

**Project Paper**  
**on**  
**Loan Disbursement and Recovery System**  
**(A Study on NCC Bank Limited)**

**SUBMITTED TO**

**Controller of Examinations**

National University

Gazipur - 1704

**SUPERVISED BY**

**Prof. Dr. Mostafa Kamal**

Advisor

Daffodil Institute of IT (DIIT)

**SUBMITTED BY**

**Amena Akter**

Roll no: 1920443

Registration No: 18601000653

Session: 2018-2019

Program: MBA

Major in Finance & Banking

Daffodil Institute of IT (DIIT)

National University



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**Date of Submission: April 05, 2023**

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**Prof. Dr. Mohammed Shakhawat Hossain**  
Principal  
Daffodil Institute of IT (DIIT)

**SUPERVISED BY**

**Prof. Dr. Mostafa Kamal**  
Advisor  
Daffodil Institute of IT (DIIT)

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## LETTER OF TRANSMITTAL

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Gazipur -1704

**Subject:** Submission of Project Report on *Loan Disbursement and Recovery System*  
(*A Study on National Credit and Commerce Bank Limited*)

**Dear Sir,**

Here I present my Project report titled on “*Loan Disbursement and Recovery System of a Study on National Credit and Commerce Bank Limited*” with due gratitude and appreciation. As per partial fulfillment of the requirements for the MBA Program, I am currently doing my Project on National Credit and Commerce Bank Limited. The Project Program has given the opportunity to learn about different aspects of a reputed organization. Before facing the real business world, I have gathered a pre-idea about the organization’s culture.

However, I have collected all the facts that I could within this short period & have done my best to exert all things as much presentable as possible. Despite of some limitations, I sincerely hope that my report will meet the requirements that you set for me.

**Yours faithfully**

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Daffodil Institute of IT (DIIT)



## STUDENT'S DECLARATION

I, Amena Akter, Reg. No: 18601000653,(Session: 2018-2019),hereby declare that the presented report of Project titled on Loan Disbursement and Recovery System of National Credit and Commerce Bank Limited, is uniquely prepared by me based on my few months work on NCC.

I also confirm that, this report is only prepared for my academic requirement and not for any other purposes. It might not be used with the interest of opposite party of the corporation.

I further undertake to indemnify the development against any loss or damage arising from beach of the foregoing obligations.

-----  
**Amena Akter**

Roll: 1920443

Registration No: 18601000653

Session: 2018-2019

Program: MBA

Major in Finance & Banking

Daffodil Institute of IT (DIIT)

## **SUPERVISOR'S CERTIFICATE**

This to certify that the Report on Loan Disbursement and Recovery System of National Credit and Commerce Bank Limited. The bonafide record at the report is done by Amena Akter, Registration No: 18601000653 Session: 2018-2019 as a partial fulfillment of masters of business administration (MBA) program for National University, Gazipur-1704.

This report has been prepared under my guidance and is a record of the bonafide work carried out successfully.

-----  
**Prof. Dr. Mostafa Kamal**

Advisor

Daffodil Institute of IT (DIIT)

## ACKNOWLEDGEMENT

First of all thanks to almighty Allah for enabling me to complete Project report with good and sound health. I am pleased to express my gratitude to placement committee for arranging such a program from which I have carried a practical experience.

It was a great pleasure to prepare the Project Report on the various aspect of banking activities focusing **Loan Disbursement and Recovery System of National Credit and Commerce Bank Limited** operated by **National Credit and Commerce Bank Limited (NCC)**. I would like to convey my gratitude to honorable Supervisor, **Prof. Dr. Mostafa Kamal**, Advisor of Daffodil Institute of IT (DIIT) for supervising me to prepare this report. I would like to express my sincere appreciation to her for whole hearted support and guidance.

This study was carried out for developing “**Loan Disbursement and Recovery System of National Credit and Commerce Bank Limited**”. I am indebted to those who have contributed their thoughts, time and efforts to make this project work a complete one and success.

At last I feel very pleased to thank all my fellow friends for their cordial cooperation in preparing this report.

## ABSTRACT

The Loan Disbursement and Recovery System of NCC Bank in Bangladesh is a comprehensive process that involves several stages from application to recovery. The bank has implemented a well-structured system to ensure proper screening of loan applications and timely recovery of the disbursed loans. The loan disbursement process involves several steps, including application, appraisal, sanction, documentation, and disbursement. The bank has a separate department for each of these stages, and the loan application is processed only after thorough scrutiny of the borrower's financial background and creditworthiness. The bank also follows a strict recovery process, which includes regular follow-up with borrowers, legal action against defaulters, and loan rescheduling. The bank uses various methods to ensure timely recovery, such as SMS and phone calls, reminder notices, and legal action if necessary. The bank also offers various types of loans, including personal loans, business loans, home loans, and car loans. Each loan product has its own terms and conditions, and the bank offers competitive interest rates and flexible repayment options.

This report contains five main parts. In the First Chapter is introductory chapter here are origin, Scope, Objectives, methodology and limitation of Report. In the Second Chapter is about Organization's Profile. In this chapter I have given an overview of the Background, Mission, Vision, Goals & Objectives, Core Values, Business Prospects, Products, Management Structure and so on of National Credit and Commerce Bank Limited. In the Third chapter is about Types of loan, Product service information of Loan, Loan followed by NCCBL. In the fourth chapter is Analysis and Evaluation of Loan Disbursement and Recovery System is the main part of this report which also provides SWOT analysis in this chapter. In the Fifth Chapter are Findings, Recommendations and Conclusion.

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# **CHAPTER ONE: INTRODUCTION**

## 1.1 Introduction:

Business world is becoming very much complex day by day. Without sufficient practical experience business becomes difficult and in some cases impossible. The whole world is moving because of business relation. Business plays a very important role in developing economy of a country. So, in the business world, practical experience is regarded as a media through whom we have an acquaintance with the real world. Through this report an individual can expect to have a good knowledge and understanding on the various methods of operation performed by NCC Bank Limited particularly in the area of Financial Institutional Services. From the last three months of the bank's disbursement, everything is tried to include in precise form. I have tried my level best to put more emphasis on the welcome pack and its recovery process. Although it was not the topic of my project Report programs. This report is to be used only for the academic purpose. I have collected all the necessary and relevant data from various primary, secondary and tertiary sources. After eight week long hard labor, it has become possible for me to make the report comprehensive and factual. The data is truly and strictly confidential and no one can use its components in full or partial. I would like to give thanks to everyone who has helped and encouraged me in the process of preparing this report.

I was authorized to prepare a report on loan division and performance evaluation of the NCC bank ltd. for partial fulfillment of my course requirement. This report has been prepared based on my theoretical knowledge on the day-to-day banking activities and collected information from Bank and under close supervision.

## 1.2 Origin of the study:

Masters of Business Administration (MBA) course requires attachment with an organization followed by a report assigned by the supervisor in the Organization and endorsed by the faculty advisor. I took the opportunity to do my project Report in National Credit and Commerce Bank Ltd (NCCBL). My supervisor **Prof. Dr. Mostafa Kamal, Advisor of, Daffodil Institute of IT (DIIT)**, also approved the topic and



authorized me to prepare this report as part of the fulfillment of project Report requirement.

### **1.3 Scope of the study:**

This paper will cover the details of NCC Bank's practices about various Loan Disbursement and recovery system of NCC Bank. Now a day's loan disbursement is very much important for all banks because they are easily received profit from their customers. In this paper, I will try to focus on the various functions of Loan activities, its using business correspondence analysis of this sector as well as its role in our economy. It will also cover the total system of credit management procedures and performance of NCC Bank Ltd. The deterioration of loan quality will also affect the intermediation efficiency of the financial institutions and thus the economic growth process of the country. This establishes the fact that banks should provide increasing emphasis on various analytical tools and techniques for screening proposals and loan decision taking.

### **1.4 Objective of the study:**

#### **Broad Objective:**

To evaluate the Loan Disbursement and Recovery System of NCC Bank in Bangladesh and analyze its effectiveness in ensuring proper screening of loan applications and timely recovery of the disbursed loans.

#### **Specific Objectives:**

1. To identify the various types of loans & disbursement processes offered by NCC bank ltd.
2. To show the loan recovery status of NCC bank ltd.
3. To identify problems related to the loan recovery system NCC bank ltd along with some possible recommendations.
4. To fulfill the partial required of MBA under NU.

## 1.5 Methodology of the study:

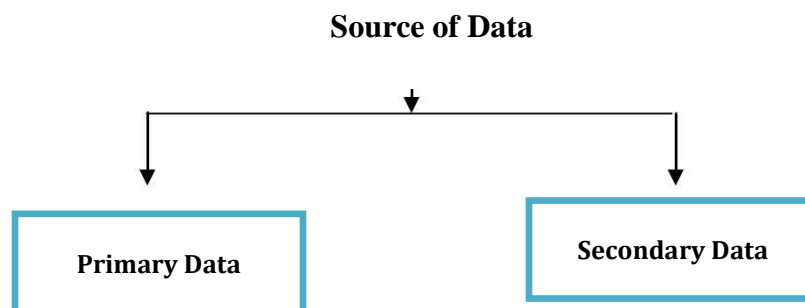
National Credit & Commerce Bank Limited is one of the well-known private commercial bank in Bangladesh. Its public reporting system is appreciable. Data is managed in well manner. Data arrangement is logical that helps in easy application of analytical tool. Statistical tools and much graphical presentation are used for performance analysis.

### A. Research Design:

Research design have been conducted for gathering better information that will give a better understanding on various information in Loan sector, how to communicate customer and other bank employee, all are gathering knowledge about this sector of Loan. Both primary and secondary sources of data collection procedure have been used in the report. Primary data has been collected mainly through the writer's observation of the approval process and monitoring techniques, informal interviews of executives, officers and employees of The NCC Bank Limited.

### B. Sources of Data Collection:

To make the Report more meaningful and presentable, two sources of data and information have been used widely such as...



**Figure: Sources of data**

Both primary and secondary data sources were used to generate this report.

This is exploratory types of study. Data are collected to finish this report from both primary and secondary sources. The overall process of methodology has been given below.

### **Primary Sources:**

It includes the fresh or completely new data sources collected for specified purpose such as

1. Officers of the bank
2. Clients of the bank

### **Secondary Sources:**

It includes the sources of existing data. Such as

1. Document and materials of loan & Recovery system of NCC bank
2. Annual report of NCC bank
3. Banker's training book
4. Website of the NCC : [www.nccbank.com.db](http://www.nccbank.com.db)

### **Methods of data collection:**

1. Direct observation.
2. Discussion with officers and customers.

### **Target Population:**

The target population of the study is all officers and customers of NCC bank Limited.

## **1.6 Limitation of the study:**

Since the paper is concerned with the comparison of Loan department of The NCC Bank limited with other private banks, different private commercial bands, such as, Eastern Bank Limited, United Commercial Bank Limited, Dhaka Bank Limited, HSBC, and Bank Asia Ltd etc. are also deal with this loan sector. Basically all bank of their main target gain maximum profitability by providing loan to the customers. Field practice varies with the standard practice that also created problem.

1. Time provided for conducting the study is another important constraint.
2. The employees in The NCC Bank Limited are so much busy in their responsible fields.
3. The total report like "Loan Disbursement and recovery system of the NCC bank Ltd" is vast and not possible to make it over a night. So it is the hard task to prove

all the information on that necessary segment which might make report more resourceful and outstanding. I couldn't prepare the report as the best of my capability because much information could not gathered for the recourses of confidentially. During the Banking hour there were many customers who has to be served time offered per customer was not adequate to ask about their satisfactory and dissatisfactory level in connection with scheme related transactions which might have helped to focus in more detail.

4. In case of performance analysis secondary data are used.

# **CHAPTER TWO**

# **COMPANY OVERVIEW**

## 2.1 Background:

The National Credit and Commerce Bank Limited (NCCBL) started its operation in 25<sup>th</sup> November 1985 as a non-banking financial institution under the name of National Credit Limited (NCL). 26 businessmen sponsored it as a public limited company under the Companies Act 1913 with an authorized capital of taka 300 million. NCC Bank was incorporated as a banking company under the Companies Act 1994. In end 2001 it had 30 branches all over Bangladesh. It carries out all its banking activities through these branches among which 17 branches are authorized dealer of foreign exchange. The bank is listed in the Dhaka and Chittagong Stock Exchanges as a publicly quoted company for its general class of shares. The authorized capital of the bank is now taka 750 million. The Bank raised its paid up capital from Taka 195 million to Taka 390 million during the year through IPO of which sponsor directors/ shareholders equity stood at Taka 198 million. With the increase of paid up capital to Taka 390 million, the capital base of the Bank has become strong. NCC Bank is now positioned to best suit the financial needs of its customers and make them partners of progress.

## 2.2 About

### National Credit and Commerce Bank Limited:

1. **Credit:** Credit is a contractual Agreement in which a borrower receives something a value of now, with the agreement to repay the lender at some date in the future.
2. **Pay Order:** A pay order is a draft issued by one another or on its branch .The purchase of a draft makes to the seller in local currency at the domestic center while the paying after presentation of the draft by the beneficiary. There is also risk of loss of the draft in transit.
3. **Demand Draft:** The person intending to remit the money through a pay order has to deposit the money to be remitted with the commission which the banker charges for its services. The amount of commission depended on the amount to be remitted.
4. **Telegraphic Transfer:** Telex transfer is another widely used mode for remittance of funds .In case of telex transfer the message for transfer of funds is communicated usual through tested telex. DBL generally recovers from the telex charges in

addition to the usual service charge. Now a day's Dhaka Bank are not covering this service.

5. **Secured Overdraft-SOD (FO):** Advanced granted to client against financial obligations that is deposited in the bank. A client can get up to 80% loan of the total deposited value.
6. **Secured Overdraft-SOD (G):** Granted against the work order of government departments, corporations autonomous bodies and reported multinational private organization. To arrive a logical decision, the client's managerial capability, equity strength, nature of schedule work is to be judged.
7. **Cash Credit- CC (Hypothecation):** The mortgage of movable property for securing loan is called hypothecation. Hypothecation is a legal transaction whereby goods are made available to the lending banker as security for a debt without transferring either the property in the goods or either processing.
8. **Cash Credit-CC (Pledge):** Transfer of possession in the judicial sense of essential in the valid pledge. In the case of pledge, the bank acquire the possession of the goods or a right to hold goods until the repayment for credit with a special right to sell after due notice to the borrower in the event of non-repayment.
9. **LIM:** It stands for loan against important merchandise. It's one kind of post import finances for very shorter period, usually 30 to 60 days or 30 to 90 days.
10. **LTR:** This is an arrangement under which credit is allowed against trust receipts. Imported or exportable goods remain in the custody of the importer or exporter. But he is to execute a stamped trust receipt in favor of the bank where in a declaration is made that the goods imported or brought with the bank financial assistance are held by him in trust for the bank. As soon as goods are sold, generally the importer or exporter is required to deposit the sale proceeds there of the bank.
11. **PAD:** it stands for payment against documents. By opening letter of credit on behalf of the importer in favor of the seller banks undertake to make payment to the seller subject to shipments of goods and submission of shipping documents in strict compliance with L/C terms, giving title of gods to the buyer. After shipment and having documents in hand the bank asks the importer to retire the imports bills

immediately that the banks undertakes. Thus liability under the L/C IS converted to banks advance.

**12. Letter of lien:** To be given by the holder/owner of the instrument where PSP, BSP, FDR, DBDR etc. are kept under lien security.

**13. Letter of Undertaking:** In case of their purchase loan, lease finance, consumer credit. > **Letter of Installment:** In case of loan where loan is repaid in installment.

**14. Personal Guarantee:** Proprietor all directors in case of limited company and of the owner of the property to be mortgage if any.

**15. Personal Security:** The borrower is personally liable to repay the advance.

## 2.3 Vision, Mission and Goal

### VISION

To be in the forefront of national development by providing all the customers inspirational strength, dependable support and the most comprehensive range of business solutions, through our team of professionals who work passionately to be outstanding in everything we do.

### MISSION

1. Anticipating business solutions required by all our customers everywhere and innovatively supplying them beyond expectation.
2. Setting industry benchmarks of world class standard in delivering customer value through our comprehensive product range, customer service and all our activities.
3. Building an exciting team-based working environment that will attract, develop and retain employees of exceptional ability who help celebrate the success of our business, of our customers and of national development.
4. Maintaining the highest ethical standards and a community responsibility worthy of a leading corporate citizen.
5. Continuously improving productivity and profitability, and thereby enhancing shareholders value.



## **GOAL**

Value Pillars of NCC Bank that are central to our core ideologies and that must always be reflected in everything we do:

1. We are aggressive in business and self-driven.
2. We empower people, create leaders and drive change.
3. We treat people with respect and dignity.
4. We are personally accountable for delivering on commitments to build high-trust relationship with customers and to ensure customer delight.
5. We focus on managing risks and costs in order to be doubly profitable.
6. We act in ways that reflect the highest standards of integrity.

## 2.4 ORGANOGRAM OF NCCBL

Managing Director
Deputy Managing Director
Senior Executive Vice president
Executive vice president
Senior vice president
Vice president
Senior Assistant vice president
Assistant vice president
Senior principal officer
Principal office Senior officer
Officer(G-1)
Junior officer
Assistant officer

## 2.5 Management Committee

Mr. Mohammed Nurul Amin	Mr. Golam Hafiz Ahmed	Mr. Swapan Kumar
<b>Managing Director &amp; CEO</b>	Additional Managing Director	<b>Das</b>
<b>Chairman</b>	Member	Deputy Managing Director
Mr. Mohabbat Khan	<b>Mr. T.M. Faruque Chowdhury</b>	<b>Mr. Akhter Hamid Khan</b>
<b>Deputy Managing Director</b>	Deputy Managing Director	Deputy Managing Director
<b>Member</b>	Member	Director
		Member
Mr. Mamun-ur-Rashid	<b>Mr. Pijush Kanti Saha</b>	<b>Md. Fazlur Rahman</b>
<b>Sr. Executive Vice President</b>	Sr. Executive Vice President	Sr. Executive Vice President
<b>Member</b>	Member	President
		Member
Mr. Tapan Kanti Sarkar	<b>Mr. Md. Omar Faruque Bhuiyan</b>	<b>Mr. Md. Sirajul Islam</b>
<b>Executive Vice President</b>	Executive Vice President	Executive Vice President
<b>Member</b>	Member	Member
Syed Mohammad Masum	<b>Mr. A.R.M. Saokot Hossain</b>	
<b>Executive Vice President</b>	Vice President	
<b>Member</b>	Secretary	

## **2.6 Management system and style:**

Management of NCCBL is professional and experienced. Top management and the policy formulation of the Bank is vested on the Board of Directors. The board of directors consists of 26 members headed by chairman. Most of the directors are owners of large business groups having high net worth. The executives and officers of the bank execute the policies and programs formulated by the board.

The Managing Director is the chief executive of the bank and he is assisted and supported by other qualified executives like Senior Executive Vice Presidents, Executive Vice President (EVP), Senior Vice President (SVP), Vice President (VP), Senior Assistant Vice Presidents and other officers and staffs. There are nine divisions in this Bank and one training institute.

# **CHAPTER THREE**

## **THEORETICAL FRAMEWORK**

## **3.1 TYPES OF LOAN**

### **NORMALLY TWO TYPES OF LOANS:**

#### **CONTINUOUS LOAN**

Within a fixed amount and fixed period of time, one can receive and deposit money several time. NCCBL provides different types of continuous loan:

1. Secured Over Draft against Financial Obligation [SOD (FO)]
2. Secured Over Draft Against Work Order/Real Estate etc.[SOD(G)]
3. Cash Credit (Hypothecation)
4. Cash Credit (Pledge)
5. Export Cash Credit (ECC)

#### **SOD (FO)**

Advance is granted to a client against financial obligations. The security of advance is granted to the person to whom the instrument belongs. The discharged instrument is surrendered to the bank along with a letter signed by holder/holders. The bank's lien is prominently noted on the face of the instrument under the signature of an authorized bank official.

Interest rate is 14% to 16%.

#### **SOD (G)**

Granted against the work order of government departments, corporation's autonomous bodies and reported multinational private organization. To arrive at logical decision, the client's managerial capability, equity strength, nature of scheduled work is to be judged. Disbursement is made after completion of documentation formalities, besides usual charge, documents like a notarized irrevocable power of attorney to collect the bills from the concerned authority and a letter from the concerned authority confirming direct payment to the bank is also obtained. The work is strictly monitored to review the progress at each interval. Interest rate is 14% to 16%

### **CASH CREDIT (HYPOTHECATION)**

The mortgage of movable property for securing loan is called hypothecation. Hypothecation is a legal transaction whereby goods are made available to the lending banker as security for a debt without transferring either the property in the goods or either possessing. The banker has only equitable charge on stocks, which practically means nothing. Since the goods always remain in the physical possession of the borrower, there is much risk to the bank. So, it is granted to parties of undoubted means with highest integrity. Interest rate is 16%.

### **CASH CREDIT (PLEDGE)**

Transfer of possession in the judicial sense of essential in the valid pledge. In case of pledge, the bank acquire the possession of the goods or a right to hold goods until the repayment for credit with a special right to sell after due notice to the borrower in the event of non-repayment. Interest rate is 16%

### **TERM LOAN**

Borrower will take the whole amount at a time and has to deposit/ repay loan within specified time. NCCBL provides different types of term loan:

1. Consumer finance scheme
2. Small business scheme
3. House repairing/ renovation loan scheme
4. Personal loan scheme for salaried person
5. Project loan
6. Lease finance

### **CONSUMER CREDIT SCHEME**

This scheme is aimed to attract consumers from the middle and upper middle class population with limited income. The borrower should have saving or current deposit account with the bank. Minimum 25% of the purchase cost of the product is to be deposited by the borrower with the bank as equity before the disbursement of the loan. The rest 75% is to be kept as cash collateral (FDR, ShanchayPatra etc.) with the

bank. Loan amount is disbursed through a/c payee pay order/demand draft directly to the seller after submission of the indent, deposit of client equity and completion of documentation formalities.

### **WORKING CREDIT**

Loans allowed to the manufacturing unit to meet their working capital requirement, irrespective of their size big, medium or large fall under the category.

### **STAFF LOAN**

Bank official from senior officer and above is eligible for this loan. The maximum amount disbursed is TK. 50,000/- for a period of 2 years.

### **HOUSE BUILDING LOAN**

This loan is provided against 100% cash collateral, besides; the land & building are also mortgaged with the bank Interest rate is 17% p.a.

## **3.2 PRODUCT SERVICES INFORMATION OF LOAN:**

### **DEPOSIT SCHEME:**

1. NCC Bank Special Savings Scheme (SSS)
2. Fixed Term Deposit (FDR)
3. Short Term Deposit (STD)
4. Savings Bank Account (SB A/C)
5. Current Deposit Account (CD A/C)
6. Current Deposits (CD)
7. Premium Term Deposit (PTD)
8. Instant Earning Term Deposit (IETD)
9. Wage Earners Welfare Deposit Pension Scheme (WEWDPS)
10. Money Double Program Deposit (MDP)



#### **FOREIGN EXCHANGE:**

1. Non Resident Foreign Currency Deposit Account (NFCD)
2. Non Resident Taka (BDT Deposit) Account (NRTA)
3. Resident Foreign Currency Deposit Account (RFCD)
4. Foreign Currency Deposit Account
5. Money Gram
6. UAE Exchange
7. Placid Express
8. Arab National Bank (ANB)
9. Dhaka Janata
10. Habib Qatar
11. Al Fardan

#### **MONEY TRANSMISSION PRODUCTS**

1. Payment Order / Security Deposit Receipt (SDR)
2. Demand Draft
3. Telegraphic Transfer
4. Outstanding Bills for Collection (OBC)
5. Letter of Credit
6. Back to Back Letter of Credit (BTB L/C)
7. Buying and Selling of Foreign Exchange
8. Foreign Demand Draft
9. Foreign Telegraphic Transfer (FTT)

#### **INTERNATIONAL BUSINESS PRODUCTS**

1. Letter of Credit
2. Back to Back Letter of Credit (BTB L/C)
3. Buying and Selling of Foreign Exchange
4. Foreign Demand Draft
5. Foreign Telegraphic Transfer (FTT)

### 3.3 LOAN FOLLOWED BY NCCBL

#### LOANS & ADVANCES:

- |                            |                                       |
|----------------------------|---------------------------------------|
| 1. Cash Credit             | 2. Secured Overdraft                  |
| 3. Bank Guarantee          | 4. Long Term and Short term financing |
| 5. House Building Loan     | 6. Car Loan                           |
| 7. Small Business Loan     | 8. Loan Against Investment            |
| 9. Inland Bill Purchase    | 10. Lease finance Schemed             |
| 11. Personal Loan scheme   | 12. Festival Small Business Loan      |
| 13. Special House Building |                                       |
- 

#### LENDING PRODUCTS:

##### A) CONTINUOUS LOAN

1. Secured Over Draft against Financial Obligation [SOD (FO)]
2. Secured Over Draft Against Work Order/Real Estate etc.[SOD(G)]
3. Cash Credit (Hypothecation)
4. Cash Credit (Pledge)
5. Export Cash Credit (ECC)

##### B) TERM LOAN

1. Project Loan
2. Transport Loan
3. House Building Loan
4. Lease finance
5. Loan under Syndication
6. Consumer Finance
7. Personal loan

### **c) DEMAND LOAN**

1. Loan General
2. Demand Loan against Ship Breaking
3. Payment against Documents (PAD)
4. Loan against Imported Merchandise (LIM)
5. Loan against Trust Receipt (LTR)
6. Forced Loan
7. Packing Credit (PC)
8. Secured Over Draft against Cash Incentive
9. Foreign Documentary Bills Purchased (FDBP)
10. Local Documentary Bills Purchased (LDBP/IDBP)
11. Inland Bill Purchased (IBP)
12. Foreign Bill Purchase (FBP)
13. Festival business loan

### **c) SME LOANS**

1. Small Business Loan
2. Consumer Finance Scheme
3. Lease Finance
4. Personal Loan
5. House Repairing & Renovation loan
6. Festival Business loan
7. Festival Personal loan
8. Car Loan Scheme

### **D) AGRO CREDIT**

1. Agro-based Industrial Credit
2. Crop Loan

## **E) SPECIAL CREDIT PRODUCT**

1. Credit card
2. Earnest Money Financing Scheme
3. NCC Bank Housing Loan Scheme
4. Overseas Employment Loan Scheme

## **F) LOAN PRODUCT FOR WAGE EARNERS**

1. Land Mortgage Loan
2. Special House Building Loan
3. Advance against Remittance
4. Wage Earners Rehabilitation Loan

## **LOAN PRINCIPLES FOLLOWED BY NCCBL:**

The Principle of lending is a collection of certain accepted time tested standards, which ensure the proper use of loan fund in a profitable way and its timely recovery. NCCBL follows the following five principles in its lending activity:

### **1. SAFETY**

Safety should get the prior importance in the time of sanctioning the loan. At the time of maturity the borrower may not will or may unable to pay the loan amount. Therefore, in the time of sanctioning the loan adequate securities should be taken from the borrowers to recover the loan. Banker should not sacrifice safety for profitability.

NCC Bank Ltd. exercises the lending function only when it is safe and that the risk factor is adequately mitigated and covered. Safety depends upon:

- The security offered by the borrower; and
- The repaying capacity and willingness of the debtor to repay the loan with interest

### **2. LIQUIDITY**

Banker should consider the liquidity of the loan in time of sanctioning it. Liquidity is necessary to meet the consumer need.

### **3. SECURITY**

Banker should be careful in the selection of security to maintain the safety of the loan. Banker should properly evaluate the proper value of the security. If the estimated value is less than or equal to loan amount, the loan should be given against such securities. The more the cash near item the good the security. In the time of valuing the security, the Banker should be more conservative.

### **4. ADEQUATE YIELD**

As a commercial origination, Banker should consider the profitability. So banker should consider the interest rate when go for lending. Always Banker should fix such an interest rate for its lending which should be higher than its savings deposits interest rate. To ensure this profitability Banker should consider the prospect of the project.

### **5. DIVERSITY**

Banker should minimize the portfolio risk by putting its fund in the different fields. If Bank put its entire loan able fund in one sector it will increase the risk. Banker should distribute its loan able fund in different sectors. So if it faces any problem in any sector it can be covered by the profit of another sector.

**CHAPTER 04**

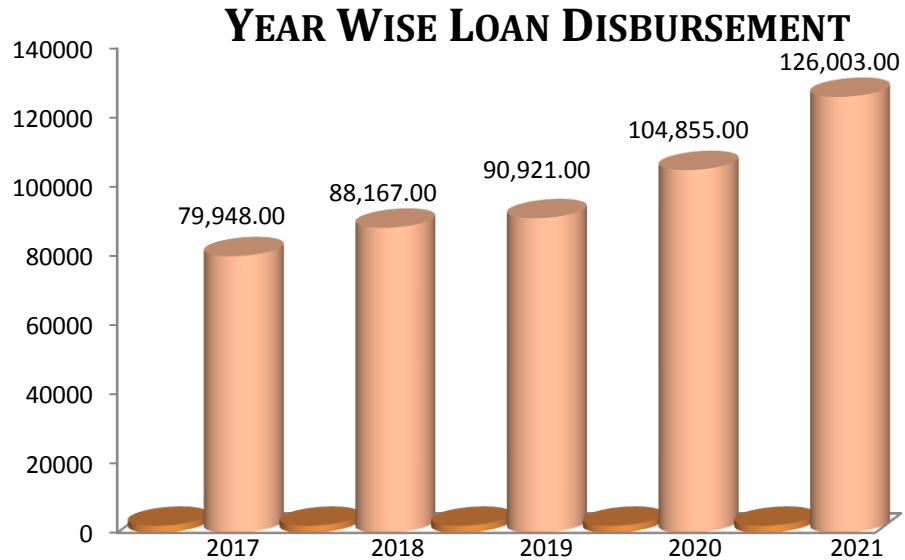
**ANALYSIS & EVALUATION OF**

**LOAN DISBURSEMENT AND RECOVERY OF**

**SYSTEM**

## 4.1 ANALYZING THE YEAR WISE LOAN DISBURSEMENT BY NCCBL

### YEAR-WISE LOAN DISBURSEMENT



From the graph we can say that in the year 2017 the total loan disbursement is (Tk79,948.00 million) to compare with other financial years. In the year 2017 the loan disbursement was 28% (Tk79,948.00 million) and in the year 2017, 2018 & 2019, 2020, 2021 the loan disbursement was 7% (Tk 1603.95 million), 8% (Tk 1897.63 million) & 18% (Tk 4358.31 million). So according to this graph we can easily say that the bank's loan disbursement is increasing day by day. It is a positive sign for the bank. After establishing the bank, disbursement of loan is not so high because of their inexperience and inadequate loan disbursement policy. Now the bank has an attractive loan policy which attracts the customers. If we see the percentage increase by the year than in the loan disbursement is 39% and in the previous year it was 28%. So the percentage increases by 11% only. In the year 2010 & 2011 the percentage increased by 10%. In compare, the increasing percentage is about to same that is in 2017 the increasing percentage was 11% which is more than 1% in the previous year. It may be the good sign for the bank because the loan disbursement is increasing or steady not decreasing. Bank's main earning source is

loan disbursement, like: interest earning. It is a big part of the bank's total earning. So the bank should take care in this loan side.

## **4.2 ANALYZING THE SECTOR-WISE LENDING BY NCCBL** **(MILLION/TK.)**

SECTOR	2020	2021
Loan ( General)	123,408,473	44,322,904
Loan against house building	175,363,405	224,393,124
Loan against imported merchandise	10,543,403	9,467,915
Loan against trust receipts	1,639,948,584	1,078,377,238
Loan against packing credit	8,579,424	14,766,999
Demand Loan	91,512,372	39,420,061
SOD against financial obligation	706,237,560	623,021,747
Temporary business loan		172,773,879
SOD general	1,260,043,590	1,297,827,189
SOD export	19,517,230	16,814,097
EDF	5,605,376	12,083,501
Cash credit against pledge	8,819,188	6,920,661
Cash credit against hypothecation	2,136,432,453	2,049,393,124
Cash credit against export	1,772,266	591,094
Forced loan	182,541,378	78,773,199
FDBP & discounted	2,754,635	6,728,186
Payment against documents	56,473,703	45,010,210
Local documentary bills purchased	241,115,300	226,557,877
Transport loan	40,262,329	35,731,893
Lease finance	174,563,159	171,655,870
Small business loan	96,938,190	79,152,606

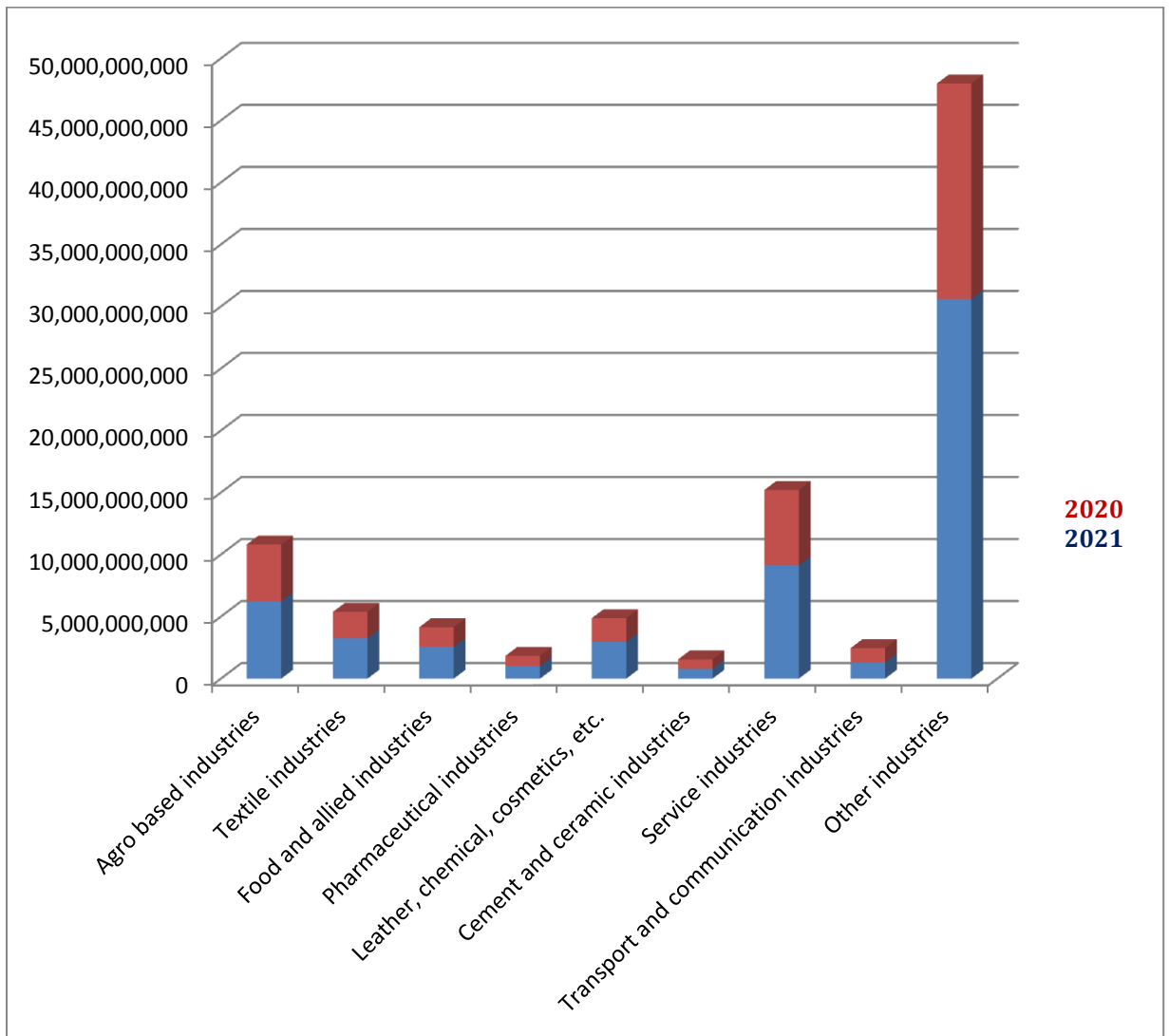


House renovation loan	1,357,350	571,062
Personal loans	1,454,297	1,228,697
Consumers finance scheme	36,023	
Home improvement loan	25,811,863	26,890,776
Short Term Finance (STF)	269,552,496	746,768,819
Agricultural credit	173,922,757	167,723,341
Festival small business loan	14,381,098	8,665,177
Marriage loan Consumer loan		500,450
		994,530
Term loan (small, medium/large)	2,053,539,278	2,381,286,481
Special housing loan	171,094,575	152,366,097
Housing loan under refinance scheme	1,981,359	1,748,620
Staff P.F loan	17,708,161	14,178,361
Staff house building loan	16,495,575	13,453,654
Staff car loan	3,514,363	1,373,820
Credit card	93,096,044	88,289,489
Car loan scheme	8,989,353	13,578,763
Short term loan	386,085,088	326,109,735
Garments & foot wear cluster	1,943,791	1,207,685
Time loan	752,720,616	832,810,920
OBU	20,965,344	27,980,057
Education loan scheme	251,772	153,931
Total	10,997,333,219	11,041,663,840

In the year 2020, from the graph we can say that the maximum portion of lending has disbursed to the Overdraft sector which was 39.45% of total loan disbursement. The total loan disbursement amount of Overdraft was increased but the percentage was

decreased. In the year, loan disbursement of RRDH (Micro Credit) was decreasing. The second highest percentage of lending was 30% of the total in Loans against Trust Receipts. Term Loans has maintained the third position in loan disbursement by the NCCBL. The amount of loan was 834.56 million, which was about 12.26% of the total lending. A large amount of loans was also disbursed as Cash Credit. Loan has also disbursed as short-term loans, cash credit, House-building loans, Staff loans etc.

### 4.3 ANALYZING THE INDUSTRY WISE LOAN DISBURSEMENT OF NCCBL:



In the year 2020, from the graph we can say that the maximum portion of lending has disbursed to the Overdraft sector. Total percentage of Overdraft was 38.49%. Though total amount of this sector was continue to increase but the percentage of the sector was decreasing. RRDH or Micro Credit was highly decreased. Loan against Trust receipt and Term Loan are the second and third position in this year. The percentage of lending in LTR was 18.73% of the total in this sector. This year long term Loans have maintained the third position in loan disbursement by the NCCBL. The amount of loan was 1744.04 million which about 17.91% of the total lending. Loan has also disbursed as Cash credit, House building loans, Marriage loan, Car loan, Consumer Durable Scheme etc.

#### **4.4 RECOVERY**

It is the duty of the recovery department of the Bank to recover the landed fund within the stipulated time and if the borrower fails to repay the money within the said period Bank will declare him as a defaulter and recover the fund by selling the securities given by the borrower or by freezing his account or make a suit against him.

#### **LEGAL FRAMEWORK FOR INVESTMENT RECOVERY**

After being classified, Bank goes for loan recovery by legal action. Head Office appoints legal advisers and advises to the branch to file a suit against the defaulted loaner. NCC Bank generally suits files under the “**ArthaRinAdalat 1990**”.

#### **EVALUATION OF INVESTMENT PROPOSALS**

##### **Financial Statement**

Financial spreadsheet provides a quick method of assessing business trends and efficiency.

1. Assess the borrower's ability to repay
2. Realistically show business trends
3. Allow comparisons to be made within industry

Borrowers that provide Financial Statement are more likely to be good borrowers.

### **Recovery procedure:**

Recovery procedure is a lengthy one that requires efforts of the bank, society and legal institutions. It also takes time and money. Like other banks, NCC Bank follows four steps to recover the outstanding amount. This are-

1. Reminders to the clients
2. Creating social pressures
3. Sending legal notice and
4. Legal action

These four steps are described in detail below-

1. Reminder to the client is given through a formal communication channel. A letter is written and properly signed on the bank's papers. This letter is issued several times to remind the honorable loaner to repay his/her outstanding portion.
2. If the loan amount is not yet repaid after sending a series of letters, then social pressure is created on the client by persons referred while opening account in the bank.
3. Legal notice is prepared and sent by NCC Bank when above two steps fails to recover the amount. It is a threat to the borrower.
4. The last and final step of the recovery procedure is the help from the court. NCC Bank sincerely tries to avoid this kind of situation for its honorable clients but cannot help doing for its own sustainability.

## **4.5 STRATEGIES FOR RECOVERY:**

Recovery of loan can be made in the following 3 methods

1. Persuasive
2. Voluntarily
3. Legally

### **1) Persuasive recovery**

If the borrower didn't paid the due amount of loan in time then the first step of bank is private communication with him. It creates a mental pressure on borrower to repay the loan amount. In this case bank can provide some advice to the borrower for repaying the loan.

### **2) Voluntarily recovery:**

In this method, some steps are followed for recovering loan. This are-

- Building Task Force
- Arranging seminar
- Loan rescheduling policy
- Waiver of interest rate

### **3) Legal recovery:**

When all steps fail to keep an account regular and the borrower does not pay the installments and interests then bank take necessary legal steps against the borrower for realization of its dues.

## **4.6 LENDING RISK ANALYSIS (LRA):**

Lending Risk Analysis (LRA) is one of the new management and operational tools for improving the operational efficiency of all banks excepting the foreign banks initiated by “Financial Sector Reform Project (FSRP)” in 1993. It focuses on internal changes to the lending process to improve the loan portfolio banks. According to FSRP international consultant, in a successful country (in terms of lending), all applications for credit are thoroughly analyzed to assess the risk that the bank will not fully recover the loan. Through the Lending Risk Analysis (LRA) the banking system will channel the scarce financial resources into those opportunities that will have maximum return. That is profitable enterprises will get fund and grow but loss making enterprises will be refused funding and will go out of business. Through the better practices of LRA all the banks will be benefited as well as the economy will grow and the people will be benefited.

The same FSRP international consultant further says, in Bangladesh, loan analysis in the NCBs typically covers only 25% of the potential risks that are analyzed by banks in the developed world (1993). Analysis skills are virtually non-existent in the NCBs. 905 of lending officers do not know how to analyze a set of accounts. So, the ultimate results of the lending process are- the country’s scarce financial resources are not applied effectively, loss making enterprises receive funding and stay in business and allowing them to loss even more, profitable enterprises are constrained by lack of funding, the tax payers are obliged to subsidies heavily the banking system, Bangladesh remain one of the poorest countries in the world.

## **4.7 CREDIT INFORMATION BUREAU (CIB)**

Due to the irregular and insufficient flow of credit information into the Banking system the proportion of classified loan in relation to the total credit is very high. This proportion of classified loan generated bad influence in the Banking sector. In order to eliminate the bad culture and to equip the Banks with proper credit information for loan application processing, proposal for creation of Credit Information Bureau (CIB) was put forward by different comities and groups such as National Commission for Money, Banking and Credit, 1986, the World Bank Report, 1987 and Financial Sectors Task Force Reports, 1990. In the backdrop of the above proposal Bangladesh Bank approved the CIB in 1992.

The main objectives of the CIB are to collect all sorts of information in respect of the borrowers (having outstanding balance of Tk. 10 lac and above) from the scheduled Banks, and other non Banking financial institutions and creation of computer database in order to feed back the same information to the Banks for quick processing of new loan applications, rescheduling etc. and preparation of various reports for MIS purposes to be used in Bangladesh Bank and Ministry concerned.

### **Diversification of Risks:**

It is very risky for a bank to invest all its assets into a particular sector or a single borrower or to one particular region. If somehow the business of that sector or area or borrower collapses, the bank may fall in a critical situation. So it is better to invest in different sectors/borrowers and spread over the country. That's why NCC Bank invests its fund in various sectors.

## **4.8 LOAN DEFAULT:**

A borrower can default for many intentional and unintentional reasons. There has been a mal practice of loan defaulting since the mid 80s. This creates a great threat to the financial institutions.

### **Location of main risk elements and reasons of loan**

If the manager/sanctioning authority is aware of the prominent reasons of loan default and risk elements, he/she can take precautionary measures to minimize risk elements in recommending/sanctioning/disbursing a loan. There may be hundreds of reasons for loan default out of which following are the prominent causes-

- a. Sick Management
- b. Sick Marketing
- c. Sick Product
- d. Sick Operation
- e. Sick Finance
- f. Sick entrepreneur

#### **a. Sick Management:**

Sick Management means lack of integrity, co-operation, financial/ marketing knowledge and experience, endurance and judgment

#### **b. Sick Marketing:**

It means lack of freedom, no restriction, openness (no monopoly), depth, growth and stability.

#### **c. Sick Product:**

Sick product means lack of quality, competitiveness, demand and durability.

#### **d. Sick Operation:**

It indicates lack of efficient machineries, skilled labor, good labor relation, utilities, raw materials, access to transport etc.

#### **e. Sick Finance:**

It is lack of fund, repayment period, flexible rate of interest, matching to assets, collateral, efficient capital market etc.



**g. Other reasons:**

They include lack of reputation, analysis of balance sheet, Lending risk analysis, adequate margin, past satisfactory performance, credit need analysis, good relation with other banks, credit information bureau report, other bank report, quality of security offered, demand etc.

**Following stapes are taken against a defaulter:**

1. Reminder the party to repay the loan after validity dates
2. Send final notice
3. Send legal notice
4. Eventually sue a case against the party

**Recovery of advance:**

A bank's profitability and sustainability mostly depends on the recovery of its outstanding amount. Outstanding amount includes both principal and interest because, 80% of bank's earnings comes from advances. A poor recovery rate indicates the weak condition of the banking operation and vice versa. But in the mid 80s, there started a loan defaulting culture, which is still in practice. As a result, banking sectors as well as the whole economy is facing a great threat from the defaulters. Money circulation has come down at its minimum level. If this cannot be checked, whole banking system of our country will collapse one day.

## **4.9 LOAN MONITORING:**

Loan monitoring implies that the checking of the pattern of use of the disbursed fund to ensure whether it is used for the right purpose or not. It includes a reporting system and communication arrangement between the borrower and the lending institution. The following steps are followed by respective officer.

- a) Regular checking the balance of SB/CD/STD accounts of the borrower.
- b) Regular communication with the defaulter customers and guarantors physically over telephone.
- c) Issuance of letter to customers immediately after dishonor of cheque.

- d) Issuance of legal notice to the defaulter customers and guarantors prior to classification of the loans.
- e) Issuance of appreciation or greeting letter to the regular customers.
- f) Periodical visit with the customers to maintain relationship and supervision of supplied articles.

**CHAPTER FIVE:**  
**FINDINGS, RECOMMENDATIONS**  
**& CONCLUSION**

## 5.1 Findings:

- 1. Advertisement Problem:** Today's world is very much depend on the media, so if the institutions are not think about the advertisement or any kind of activities which is related some kind of advertisement then it will not earn so much popularity. A media can rise or fall an institution within very short time. So if we see to other developed country then we can find that every business institution has a huge budget for the advertisement purpose.
- 2. Limited Number of Branches:** The NCC Bank has only 93 branches all over the Bangladesh. So if they want to do a vast business then they have to increase the number of branches. There have few branches in rural area.
- 3. Limited Power to the Managers:** The managers and other high officials have inadequate power for decision-making. The branch managers have no power to sanction loans. In every bank there is a certain amount that a branch manager can sanction, but in this bank if anyone wants to take a single Taka for loan then the manager has to for the head office approval. Sometimes it may be the cause of losing customer, because it will take time to sanction a loan.
- 4. Continuous monitoring & evaluation on application:** The internal & external control system, audit policy, policy of financial risks, existing rules & regulation (internal & external), and International Financial Reporting Standards (IFRSs) and Bangladesh Bank relevant circulars have been followed.
- 5. Operation system:** The credit operation system of NCC Bank Limited is not commendable. Systematic and timely monitoring and appropriate documentation are not tried to be maintained.
- 6. Political Problem :** The banks in Bangladesh have faced a lot of illegal pressure from political persons, Directors and Management of the Bank for approval of 40 In that cases Risk managers are bound to approve the loan without any assessment and rationality.
- 7. Disbursement problem:** Their loan giving fund is not available. Borrower's information about credit is not sufficient.
- 8. Loan sanction problem:** In term of giving loan, the bank delivered maximum priority to the well-known person.

## 5.2 Recommendations:

For improve their performance and remove the problem The NCC Bank has to do something and these are:

- 1. Vast Advertising:** Firstly the bank has to increase their advertisement and also increase their social activities. They have to go with the people's needs and demands. They have to explore their name to the people that everyone can know about The NCC Bank.
- 2. Increase Number of Branches:** In this time there is so much competition between each other that a single step can change the all direction. Today's people are very much willing to do banking, which one is near to them. So if the number of branches will not increases than it can lose the customer.
- 3. To Establish an Effective Management System:** Including planning, organizing and supervision culture in the branches as well as at the head office. A strong internal control & compliance division has been formed with a view to establish compliance culture & full control.
- 4. Continuous monitoring & evaluation on application:** Of internal & external control system, audit policy, policy of financial risks, existing rules & regulation (internal & external), and International Financial Reporting Standards (IFRSs) and Bangladesh Bank relevant circulars have been followed.
- 5. To developed operation system:** The credit system should be developed by taking more employees in the credit department.
- 6. Political reason:** The bank should follow every client are equal. Then we can overcome this problem.
- 7. Disbursement solution:** The bank should make proper and comprehensive documentation before disbursement and ensure proper supervision, monitoring and follow up of each credit.
- 8. Loan Sanction solution:** New and innovative product should be introduced in the section of credit to increase the number of new clients.

### 5.3 Conclusion:

Banks always contribute towards the economic development of a country. Compared with other Banks NCC Bank is also playing leading role in socio-economic development of the country. The bank is currently doing average. By analyzing its performance it is observed that a potential growth might be accelerated through effective implications of some policy. Being an old generation bank it has an advantage compared to newly established bank in the form of wide range of activities. However policy implication needs to be as fast as possible to grab the early mover advantage.

The bank through years has been able to spread operation in mass banking rather than concentrating in niches. It can hedge poor performance of one sector by some other sector for its wide range of offering. Capital market operation has become a great potential for the bank to increase its profitability. NCC bank brokerage house is concentrating to establish new workstations in order to facilitate investor of remote places.

The bank has been able to create a multi component loan portfolio. However non-performing loan are a real challenge to the sound credit management. Default is increasing for lack of monitoring. The bank is trying to increase its loan quality by accelerating its recovery policy. The bank can concentrate on the loan sector where default risk is low and its investments are profitable. The loan procedure has been made more calculative, logical to keep the credit sound.

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