

Report On
**The impacts of loan default on bank performance: A case of
Grameen Bank before and during the pandemic**

By
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Student ID: 17304021

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

BRAC Business School
BRAC University
January 2022

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Declaration:

It is hereby declared that

1. The internship report submitted is my/our original work while completing my 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 that 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:

Tabassum Alam Bintee
Student ID: 17304021

Supervisor's Full Name & Signature:

Sang. H. Lee
Professor & Dean
BRAC Business School
BRAC University

Letter of Transmittal

Sang. H. Lee
Professor & Dean
BRAC Business School
BRAC University
66 Mohakhali, Dhaka-1212

Subject: Internship report submission.

Dear Sir,

I'm handing in my internship report, which is a requirement of the BBA program. Working under your direction is a big privilege for me.

Fundamentally, this research is based on "the Grameen Bank's micro-economic efficiency on loan default." I was offered a position in Grameen Bank's international section, and I was assigned to the Mirpur-2 headquarters. I worked for Mohammad Mizanur Rahman, Senior Principal Officer of the GB International Program Department, for 3 months. This opportunity has provided me with practical experience while also completing my academic knowledge. To begin, I studied Grameen Bank's financial environment and organizational culture. Furthermore, this report has provided me with instructions for conducting practical analysis through working with the organization.

As a result, I pray and hope that you would accept my internship report and render your valuable judgment. This would be a huge accomplishment for me if you could locate any useful and interesting material.

Sincerely yours,

Tabassum Alam Bintee

Student ID: 17304021

BRAC Business School

BRAC University

Date: 29 January 2022

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 Grameen Bank and the undersigned student at BRAC University Tabassum Alam Bintee (ID: 17304021).

Acknowledgment

First and foremost, I want to express my gratitude to the almighty God for assisting me in completing my internship report. Then I'd like to express my gratitude to my supervisor, Mr. Sang H. Lee, for guiding and assisting me in the preparation of the report, which was centered on a three-month internship I completed at the Grameen Bank Head Office, and the report's topic is "the impacts of loan default: a case of Grameen Bank before and during the pandemic." I'd want to express my gratitude to my administrative supervisor, Mohammad Mizanur Rahman (Principal Officer), as well as all of the senior officials for mentoring and assisting me throughout work time. I want to express my appreciation to the other employees for their invaluable assistance in constructing my report throughout my three-month internship.

Executive Summary

The report is from my internship program, which is required as part of the BBA curriculum. This will be completed during my three-month internship at Grameen Bank. This orientation document includes day-to-day real-life work experience with numerous duties at the Grameen Bank Head Office, Mirpur2, Dhaka-1216. Primary and secondary data sources were used to compile this study. Before approving a loan, Grameen Bank assesses all risk variables. The loan will be issued by the appropriate authority once all requirements have been completed. The loan is disbursed once all of the prerequisites have been completed. In proportion investigation, a yearly review is performed to represent my association's prosperity from 2016 through 2020. Besides, in a correlation study, I contrast the accomplishment of Grameen Bank and the exhibition of two other microfinance organizations. It ought to be noticed that these two banks were picked in the wake of talking with hierarchical specialists. Asha, Proshika, and BRAC are the essential contenders for Grameen Bank. In any case, BRAC and Krishi Banks' hierarchical activities are not satisfactorily recorded. As per the proportion study, the association's presentation is steady from 2016 to 2020, demonstrating that the organization is monetarily steady. This current association's NPL proportion, Provision for advance misfortune proportion, Credit Deposit Ratio, and different insights are really surprising. In any case, the organization's ROA and ROE are lower than those of its rivals. In Chapter 3, a few ideas are made for how the bank may improve its presentation measurements.

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List of Acronyms

GB= Grameen Bank

HO= Head Office

ZO= Zonal Office

CSR= Corporate Social Responsibilities

MFI= Microfinance

MIS= Management Information System

BB= Bangladesh Bank

CAR= Capital Adequacy Ratio

ROE= Return on Equity

ROA= Return on Asset

NPL= Non-performing Loan

CSR= Corporate Social Responsibility

PLL= Provisional Loan Loss

IMF= International Monetary Fund

Chapter-1

Overview of Internship

1.1 Students Information:

- ❖ Name: Tabassum Alam Bintee
- ❖ Student ID: 17304021
- ❖ Program: BBA
- ❖ Major: Finance & Management Information System

1.2 Internship Information:

1.2.1 Period, Company Name, Department, and Address:

- ❖ Period: 3 months. (90 days)
- ❖ Institution Name: Grameen Bank.
- ❖ Department: International Department.
- ❖ Address: Grameen Bank Head Office, 5 Mirpur Road, Dhaka- 1216.

1.2.2 Internship Company Supervisors information: Name and Position:

- ❖ Name: Mohammad Mizanur Rahman
- ❖ Position: Principal Officer, International Program Department, Grameen Bank, Head Office, Mirpur-2.

1.2.3 Job Scope- Job Description/ Duties/ Responsibilities:

- Creating a members list for the head office.
- Sorting out members' requirements.
- Separate different loan holders by the type of loan.
- Helping the officer to make vouchers on loan.
- Created short-term report on loan default percentage.
- Figuring out the capable loan takers and sorting out the loan proposals.
- Conducted risk analysis on loans.

1.3 Internship Outcomes:

1.3.1 My contribution to the company:

I tried my best to contribute to the organization. I was assigned to the international department, where there were foreign interns beside me. In Grameen Bank, there is not much work in the head office. The main interaction with the members happens after going on a field trip. Luckily, even in this pandemic situation, we went on two field trips to interact with the loan takers or the members of this bank.

In the international department, I helped my institution supervisor by creating the members' list that we interacted with this year. Among those members, I sorted out the requirements for their further loan agreement. Secondly, I separated the loan papers based on the types of loans that the bank is offering to its members. There are mainly five types of loans that the bank is offering but 89% of the members take only basic loans from this bank. The bank issues vouchers for its members and I helped to write down the information of the members on those vouchers. Moreover, I made the short-term loan default report to show them on their annual report. On the field trip, we met a few individuals who were willing to take a loan from GB and figured out their capability to take a loan from the bank. Furthermore, I conducted risk analysis on loans for April to June to learn about their asset value.

1.3.2 Benefits to the student:

I gained important knowledge about the bank in the process of completing my internship at this bank. There are only a few specialized banks in Bangladesh but Grameen Bank is one of the most prominent among them. I managed to know so many things regarding micro-credit and its process of working. A few of those processes include the interest rate, tax system, CSR activity, loan default rate, etc. Furthermore, as I was working in their international department, I got to learn how they manage their relationships with foreign countries. Their international department mainly ensures banking relations among the foreign banks and foreign visitors who visit the bank to learn about their working environment, motto, goals, etc., and during my working time as an intern two foreign teams visited and I assessed them. In this department, there was not much of a financial task which is why I went to a different department to learn. Moreover, I assessed them with their task and did a few analyses with them. Grameen Bank has many different rules than the other microcredit organizations and I got to explore this. It can be great for me in the future.

1.3.3 Problems/ Difficulties (faced during internship period):

By the grace of the almighty, I did not face much trouble during my internship time in GB.

- I must say that, during this pandemic time I was concerned about my safety as I had to attend the organization physically.
- Another problem that I felt was the lack of computers at work as there were no dedicated computer systems for the interns.
- No collection of data of the competitor organizations.

1.3.4 Recommendations (for the future interns):

- They can provide their intern's dedicated computer systems so the interns can use them and work properly and efficiently.
- They can arrange more field trips so the interns can have more practical knowledge. As there is less scope to learn from the head office but only theoretical knowledge is available that is way more fieldwork is necessary.



Picture: Members who attended the fieldwork.

Chapter-2

Organization Part: Organization, Operation, and Strategic Audit

2.1 Introduction:

2.1.1 Objective:

The primary goal of this organizational theory is to comprehend Grameen Bank's numerous sorts of activities.

- ❖ This research demonstrates how well Grameen Bank performs not only in our region but also in other foreign countries.
- ❖ It also shows the bank's actions in multiple locations such as loan authorization, governance mechanisms, systems integration, financial accounting, loan products, offerings, and so on. This examination is expected to provide a thorough grasp of the bank's operations.
- ❖ Another goal is to use SWOT analysis to show the condition of the bank's strengths, weaknesses, opportunities, and threats.

2.1.2 Methodology:

To satisfy the report's stated goals, subjective, quantitative, and descriptive analyses will be required. As a consequence, I will evaluate the data using three distinct study methods. I have spoken with my institution's authorities to do the assessment. The authorities gave me information on the bank's general operations. This realization greatly aided my analysis. Furthermore, the institution's yearly records greatly aided me in conducting an effective assessment. Furthermore, I collected data from the GB website and Bangladesh Bank website.

2.1.3 Scope:

This analysis will greatly aid scholars in their understanding of Grameen Bank's key activities. The study will try to examine the bank's banking operations as a result of this. According to the bank's design of programs, there are great opportunities for others to learn about the institution. This would provide a chance to examine bank administration and performance in greater detail.

2.1.4 Limitations:

The main limitation throughout the internship process was to find every data related to the organization because of the confidentiality of the papers. Many documents are not available for the interns but only for their employees. Most importantly they do not have the annual report for 2020.

2.1.5 Significance:

The importance of examining the banks efficiently performs its tasks. Furthermore, the study's importance is based on the bank's flaws.

2.2 Overview:

2.2.1 Background:

In 1976, the Grameen Bank Project was founded in the Bangladeshi town of Zobra. It began as a Chittagong University action research initiative. It was designated as a Bangladesh Central Bank experimental project in 1979. Grameen Bank was created as a bank by a legislation of the government in October 1983. Grameen Bank's purpose is to relieve poverty in the lives of impoverished people. In a lot of cases, women don't have the kind of consistently stable company accounts that traditional loan experts want. Many are illiterate, making them unsuitable for the administrative labor necessary to get conventional mortgages. Microfinancing was scheduled to be held by 74 million people starting in 2009, totaling US\$ 38 billion. Pay rates elsewhere, according to Grameen Bank, are between 95 and 99 percent.

Comparatively, small credit is a type of microfinance that provides disadvantaged individuals with access to a larger range of financial services, including savings and investments. The Grameen Bank, founded in Bangladesh, is widely credited with pioneering international microcredit in 1983. Despite early reservations, several traditional banks have used smaller credit scales in this way. The UN-designated 2005 as the Worldwide Year of Microcredit. Relatively small credit has been frequently employed in the formation of states since 2012. In any case, experts claim that microfinance has had no good effect on adolescent-oriented relations, that it does not reduce suffering, that it has put many lenders into a responsibility trap, and that it has resulted in "benefit commercialization."

2.2.2 Objectives of GB:

The goal, as stated by the GB, is to alleviate poverty by referring to credit as the most powerful engine of progress, if it has been providing gathering-based credit offices to the poorest areas of rural culture for the creation of independent employment and pay-producing activities. The following are the goals that the GB has beefed:

- To assist the rural poor, particularly women who are rejected and neglected, by providing them with autonomous labor options.
- Cash loan experts should not abuse the lenders.
- To provide financial services only to the poorest people in the province who have been turned down by traditional lending institutions.
- To safeguard the poor from being taken advantage of by unscrupulous creditors who reward them with a high rate of credit fervor.
- To develop intellectual resources in rural territories by providing creative initiatives in areas such as education, training, nutrition, administrative knowledge, etc.
- To provide organizational assistance to barrier folks for them to make greater use of acknowledgment and compensation.
- To use cash reserves as a portion of the future no matter how bad.
- By giving necessary work opportunities, the province's unemployment and dependence on rodents will be reduced.
- Expand financial branches to the poorest parts of the country, where there is no supervision.
- Microcredit can help you break the depths, never-ending cycle of poverty.

2.2.3 Vision:

“Banking for the poor people”.

This emphasizes that this bank is only dedicated to helping out the poor people of the rural area to eradicate poverty and make the poor earn by themselves.

2.2.4 Mission:

- Their purpose is to assist disadvantaged households in overcoming poverty by assisting them in alleviating poverty.
- It is aimed at the impoverished in rural Areas, particularly poor women. It fosters acknowledgment as a fundamental right.
- It does not concentrate on financial or binding legal bonds. It is more concerned with "trust" than with the design and legal processes.
- It is given to the impoverished to develop self-employment for-revenue businesses and to provide shelter.

2.2.5 Member Selection:

Grameen Bank organizes a collection of five persons chosen from 5 distinct families who live in the same area and carry the same financial and social characteristics. The participation of more than one woman family structure in the same assembly is strictly prohibited. The GB, which examines individuals who have a place with landless or resource-poor family units, makes a passing mention to it. For at least 7 days, the gathering participants participate in a preparatory program. Following the completion of the preparatory program, GB's workers pick possible gatherings for credit distribution in the same way as persons do.

2.2.6 Achievements:

In October of 2006, he was awarded the Nobel Peace Prize. The Institute of Cost and Management Accountants of Bangladesh (ICMAB) awarded Grameen Bank the "Best Corporate Award" in 2014. Grameen Bank received the MCCI award for its revolutionary contribution to Bangladesh's alleviating poverty and social development. In 2004, the Development Gateway Foundation in the United States of America awarded the bank the Petersburg Prize. The Government of India awarded GB the Gandhi Peace Prize in 2000. It was awarded the World Habitat Award in 1997. The Tun Abdul Razak Award was given to the Bank in 1994 for its innovative policy of lending money to the lowest of the poor, transforming the lives of thousands of disadvantaged individuals.

2.3 Management Practices:

2.3.1 Board of Directors:

Grameen Bank has a total of 13 members on the board of directors. 9 members are elected with the votes of the borrowers and they represent the borrowers. For example, if the other members face any problem, they share the problem with these elected members so that they can discuss it with the other board of directors to work on their issues. There are 3 government nominees including the chairman. They speak based on government criteria. Then there is an ex-official managing director who is also a part of the board of directors. The process of controlling a business to foster a culture of responsibility and openness, optimize long-term profit for shareholders, and assure accountability to diverse stakeholders is the work of the board of directors. The directors ensure the future success of the institution by providing efficient command, goals, rules, regulations, etc.

2.3.2 Board of directors' practices:

The Directors are responsible for monitoring and directing the Bank's operations and affairs, as well as examining and approving the Bank's general strategy, business, organization, and important policies on a constant schedule. The Board also determines acceptable standards and specifies the Bank's key beliefs. This bank has a 13 board of directors.

- Overseeing the Bank's competence and context of performance management.
- Creating long-term goals for the organization.
- Deciding promotion scales to the employees.
- Monitoring performance of the bank.
- Making decisions for new projects and approving them.
- Taking necessary steps to avoid and tackle risks.

2.3.3 Organizational Structure:

The structure of Grameen Bank is adaptable, and the organization grows higher from the branch level in response to demand for its services (i.e., Zones, Areas, and Branches change in size). The organizational structure and growth are dictated by feasibility studies and research.

- The bank consists of 1 head office and 40 zones.
- Each zone has 5-10 area offices in 263 areas.
- Each area office has 8-12 branch offices, a total of 2583 branches.
- Each branch with 50-65 centers has a total of 87,000 centers.
- Each center has 6-8 groups of 674,117 groups of 5 members.

2.3.4 Nature:

Grameen Bank is a microfinance institution. It is a distinct and autonomous bank from Bangladesh Bank. Even though Grameen Bank professes to be neither a bank nor a non-governmental organization, it has distinct properties. It differs from other banks in that it functions as a non-profit organization. Few commercial banks in Bangladesh also have the microcredit function besides their general banking function, unlike Grameen Bank.

2.3.4 The Audit Process:

The Audit Committees working process is as follows:

- External audit involvement, including the external auditor's credentials, results, independence, and fees.
- Internal audit features performance measured by the reports and the data.
- Financial reporting and compliance with regulatory reporting.

This involves oversight of regulatory and legislative reporting standards, as well as mechanisms for receiving, preserving, and managing financial grievances, and also financial and organizational controls.

2.4 Marketing Practices:

Grameen Bank engages in marketing strategies by providing goods that meet the demands of its clients. The bank's products and services are extremely customer-focused. A good number of employees are responsible for pushing items to clients. Grameen Bank generally gives their advertisements on their website for hiring employees. But to grab customers they do not use any sort of platform. They would rather go door to door and talk with them and tell their rules and regulations to grab their attraction and have members.

2.5 Products and Services:

2.5.1 Savings Products:

Personal Savings	<p>For members:</p> <p>At the time of joining Grameen Bank, each borrower should create a personal savings account with the bank for BDT 100. The minimum payment to a program is BDT 20 each week.</p> <p>A minimum level of equilibrium is required. BDT 100/-Year-end interest is calculated on the monthly minimum balance. The interest rate is 5%. This profit is not subject to any taxes.</p> <p>Anyone in the community can start a savings account with a minimum deposit of BDT 100. It functions in the same way as any other commercial banking system. The interest rate is 3.5 percent.</p>
Fixed Deposit (1 year, 2 Years, 3 Years):	<p>Anyone in the community can start a savings account with a minimum deposit of BDT 100. It functions in the same way as any other commercial banking system.</p> <p>The interest rate is 7% for 1 year, 7.25% for 2 years, and 7.50% for 3 years. It is open to all.</p>
Grameen Pension Scheme. (5 years, 10 Years):	<p>Grameen Bank launched a 5-year and 10-year "Grameen Pension Scheme."</p> <p>Grameen Bank uses this plan to encourage members and workers to save a little amount of money by creating "GPS Funds" in their local branches.</p> <p>The interest rate is 6%.</p>
Loan Insurance Savings:	<p>This account might be opened by each borrower for their death risk-benefit. The quantity of these savings is determined by the size of her loan. Her premium for a thousand-taka loan is BDT 30, while her husband's premium is BDT 30.</p> <p>For departure, complete repayment of the loan, and leaving Grameen Bank, the premium is refundable.</p>
Monthly Profit Deposit (5 years, 10 Years):	<p>Another fixed deposit strategy offered by Grameen Bank is called "The monthly profit scheme" for 5 years and 10 years.</p> <p>Borrowers and non-borrowers can take the service by opening an account with at least 20,000tk.</p>
Double in 9 years:	<p>Anyone can start an account by depositing a minimum of Tk 1000 or the general multiplied amount for nine years.</p> <p>The interest rate is 8%</p>
Two Years Saving Deposit:	<p>Anyone can create a two-year deposit program for 500 takas or any amount with a 6.50 percent interest rate for the financial security of its landless members and assets.</p>
Family Welfare Saving Deposit:	<p>This is a service for members and staff only. They can deposit 100.00 tk. into this account.</p> <p>Grameen Bank's Family Welfare Saving Deposit Scheme encourages members and workers to save small amounts of money. Interest rate 7%.</p>

Table 1: Savings products of Grameen Bank

2.5.2 Loan Products:

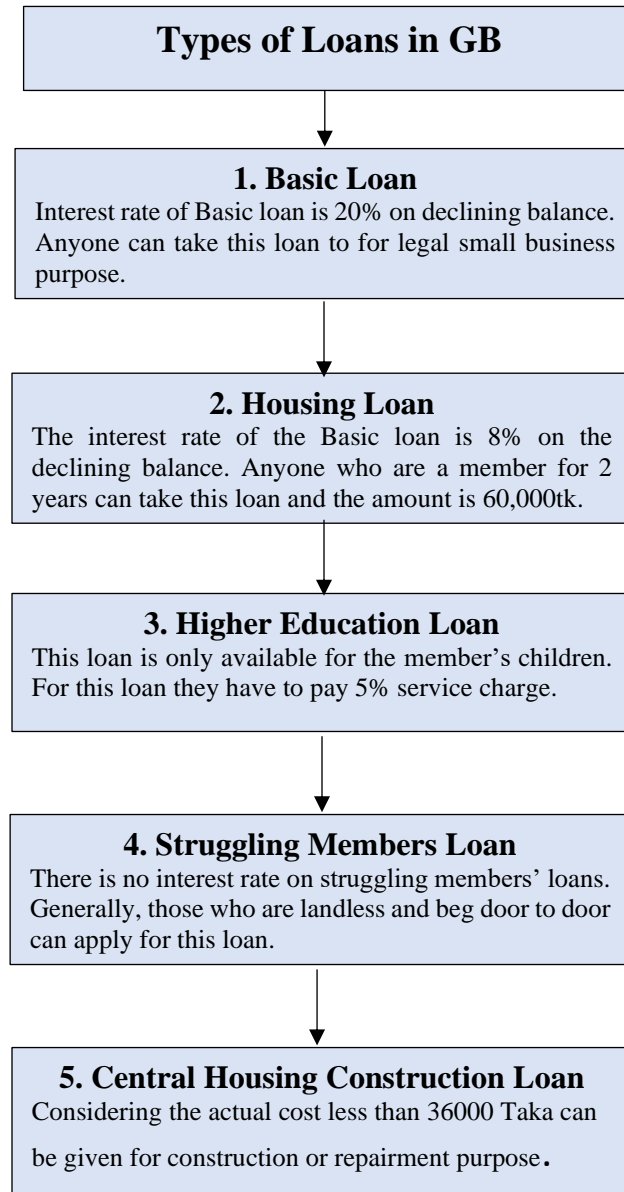


Table 2: Loan products of Grameen Bank

2.6 Financial Condition Analysis of GB:

The financial results of the GB are excellent. They maintained a strong economic position from the commencement of their operations, and certain figures suggest that they are expanding.

2.6.1 Financial Performance:

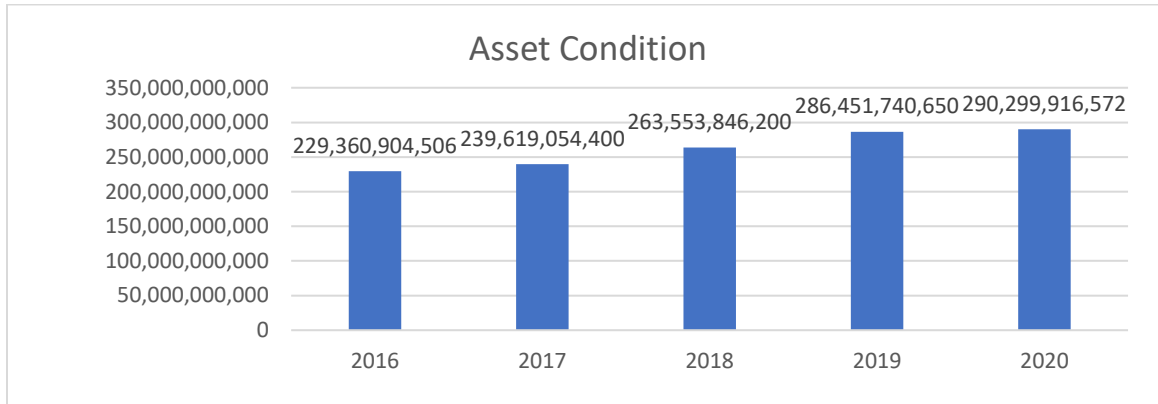


Figure 1: Asset Condition of Grameen Bank

The above chart shows that they have an upward trend in the chart which indicates that they have a positive growth over the years. In the year 2016, the total asset was 229,360,904,506 and by the year 2020, even in this Corona pandemic their assets increased and the amount was 290,299,916,572. From the chart, it can be said that they have a steady asset growth.

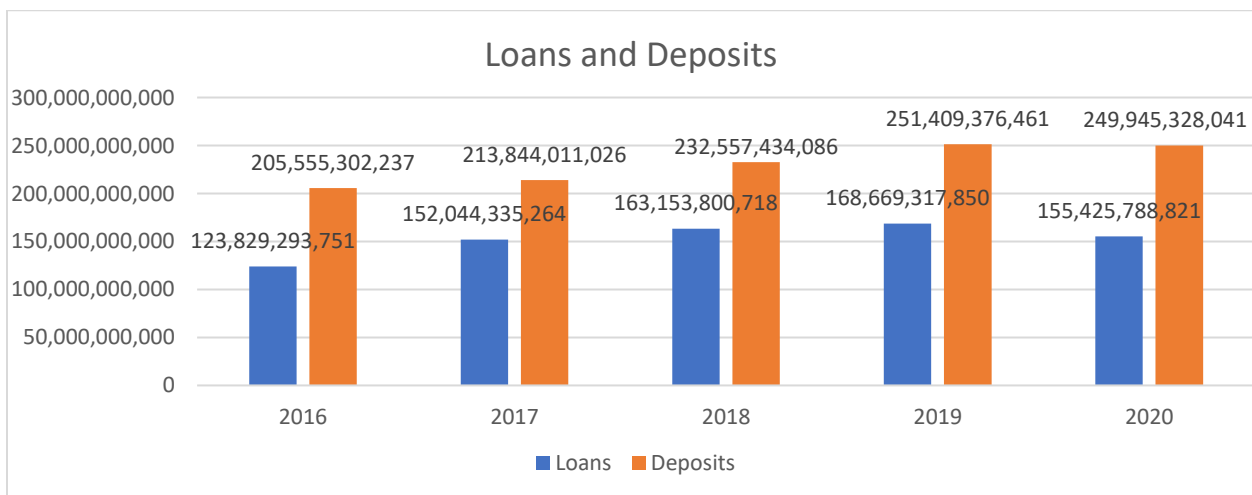


Figure 2: Loans and Deposits of Grameen Bank

The figure shows the upward bar of both loan and deposit. The loan amount has increased over the years giving loans to their members. The increase in deposits shows how the *customers* trust the bank and that is why they have an increase in deposits even in the year 2020. But it came down a little in the year 2020 which means they are utilizing the deposits properly.

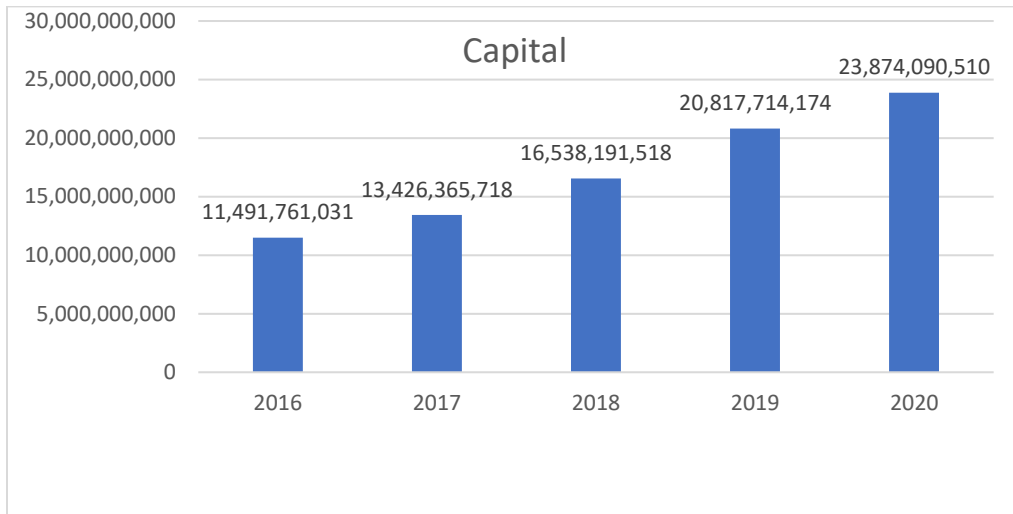


Figure 3: Capital of Grameen Bank

The chart shows the upward trend in the capital which is good for the bank and it is good to avoid risks as well. Even in the covid-19 situation, the capital amount increased in the year 2020.

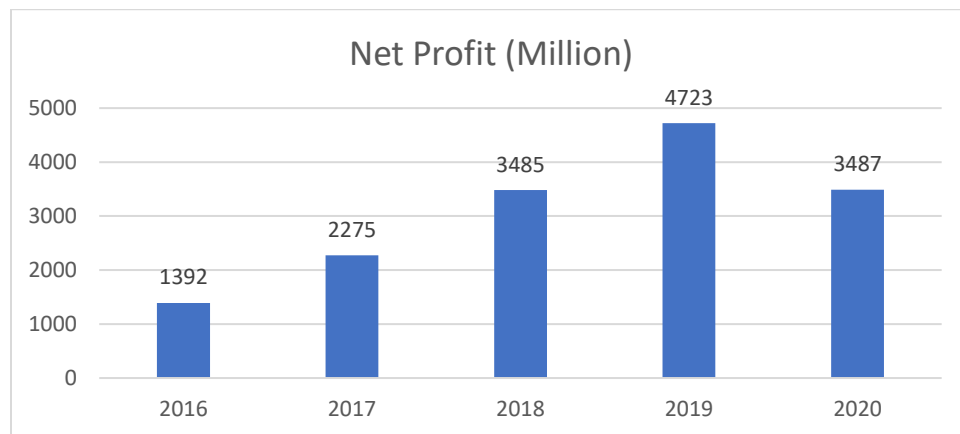


Figure 4: Net Profit of Grameen Bank

Grameen Bank had a very steady growth in net profit over the years. The net profit increased gradually from the year 2016 to 2019 steadily but it came down a little in the year 2020 due to the pandemic.

Particulars (BDT in Billion)	Year				
	2016	2017	2018	2019	2020
Balance of Deposits	200	208.35	226.57	243.83	241.81
Balance of Loan & Advances	123.83	152.04	163.15	168.67	155.43
Balance of borrowings	1.22	1.37	2.28	2.88	0.93
Deposit to Loan Ratio	162%	137%	139%	145%	156%
Deposit to Borrowings Ratio	16393%	15208%	9937%	8466%	24929%

The indicator shows how the bank maintained its performance throughout the years. They managed to improve their condition every year but due to the corona pandemic, their performance came down a little in the year 2020. But it did not go beyond the year 2018. They managed to maintain it efficiently and in a precise manner.

2.6.2 Accounting Performance:

The accounts department does a tremendous job to maintain all the books which also includes:

- Keeping a monthly balance of the indicators.
- Maintaining reports for every branch separately.
- Running audits regularly.
- Prepare the annual income statement efficiently.
- Preparing monthly ratio reports.
- Conducting forecasts based on the monthly data.
- Keeping necessary data over the year and showing them to the board of directors.
- Creates guidelines for the area offices and branch offices.

2.7 Operation Management & Information System Practices:

2.7.2 Operation Management:

Grameen Bank, like other Microfinance Institutions (MFIs), uses a highly productive and regularly checked social network to deliver banking services to underprivileged individuals in the state's most distant areas. Grameen Bank's 8.3 million members around the nation are inspected each week by 20 thousand center managers. The economical position of the linked individuals is known

to center management. The center operators provide monetary assistance to clients, such as deposits, loans, security, and remittances. The key driving elements underlying effective MFI functioning are community cohesion and the MFI officer's interaction with the center membership. A center manager is assigned to a branch that is overseen by a branch manager. Branches are the MFIs' major activity unit, and they work on and preserve thorough data on the activities. The managers are bound to update all the reports to the head office and they eventually present them to the board members.

2.7.2 Information System Management:

From my 3 months' experience, I have seen that 100% of total branches now have switched to computerized accounting and MIS. They built their own MIS to maintain all the data and information and have mutual connections among the setup. Data Management Centre at the area level which means at the area offices they have their data management system built so that all the branch officers can come to area offices to input data and also extract information from the office.

2.8 Industry & Competitive Analysis:

2.8.1 SWOT Analysis:

Strengths:

- The first bank to introduce a micro-finance function to the banking world in Bangladesh.
- Maintaining their rules and regulations strongly since the start.
- They have an advantage in more deposits and customers than other MFI organizations.
- They have achieved global recognition after receiving the Nobel Peace Prize in 2006.
- Started their sister curriculum in other foreign countries.
- They have an advantage in generating assets and capital.
- Have stable growth in the financing sector.

Weakness:

- The offices do not have enough computers set up to meet up the needs.
- Branch offices cannot contact the head office easily. As they have to pass the area office and zonal office before the head office.
- No strict maintenance of the MIS systems of the organization.
- Lack of digital advertisements.

Opportunity:

- Government aid.
- Increasing growth in the banking sector.
- Easy maintenance.
- Increasing demand for MFI in BD.
- Great foreign support.

Threat:

- Pandemics like CoronaVirus.
- Regulatory disturbance.
- Restrictions in foreign exchange.
- Unstable economic condition.

2.9 Summary & Conclusion:

Grameen Bank is Bangladesh's first microfinance institution. Grameen Bank began as a project in 1976 and became an autonomous bank in 1983 as a result of government regulation. GB provides easy loans to disadvantaged women. After enrolling, members who are landless and have no assets are quickly given a loan. This bank loan disbursement and the recovery rate are extremely high, at 99 percent. The bank plays an important role in reducing poverty in our community and empowering women.

The bank was successful in assembling a multi-component loan portfolio. Non-performing loans, on the other hand, pose a serious threat to prudent credit risk management. Due to a lack of supervision, default is on the rise. The bank hopes to improve loan quality by increasing its debt recovery program. The bank may focus on the lending industry, which has a minimal risk of default and successful operations. The loan procedure has been made more calculative and rational to maintain good credit.

2.10 Recommendation:

- The maximum amount that may be borrowed for a household should be raised.
- Grameen Bank should charge a flat interest rate in addition to lowering the interest rate.
- Should hire several young and dynamic executives for consumer credit loans.
- The loan should not need a down payment from Grameen Bank.
- The lending policy and process should be made as flexible and simple as possible.
- Grameen Bank occasionally gives money to the borrowers' children on an annual basis.

Chapter-3

Project Part: The impacts of loan default on bank performance: A Case of Grameen Bank Before and During the Pandemic

3.1 Introduction:

3.1.1 Background:

For a bank to operate effectively, managing the loan default rate is very important to keep the organization's assets available and have enough liquid assets. Loan default refers to the process of failure to repay an obligation on a loan or security, including interest and principal. When a borrower is unable to make timely payments, misses payments, or avoids or ceases paying payments, the borrower is said to be in default. Individuals, corporations, and even governments can default on their financial obligations if they cannot meet them. Currently, the number of loan takers has reduced as a result of many people losing their jobs, businesses failing, and income per capita declining, to name a few of the primary causes for loan failure, and banks are confronting asset quality challenges (Islam, 2021). Furthermore, in a competitive financial market, a high loan default rate reflects poorly on the company. Grameen has previously had the lowest loan default rate among microfinance institutions (Matin, 2000). Furthermore, following the epidemic, Bangladesh's government reduced the interest rate on general loans. The interest rate on loans at microcredit institutions was 25% before the epidemic, but the government opted to keep it at a single digit to reduce loan defaults. In most financial institutions in our country, the current interest rate on loans is between 7% and 9%. (www.bb.org.bd). The purpose of the study is to explain the changes in loan structure as a result of the pandemic, as well as good and negative actions made to deal with the current scenario. This paper will demonstrate Grameen Banks' asset quality in the financial sector.

3.1.2 Objectives:

- To provide an overview of the loan-default causes of the organization in terms of Grameen Bank.
- To explain the financial flow during the pandemic situation and show the difficulties of the bank employees and the members.

- To highlight the positive impact and the negative impact of loan defaults on the bank's reputation compared to other microcredit organizations.
- To analyze the changes in the microeconomic loan systems before and after the pandemic.

3.1.3 Scope:

This study will prepare the way for a better understanding of the impact of loan default on a bank's performance. This research will show how loan and deposit indicators affect a bank's financial performance.

3.1.4 Significance:

The study's main goal is to determine whether or not it is necessary to assess the impact of loan size and loan default on a bank's overall performance. The importance of asset value in the banking process will be highlighted. The asset worth of a bank determines its long-term viability.

3.1.5 Limitations:

Other than Grameen Bank, there are few MFI organizations in Bangladesh. According to Bangladesh Bank, The competitors are Asha, BRAC Bank, and Proshika. Even though BRAC has all the data and information on their website till 2020 which can be compared with GB Asha and Proshika did not update any of their financial reports from 2018-2019. The other banks who are into MFI do not show SME loans differently. This is why I chose 1 government-owned MFI Bank which is Krishi Bank and the other is BRAC which is a non-government organization.

3.2 Methodology:

The project was completed using two sources. The following are some of them:

Primary sources include:

- Working with the executives of my allocated bank provided me with real-world experience.
- Officials hand out many sorts of paperwork.
- Help from my allocated bank's principal manager, in particular.

Secondary sources include:

- Grameen Bank's official website.
- Bangladesh Bank's website.
- Grameen Bank events and news from various press stories and research papers.

Furthermore, ratio analysis was applied to complete this research for the study of my allocated bank.

Ratio analysis: From 2016 to 2020, a ratio analysis was performed to determine my bank's business performance and compare it to other completely MFI banks over five years. The ratios that I chose have a relation with others to state the organization's condition. They are ROA, ROE, Non-performing Loan Ratio, PLL ratio, Credit Deposit Ratio, and Capital Adequacy Ratio.

3.3 Findings and Analysis:

3.3.1 Findings:

The official list of total members and family members of the members who were affected in this pandemic are given below:

Issues	GB Members	Members family	GB Employee
Total Affected	4066	6332	467
Hospitalized	201	455	123
Self-quarantine	3865	5877	344
Recovery	3969	6055	454
Death with covid symptoms	77	192	9
Death with covid-19	20	85	4

Table 3: Covid information of Grameen Bank

3.3.2 Covid-19 Impact:

From March 25 until June 10, 2020, the Grameen Bank authority stopped all loan recovery and payout types. The Bangladesh government announced a lockdown from March 25 until May 30, 2020. Grameen Bank then decided to start a ten-day stay-in-touch program from May 31 to June 09. On June 10, 2020, regular center meetings were supposed to start. There were few changes even in lockdown, which was taken down from the officials immediately after the first lockdown took place. The bank then decided to take a few measurements like:

- During the lockdown, the branch was open.
- At the branch, the Manager/Second Officer and one employee worked every day.
- Members have the option to withdraw their funds at any time.

- All Centre Managers had constant contact with the Centre Chief, who encouraged them to be cautious, keep a safe distance, and often clean their hands.
- Gather facts and figures.
- Assist them in being hospitalized if necessary.

Moreover, the main problem was an increase in loan loss. A bank needs to minimize loan delinquency to increase its asset value.

3.4 Ratio Analysis:

3.4.1 Return on Asset

ROA= Net income after tax/ Net asset*100

ROA	
2016	0.61
2017	0.95
2018	1.32231
2019	1.648793
2020	1.201171

Table 4: Return on Asset



Figure 5: Return on Asset of Grameen Bank

Other MFI in 2020	BRAC	1.57
	Krishi Bank	4.29

Table 5: Return on asset of BRAC and Krishi Bank in 2020

ROA	2016	2017	2018	2019	Average
BRAC	8.42	6.5	5.42	5.08	6.35
Krishi Bank	2.9	2.35	2.47	2.5	2.56

Table 6: Return on Asset before the pandemic

Analysis: The data reveals that, despite being lower than BRAC, the bank has a positive return on an asset that may be raised. ROA takes into account a company's leverage, or how much debt it owes. After all, any cash it borrows to operate its activities is included in its total assets. The higher the Return on assets, the more valuable the company is. Despite the high disbursement rate they managed to get a satisfactory RoA. In 2020, the ROA became lower than the years 2018 and 2019. Before the pandemic, from 2016 to 2019 the average ROA of Grameen Bank was 1.13 which is lower than the average of BRAC and Krishi Bank. But Grameen Bank managed to keep their ROA more than the average amount in 2020 whereas BRAC failed to maintain its position. The loan default rate has an impact on a bank's return on the assets because the loan is considered as its asset when a bank fails to get the deposits, the bank loses its asset.

3.4.2 Return on Equity:

ROE= Net income after tax/ Shareholders equity*100

Year	Grameen Bank
2016	11.82
2017	17.09
2018	21.97
2019	24.09
2020	14.96

Table 7: Return on equity

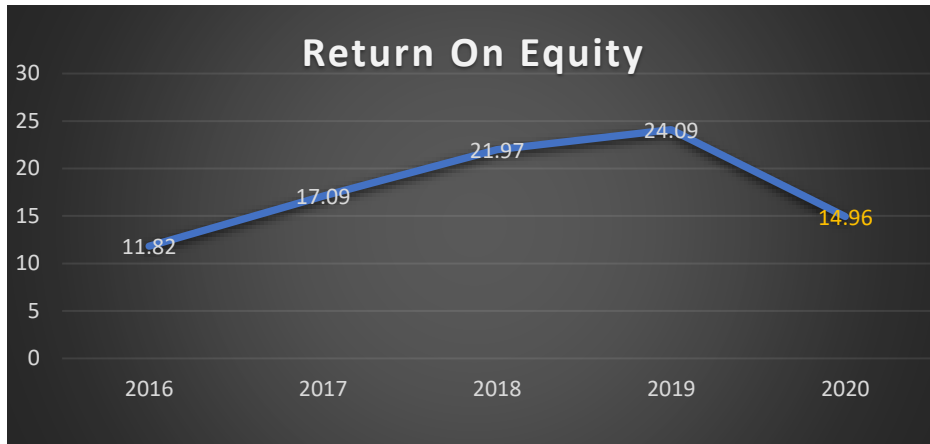


Figure 6: Return on Equity of Grameen Bank

Other MFI	BRAC	4.08
	Krishi Bank	15.99

Table 8: Return on Equity of BRAC and Krishi Bank in 2020

ROE	2016	2017	2018	2019	Average
BRAC	8.42	13.21	10.2	9.82	10.4125
Krishi Bank	13	9.79	10.43	10.37	10.8975

Table 9: Return on Equity before the Pandemic

Analysis: The data reveals that the bank has a positive return on equity that may be raised. The return on assets of the bank is better than the other renowned MFI organizations. Which are a positive side for the bank and its performance. The return on equity (ROE) is the sole metric that considers a company's assets and ignores its liabilities. The organization is doing a good job of managing its debt. The bank managed a very good trend for RoE but in the year 2020, their return fell due to the pandemic. But from 2016 to 2019 their RoE increased steadily. Before the pandemic, Grameen Bank has an average Return on equity of 18.74 but in 2020 its ROE came down even from its average ROE. Decreasing ROE is a bad sign for its value in the MFI market.

3.4.3 Non-performing Loan:

NPL Ratio= Non-performing loan/ Total Loan*100

Year	Non-Performing Loan
2016	0.559860336
2017	0.330065314
2018	0.502029199
2019	1
2020	2.996827766

Table 10: Non-performing Loan

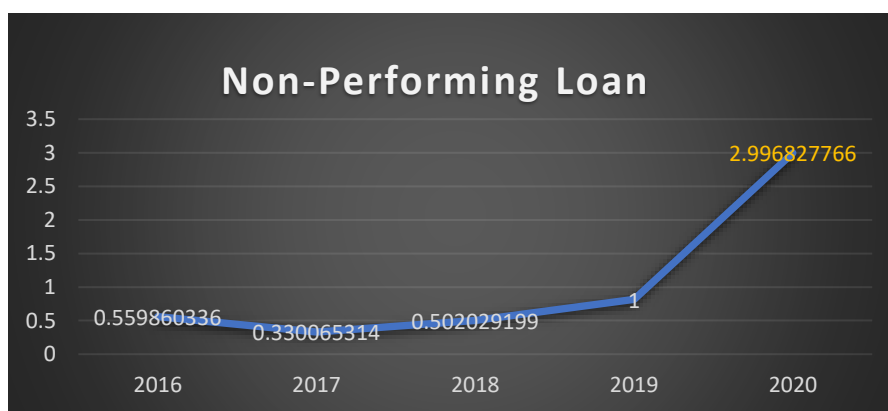


Figure 7: Non-performing loan of Grameen Bank

Other MFI	BRAC	11.76
	Krishi Bank	0.32

Table 11: Non-performing loan of BRAC and Krishi Bank in 2020

NPL	2016	2017	2018	2019	Average
BRAC	4.06	5.58	5.6	6.4	5.41
Krishi Bank	1.29	0.43	1.06	1.24	1.005

Table 12: Non-performing loan before the pandemic

Analysis: The lower the percent of the non-performing loan, the better for the bank. Grameen Bank is sitting in a very satisfactory position. Even the NPL of BRAC and Krishi Bank is more unstable than Grameen Bank. In 2019 Grameen Bank managed to maintain their NPL to 1% but during the pandemic in 2020, it increased. The ideal NPL needs to be less than 6%. It shows their management efficiency. The average NPL of GB before the pandemic was only .55 but during the pandemic in 2020, it increased and became almost 3. This is not a pleasant scenario for the bank because of the NPL. But still, GB is in a better position than BRAC. But Krishi Bank is maintaining its NPL precisely.

3.4.4 Credit Deposit Ratio:

Credit Deposit Ratio= Total Loan/ Total Deposit

Year	Credit deposit ratio
2016	60.24
2017	71.1
2018	70.16
2019	67.09
2020	62.18

Table 13: Credit Deposit Ratio

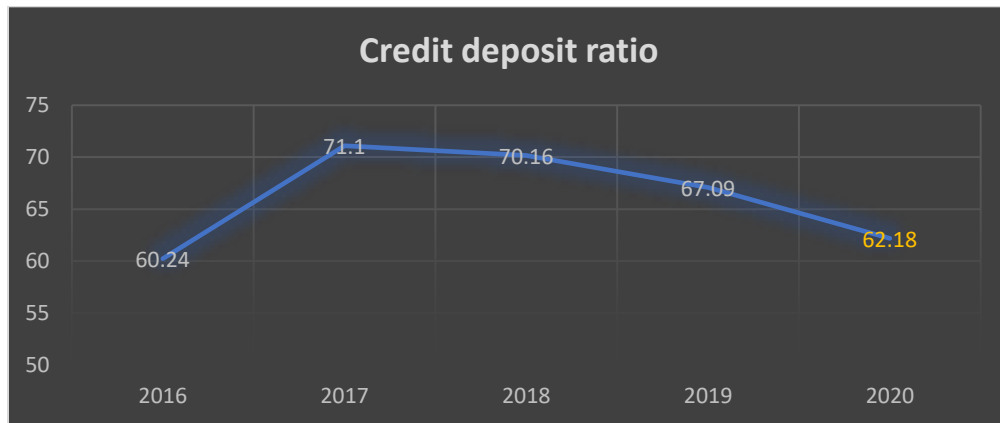


Figure 8: Credit Deposit Ratio of Grameen Bank

Other MFI	BRAC	89.68
	Krishi Bank	91.9

Table 14: Credit deposit ratio of BRAC and Krishi Bank in 2020

CDR	2016	2017	2018	2019	Average
BRAC	85.71	91.15	81.11	91.17	87.285
Krishi Bank	92.3	89.43	88.02	84.5	88.5625

Table 15: Credit deposit ratio before the pandemic

Analysis: If the ratio is excessively high, the bank may not have adequate liquidity to fulfill any unexpected funding needs. If the ratio decreases, the bank may not be taking the deposits it might. The ideal CDR is 80% to 90%. Here, the CDR of Grameen Bank in 2020 is 62.18% is not too but

other organizations are doing better even in this pandemic than GB. The average CDR of GB before the pandemic was 67.14% from 2016 to 2019. In 2020, the number decreased which is not good for the bank. The other MFI here is doing better than GB because their average before the pandemic was 87.29 and 88.56 which is better than GB. In this pandemic, GB failed to control the credit deposit ratio to maintain their bank performance. The organization has a moderate loan to deposit.

3.4.5 Capital Adequacy Ratio:

CAR= Tier 1 Capital+ Tier 2 Capital/ Risk Weighted Asset

Year	CAR
2016	8.99%
2017	8.92%
2018	9.43%
2019	10.93%
2020	12.23%

Table 16: Capital adequacy ratio of Grameen Bank

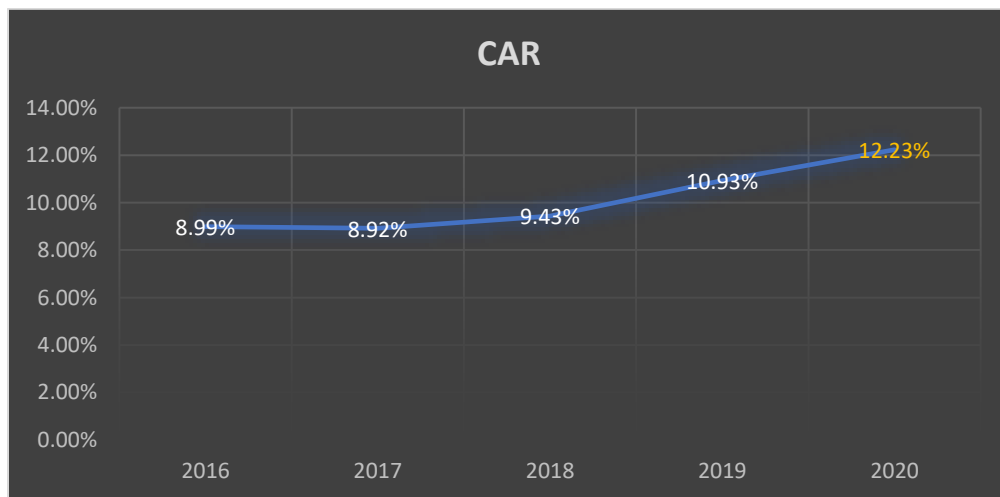


Figure 9: Capital Adequacy Ratio of Grameen Bank

Other MFI	BRAC	6%
	Krishi Bank	9.73%

Table 17: CAR of BRAC and Krishi Bank in 2020

CAR	2016	2017	2018	2019	Average
BRAC	4.01	3.9	3.6	3.8	3.8275
Krishi Bank	2.24	4.77	6.1	5.78	4.7225

Table 18: CAR before the pandemic

Analysis: CAR is a calculation that compares a bank's sufficient cash to its risk-weighted unsecured loans. The capital adequacy ratio also called the capital-to-risk weighted assets ratio (CRAR), is used to safeguard investors while simultaneously promoting financial sector safety and reliability. According to BB, the standard of CAR Grameen Bank is performing better than the other MFIs. CAR needs to be 8% to 10%. Before the pandemic, the average CAR of GB was 9.57% which was very satisfactory but during the pandemic, it increased and became 12.23. It indicated that they have less possibility to become insolvent. The CAR of GB is better than BRAC and Krishi Bank.

3.4.6 PLL Ratio:

PLL Ratio= Provision Loan Loss/ TA

Year	PLL
2016	0.87%
2017	1.09%
2018	1.36%
2019	0.98%
2020	1.91%

Table 19: PLL of Grameen Bank



Figure 10: Provision Loan Loss Of Grameen Bank

Other MFI	BRAC	1.29
	Krishi Bank	4.53

Table 20: PLL of BRAC and Krishi Bank in 2020

PLL	2016	2017	2018	2019	Average
BRAC	9.15	4.52	1.03	1.16	3.965
Krishi Bank	1.9	3.33	0.81	0.98	1.755

Table 21: PLL before the Pandemic

Analysis: PLL an item on the statement of income put aside as a reserve for unpaid loans and loan installments. This provision is used to cover a variety of credit losses, including external debt, client insolvency, and restructured loans with lower-than-expected installments. After that, loan loss provisions are added to loan loss reserves, a balance sheet item that indicates the entire amount of bad loans removed from a company's debts. For GB, PLL stayed consistent. But for the pandemic in the year 2020, increased more than the previous years. The average PLL of GB was 1.07% but it increased in 2020 and became 1.91. Which is still better than BRAC and Krishi Bank. Because they have high PLL before and during the pandemic.

3.4.7 Overall Ratio Analysis:

The report is to demonstrate the banks' performance for loan default. It can be said that the credit ratios like CDR, PLL, and NPL were better before the pandemic but during the pandemic, the condition became a little bad. They have enough opportunity to overcome their condition by taking necessary measurements. The other ratio which depends on these credit ratios like ROA, ROE, and CAR has impacts on them. For CDR, the Return on Asset and Return on Equity has been affected. The non-performing loan also has its impact on ROA and ROE. When a bank fails to attain enough deposit the liquid asset decreases. For a bank, a loan is an asset and a Deposit is a liability. The ROA and ROE are quite satisfactory but during the pandemic, their performance fell. The bank stopped collecting deposits from its members from May 2020. That is why their credit performance became unsatisfactory whereas the other MFIs did not stop their operations. Grameen Bank has the possibility to overcome and do well by working on their credit indicators. The performance of the bank became unstable during the pandemic but they have enough CAR to overcome their condition and make the bank solvent.

3.5 Financial flow in 2020 (January to November):

3.5.1 Financial Flow:

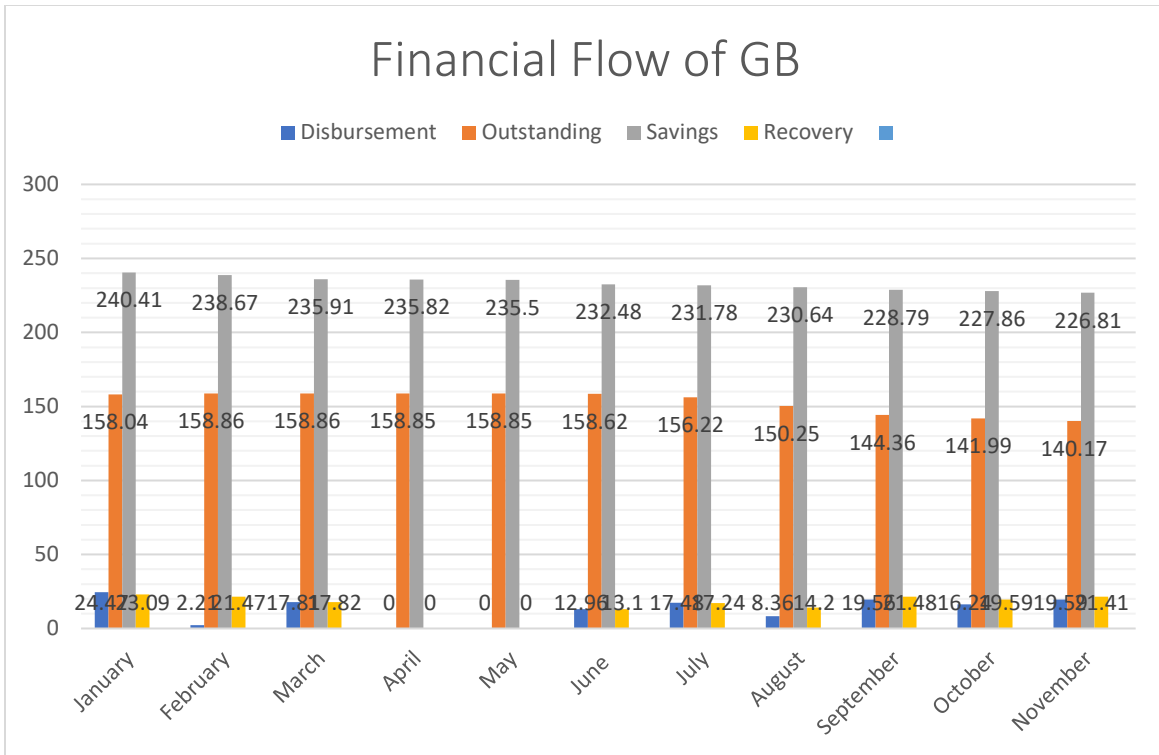


Figure 11: Financial Flow of Grameen Bank of the year 2020

Analysis: In Bangladesh, the covid situation took place in March of 2020. The expansion of the financial sector has played a key role in mobilizing people's deposits, with microfinance institutions (MFIs) playing a particularly important role in growing domestic savings for the poor. The trend in gross capital formation is similarly upward (Mia,2020). From May 2020 Grameen Bank stopped collecting loans from the members. According to OXFAM, up to 500 million people throughout the world may become destitute. According to CDF statistics, Bangladesh has 35 million MFI members (150 million with families, or 85 percent of the entire population) and 300 thousand MFI employees. This sector contributes 12.5% of GDP. Bangladesh's government has announced an incentive loan for MFIs of 27000 Core Takas with a 5% subsidy with the borrower bearing the remaining 4%, the total of 9% (Ashim,2020). They had a 0% disbursement and recovery rate in April and May of 2020. But from June they started their procedure again to collect loans. They managed to keep their savings account persistent from the start of the year. Even though it decreased a little gradually they managed to give loans to its members.

3.5.2 Measurements by GB for Covid-19

Up to March 2021, field personnel will get a 150 taka monthly stipend for office cleaning.

- All staff loan installments will be suspended for three months.
- Field and HQ had a Zoom meeting as there was no offline meeting permission during the lockdown time.
- Some diseased branches, areas, and zones should be assigned to a responsible person at Headquarters for strict supervision and monitoring.
- Communicating with the members via mobile phone.

3.5.3 Difficulties faced by the officials and members:

Difficulties of the officials:

- Connecting with the members.
- Missing central meetings.
- Failed to collect the target of their respective branch every month.
- Affected by covid-19.
- Restriction in moving due to lockdown situation.

Difficulties of the members:

- Lost working source.
- Failed to earn money every single day.
- Falling sick and family distress.
- Could not pay the loans due to high-interest rate (Haque & Sadekin, 2021)
- Lack of food supply.
- Having proper health support.

3.5.4 Causes of loan default before and during the pandemic:

Causes of loan default before the pandemic:

- Misuse of loans: Using loans for consumption and entertainment purpose is the main example of misusing loans.
- Overlapping: Proposed loan not fulfilling borrowers' demand. The overlapping tendency of the borrowers for other licensed or non-licensed NGOs.
- Migration: After taking a loan and starting any business the borrowers often want to migrate to town areas for better livelihood. Better job or business opportunity is another reason. Members often migrate for a natural disasters like river erosion, landslides, flood, water bog, deforestation, etc. as well.
- Misunderstanding and disappointment: Members get disappointed for not getting loans in crisis times and misunderstand for lack of communication with the bank authority. These reasons lead to loan default.
- Lack of commitment and motivation: Members tend to break commitment and to work for a better lifestyle and run after increasing their income. They want to hold the loan amount for more time and don't want to pay the loan timely.
- Natural disaster: Members miss their loan payment dates for a natural disaster like flood, cyclone, or pandemics like covid-19.
- Social obligation: Members take a loan to fulfill social obligations sometimes like dowry, child marriage, etc. which does not include in loan purpose and it leads to loan default.

Causes of loan default during the pandemic:

- Lack of monitoring and weak verification: There was a lack from both the banks' side and members' side which caused a lack of monitoring during the pandemic. There was the problem of sharing information as well.
- Corruption: During the pandemic corruption like writing without borrowers' passbooks and signatures increased and accountability for these actions decreased.
- Sickness: The members could not pay the dues to fall sick during this pandemic because they used the money for treatment purposes and this led to loan default.
- Lack of discipline: Maintaining a regular attendance sheet is important. If it is not used regularly, members can get the chance to skip payments which leads to loan default. During the pandemic, it was a challenge to maintain the banking discipline
- Business recession: During this pandemic, there was an insufficient amount of product supply. For Covid-19, the economic decline took place and most of the members lost their business and became financially disabled. This is the main cause of loan default during the pandemic.

3.6 Summary & Conclusion:

The examination is completed to deconstruct the credit default outline on Grameen Bank's presentation. During the investigation, it was discovered that many banks dealt with adjustments in a timely and suitable manner during the pandemic period. As a result, they have a greater rate of loan default, which hurts the banks' monetary health. Furthermore, by providing additional advances, banks confront greater obstacles, which is quite concerning. A section of the banks maintains a higher CAR, which reduces their credit risk. Throughout the year, and certainly, throughout the Corona outbreak, Grameen Bank maintained a modest CAR. Additionally, a good evaluation of a borrower's creditworthiness can help a bank lower its credit risk. In a Customer relationship management system, a bank's CD ratio is critical. Credit risk is accelerated by a higher credit deposit ratio, which also raises liquidity risk. Many banks in Bangladesh do not return deposit money to depositors because they give large loans to borrowers. During the pandemic, the banks' performance dropped a lot, putting the bank in jeopardy. They can, however, overcome the predicament because they have substantial wealth to assist their other endeavors.

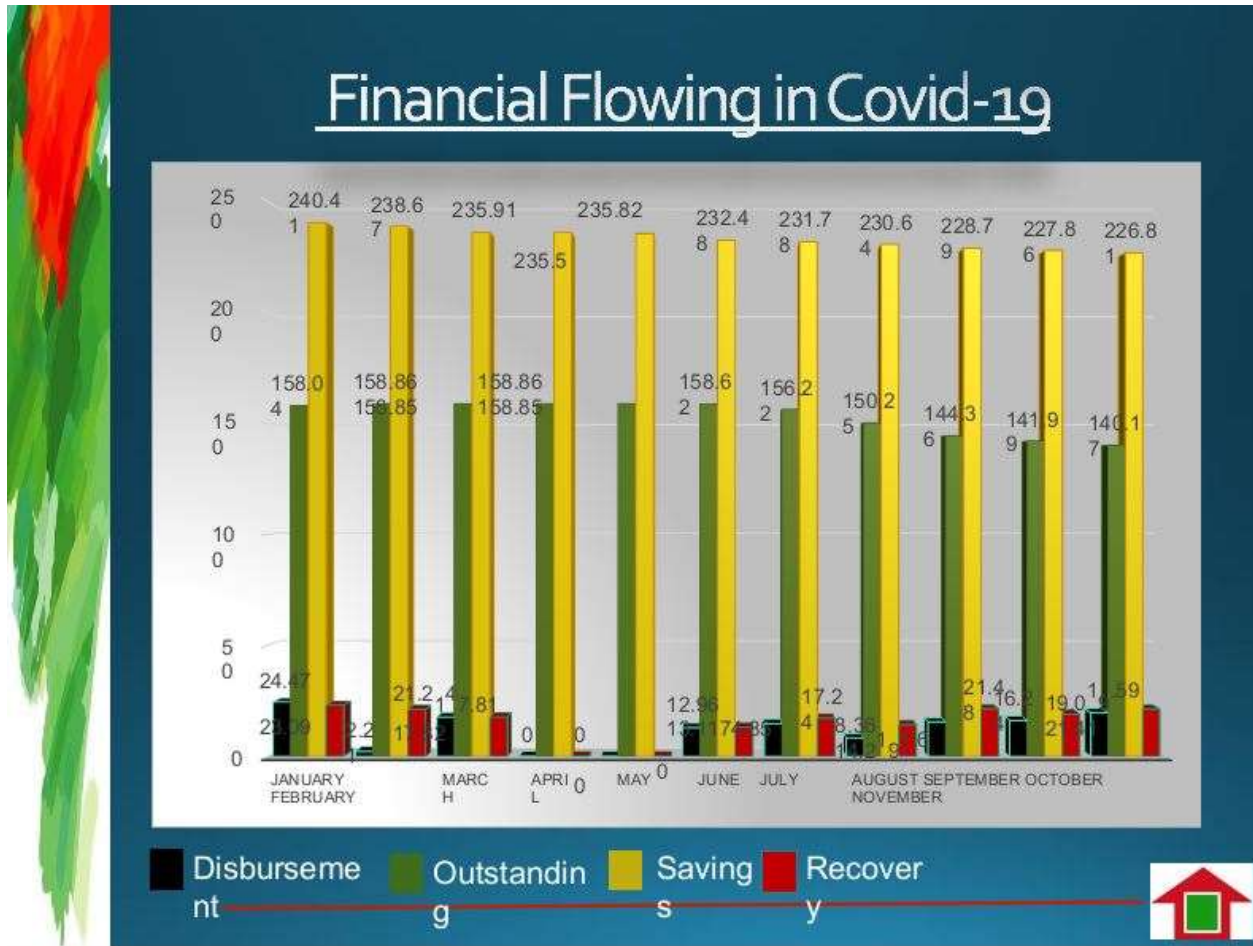
3.7 Recommendation:

- I would encourage the bank to set a reasonable aim for any unexpected calamities, such as a corona epidemic, by the board of directors. They should calculate the cost and profit from the epidemic properly as their credit ratios have fallen in the year 2020 they need to be more serious regarding this.
- The capacity of the banks to foresee is not as robust as that of other private MFIs such as BRAC. Furthermore, because of the covid-19 epidemic, the banks' performance indicators and ratios plummeted. The return on equity is sitting in a crucial position. It has a possibility to degrade their value in the MFI market.
- However, they still have a sufficient number of funds to prevent short-term risk by keeping a sufficient amount of liquid assets. Their credit deposit ratio is quite satisfactory. They have a good chance of avoiding a pandemic if they can do adequate forecasting and only apply laws in these types of pandemic situations.

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3.9 Appendix:



Picture: Covid-19 financial flow given by the bank

BRAC
(Registered in Bangladesh under the Societies Registration Act, 1860)
Statement of Comprehensive Income and Expenditure
For the year ended 31 December 2020

Particulars	Notes	Unrestricted Taka	Temporarily Restricted Taka	Total 2020 Taka	Total 2019 Taka
Income					
Donor grants	20	57,019,782	14,526,343,525	14,583,363,308	13,855,431,903
Social Enterprises	21	12,003,491,553	-	12,003,491,553	16,727,388,949
Microfinance Programme	22	57,651,316,797	-	57,651,316,797	56,866,222,004
Self-financing Social Development Programme	23	1,312,981,108	-	1,312,981,108	1,111,125,520
Investment income	24	1,778,027,416	-	1,778,027,416	200,683,637
Community Contribution	25	157,986,005	406,610,010	564,596,015	1,000,167,362
House Property		90,285,239	-	90,285,239	92,593,668
Total income		73,051,109,900	14,932,953,535	87,984,063,435	89,853,613,043
Expenditure					
Social Enterprises		11,459,448,196	-	11,459,448,196	14,751,216,995
Micro Finance Programme		51,016,336,051	-	51,016,336,051	39,909,043,349
House Property		46,491,510	-	46,491,510	46,169,419
Agriculture and Food Security		-	1,931,795	1,931,795	16,385,453
Community Empowerment Programme		6,882,560	266,604,548	273,287,107	279,518,943
Education Programme		354,991,061	1,928,896,668	2,283,887,739	2,126,223,583
Gender, Justice and Diversity		-	117,769,034	117,769,034	118,242,230
Health Programme		134,773,217	5,207,663,675	5,342,436,892	4,225,917,877
Human Rights and Legal Aids Services		4,368,552	284,597,105	288,965,657	341,577,024
Policy Advocacy		-	47,000,250	47,000,250	53,531,885
Water, Sanitation and Hygiene Programme		-	503,134,039	503,134,039	341,772,203
Ultra Poor Programme		-	1,535,199,285	1,535,199,285	2,008,360,909
Forcibly-displaced Myanmar Nationals		-	4,337,992,383	4,337,992,383	4,568,977,441
Disaster Management and Climate Change		-	383,671,746	383,671,746	217,965,788
Skills Development Programme		3,810,670	645,816,644	649,627,314	754,954,897
Migration Programme		-	288,443,423	288,443,423	265,545,874
Social Development Programme		736,567,987	-	736,567,987	227,182,085
Other Development Projects		52,034,877	1,343,854,711	1,395,889,588	1,280,816,247
Grants		91,952,726	-	91,952,726	236,338,397
Total expenditure		63,907,457,398	16,892,575,324	80,800,032,722	71,769,740,599
Surplus(deficit) of income over expenditure		9,143,652,502	(1,959,621,789)	7,184,030,713	18,083,872,444
BRAC Contribution to support Donor Funded Programme	27	(1,959,621,789)	1,959,621,789	-	-
Surplus of income over expenditure before taxation		7,184,030,713	-	7,184,030,713	18,083,872,444
Taxation	28	(991,152,028)	-	(991,152,028)	(729,000,000)
Net surplus for the year		6,192,878,685	-	6,192,878,685	17,354,872,444

The annexed notes 1 to 33 form an integral part of these financial statements.


Chairperson, Governing Body
BRAC


Chief Financial Officer
BRAC


Executive Director
BRAC

Per our annexed report of same date

Dhaka, 31 May 2021

Nurul Faruk Hasan & Co
Chartered Accountants
Registration Ref. No. 1/1/ICAB-2008(1)


Shamsur Rahman, FCA

Picture: Income Statement of BRAC NGO 2020

BRAC
(Registered in Bangladesh under the Societies Registration Act, 1960)
Statement of Financial Position
As at 31 December 2020

Particulars	Notes	2020 Taka	2019 Taka
ASSETS			
Cash and bank balances	3	31,723,785,710	24,032,522,474
Advance, deposits and prepayments	4	12,042,695,631	10,720,793,501
Inventories	5	6,254,983,552	6,099,099,877
Grants and accounts receivable	6	2,821,240,342	3,334,745,791
Microfinance loans	7	286,777,136,804	243,987,950,556
Motor cycle loans	8	64,433,780	85,192,350
Investments in securities and others	9	867,600,000	2,207,430,874
Investments in related undertakings	10	33,805,655,505	31,297,966,474
Property, plant and equipment	11	20,092,511,943	19,274,246,460
Intangible assets	12	153,518,231	112,407,916
TOTAL ASSETS		394,603,561,498	341,152,346,073
LIABILITIES AND NET ASSETS			
LIABILITIES			
Liabilities for expenses and materials	13	18,460,033,518	13,897,568,153
Bank overdrafts	14	31,262,811,054	27,893,463,383
Term loans	15	48,211,122,990	44,532,426,404
Members' savings deposits	16	128,895,985,387	97,006,031,994
Grants received in advance	17	2,931,581,039	2,112,020,638
Deferred income	18	1,348,868,871	694,027,199
Other long term liabilities	19	17,208,622,473	17,070,707,618
Provision for taxation		5,551,898,106	4,560,746,075
TOTAL LIABILITIES		253,870,923,438	207,766,991,465
NET ASSETS			
Unrestricted		140,251,056,318	132,903,772,867
Temporarily restricted		481,581,742	481,581,742
		140,732,638,060	133,385,354,609
TOTAL LIABILITIES AND NET ASSETS		394,603,561,498	341,152,346,073

The annexed notes 1 to 33 form an integral part of these financial statements.



Chairperson, Governing Body
BRAC



Chief Financial Officer
BRAC




Executive Director
BRAC

Per our annexed report of same date:

Dhaka, 31 May 2021

Nurul Faruk Hasan & Co
Chartered Accountants
Registration Ref. No. 1/1/ICAB-2008(1)



Shamsur Rahman, FCA
Partner
Enrollment Number: 941

Picture: Balance Sheet of Brac NGO 2020

BANGLADESH KRISHI BANK
PROFIT AND LOSS ACCOUNT
For the year ended on 30 June 2020

Particulars	Notes	Amount in Taka	
		30 June 2020	30 June 2019
Interest Income	19	11,827,422,348	13,455,980,755
Less :Interest Expense on Deposit & Borrowings	20	(15,825,309,571)	(14,423,355,410)
Net Interest Income		(3,997,887,223)	(967,374,655)
Income from Investment	21	1,080,000	1,080,000
Commission, Exchange & Brokerage	22	200,919,582	196,393,239
Other Receipts	23	722,219,396	810,775,321
Total Operating Income		(3,073,668,245)	40,873,905
Salary & Allowance	24	8,114,086,198	8,039,450,430
Rent, Taxes, Insurance, Lighting etc.	25	414,869,766	408,104,689
Legal Charges	26	854,057	1,424,483
Postage, Telegram, Telephone & Stamps	27	57,934,101	64,564,999
Auditor Fee	28	1,030,400	976,000
Stationary, Printing & Advertisement	29	52,103,847	60,111,461
Pay & Allowances of Managing Director	30	1,607,220	1,607,220
Director's Fees	31	2,050,400	1,840,000
Depreciation & Repairs of Bank Property	32	265,629,547	270,983,975
Other Expenditure	33	1,131,466,114	548,270,202
Total Operating Expenditure		10,041,631,650	9,397,333,459
Profit / (Loss) Before Provision :		(13,115,299,896)	(9,356,459,554)
Provision for Loans & Advances		(780,000,000)	(2,650,000,000)
Provision for Diminution in Value of Investment		-	-
Other Provision		-	-
Total Provision		(780,000,000)	(2,650,000,000)
Total Profit / (Loss) before taxes		(12,335,299,896)	(6,706,459,554)
Provision for Income Tax		76,509,848	86,785,376
Net Profit / (Loss) After Tax		(12,411,809,744)	(6,793,244,929)
Appropriations:			
Statutory Reserve		-	-
General Reserve		-	-
Dividend		-	-
Retained Surplus		(12,411,809,744)	(6,793,244,929)
Earnings Per Share (EPS)		-	-

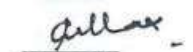
Accompanying notes 1 to 38 form an integral part of these financial statements



Md. Nasiruzzaman
Chairman



Md. Nurul Islam
Director



Md. Asadullah
Director



M. Zabed Ali Mridha, FCA
Partner
ICAB Enrol. No. 478
Ahmed Zaker & Co.
Chartered Accountants



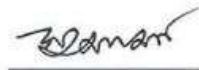
Md. Ali Hossain Prodhania
Managing Director



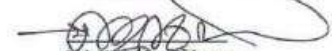
Md. Saiful Islam
Director



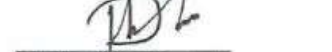
Mrityunjoy Saha
Director



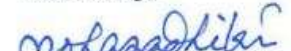
Mohammad Shafiqul Azam
Director



Md. Hasmidur Rahman
Director



Md. Didarul Islam Muzumder
General Manager



Mohan Adhikari, FCA
Partner
ICAB Enrol. No. 1729
Pinaki & Company
Chartered Accountants

Picture: Krishi Bank income statement 2020

BANGLADESH KRISHI BANK
BALANCE SHEET
AS AT 30 JUNE 2020

Particulars	Note	Amount in Taka	
		30 June 2020	30 June 2019
Property and Assets			
Cash	3	17,814,912,898	18,897,194,491
Cash in Hand (Including Foreign Currencies)		1,740,536,527	2,099,354,545
Balance with Bangladesh Bank & its Agent Bank(s) (Including Foreign Currencies)		16,074,376,371	16,797,839,947
Balance with Other Banks & Financial Institutions	4	835,478,980	960,714,153
In Bangladesh		491,467,165	243,872,902
Outside Bangladesh		344,011,815	716,841,251
Money at call and short notice	5	-	-
Investments	6	116,554,000	125,379,000
Government Securities		82,115,000	88,440,000
Other Investments		34,439,000	36,939,000
Loans and Advances	7	237,857,529,454	219,227,164,449
Loans, Cash Credits, Overdrafts etc.		232,027,085,288	213,332,424,096
Bills Purchased and Discounted		5,830,444,166	5,894,740,354
Fixed Assets	8	7,929,286,742	8,010,476,129
Other Assets	9	24,039,165,673	20,465,071,978
Non-Banking Assets	10	322,287,120	334,552,963
Total Assets		288,915,214,867	268,020,553,164
Liabilities and Capital			
Liabilities			
Borrowing from Other Banks, FI and Agents	11	45,519,572,094	33,215,340,251
In Bangladesh		45,255,752,383	32,951,520,540
Outside Bangladesh		263,819,711	263,819,711
Deposits and Other Accounts	12	276,953,347,910	257,338,199,942
Current and Contingency Accounts		23,351,735,567	23,504,988,082
Bills Payable		1,150,471,317	1,210,027,299
Savings Deposit		74,212,594,295	67,109,953,889
Fixed Deposit		178,238,546,730	165,513,230,671
Other Liabilities	13	44,077,712,419	42,950,620,783
Total Liabilities		366,550,632,423	333,504,160,976
Capital/ Owners' Equity			
Paid-up Capital	14.2	9,000,000,000	9,000,000,000
Re-Capitalization	14.3	6,500,000,000	6,500,000,000
Statutory Reserve	15	232,306,342	232,306,342
Other Reserve	16	7,421,220,524	7,421,220,524
Retained Earnings Surplus/(Deficit)	17	(100,788,944,422)	(88,637,134,678)
Total Capital/ Owners' Equity		(77,635,417,556)	(65,483,607,812)
Total Liabilities and Owners' Equity		288,915,214,867	268,020,553,164

Picture: Krishi Bank balance sheet 2020

Property and Assets	2013	2014	2015	2016	2017
Cash in hand	2,142,260	1,822,748	1,268,475	109,414	161,573
Balance with other Banks	78,867,820,345	95,577,630,763	106,410,040,313	94,102,950,320	77,167,176,622
Investment	267,000,000	267,000,000	267,000,000	260,500,000	260,500,000
Loans and Advances	87,707,167,495	91,643,316,531	101,085,978,600	123,829,293,751	152,044,335,264
Fixed assets-(at cost less accumulated depreciation)	1,408,734,663	1,427,527,508	1,418,974,199	1,410,924,723	1,417,866,726
Investment property (at cost less accumulated depreciation)	101,389,589	98,983,681	93,792,650	85,630,085	83,375,361
Other assets	10,582,321,620	11,945,170,101	11,608,389,116	9,671,496,213	8,645,638,854
Total:	178,936,575,972	200,961,451,332	220,885,443,353	229,360,904,506	239,619,054,400

Total Assets of GB 2016 and 2017

Capital and Liabilities					
<i>Share Capital:</i>					
Authorized	10,000,000,000	10,000,000,000	10,000,000,000	10,000,000,000	10,000,000,000
Paid Up	734,049,100	796,240,000	835,814,300	853,815,400	862,157,100
Capital and Other Reserves	9,665,845,968	9,846,621,765	10,391,454,465	11,491,761,031	13,426,365,718
Revolving Funds	-	-	-	-	-
Deposits and Other Funds	154,357,776,663	175,933,579,720	195,597,636,346	205,555,302,237	213,844,011,026
Borrowings from banks and foreign institutions	1,402,853,805	1,340,795,872	1,278,737,940	1,216,699,451	1,370,217,820
Other Liabilities	12,776,050,436	13,044,213,975	12,781,800,302	10,243,326,387	10,116,302,736
Profit and loss account	-	-	-	-	-
Total:	178,936,575,972	200,961,451,332	220,885,443,353	229,360,904,506	239,619,054,400
Contingent Liabilities	-	-	-	-	-

Capital and Liabilities of GB 2016 and 2017

PROPERTY AND ASSETS	2018	2019	2020
Cash in hand	9,993	144,595	459,161
Balance with other Banks	88,987,061,125	105,616,583,944	119,718,060,650
Investment	260,500,000	260,500,000	260,500,000
Loans and Advances	163,153,800,718	168,669,317,850	155,425,788,821
Fixed assets (at cost less accumulated depreciation)	1,428,332,021	1,461,124,851	1,459,452,204
Investment property (at cost less accumulated depreciation)	81,120,636	7,886,5912	76,611,188
Other assets	9,643,021,707	10,365,203,498	13,359,044,548
Total :	263,553,846,200	286,451,740,650	290,299,916,572

Total assets of GB 2018, 2019 & 2020

CAPITAL AND LIABILITIES			
Share Capital :			
Authorized	10,000,000,000	10,000,000,000	10,000,000,000
Paid up	898,092,300	952,151,200	961,020,000
Capital and other reserves	16,538,191,518	20,817,714,174	23,874,090,510
Revolving Funds	-	-	-
Deposits and other funds	232,557,434,086	251,409,376,461	249,945,328,041
Borrowings from banks and foreign institutions	2,280,440,730	2,879,359,524	968,448,278
Other liabilities	11,279,687,566	10,393,139,291	14,551,029,743
Profit and Loss Account	-	-	-
Total :	263,553,846,200	286,451,740,650	290,299,916,572
Contingent Liabilities	-	-	

Capital & liabilities of GB 2018, 2019 & 2020