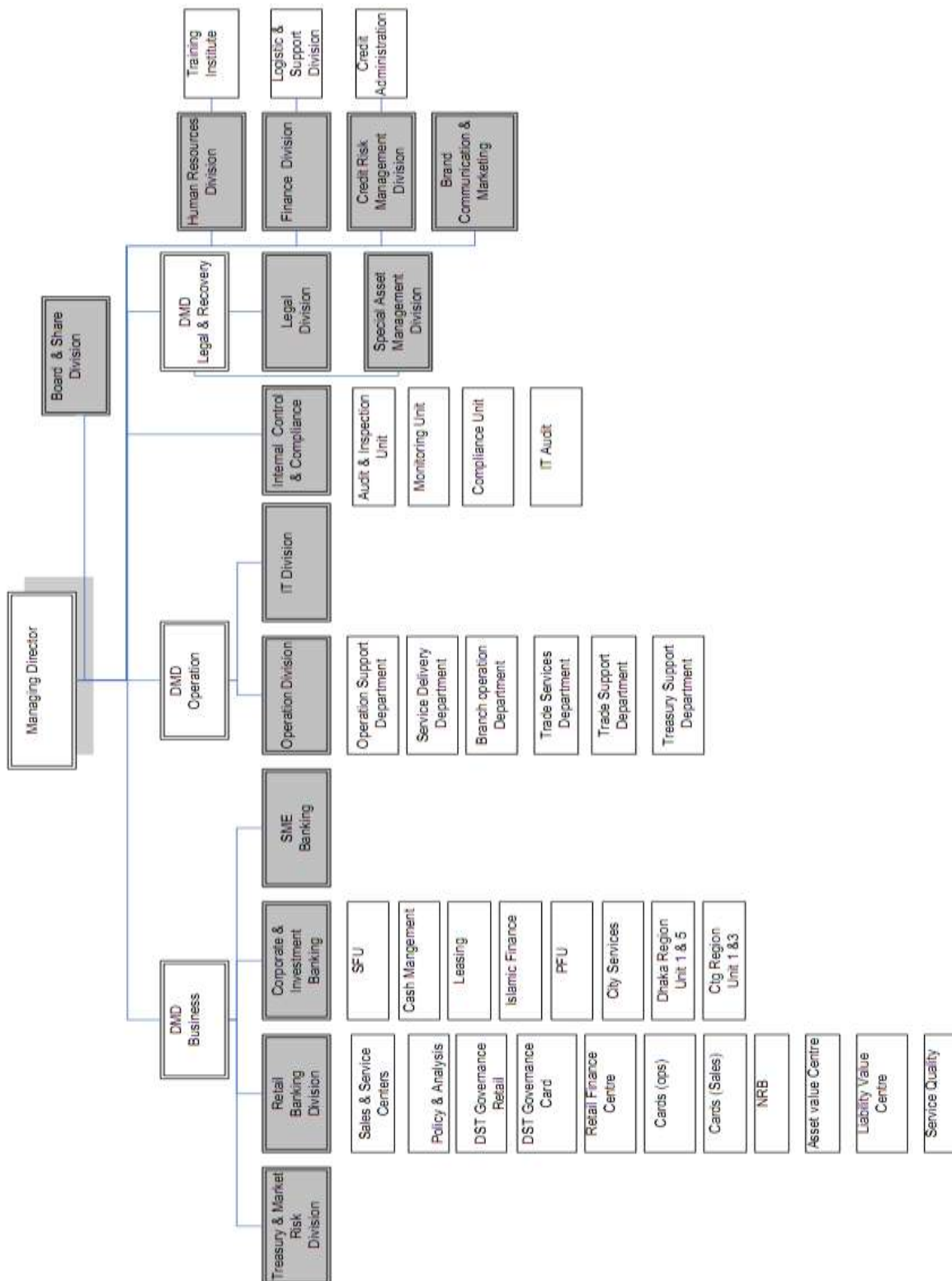
- Offer wide array of products and services that differentiate and excite all customer segments.
- Be the 'Employer of choice' by offering an environment where people excel and leaders are created.
- Continuously challenge processes and platforms to enhance effectiveness and efficiency.
- Promote innovation and automation with a view to guaranteeing and enhancing excellence in service.
- Ensure respect for community, good governance and compliance in everything we do.

Values

- Result Driven
- Engaged & Inspired
- Accountable & Transparent
- Focused on Customer Delight
- Courageous & Respectful

Organogram of CBL

Figure-1



General activities of The City Bank

The principle activities of the bank are to provide all kinds of commercial banking, customer banking trade services, keeping and clearing to its customers through its branches in Bangladesh. City Bank is among the very few local banks which do not follow the traditional, decentralized, geographically managed, branch based business or profit model. Instead the bank manages its business and operation vertically from the head office through 4 distinct business divisions namely.

1. Corporate & investment banking
2. Retail Banking
3. SME Banking
4. Treasury & Market risks.

Corporate & investment banking

In CBL following activities are performed in this division-

Financing-

- Working capital finance
- Trade finance
- Short/Mid-term Finance
- Project Finance
- Islamic Finance
- Structured Finance
- Cash managements
- Invest banking
- Schedule of charges
- Interested rate on lending



Retail Banking (including cards)

Retail banking includes the tasks for the following purpose-

- Deposits.
- Loans
- Cards-debit card, credit card etc
- NRB-foreign remittance
- Schedule of charges
- Interest rate on Lending

SME Banking

CBL's SME banking is engaged of servicing for the following facilities-

- City muldhan
- City Monaca
- City Shula
- City Nosh
- City Sheba

Treasury & Market risks

City bank has dedicated Treasury team who is capable of providing all treasury solution. Through their foreign correspondent business partners, CBL is providing a wide range of Treasury products. In CBL Treasury, there are four teams who are specialized in their area to ensure the best possible solution to our customer requirement. CBL has following teams in the Treasury

- Foreign Exchange
- Money market
- Corporate sales
- Market research



PART-THREE

ACTIVITIES UNDERTAKEN

Retail Finance Center

Retail finance or lending refers to making a wide range of secured and unsecured loans to private individual. As city bank offers a wide number of consumers loan to meet different customer need, the retail finance center process and operates the loan. Unlike the other decentralized banks, city bank has a central loan control center. The RFC was formed in 2008 as a process of being centralized.

Before forming the RFC, the loan processing system was decentralized. Which means, loan processing, disbursement and collection everything is done by individual brunches. In the centralized banking system, the loans are processed and operated only by the RFC. RFC has three wings to do the whole job in an organized and effective way. The three wings are:

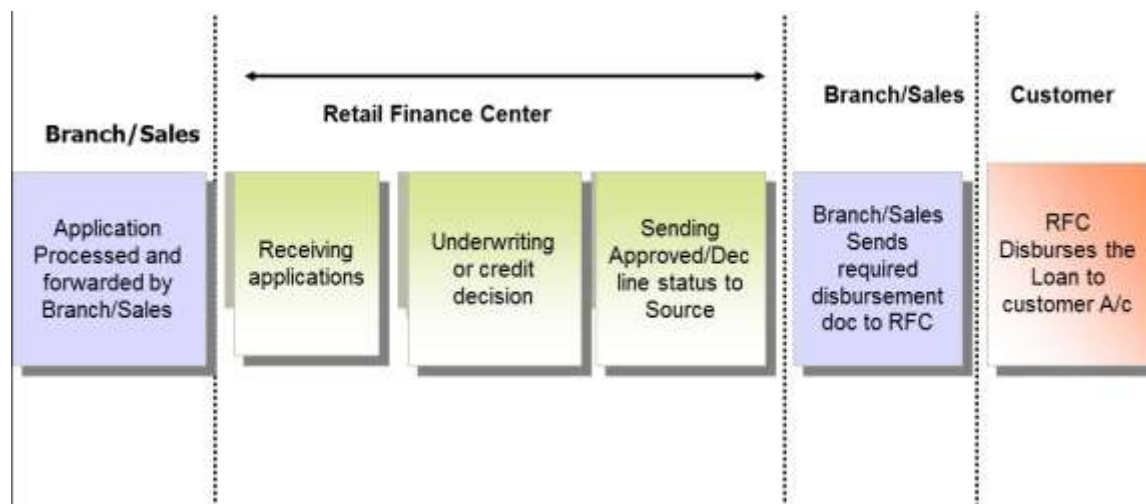
1. RFC credit approval
2. RFC operation
3. RFC collection

RFC credit approval & operation department: The brunches of city bank are called **Sales and Service Center**. The loan applications are collected by either DST (Direct Sales Team), or directly brunches. The applications of the loan are sent to the credit approval department; there are two sections in the department-

- Analyst
- Approval

The loan applications are analyzed as per the PPG (Product Program Guideline). If the application qualifies, then the approval team sends the application to the operation department and the operation department disburses the loan.

Figure-2, graphical view of the loan process procedure



Collection Department (Retail finance center)

The Collection Unit plays an important role to ensuring the profitability of asset products and quality of the portfolio by collecting the delinquent amounts efficiently and effectively.

Key success factors of efficient and effective collection management comprises of-

- Appropriate investment in collection systems and tools and effective use of them
- Well managed collection operations
- Motivated people with right skill sets.

Collection objectives

Objective of Collection Unit is to build a cost effective Collection process which is risk aware, pro-active and information based. Its purpose is to assist business growth and maximize profitability by maintaining balance between risk and reward over the life-cycle of product and portfolios of the bank.



Collection Unit's responsibility will be started from the time of account becomes delinquent until it is regularized by means of payment or closed with full payment amount collected.

The goal of the collection process is to obtain payments promptly to minimize risk and write-off costs as well as maintaining the customer's goodwill by a high standard of service.

Collection also protects the assets of the bank. This can be achieved by identifying early signals of delinquency and thus minimizing losses. The customers who do not respond to the service oriented collection efforts that represent a financial risk of the institution. The Collector's role is to collect due amount so that the institution can keep the loan on its books and does not have to write-off / charge off.

Collection organization structure

The collection operation diagram would be precise & clear. It would vary, depending on-

1. The size of the collection unit which ideally should be function of the size of the portfolio & delinquency trend.
2. Available infrastructure (telephonic support & IT platform)
3. Availability of resource (recovery through 3rd party agent)
4. The business environment as a whole.

Definition of Arrear Time Equivalent (ATE) & Conversion into DPD

Collection Unit will obtain basic information to determine ATE or DPD. The arrear amount of a client and his/her installment size i.e. called EMI.

The method of calculation of DPD is described below;

- Calculate overdue Installments = Arrear Amount/EMI size which is also known as Arrear Time Equivalent (ATE).



- The ATE is then multiplied by the installment frequency i.e. 30 days in case of EMI or 90 days is case of quarterly installment (not applicable for any consumer loan product at present) to derive at Days Past Due (DPD).

Identification of Accounts

When a customer fails to pay the minimum amount of due or installment on the payment due date, the account is considered in arrears or delinquent. When accounts are delinquent, collection procedures are occurred to regularize the accounts without losing the customer's goodwill to ensuring that the bank's interests are protected.

The delinquent accounts can be classified as three buckets as follows:

1. Front-End Bucket ATE 0.01-1.99 / (DPD 1-59)
2. Mid-Range Bucket ATE 2.00-3.99 / (DPD 60-119)
3. Hard-Core Bucket ATE 4.00+ / (DPD 120+)
4. Recovery Written off accounts

Definition of Bucket

Front-End: ATE 0-1.99 (1-59 DPD)

Front-end is the first collection bucket in which delinquent accounts (less than two installments due) are identified and at this stage, the customers are normally contacted by phone and letter, which serves as a reminder of his/her responsibility to pay the overdue amount to the bank.

Mid-Range: ATE 2.00-3.99 (60 – 119 DPD)

Mid-range is the bucket in which the account is considered to be seriously delinquent then collection efforts must be more intensive, as the account has threatened our asset. When the front-end delinquent collection effort fails to obtain installment, the account will automatically age into the 60 DPD and subsequently 119 DPD delinquent categories. Interests are to be taken into suspense account when the account is aged at 90 DPD.



Hard-Core (120 DPD+)

120+DPD accounts are considered hard-core delinquents and collection efforts are to be more intensified than 60 DPD and 90 DPD accounts. These accounts tend to enter into classification criteria as per Bangladesh Bank definition. Interest will continue to accrue into suspense account and to be suspended after 360 DPD+ or after Bad & Loss criteria.

Recovery (Written off accounts)

Written off accounts are those accounts which are accepted by banks as unrecoverable. Bank will write off accounts as per policy laid down in this manual.

Loan collectors, also known as collection agents, debt recovery agents or credit controllers, are responsible for recovering bad debts or late payments on credit accounts.

Activities undertaken in collection department during Internship period

As a debt collector, the job of a collector is to collect money on behalf of businesses. Same as The City Bank collection team also do the same job. Different department handles different loan as all loan consumers are not same. As internship purpose I was appointed at the City Bank in collection department. Through my internship period I worked in the retail loan collection team. We were supposed to deal only two types of loan:

- City Solution
- City Drive

City Solution: City Solution is any kind of personal loan from City Bank. It solves customers' problems and fulfills all their dreams.



Features:

- Loan amount ranging from Tk. 50,000 to Tk. 1000,000.
- Loan tenor 12 to 60 months.
- No guarantor required for the loan amount up to Tk. 3 lac.
- No hidden charges.
- Competitive interest rate.
- Processing fee 1%.

Eligibility:

- Age: 22 to 60 years.
- Experience: Salaried executive total 1 year including 6 months with current employer.
- Experience: Business person 2 years.
- Experience: Professional 1 year.
- Minimum monthly income: Salaried executive Tk. 15,000 self-employed Tk. 25,000 and business person Tk. 30,000.

Figure-3, Comparison of the City Solution (for any purpose) Loan of City Bank with other banks

Subject of Loan	City bank Ltd.	Eastern Bank Ltd.	Prime Bank Ltd.
Loan limit	BDT 1,000,000	BDT 150,000	BDT 1,000,000
Down payment	NIL	NIL	NIL
Loan period	5 Years	5 Years	2 Years
Service charge	1.5%	1%	1%

Figure-4, Comparison of the rate of interest of City Solution with other banks



City Drive: City drive is Auto Loan for salaried person, business person & self-employed individuals.

Car for one's family is now a matter of fulfilling a necessity. Appreciating that basic need, City Bank introduces City Drive, a tailor-made auto loan scheme for individuals.

Features:

- Loan amount ranging from Tk. 300,000 to Tk. 2,000,000.
- Car financing up to 90% of reconditioned or new vehicle price.
- Lower interest rate & up to 100% financing for loan against cash security.
- Loan tenor 12 to 60 months.
- No hidden charges.
- Competitive interest rate.
- Loan processing fee 1% of loan amount.



Eligibility:

- Age: 22 to 60 years.
- Experience: Salaried executive total 1 year including 6 months with current employer.
- Experience: Business person/ professional 1 year.
- Monthly income: Minimum Tk. 30,000.

Figure-5, Comparison of the City Drive Loan of City Bank with other banks

Subject of Loan	City bank Ltd.	Brac Bank Ltd.	Eastern Bank Ltd.	Prime Bank Ltd.	Dhaka Bank Ltd.	Standard Chartered Bank Ltd.	HSBC Bank Ltd.
Loan limit	BDT 2,000,000	BDT 2,000,000	BDT 200,000	BDT 2,000,000	BDT 200,000	BDT 2,000,000	BDT 2,000,000
Down payment	NIL	NIL	25%	10%	20%	10%	30%
Loan period	5 Years	4 Years	5 Years	5 Years	6 Years	5 Years	5 Years
Service charge	1.5%	1%	1%	1%	1%	1%	1%

Collection of the two loans is especially deal by collection department in Retail finance center. As I worked in the front end team, detail of the team is given bellow:



Front-End Collection Team (Retail): Front-end is the first collection bucket in which delinquent accounts are identified. ATE of the customers in this bucket is 0.01 to 1.99 and DPD is between 1 and 59.

The collection process starts when the account holder failed to meet one or more contractual payment. These are called **Delinquent Accounts**.

When accounts are delinquent, collection procedures are organized to regularize the accounts and at the same time keeping the customer's goodwill to ensuring the bank's interests are protected.

The key areas of responsibility: Frontend deals two types of file.

- Month end
- DM

Month end: Month end files are those file which deals with 2 EMI (Equal Monthly Installment) dues from the previous month and another EMI is going to be due within present month. The ATE (Arrear Time Equivalent) of this customer is equal 1 and another less than 1 and finally the Present ATE is .01 to 1.99.

DM: DM (During the Month) files are those files which do not have previous due but a due date have just passed in running month. DM is also given an especial care so that they do not move to higher bucket. And in this bucket customers are more sensitive.



The key areas of responsibility for the Front End Collector that I have classified as the following categories:

- Commercial
- Customer
- Service Teamwork
- Knowledge

Commercial

- To be responsible for chasing outstanding arrears from customers and meeting collection targets in order to maintain positive cash flow.
- Review debts outstanding, considering relevant information to determine action to be taken.
- Monitor and report on debt levels, high risk debt and settlement rates on a monthly basis.
- Proactively resolve or appropriately reallocate queries or issue arising from communication with clients in a customer focused manner and in line with bank's policy.
- Liaise and negotiate with clients, their relatives or representatives to ensure payment of arrears by telephone conversation

Customer Service

- To provide professional and effective services to internal and external customers, to meet customer expectations, particularly in terms of Quality and Timeliness in line with departmental standards, procedures and guidelines.
- To communicate politely with internal and external customers by telephone, building positive relationships, investigating, responding to and progressing issues and queries to a successful conclusion at the earliest time.
- To speak positively and enthusiastically about the company and its products and services to ensure that a professional company and brand image is provided at all times to customers and colleagues.

Teamwork

- To work as part of a team to achieve the departmental standards.
- To work together with other departments and divisions within the organization to identify any process improvements and improve standards, efficiency and profitability.

Knowledge

- To ensure that a good level of understanding and knowledge of organizations products and services, which is improved and maintained at all times, ensuring that customer queries can be dealt with accurately and appropriately and supported by the department.
- Willing to support colleagues and team members with professional problems, devoting time to communicate expertise, infusing confidence and expressing positive expectations regarding the team's and company's performance.

Collection Tools

There are several tools that are used to collect the allocated balance. The following tools I was supposed to use to do my job as a front end collection team.

To collect the consumer loans or arrear amount, collection team used quite a lot of tools. These tools are very helpful for collection team. Based on level of delinquency and behavior of the customer, different kinds of tools are used. In general, tools are used quantitatively i.e. on routine basis but may be used on qualitative judgment as well. Collection Unit of RFC will use the following tools in general.

The main actions which are used in the frontend team for collection are:

- Reminder Letters
- Telephonic Calls
- Short Message Service (SMS)
- Assistance from referees

➤ **Reminder letters:** The strategy of letters specifies the contents, main message, timing, sequence, target group of each collection letter. These letters are organized by delinquency level and risk (high, medium, low). Letters to be sent to the address of the borrowers recorded at CBL's core banking system (**Finacle**). It is obvious that borrowers intend to change their contact address for various reasons and it is the responsibility of the collectors to obtain that address and keep a record of it at Collection Contact Point of the Servicing Module of Lending Automated Processing System (LAPS). Letters are sent by mentioning "collection unit" with accurate contact information (address, numbers, e-mails etc). It is very important that collection letters will be sent on proper time.

➤ **Telephonic Calls:** Telephone calls are made to the numbers of borrowers which is recorded CBL's core banking system (**Finacle**). Based on the status of delinquent borrowers, conversations are made over telephone. In no way conversations to be made that might tarnish Bank's image. Borrower's intension is to change their phone or mobile number frequently but it is the responsibility of the collectors to obtain that number and keep a record of it at Collection Contact Point of the Servicing Module of Lending Automated Processing System (LAPS).

➤ **Short Message Service (SMS):** Short message service is provided when borrowers are not available on mobile phone. It is more effective than other tools to reach at customers instantly. The success of SMS depends on availability of technological infrastructure and maintenance of correct database of phone numbers of the borrowers. Collection unit work to establish SMS alerts for delinquent borrowers.

➤ **Assistance from Referees:** In most of the loan applications name, address & telephone numbers of 2 (two) referees are maintained. It is to be noted that referees do not have legal obligation to repay or assist bank but may be convinced by the collectors to provide information on contact address of defaulters or pursue defaulters to repay.

The process of the accounts that is used to trace the customer which is not found in the primary information of customer that process is called LAP. The lap process can be shown in the appendix:

PART-FOUR

CHALLENGES OF THE RESPONSIBLE POSITION

Observed in Organization: As started the work with zero knowledge, there were many challenges that I had to face at the time of doing job. But since time passed I got opportunity to improve myself. However it's obvious a problem for the fresher's as there is no experience of handling the customer. There are some factors that I have observed in the organization in the time of internship.

- As I started Intern in Collection Department, Its somewhat dose not directly relate to my course of study. So I was totally new to the collection process. It took some time understand the whole process in the beginning of internship.
- Understanding Customer's Psychology is not easy. There are different kinds of people who actually show a different attitude to the banks call. As they are different in nature, the way to handle of the customers is also different to each. Front end team work really as a team and help each other very eagerly.
- It's really a nice environment to do work in the collection team. But any PC was not given to me. But most of the detail of a customer, we were supposed to get from a regular employer's PC. So I had to Share PC with a regular employee of the group and it took more time to work.

PART- FIVE

Lessons learned from the internship program

1. Inter personal Achievements:

- I learned how to communicate with client, how to deal with customers, how to talk and how to keep continue business relationship.
- I lessons how to work with my colleagues in one office, how to cooperate with other officer, how to communicate with senior employee, how to do my all work in a due time.
- I learned the major Collection activities of the bank.
- I learned the different terms related Collection and loan
- One thing I can say clearly that internship program is fruitful to my career and future a lot.
- This internship program encourages me to overcome challenges and execute my skills properly.
- I gained more self-confidence.
- I learned how to gain customer confidence

2. Organizational terms and understandings:

Classification & Provisioning Policy

In order to disclose the asset quality of the bank and protect it from future loan losses, every bank has to classify accounts and maintain loan loss provision in compliance with regulatory requirement. The main object of loan classification & provision is to bring credit discipline and strengthen the capital structure of the bank.

Definition of Classification Accounts

Loan classification refers to a process of defining an account as non-performing based on quantitative criteria or qualitative judgment as defined by Bangladesh bank.

As per definition of the Bangladesh Bank was presented Master Circular of Loan Classification and Provisioning. BRPD (Bangladesh regulation & policy department) Circular NO. 05 dated June 5, 2006, classified accounts refers to:

Figure-6, Classified accounts

Classified Accounts	DPD
Substandard (SS)	180+
Doubtful (DF)	270+
Bad & Loss (BL)	360+

Provisioning Policy

Bank will maintain both general & specific provision in line with the requirement of Bangladesh bank time to time. At present bank has to maintain two types of provisions as per regulatory requirement.

General Provision: To be maintained @ **5%** on the unclassified amount for the total consumer loan portfolio and @ **2%** for housing finance and loans for professionals to set up business under consumer financing scheme.

Specific Provision is required to be maintaining on the following rate against the outstanding amount:

Figur-7, Specific Provision rate

DPD	EMI Default	Rating	% Provision
180 – 269 DPD	6th EMI+	Sub standard (SS)	20%
270 – 359 DPD	9th EMI+	Doubtful (DF)	50%
360 + DPD	12th EMI+	Bad & Loss (BL)	100%

Provision will be maintained at the above rate on the balance to be determined by deducting the amount of “Interest Suspense” and valued of 'Eligible Securities' (FDR, Cash security, bond/savings certificate and 50% of land & building) from the outstanding balance of classified accounts which is termed as Base for Provision. BRPD circular will be observed time to time for any change in the provisioning and classification policy.

PART-SIX

Analysis & Findings

Delinquency of a bank is a factor that directly affect the profitably of the bank. The bank lends money to the customers but the recovery amount is the main factor for the profitability of the bank. The data on the banks last one year delinquency ratio in different DPD is as follows:

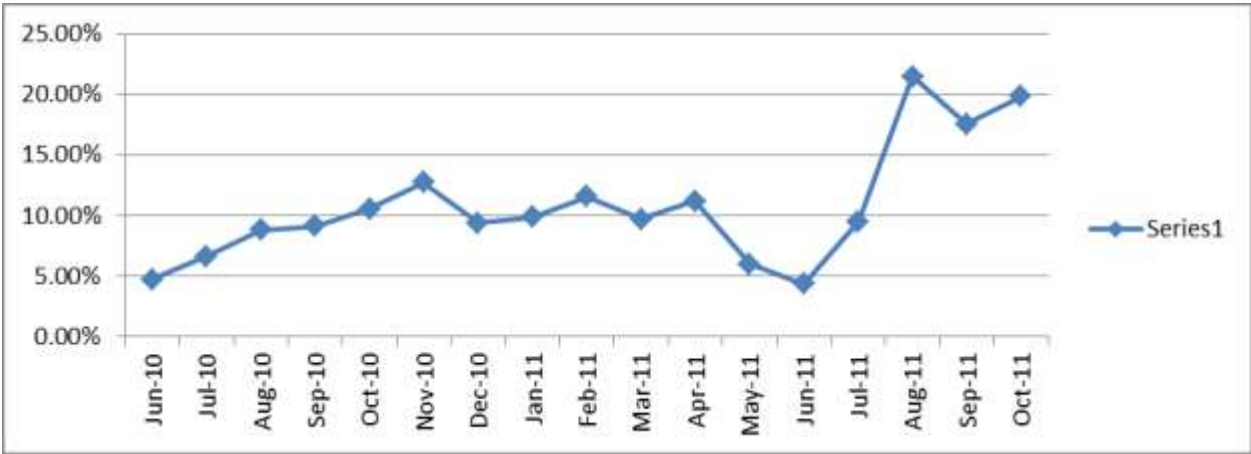
Figure-8, Report of last financial year and analysis of the loan delinquent data:

Portfolio BDT '000	7,585,610	7,713,726	7,824,035	8,008,797	8,169,607	9,058,729	8,614,593	8,684,790
Months	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11
Delinquency % Over 30	3.33%	4.51%	4.81%	5.00%	5.83%	4.52%	5.60%	6.14%
Delinquency % Over 60	1.67%	2.14%	2.37%	2.60%	3.31%	2.28%	2.21%	2.40%
Delinquency % Over 90	0.90%	1.16%	0.74%	1.41%	1.66%	0.86%	1.53%	2.11%
Delinquency % Over 180	0.56%	0.75%	0.88%	1.10%	1.39%	1.24%	0.07%	0.27%
Delinquency % Over 360	0.17%	0.26%	0.33%	0.42%	0.54%	0.51%	0.48%	0.64%
Total	6.63%	8.82%	9.13%	10.54%	12.73%	9.40%	9.89%	11.55%

Portfolio BDT '000	8,954,388	9,107,002	9,258,370	9,726,761	9,776,267	9,772,265	9,981,915	10,154,710
Months	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11
Delinquency % Over 30	5.07%	5.25%	2.54%	1.77%	4.45%	9.37%	6.94%	7.23%
Delinquency % Over 60	1.68%	2.37%	0.62%	0.09%	1.08%	5.07%	3.79%	4.32%

Delinquency % Over 90	1.58%	1.76%	0.86%	0.27%	1.20%	3.38%	3.02%	3.73%
Delinquency % Over 180	0.59%	0.83%	0.86%	0.93%	1.24%	1.72%	1.86%	2.35%
Delinquency % Over 360	0.77%	0.97%	1.09%	1.28%	1.53%	1.95%	1.94%	2.19%
Total	9.69%	11.17%	5.97%	4.33%	9.50%	21.49%	17.54%	19.82%

Figure-9, Graphical view of Delinquency ratio



As we can see the above figure the delinquency ratio in the last financial year and the first quarter of this financial year, it shows that, in June 2011, the delinquency was lowest (4.33%) and it rose up dramatically in the following two months. There were actually some external & internal reasons for that sudden fluctuated in the delinquency ratio. The main reasons are:

Reason behinds of fluctuating delinquency

Internal factor:

Allocation of files according to DPD: The files allocated to collection in different bucket based on DPD (day pass due). This actually hit in a different way. Many high edging files which have 3 or 4 installments due, but as per the last payment date they came in the soft bucket (front-end). This sudden change in the allocation, affected the payment ratio as the treatment should be different.

Increase interest rate: In August 2011, City Bank increased the interest rate of all retail loans by 1%. This decision was taken by the top management of City Bank. The reason behind increasing the interest rate of retail loans was unfavorable market conditions and an increase in the call money rate. The bank increased the interest rate as per the agreement of the retail loan customer based on a floating interest rate. But, there are many customers who did not agree to the interest rate increase. And they are argued to pay the installments. This affected the ratio of delinquency in August 2011.

External factor:

Market condition: When we are talking about the market condition it means the capital market, where all kinds of people invest their capital for maximizing their profit. But in fiscal year 2010-11, the continuous fall in the capital market has not only destabilized the entire capital market but also has dragged out a huge number of investors from the market leaving behind their investments and also affects the delinquency ratio of the bank. Because the maximum capital of the investors is stuck in this market, so that customers cannot pay the bank's installment on the right time and it makes the customer a defaulter.

Business condition: Most of the time banks are willing to provide a huge amount of loan to the business people in order to get lucrative earnings. As a matter of fact, business is always standing with an unstable situation. In case of any accident if occurred, business can fall down. And then it is very much tough to repay the bank installment. That is why a high risk is involved over exchange loans.

Inflation: Inflation is a serious concern of increasing or decreasing the delinquency ratio of the bank. Last few years inflation rate is increasing worldwide and it also hits the Bangladesh's economy. So that prices of essential commodities and living costs have gone up but the income level is not increasing much at that level. As a result it affects the customer's earning power and purchasing power of the people and this financial crisis makes the customers defaulters.

Export: Export is another reason of fluctuating the delinquency ratio. Because the inflation rate is increasing unexpectedly and based on it, business people that means, most of the exporters of the country are not getting the foreign buyers. So, the inflow of the foreign currency is decreasing and the condition of the business is directly hampered. And this reason is worked out making them defaulters.

Exchange rate: An exchange rate is the value of one currency expressed in terms of another. Currencies change in value against each other all the time. This is because most currencies are based on flexible exchange rates. In Bangladesh perspective, the value of us dollar against BDT is increasing day by day. For that purpose the price of the imported products is going high and sale is going down. So it affects directly the business of the importer and it is one of the reasons of defaulter.

Forward Flow and backward flow:

Forward flow is the ratio of the accounts that move to the higher bucket. Forward flow happens when the accounts are remaining unpaid. And on the other hand if the accounts are fully paid it moves back to the lower bucket. This is called back word flow. But if the accounts are partially paid, it remains constant. The main target of the collection department is to move the allocated outstanding backward. The amount of outstanding movement of last 1 year is given bellow:

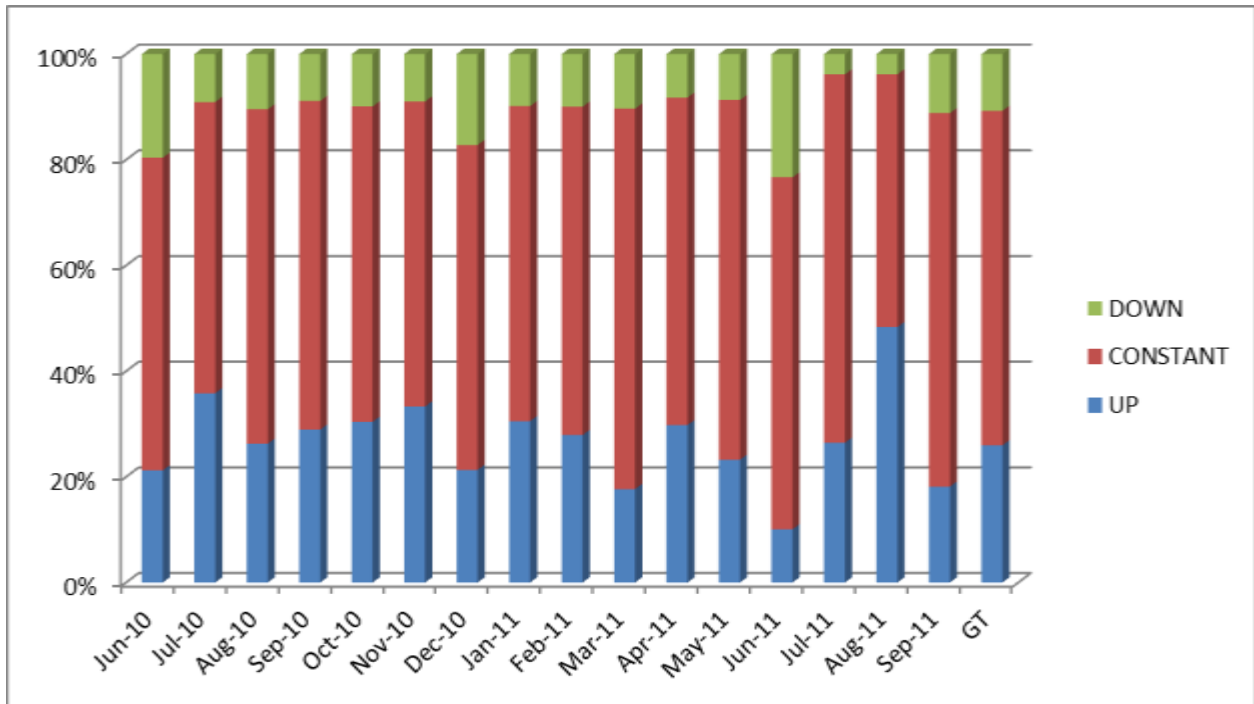
Figure-10, Forward Flow and backward flow

		FLOW												
ALLOCATION		Total Outs				A/C			Outs(%)			A/C(%)		
Cy	OUTS	A/C	UP	CONSTANT	DOWN	UP	CONS TANT	DO WN	U P	CONS TANT	DO WN	U P	CONS TANT	DO WN
Jun-10	1,186,508,842.29	2,992	251,739,571.07	701,996,492.60	232,772,778.62	608	1776	608	21%	59%	20%	20%	59%	20%
Jul-10	1,212,125,092.25	3,008	434,215,558.30	668,025,104.10	109,884,429.85	1111	1604	293	36%	55%	9%	37%	53%	10%
Aug-10	1,633,758,723.01	4,050	429,065,156.77	1,033,941,542.23	170,752,024.01	1078	2502	470	26%	63%	10%	27%	62%	12%
Sep-10	1,545,231,162.70	3,897	447,130,766.62	961,294,739.85	136,805,656.23	1170	2348	379	29%	62%	9%	30%	60%	10%
Oct-10	1,549,066,224.58	3,884	471,354,311.24	924,286,494.17	153,425,419.17	1181	2297	406	30%	60%	10%	30%	59%	10%
Nov-10	1,78150.77	4,515	594,657,.51	1,029,763.51	160,035.75	1574	2507	434	33%	58%	9%	35%	56%	10%
Dec-10	1,91456.53	4,944	407,977.58	1,176,124.77	329,168,.18	1041	2990	913	21%	61%	17%	21%	60%	18%

Jan-11	1,790,581,694.43	4,608	546,921,217.72	1,067,452,772.98	176,207,703.73	1412	2705	491	31%	60%	10%	31%	59%	11%
Feb-11	1,955,500,013.98	5,047	545,825,302.56	1,214,870,138.72	194,804,572.70	1412	3091	544	28%	62%	10%	28%	61%	11%
Mar-11	2,637,241,957.55	7,027	466,275,330.12	1,898,557,388.73	272,409,238.70	1224	5081	722	18%	72%	10%	17%	72%	10%
Apr-11	1,877,009,352.46	4,939	559,019,870.77	1,163,805,099.23	154,184,382.46	1485	3005	449	30%	62%	8%	30%	61%	9%
May-11	2,220,298,964.13	5,796	516,151,193.07	1,511,025,696.83	193,122,074.23	1476	3748	572	23%	68%	9%	25%	65%	10%
Jun-11	2,089,655,470.76	5,587	210,338,360.05	1,392,038,567.29	487,278,543.42	593	3667	1327	10%	67%	23%	11%	66%	24%
Jul-11	2,072,311,313.95	5,619	548,365,174.10	1,444,339,687.68	79,606,452.17	1540	3760	319	26%	70%	4%	27%	67%	6%
Aug-11	1,880,714,916.80	5,068	909,259,004.32	899,777,514.35	71,678,398.13	2520	2315	233	48%	48%	4%	50%	46%	5%
Sep-11	3,083,724,061.74	8,547	560,115,660.56	2,179,308,834.58	344,299,566.60	1513	5913	1121	18%	71%	11%	18%	69%	13%
GT	30,431,452,397.93	79,528	7,898,410,704.36	19,266,606,471.62	3,266,435,221.95	20,938	49,309	9,281	26%	63%	11%	26%	62%	12%

The up, down and constant percentage of the allocated accounts of the last one year is given bellow.

Figure11- Graphical view of forward flow & backward flow



Reason behind of fluctuating forward flow

As we know that when accounts are remaining unpaid that is called forward flow. That means when accounts are moved to the higher bucket (from cycle 1 to cycle 2) because of due then forward flow is occurred. But some factors are responsible behind forward flow and also backward flow. These are given below that are affect to the forward flow-

1. Negotiation skills of the employee.
2. convincing power of the employee.
3. persuasion power of the employee.
4. Motivation power of the employee.
5. Intention of defaulter about payment.
6. financial crisis of defaulter.

Above all these factors actually responsible for forward flow. Lack of negotiation skills, convincing power, motivation power forward flow actually occurred which has negative impact on bank's profit. The main responsibility of Collection is to protect the assets of the bank. This can be achieved by identifying early signals of delinquency and thus minimizing losses. To decrease the forward flow bank's should provide training to the employee, so that employees are recognized with powerful skills.

PART-SEVEN



Concluding summery

It is a great pleasure to have practical exposure to the City Bank Ltd RFC- collection department. Without practical knowledge via academic knowledge, it is not possible to compare the academic knowledge & practical knowledge with each other. During the practical orientation period, it is observed that function of collation front end which helps me a lot to be a professional banker in near future.

As it's a process to make the payment by the customers, there are some rules and regulations to do the job. But the fact often does not meet the rules given. Collection Unit's responsibility will start from the time an account becomes delinquent until it is regularized by means of payment or closed with full payment amount collected. The goal of the collection process is to obtain payments promptly while minimizing collection expense and write-off costs as well as maintaining the customer's goodwill by a high standard of service.

Collection also protects the assets of the bank. This can be achieved by identifying early signals of delinquency and thus minimizing losses. The customers who do not respond to our service oriented collection efforts represent a financial risk to the institution. The Collector's role is to collect so that the institution can keep the loan on its books and does not have to write-off / charge off.

Sometimes, a simple solution can be all that is required to get a debt current. Holding patient to listen to the customers and result win-win situation for both bank and the customer is the target of the collection unit. It's a scientific process rather than only some rules and regulation to manage the customers.

Recommendations for Future Strategic Actions

- The Retail Finance Center (collection department) should be as careful as possible about recording the customers information so that customers do not slip when collect the loan.
- The Bank should not finance to that people who are not actually capable of providing the loan installments in a very sound manner. The Bankers must be aware about this unwanted happening..
- To deal with client, employee should have increased negotiating power, convincing power, motivation power which is very important to work in collection department
- The bank should try to arrange more training programs to the employee of collection department. Quality training will help the officials to enrich them with more recent by providing quality service and do the collection job more efficiently.

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Appendix

RFC LAP Process Flow

