

Project Paper
On
Review of Loan Disbursement and Recovery
System of Dhaka Bank PLC

Submitted to

Controller of Examination

National University

Gazipur – 1704

Supervised by

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Session: 2019-20

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Program: MBA

Daffodil Institute of IT (DIIT)

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Date of Submission: 14th November, 2023

Letter of Transmittal

14th November, 2023

Controller of Examination

National University

Gazipur – 1704

Subject: Submission of Project Report on **Review of Loan Disbursement and Recovery System of Dhaka Bank PLC**

Dear Sir,

Here is the report on the Review of Loan Disbursement and Recovery System of Dhaka Bank PLC, Motijheel Branch. It was a pleasure for me to work on a topic like that. These opportunities provide me with the ability to apply our knowledge of the market world. I have tried my best to compile the data to prepare this guide.

I hope my report will meet your needs and as well as impress you a lot.

Yours sincerely,

Sadia Chowdhury

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Student's Declaration

I, Sadia Chowdhury a student of Masters of Business Administration (MBA), major in Finance and Banking, at Daffodil Institute of IT (DIIT), National University. I have prepared the project on the Review of Loan Disbursement and Recovery System. A study on Dhaka Bank PLC, Motijheel Branch prepared by me, for the partial requirement of the MBA program Under the National University.

I also confirm that the report was prepared only by me to meet this academic requirement and not for any other purpose. It will not act in any way that could hinder the confidentiality and interest of the Bank. It may not be used with the interest of opposing bodies of Dhaka Bank PLC.

I am hopeful that my respected faculty will consider my mistakes with a graceful perspective.

Sadia Chowdhury

Roll no: 2020406

Registration no: 19601000507

Session: 2019-20

Major in Finance & Banking

Program: MBA

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Supervisor's Certificate

This is to certify that, Sadia Chowdhury, Registration No: 19601000507, Student of Masters of Business Administration (MBA), major in Finance and Banking of Daffodil Institute of IT (DIIT) has completed her project paper on Review of Loan Disbursement and Recovery System of Dhaka Bank PLC.

She has done her job according to my supervision and guidelines. She has tried her best to do this successfully. I think her studies will help her in the future to build up her career.

I wish her every success in life.

Prof. Dr. Mohammed Shakhawat Hossain

Principal

Daffodil Institute of IT (DIIT)

Acknowledgment

First of all, I pray a special thanks to our almighty God for giving me the strength to successfully complete the project report within the scheduled time of Dhaka Bank PLC, Motijheel Branch. It is very difficult to express my feelings which helped in the completion of this report.

I pay gratitude to the supervisor of my report, Prof. Dr. Mohammed Shakhawat Hossain, Principal of Daffodil Institute of IT (DIIT) for his wholehearted supervision during my organizational attachment period. And I especially owe an enormous debt to my honorable faculty teachers who are always ready to lend their helping hands to me.

I also express my warm gratitude and cordial thanks to the management and officials of Midland Bank, the Motijheel subsidiary, who helped a lot by providing important information and allowing me to prepare this report.

Last but not least, during the preparation of the report, we have come to a very favorable attitude of several people, family and friends who guided their ideas, time, and careful guidance to amplify the content of the report. I want to express my sincere gratitude to them for their valuable answers.

Abstract

The Review of Loan Disbursement and Recovery System of Dhaka Bank PLC is a comprehensive process that involves several stages to manage the loan disbursement and recovery system. The bank has implemented a well-structured system to ensure proper screening of the loan disbursement and recovery system. The process involves several steps, including application, appraisal, sanction, documentation, and disbursement. The bank also offers various types of loans such as House building loans, Personal loans, Car loans, Staff Loan Car, Staff loans house building, and so on. The bank provides almost all the services of the modern commercial bank. Among the services day to day, transaction of the banking system is the main operation and are generally executed by the general banking division.

The bank ensures the requirement of Bangladesh Bank in this regard. The performance of general banking is satisfactory enough. They try to offer better interest rates to their customers. Loan disbursement through agent banking surged 92.77% year-on-year to Tk10,307 crores in 2022, according to a report from the Bangladesh Bank.

The report contains six main parts. The first chapter is an introductory chapter here are the origin, scope, objectives, methodology, and limitations of the report. The second one is about the literature review. The third one is the organizational structure which contains the background, vision, mission, goals, and core values of Dhaka Bank PLC. The fourth chapter is about the conceptual framework of the loan disbursement and recovery system of Dhaka Bank PLC. The fifth chapter contains with the evaluation loan disbursement and recovery system of Dhaka Bank PLC. The sixth chapter is findings, recommendations, and conclusion.

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Chapter – 01



1.1 Introduction

In recent days, the financing of small, medium and large organizations (SML) has become an important area for businesses in Bangladesh. Comply with its rules in conjunction with the central government banks. Banks have become more concerned with SML and have opened the window to become active in this field. This research was conducted to meet the needs of the MBA program and to obtain information on the current status of mortgage lending.

In the thesis report, I am trying my best to focus on the functions and performance of all Divisions in the assigned branch & and work with the Loan Disbursement and Recovery System of Dhaka Bank PLC. This report is generated under the supervision of Prof. Dr. Mohammed Shakhawat Hossain, Principal of Daffodil Institute of IT.

1.2 Scope of the Study

Dhaka Bank PLC is a multinational corporation. It has many offices. It is impossible for a job to be mentioned in all Dhaka Bank PLC offices in its studio in a short period of time and they do not have access to all offices in the same way. The author focuses on Dhaka Bank PLC's Small and Medium Business Loan Plans and its current status, issues, and assessment. Investment procedures, deposit procedures, or other issues are not discussed in the opinion.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of the report is to Review the loan disbursement and recovery system of Dhaka Bank PLC. It is qualitative research, which helps to evaluate the concept by the data collected for the report and try to figure out the problems and provide some recommendations. As per the requirement of the MBA program of the National University, a student needs to prepare a report on the basis of her personal research on a business organization about the business operations of a company.

1.3.2 Specific Objectives

- To find out the basic appraisal of Approval Loan.
- To know the enterprise selection criteria terms and conditions to provide loan.
- To know the success factor of approval credit, loan disbursement at Dhaka Bank PLC.
- To make some recommendations and conclusions to further the development of loan disbursement of the Dhaka Bank PLC.

1.4 Methodology of the Study

This report is mainly prepared by the secondary sources of information & some few primary sources of information like –

- Direct observation.
- Information discussion with professionals.
- Questioning the concerned persons.

The secondary sources of my information –

- Annual reports of DBL.
- Credit rating report of DBL by Credit Rating Information & Services Limited.
- Desk report of the related department.
- Credit manual information.
- Different reference books from the library.
- Some of my course elements as related to this report.

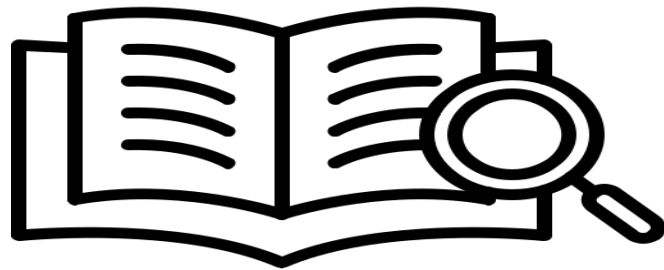
1.5 Limitations of the Study

I faced the following obstacles while preparing this report -

- There are some restrictions on law enforcement access to confidential information
- Data from previous DBL loans and offices are not included in the standard maps.
- Insufficient customer service information, advertisements, or websites are not available to DBL's loan and advance department.

- The DBL loan and higher level office is privately owned for the employee.

Chapter – 02
Literature Review



2.1 Literature Review

This chapter provides the literature on the Loan Disbursement and Recovery System of Dhaka Bank PLC, Motijheel Branch. The literature starts with a theoretical review of loan disbursement and then reviews some important and recent studies in loan disbursement. From the literature, a theoretical model of the study will be drawn to create a picture of the knowledge of the loan disbursement and recovery system and its relative impacts on the banking sector.

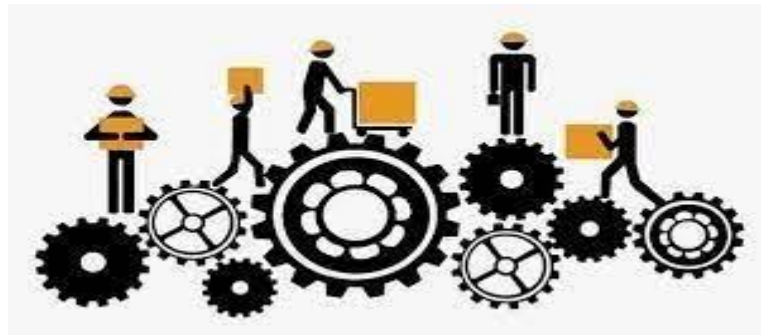
Loan Disbursement means and refer to any and all advancement of funds under the Loan Documents for the development Purpose stated, after all conditions precedent thereto have been met and satisfied as determined by the Lender. A loan is disbursed when the agreed-upon amount is paid into the borrower's account and is available for use. When the loan is disbursed, the cash has been debited from the lender's account and credited to the borrower's account. In case of non-repayment of loans due beyond a certain period of time, banks initiate the process to claim them back through certain recovery measures, commonly known as the loan recovery process. The slogan of Dhaka Bank PLC is “Excellence in Banking” Dhaka Bank PLC is a reliable bank that will support its customers all the way by offering personalized loan facilities. Dhaka Bank PLC offers trading services to almost all companies. Based on the number of branches defined, the Bank has not yet limited its operations in our country, but it should also be noted that in the next few years from its establishment, no bank will be able to live up to the current Dhaka Bank PLC.

The bank provides almost all the services of the modern commercial bank. Among the services day to day, transaction of the banking system is the main operation and are generally executed by the general banking division. Today's world is very much depending 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. 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 Dhaka Bank PLC. Dhaka Bank PLC has only 100 branches all over

the country. 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. 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 increase than it can lose the customer. Dhaka Bank PLC should attract small investors to take loans by offering loans at a low-interest rate. Mortgage loans are best made by the central office, which sometimes creates problems for branches in choosing the right consumer. This loan should also be available in branch offices. Mortgages and lenders need to recruit more experienced people to provide better service to customers in the industry. Their loan application review process is slightly longer than other banks. If the loan application review process is shortened, then the beneficiaries won't be lost. The bank is managed by a team of professionals who are well managed and manage the bank. It is now gradually moving towards automation and this will not allow for any discrepancies. Slowly they are now won the trust of people and companies in Bangladesh.

Chapter – 03

Company's Overview



3.1 Background

DHAKA BANK PLC was incorporated as a public limited Company on 6th April 1995 under the Company Act. 1994 and started its commercial operation on June 05, 1995 as a private sector bank. The bank started its journey with an authorized capital of Tk. 1,000.00 million and paid up capital of Tk. 100.00 million.

The strength of a bank depends on its management team. The Employer in Dhaka Bank PLC is proud to have a team of highly motivated, well-educated, and experienced executives who have been contributing substantially to the continued progress of the bank.

The marketing activities at the Dhaka Bank PLC are very implicit and vast compared to that of other banks in the country today. The Philosophy of the bank is EXCELENCE IN BANKING. Dhaka Bank PLC is always willing to offer new product features to the client. Besides the applications of these products or services are prepared in a very modern way so that the service can be provided in the least time required.

The Credit facilities approved by Dhaka Bank PLC are increasing day by day because of its well-organized and trained management and well-equipped facilities. In recent times banking sector has become very competitive and without good and attractive facilities and services no bank can survive at this time. Dhaka Bank PLC is also trying to provide good service to keep going with this competition.

3.2 Vision, Mission, and Goal

3.2.1 Vision

At Dhaka Bank PLC, we draw our inspiration from the distant stars. Our vision is to ensure a standard that makes every banking transaction a pleasurable experience. Our endeavor is to offer you supreme service through accuracy, reliability, timely delivery, cutting-edge technology and tailored solutions for business needs, global reach in trade and commerce, and high yield on your investments.

Our people, products, and processes are aligned to meet the demands of our discerning customers. Our goal is to achieve a distinct foresight. Our prime objective is to deliver a quality that demonstrates a true reflection of our vision- Excellence in Banking.

3.2.2 Mission

To be the premier financial institution in the country providing high-quality products and services backed by the latest technology and a team of highly motivated personnel to deliver Excellence in Banking.

3.2.3 Goal

- Customer Focus
- Integrity
- Quality
- Teamwork
- Respect for the Individual
- Responsible Citizenship

3.3 Corporate Values

- Quality
- Customer focus
- Integrity
- Teamwork
- Respect for the individual
- Responsible citizenship

3.4 Banking System

- ME Banking
- Digital Banking
- Islamic Banking
- Syndications Banking

- Retail Banking
- Corporate Banking

3.5 Objectives of the Bank

- To create our state of the environment unprofessional and clean, we carefully measure the weather and changes in the environment and duteous.
- To fulfil our responsibilities to Govt. paying all the differences between taxes and duties and imperishable by different policies.
- Encourage employee success through cost-effective packages, support on-the-job skills through training, development and implementation.
- For our communications as a national company and our responsible partnership it is critical to the progress of the state.
- Making a profit with a good business is the organization that grows and increases the fair income of our members.
- Providing customers with quality products with continuous operations, refinement, improvement and completion of shipments.
- To be clear and top notch the industry supported the Tritium Spelt a legal and civil model work equipment in our mission and it mirrored itself in our dreams.

3.6 Corporate Social Responsibility

Dhaka Bank PLC Ltd has contributed to other projects, philanthropy and contribution to the improvement of its organization, which can be used as a tool to develop knowledge of development and design issues. To have a bridge with the whole goal of improving the company's equipment, various construction and direct support of others. Dhaka Bank PLC has 5 members on the CSR board based on the leadership of the director for the management and general management of funds in CSR finance. The Dhaka Financial Institution was established in 2002 as a non-governmental, non-governmental organization dedicated to volunteering, philanthropy and other activities to support advocacy goals. Like CSR operations, Dhaka bank PLC requires a two-year pre-tax profit.

Health

- Feed the eyes of the saints in the Bangladesh hospital and support the defense of religion.
- The 10-bed facility at Ahsania Cancer Hospital and General Hospital, also contributes to the health of underserved children.
- Free hospital care for women and children for the clinic taka. 10 million
- Donated to 2 hemodialysis systems and mobile to BIRDEM hospital and annual tk. 1.2 million to the organization of operating costs.

Disaster Relief

- Distribution of 10 kg of rice, 1 kg of legumes and 1 kg of gold to 10,000 families of Arai-hajar, Sirajdikhan and Belkuchi.
- Tk. 5 million flood victims.
- Dhaka Bank PLCs funded the company's business relationships by initially supplying classroom scales to the Dhaka Asian Company.

Social welfare

- BADC Faculty Sponsorship
- Funding is provided to the Scholastics Academic Development Trust to support and protect students' academic talents.
- Provides information on road safety, blood donation, eye care and AIDS prevention.
- Financial Assistance for Bangladesh 19-year-olds
- Help prevent drug conversations, provide uniforms to bank employees.
- Restoration Dhaka journalist.

Environment

- Dhaka Bank PLC Cascade in front of the Ministry of Foreign Affairs.
- He supported the city's transition to state reform through the Dhaka Institute for Urban Reform.

- Dhaka Financial Institution Office, the state exchange rate of Jashimuddin Crossing of Uttara costing 1.5m, and premixed in Dhaka Bank PLC Head has an operating cost of 1.2m.

3.7 Branches

The bank has a network of 100 branches across the country, 3 SME support centers, 6 CMS offices and 2 external deposit offices and communications providers worldwide. To expand the information network, the bank plans to open more branches in the current 12 months.

3.8 Management information System

Dhaka Banking Corporation announced in 1995 that it had developed a passion for the use of technology. It has entered the online market since 2003, after two financial software companies developed new software, most notably FLEXCUBE and DBCUBE. As the bank is in the process of presenting quality services around the world. The bank has started its work corporate portal (Intranet) with the aim of creating pre-configured and managed information, unwritten communications and management knowledge through IT / BPR and consolidated access for the first time to applications spread throughout the sector. The platform depends on the separation. Dhaka Company invested in creating a software system and supplying individualist is divided into fifty main counts.

3.9 Departments

If responsibilities are not improved determining their relationships and not categorized into special ones, it can be difficult to manage the work effectively. If departmentalization is not suitable for strategic purposes, there will be state errors and measurements of the selection panel will not be measured Dhaka Bank PLC fines for working. They are-

- Information Technology Department
- Audit and Risk Management Department
- Global Trade Department
- Personal Banking Department
- Investment Department
- Operation Department
- Central Accounts Department
- Human Resources Department

3.10 Business Units

There are seven completely different business units of Dhaka Bank PLC.

Capital Marketing Banking

Dhaka Bank Ltd has a significant presence in the country's capital. A specialty of the bank, the Securities and Exchange Commission is involved in the sale and receipt of funds in exchange and keep personal banking information. The latest update of the company's market capitalized shoe store prices and the stock market. Ability to manage Associate in Nursing Account included you can also get the capital department. In order to test the merits of an exchange, the agency must keep a minimum amount of money at the same time.

International Trade & Interchange Banking

Globalization is one of the key ventures managed by Dhaka Bank PLC. The bank company has a deep network of business services to communicate Global network and close relationships with financial institutions to manage some of the exchanges with potential banks. The main branches in Dhaka, which measure Narayanganj, Metropolitan and Sylhet four legs, with this. These facilities measure the density of market processes, Dhaka Bank PLC provides financial services for import and export business to users of small and large companies.

Information Technology Banking

Dhaka Financial Company has now launched the latest version of its fully online-based business. The system allows users to experience trading nationwide. Proper verification of the company Check with all the codes that make up each check and reject any duplicates. All signatures and number of users, including their images, can be identified from any console within all branches of the bank. Dhaka Bank PLC's goal is to create a real online business that not only can fully meet your time needs, but can decisively determine the new dimensions in World Bank.

Personal Banking

In order to cater to all aspects of modern business, Dhaka Bank PLC has been specializing in the development and introduction of new products and services through in-depth market research Dhaka Bank PLC announced its banking operations in 2003 and introduced electronic products such as bank cards, Dhaka Bank MasterCard and ATMs through select branches. These services have been appreciated by our customers. All products are different from the self-assessment class as below-

- Deposit Accounts
- Foreign dealing
- E-cash twenty-four-hour banking
- Online Banking
- Credit Card
- Personal Loan
- Lockers

Below is a set of equipment and resources for measuring current class sizes

- Saving A/C

- Current A/C
- STD A/C
- Fixed Deposit A/C
- DPS A/C
- Salary A/C

Corporate Banking

Dhaka Bank PLC Banking Services provide similar banking services in support of large and medium sized local organizations. The company's financial services are the most standardized type of business in a low-risk business. Dhaka Bank PLC jointly develops risk management systems to monitor and manage the quality of its products. Corporate Banking provides these services afterwards,

- Leasing
- Working Capital Loan
- Project Loan
- Syndicate Loan
- Import and Export
- Guarantee
- Letter of Credit (L/C)

Dhaka Bank PLC recognizes that the company's needs are different from one another and the answers are crucial to the success of their business. Dhaka Bank PLC participates in the business, financial supervision, investment and investment capital of the bank that creates prospects for the company.

Small and Medium Enterprise (SME)

To start an SME business in the People's Republic of Bangladesh, Dhaka Bank PLC is a venture capital firm. Many years ago there was time and energy to get to know the product market and their desires. PMI office has been working in risk management, can hide customers' needs and come back with a variety of payment models that can easily all customers for a long time.

Dhaka Bank PLC SME Company is now ready to meet all orders to meet the demand, demand and fulfilment of investments. Commodities have been modified to meet the needs of liability, providing the responsibilities and capital needs of a wide range of orders for outsourcing by market, business trade, international trade and private companies. In addition, the measurement of the square of the buyers of goods is export, import and export, commitment to the development of machinery and equipment, including SME capital investment capital lending in support of high economy, measuring a square of fifty buyers from rural areas. Now pound products from 12.00 to 15.00, for animal husbandry and therefore use the Republic of Bangladesh have little idea this is the benefits of measurement by financial institutions:

The World Health Organization regulates the financial services of small businesses, including Dhaka Bank PLC can make big profits. In 2008, Dhaka Bank PLC expanded its SME banking network to set up SME support services. These services are expected to develop a wide range of business services such as lending facilities for SME customers and intermediate locations. Dhaka Bank PLC participated in the SME Act 2009 at the Bangabandhu International Conference Centre on May 27, 2009.

3.11 Company Activities and Performances

➤ Paid up Capital

The paid up capital of Dhaka Bank PLC amounted to Tk. 1,547 million as on December 31, 2008 which was Tk. 100 million when the Bank started its operation. The total equity (capital and reserves) of the Bank as on December 31, 2008 stood at Tk. 3125 million.

➤ Deposits

A strong deposit base is critical for success of a bank. During the years the Bank has mobilized a substantial amount in deposits in transactional and savings account. The deposit base of the bank continued to register a steady growth and stood at Tk. 48,731

million excluding call as of 31 December 2008 compared to Tk. 41,554 million of the previous year registered a 17% growth.

➤ **Investment**

Dhaka Bank PLC has diversified its investment portfolio through Lease Financing, Hire Purchase, and Capital Market Operations besides the investment in treasury bills and Prize Bonds. The emphasis on high quality investment has ensured the bank to maximize its profit.

Dhaka Bank PLC is a member of the Dhaka Stock Exchange and Chittagong Stock Exchange. A specialized unit of the Bank, the Investment Division manages the Bank's portfolio and actively participates in the screen-based on-line trading of both the Stock Exchanges.

➤ **Profits**

Dhaka Bank PLC registered an operating profit of Tk. 2,010 million in 2008 compared to Tk. 1,183 million in 2007 making a growth of 70%. After all provisions including general provisions on unclassified loans, profit before tax stood at Tk. 1,531 million. Provision for tax for the year 2008 amounted to Tk. 827 million. The net profit of the bank as on 31 December 2008 stood at Tk. 704 million compared to previous year's Tk. 580 million making growth of 21%. Earnings per share (EPS) was Tk. 46.06 in 2008 compared to Tk. 45.17 in 2007.

➤ **Loans and Advances**

The Bank implemented the system of credit risk assessment and lending procedures by stricter separation of responsibilities between risk assessment, lending decisions and monitoring functions to improve the quality and soundness of loan portfolio. The Bank recorded a 17 % growth in advances with a local loans and advances portfolio of Tk. 39,972 million at the end of December 2008 compared to Tk. 34,049 million at the end of December 2007.

As of 31 December 2008, 96.85 % of the total Bank's loan portfolio was regular while only 3.15 % of the total portfolio was non-performing as compared to 1.64 % of 2007.

Bank made required provision as on 31 December against performing loans as per rate and classification norm provided by Bangladesh Bank. The volume of non-performing loans stood at Tk. 1,258 million in 2008 from Tk. 554 million in 2007. Of the total loan provision of Tk. 904 million, Tk. 465 million was general provision, which was 51 % of total provision. The rest Tk. 439 million was against the classified accounts.

1. Non-performing loan
2. Regular Loan

A wide range of business industries and sectors constitutes the Bank's advance portfolio. Major sectors where the Bank extended credit include steel and engineering, ship breaking, edible oil, sugar, housing and construction, pharmaceuticals, chemicals, electronic and automobiles, energy and power, service industries, trade finance, personal or consumer credit, leasing etc. The Bank continued to support Small and Medium Enterprises (SME) and expended credit facilities to them through its SME Cell.

Sector wise allocation of advances reveals a well-diversified portfolio of the Bank with balance exposure in different sectors. High concentration sectors are textile and garment industries with outstanding of Tk. 7,524 million, housing and construction with Tk. 4,093 million, food and allied industries with Tk. 2,949 million and engineering and metal including ship braking with Tk. 1,903 million as at 31 December 2008.

➤ **Customer Service**

Customer is in the core of everything a service-oriented company does. Accuracy, reliability, and timely delivery are the key elements of the Dhaka Bank's service. Well-qualified and experienced officials always prepared to provide efficient, personalized and quality service man Dhaka Bank PLC. The banks' prime objective is to provide high quality product and services to the customers. The bank also performs according to the needs of its corporate clients and provides a comprehensive range of financial services to national and multinational companies.

➤ **International Trade & Foreign Exchange**

International trade constituted the major business activity conducted by the bank. Dhaka Bank PLC offer a full range of trade finance services, namely, Issue, Advising and Confirmation of documentary Credits; arranging forward Exchange cover; Pre-shipment and post- shipment finance; Negotiation and purchase of Export bill; Discounting of bills of Exchange, Collection of bills etc.

In the year 2008, Dhaka Bank PLC was active in extending services to their valued clients related with import business. As of 31st December 2008 the import volume was Tk. 49,496 million compared to the volume of 2006 for Tk. 46,277 million marking as increase of 7% from the last year.

Dhaka Bank PLC experienced sound growth of export business in 2007 from 2006. The volume of export business rose to Tk. 31,081 million from Tk. 23,269 million in 2007 showing an increase of 34%.

➤ **Human Resources and Training**

The driving force behind Dhaka Bank PLC has always its employees. The bank recognizes that professional development of its people is vital to establishing workers as a provider of quality service. In this regard, the bank has expanded its training facilities and set up a full-fledged training institute at Sara Tower, Motijheel, Dhaka.

3.12 Policy objectives

- Maximize Bank's earning from loan portfolio
- Improve quality of loan portfolio to maximize earnings by:
 - a) To keep non-performing assets below 10%
 - b) Arresting new loans to become classified.

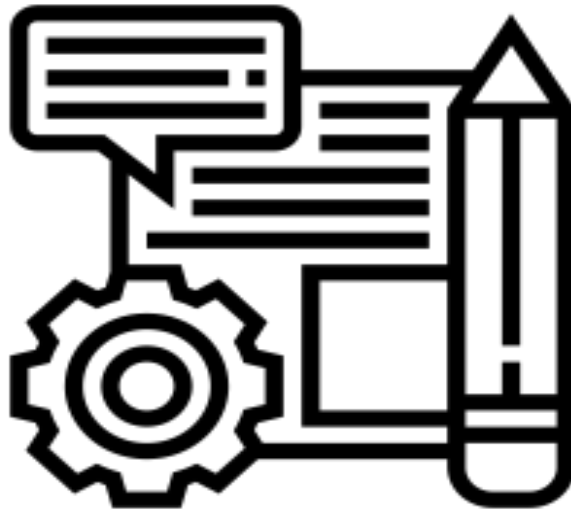
- Utmost emphasis on loan sanctioning is to be given in order to improve quality of the loan portfolio. Credit facilities are to be considered solely on viability of business / enterprises / project / undertaking having adequate cash flows to adjust the loans, and management capacity of the borrower to run the business profitably.
- Evaluate credit risks before sanctioning, which may hamper generation of the projected cash flows of the borrower and might delay or hinder repayment of bank's loan.
- Monitoring continuously performances of the financed projects / business / enterprises will be bank's main trust for ensuring repayment of the loan, and receiving early warning (EL) for taking timely corrective measures.
- Price the loans on the basis of loan pricing module of the bank focusing on risk rating of the borrower.
- Strict adherence to Bangladesh Bank's policy guidelines.

3.13 Lending guidelines

As the very purpose bank's credit strategy is to determine the risk appetite of the bank, so bank's focus should be to maintain a credit portfolio to keeping in mind of our risk absorbing capacity. Thus its strategy will be invigoration loan processing steps including identifying, measuring, containing risks as well as maintaining a balance portfolio through minimizing loan concentration, encouraging loan diversification, expanding product range, streamlining security, insurance etc. as buffer against unexpected cash flow.

Chapter - 04

Theoretical Framework



4.1 Bank

A bank is a financial institution that creates credit by lending money to a borrower, thereby creating a corresponding deposit on the bank's balance sheet. Lending activities can be performed either directly or indirectly through capital markets. Under English common law, a banker is defined as a person who carries on the business of banking, which is specified as conducting current accounts for his customers, paying cheques drawn on him/her, and collecting cheques for his/her customers

A bank performs an essentially distributive task, service or acts as an intermediary between borrowers & lenders. In broader sense, however, a bank can be considered the heart of a complex financial structure. – American Institute of Banking. Receiving from the general public money on current, deposit, savings or other similar account repayable on demand or within less than [3 months] ... or with a period of call or notice of less than that period; paying or collecting checks drawn by or paid in by customers.

4.2 Banking

Banking is the backbone of national economy. All sorts of economic and financial activities revolve round the axis of the bank. As the industry produces goods and commodities, so does the bank creates and controls money-market and promotes formation of capital. From this point of view, banking-a technical profession- can be termed as industry. Services to its customers are the products of banking industry besides being a pivotal factor in promoting capital formation in the country. As all economic and fiscal activities revolve round this important 'Industry', the role of banking can hardly be over emphasized. Circumstances being such, it becomes imperative to find out the role that now playing in the country and analyze its operational aspects so as to ascertain the importance of this delicate financial sector and its overall impact on our national economy. To ascertain the role of banks and to analyze its operational aspects and its overall impact on our national economy a thorough study as to its distribution, expansion and contribution is essential to comprehend its past, present and future bearings for the growth and development of the banking sector of the country. In the global context, the role of banks is far - reaching and more

penetrating in the economic and fiscal discipline, trade, commerce, industry, export and import- all carried through the bank. Banks are the only media through which international trade and commerce emanate and entire credit transactions, both national and international.

4.3 General Banking

It is the starting point of all the banking operations. The General Banking Department is considered as the direct customer service center. It provides the foundation of the banker-customer relationship. This is an era of keen competition among Banks. General banking consists of the management of deposits, cash, clearing house, bills, account opening, security instruments handling, customer services, locker facilities, and other ancillary services of the bank besides Advance and Foreign Trade.

4.4 Disbursement of Loan

Right of payment or shell out payment. Deductions may include operating expenses, cash transfers, dividends, and attorneys' fees to be paid by a person involved in the transaction.

4.5 Different Categories of Loan

➤ **Continuous Loan: CC Mortgage**

This type of loan is offered to entrepreneurs. It is a place to borrow more. The borrower receives a loan amount limited to certain limits and is unable to repay the deductible once. They are mortgages. Interest is only charged on withdrawals. The information on these loans can be as follows:

- Memorandum of deposit of title
- Letter of revival

- Supplementary agreement for letter of hypothecation
- Letter of continuity
- Letter of guarantee
- Letter of undertaking
- Letter of authority
- Letter of arrangement
- Demand promissory note
- Pay slip

Disbursement procedure

- Land valuation
- Stock report
- Personal net worth statement
- Field verification report
- Confidential report from local bank
- CIB report from Bangladesh Bank
- A/C statement
- Trade license is also required

Mortgage

- Original deed
- Current rent receive
- Legal opinion
- Irrevocable power of attorney for sale mortgagee property
- Registered mortgage of Land

➤ **Term Loan**

House Building

This loan is restricted for only making house building of business. The term of this credit is up to 18 years. The amount of given loan is 70% of total value.

Lease Finance

This loan is sanctioned for purchasing factory equipment's, automobile and other machineries.

Loan Secured

This type of loan is given against DBDS, MSS, MSP, FDR and others scheme for the term one year only. In such case, the amount of loan given by a branch is 80 % of the above instrument.

➤ **SME Loan**

This type of loan is sanctioned to the businessmen only. Two granters & Business documents are required in such case. The amount of given loan is 50,000 to 5,000,000. The loan must be repaid with 12/24/36 instalment. Some other credit facilities are available in DBL given below

- LTR
- SOD general earnest
- SOD against work order
- Staff loan house building
- Doctors credit scheme etc.

➤ **Loan facilities in DBL**

The bank's loan and advance portfolio also indicates an impressive growth. There are various types of loan facilities. The main loan elements have been show in the following table.

Table 01 - Types of Loan & interest rate

Types of Loan	Interest rate
House building loan	9%
Personal Loan	16%
Loan secured	16%
C.C Hypothecation	16%
P.A.D Cash	16%
SOD Agt. General	16%
SOD Agt. Earnest money	16%
SOD Agt. Special scheme	15.5%
SOD Agt. Work order	16%
SOD Agt. FDR	11-15.5%
Staff Loan Car	5%
Staff Loan house building	5%

➤ **Loan Disbursement Procedure**

The bank provides loans by collecting savings and other finances. This branch offers a variety of mortgage positions. Before withdrawing the loan, the bank follows the procedure following the decision below-

Application for Loan

A borrower applies for a loan in advance for the purpose of repaying some loans, taking into account certain necessary documents and information.

Credit Investigation

Bank loans for suppliers; therefore, it should return to normal activity.

- **Selection of the borrower**

Careful and thorough training of the mortgage industry should be a good option for lenders. Therefore, the borrower must identify the 5Cs of the character, capacity, capital, liability and status of the borrower.

- **Lending principles**

The banker should consider the structure of the loan. These are: security, protection, convenience, profitability, purpose, national interest, diversity.

- **Personal Interview**

Assessment of attitudes, skills, aspirations, knowledge and more.

- **Collect Information from various Sources**

Company information, loan documents, locations certificates, notifications from friends and relatives elsewhere.

Credit proposal appraisal

- Planning, organizing, marketing etc.
- Cash flow, income statement
- Profitability, cost, demand of sales
- Location, land & building, product, raw material
- The following have to be considered for these feasibility testing.

Documentation

Pre-acceptance is for listening only. The bank won't want to improve security first. The bank lends the product on the basis of private ownership, which is liquid, easy to make, easy to market, product name, easy to store, stable in its market value.

The bankers create charge on the security by following methods:

- **Lien**

It is the right to retain the property or goods of the borrower as security until the debt are adjusted. In this case the banker can only hold the possession of the goods; he can sell them after giving reasonable notice to the borrower.

- **Ledge**

It is created only for movable property like goods, document etc. In case of it the ownership of goods remains with the banker but possession of goods rests with the loan.

- **Mortgage**

Only immovable properties are kept under mortgage total possession of the property is not transferred, only the interest is transferred. In case the mortgager fails to repay the loan the bank gets right to recover the debt out of the sale of the mortgage property.

Classification of securities

- **Personal**

Personal bond, promissory note, letter of acceptance etc.

- **Impersonal**

Land, shares, building, stocks, goods etc.

- **Direct/Indirect**

Direct security is deposited by the customer himself and the indirect is deposited by the third parts. -Advance against FDR -Advance against insurance policies. -Advance against hypothecation and pledge.

Collateral

It means these guarantees, which run in parallel or side by side with the right of self-determination against the debtor in the event of a previous conflict. The types of safety are: certificate, belt, insurance policies and equity loans.

Guarantee

In the event that security and self-certification is not considered sufficient for the depositor, then he can request confirmation from a third party that his funds and credit have been obtained from the bank.

Execution of Document

It is the process of stamping the card. If he commits a crime, he must withdraw. Therefore, it is necessary to sign correctly and have the written permission of the administration. The next thing to see while filming,

- Documents should be kept safely
- Should not have cutting, overwriting
- The entire page is to be signed by all the executants
- Specimen signature
- The documents filed by the executants correctly

4.6 General Procedures of Loan

Approval Process

The approval process includes the separation of Joint venture / Business Management (RM) by consent approval. The responsible for preparing for this loan application Relationship management. The loan application is approved by the RM team and submitted to the CRM for review and measurement. Subsequent loans from the special approval committee. DBL has launched various initiatives, for which the approval of the Company Administration requires prior approval for CRM and subsequent approval, the right to consent.

- Application to the area office or headquarters for examination by the ZCRO or HCRO.
- Recommend the review when recommending branches.
- ZCRO / HCRO supports and forwards to the Head of Business Units (HOBU) within their delegated authority and the Credit Risk Manager (HOCR) for further recommendations.
- HOCR recommends revision to ZCRO.
- HOCR and HOBU support and transmit to the Credit Committee.
- The Credit Committee recommends the decision according to the delegated authority to HOCR and HOBU.
- The Credit Committee shall forward the EC / Council proposal for approval to the respective authorities.
- The EC / Council advise the decision to the HOCR and the HOBU.

The licensing process will vary in DBL; it depends on the type of product and the evidence. For example, loans to companies and SMEs are understaffed due to the wide range of risks. On the other hand, consumer credit is the most common process to become a model of commodity and human risk. Accordingly, loan applications for consumers may be submitted to consumer management after the law allows this.

4.7 Types of credit facilities

The bank will go for:

- Term financing for new projects and BRME of existing projects (Large, Medium, SE)
- Working capital for industries, trading, services and others (Large, Medium, SE)
- Import and export Finance
- Lease Finance
- Consumer Finance
- Fee Business

- Islamic mode of finance

4.8 Single borrower/ Group limits / Large Loans / Syndication

The limit for single client/group under one obligor concept will be as under:

- The total credit facilities by a bank to any single person or enterprise or organization of a group shall not at any point of time exceed 35% of the bank's total capital subject to the condition that the maximum outstanding against fund based financing facilities (fund facilities) shall not exceed 15% of the total capital.
- Non-funded credit facilities, e.g. letter of credit, guarantee etc. can be extended to a single large borrower. But under no circumstances, the total amount of the funded and non-funded credit facilities shall exceed 35% of bank's total capital
- However, in case of export sector, single borrower limit shall be 50% of the bank's total capital. But funded facilities in the form of export credit shall not 15% of the total capital.

4.9 Large loan

- Loan sanctioned to any individual or enterprise or any organization of a group amounting to 10% or more of bank's total capital shall be considered as large loan.
- The bank shall be able to sanction large loans as per the following limits set against their respective classified loans:

Table 02 – Interest Rates of Loans

Rate of net classified loans	The highest rate fixed for large loans against the bank's total loans & advances
Up to 5%	56%
More than 5% but up to 10%	52%
More than 10% but up to 15%	48%
More than 15% but up to 20%	44%
More than 20%	40%

- In order to determine the above maximum ceiling for large loans, all non-funded credit facilities e.g. letter of credit, guarantee etc. shall also be considered to arrive 50% credit equivalent. However, the entire amount of non-funded credit facilities shall be included while determining the total credit facilities provided to an individual or an enterprise or an organization or a group.
- A Public Limited Company, which has 50% or more public share holdings, shall not be considered as an enterprise / organization of any group.
- In case of credit facilities provided against government guarantees, the aforementioned restrictions shall not apply
- In the case of loans backed by cash and excusable securities (e.g. FDR), the actual lending facilities shall be determined by deducting the amount of such securities from the outstanding balance of the loans.
- Banks shall collect the information to the borrowers from Credit Information Bureau (CIB) of Bangladesh Bank before sanctioning, renewing or rescheduling loans to ensure that credit facilities are not provided to defaulters.
- Banks shall perform Lending Risk Analysis (LRA) before sanctioning or renewing large loans. If the rating of an LRA turns to be “marginal”, a bank shall not sanction large loan, but it can consider renewal of an existing large loan taking into account other favorable conditions and factors. However, if the result of an LRA is unsatisfactory, neither sanction nor renewal of large loans shall be considered.
- While sanctioning or renewing large loan, a bank shall assess borrower's overall debt repayment capacity taking into consideration the borrower's liabilities with other banks and financial institutions.

- A bank shall examine its borrower's Cash Flow Statement, Audited Balance Sheet, income Statement and other financial statement to make sure that the borrower has the ability to repay the loan.

4.10 Term Financing and Syndication

Like large volume of loan, long term financing is one of the riskiest areas of the bank because of long duration of repayment. Long duration casts uncertainties on repayment as variable with which financial and other projections are made very widely in a dynamic global economic scenario.

Thus utmost care is to be exercised while considering long term financing

- Long term relationship with the borrower is prerequisite for considering term financing
- Due diligence is to be exercised for accessing viability of the projects in terms of Management ability, Market gap, Technical suitability, Financial viability.
- Information on projects should be adequate and reliable
- Minimum information for project viability analysis is to be given.

4.11 Syndication

Syndication means joint financing by more than one bank to the same clients against a common security basically, to spread the risk. It also provides a scope for an independent evaluation of risk and focused monitoring by the agent / lead bank.

In syndication financing banks also enter into an agreement that one of the lenders may act as Lead Bank, who has to co-ordinate the activities at various stages of handling the proposal i.e. appraisal, sanction, documentation sharing of the security, disbursement, inspection, follow – up, recovery etc. it may also call meetings of syndication members, whenever necessary to finalize any decision

4.12 Discouraged business types

In the context of present economic situation vis-à-vis government policy as well as market scenario, the following industries and lending activities are considered as discouraged

- Military Equipment / Weapon Finance
- Highly leveraged Transactions
- Finance of speculative business
- Logging, Mineral Extraction/ Mining or other activity that is ethically or environmentally sensitive
- Lending to companies listed on CIB black list or known defaulters
- Counter parties in countries subject to UN sanctions
- Share lending
- Taking an equity stake in borrowers
- Lending to holding companies
- Bridge loans relying on equity / debt issuance as a source of repayment

4.13 Loan facility parameters

Size: Funded: maximum 15% of Bank's total capital: Funded + Non Funded:

- Shall not exceed 35% of bank's total capital
- Maximum 50% of Bank's total capital for export sector. (Funded facility shall also not exceed 15% of bank's total capital).

Tenor: Short term: Maximum 12 months

Medium Term: Maximum 5 years

Long Term: Maximum 15 years

Margin: To be determined by Banker Customer relationship and nature of business.

Security: Return of Banks funding to any business is ensured primarily on the cash flow of the business. A smooth flow of cash in the business requires efficient management competence in conducting the business in a given market. However, as the market never remains stable owing to various uncontrollable factors, the continuity of well-managed business cash flow is difficult to visualize in the long run. As such to ensure realization of Banks finance in case of any eventuality, other adequate security coverage deemed necessary with a view to protect interest of the bank.

4.14 General Covenants

- Bank shall not extend any credit facility to any defaulter as defined in the bank company act 1991(clean CIB report required.)
- The borrower shall have valid Trade license,
- In case of partnership firm there must be a partnership deed duly notarized / registered.
- Limited Company must be registered with the Registrar of Joint Stock Company.
- Directors and other loans will be subordinated to Dhaka Banks loan. Directors loan (if any) will be interest free and no dividend will be declared/paid before full adjustment of Term Loan of Dhaka Bank PLC.
- The borrower shall submit annual audited/un-audited/projected financial statements regularly where applicable.
- The borrower shall maintain current ratio of not less than 1.5 times.
- The borrower shall obtain and maintain in full force and effect all Government of Bangladesh (GOB) authorizations, licenses and permits required to implement and operate Borrowers business.
- The borrower shall maintain all insurance as detailed in Loan Documents.
- The borrower shall maintain satisfactory swing/turnover of the limit in case of continuous loans/advance.
- The borrower shall pay all fees, duties, taxes etc., that are due to the Government of Bangladesh (except where waivers or deferrals have been granted by Government of Bangladesh) when due.

4.15 Events of Default

The bank will have the right to call back the Loan/Advance in the event of default under the following circumstances:

- Failure to repay
- Breach of Covenants of the loan agreement.
- Bankruptcy or liquidation or insolvency event affecting the Borrower.
- Occurrence of a material adverse change in the financial position of the Borrower.
- Any change in GOB directives, which in the opinion of the Lenders would prejudice the Borrower's ability to meet the financial obligations in respect of this facility,

Chapter – 05

Evaluation of Loan Disbursement and Recovery of System



5.1 Credit Assessment and Risk Grading

A thorough credit and risk assessment is to be conducted prior to the granting of loans, and at least annually thereafter for all facilities. The results of this assessment shall be present in a Credit appraisal that originates from the Relationship Manager/Accounts Officer (RM) and approved by Credit Risk Management (CRM). The RMs should be the owner of the customer relationship, and will be held responsible to ensure the accuracy of the entire credit application submitted for approval. RMs shall follow the Banks' lending guidelines and shall consult due diligence on new borrowers, principals and guarantors.

It is essential that RMs know their customers and conduct due diligence on new borrowers. Principals and guarantors to ensure such parties are in fact who they represent themselves to be. The RMs shall adhere to the Banks established Know Your Customer (KYC) and Money laundering guideline at all times.

Credit proposals shall contain summarizing of the results of the RMs risk assessment and include, as a minimum, the following details:

- Amount and type of loans proposed,
- Purpose of loans,
- Loan structure (Tenor, Covenants, Repayment schedule, Interest)
- Security arrangements.

In addition, the following risk areas to be addressed:

- **Borrower Analysis:** The majority shareholders, management team and group of affiliate companies shall be assessed, any issue regarding lack of Management depth, complicated ownership structures of inter group transactions shall be addressed, and risk mitigated.
- **Industry Analysis:** The key risk factors of the borrower's industry shall be assessed. Any issues regarding the borrower's position in the industry, overall industry concerns or competitive forces shall be addressed and the strengths and weaknesses of the borrower relative to its competitor shall be identified.

- **Supplier/buyer Analysis:** Any customer or supplier concentrating shall be addressed, as these will have a significant impact on the future viability of the borrower.
- **Historical Financial Analysis:** An analysis of a minimum of 3 years historical financial statements of the borrower shall be presented, where reliance is placed on a corporate guarantor, guarantor financial statements shall also be analyzed. The analysis shall address the quality and sustainability of earnings, cash flow and the strength of the borrower's balance sheet. Specifically, cash flow, leverage and profitability must be analyzed.
- **Projected Financial Performance:** Where term facilities (tenor 1 year) are being proposed, a projection of the borrower's future financial performance should be provided, indicating an analysis of the sufficiency of cash flow to service debt repayments. Loans should not be granted if projected cash flow is insufficient to repay debts.
- **Account Conduct:** For existing borrowers the historic performance in meeting repayment obligations (trade payments, Cheques, interest and principal payments etc., should be assessed)
- **Adherence to lending Guidelines:** Credit applications should clearly state whether or not the proposed applications are in compliance with the Banks' lending Guidelines. The Banks Head of Credit or Managing Director will approve Credit Applications that do not adhere to the banks' lending guidelines.
- **Mitigating Factors:** Mitigating factors for risk identified in the credit assessment should be identified. Possible risks include, but are not limited to merging sustainability and/or volatility, high debt load (leverage/gearing), overstocking or debtor issues, rapid growth, acquisition or expansion new business line/product expansion, management changes or succession issues customer or supplier concentrations and lack of transparency or industry issues.
- **Loan Structure:** The amount and tenors of financing proposed should be justified based on the projected repayment ability and loan purpose. Excessive tenor or amount relative to business needs lead to increase the risk of fund diversion and may adversely impact the borrower's repayment ability.

- **Security:** A current valuation of collateral should be obtained and the quality and priority of security being proposed should be assessed. Loan should not be granted based solely on security. Adequacy and the extended of the insurance coverage should be assessed.
- **Name Lending:** Credit proposals should not be unduly influenced by an over reliance on the sponsoring principal’s reputation, reported independent means or their perceived willingness to inject funds into various business enterprises in case of need. These situations should be discouraged and treated with great caution. Rather, credit proposals and the granting of loans should be based on sound fundamentals, supported by a thorough financial and risk analysis.

5.2 Facility Wise Charge Documents

Table 03 – Documents for loans

L/C	LTR	BG	TL	CC Hypo/CC Pledge (Key Stock to Bank)
Promissory Note	Promissory Note	Promissory Note	Promissory Note	Promissory Note
Letter of Undertaking	Letter of Undertaking	Letter of Undertaking	Letter of Undertaking	Letter of Undertaking
A/C Balance confirmation Slip	A/C Balance confirmation Slip	A/C Balance confirmation Slip	A/C Balance confirmation Slip	A/C Balance confirmation Slip
Letter of Continuity	Letter of Continuity	Letter of Continuity	Letter of Continuity	Letter of Continuity
Letter of Revival	Letter of Revival	Letter of Revival	Letter of Revival	Letter of Revival
Letter of Guarantee for Opening L/C	Loan Disbursement Letter	General Counter Guarantee	Loan Disbursement Letter	Loan Disbursement Letter

Right of recall the loan	Trust Receipt	Right of recall the loan	Right of recall the loan	General Letter of Hypothecation/ General Letter of Pledge
	Right of recall the loan			Right of recall the loan
General & Collateral Agreement	General & Collateral Agreement	General & Collateral Agreement	General & Collateral Agreement	General & Collateral Agreement

5.3 Approvals Authorities

The authority to sanction/ approve loans is delegated to Senior Executives by the Managing Director & Board based on the executive's knowledge and experience. Approval authority is delegated to individual executives and not to committees to ensure accountability. The following guidelines in the approval/ sanctioning of loans:

- Credit approval authority is delegated in writing from the MD & Board.
- Delegated approval authorities are reviewed by Board/ MD from time to time
- The credit approval function is separate from the marketing/ relationship management (RM) function.
- The role of credit committee is restricted to only review of proposals i.e. recommendations.
- Approvals shall be evidenced in writing or by electronic signature.
- Executives within the authority limit delegated to them by the MD authorize all credit risks.
- Credit approval is centralized within the CRM function. The Board/Managing Director/Deputy Managing Director/Head of Credit/Delegated Head Office Credit Executive shall approve all large loans.
- The Managing Director delegates authority to each individual in writing.
- All the officials in different ranks their delegated authority for conducting day to day business of the bank judiciously prudently abiding by the directives,

circulars, standing instructions/order issued by the bank and or Bangladesh Bank from time to time and conforming to the credit policy of the Bank.

- The Managing Director has the right to exercise lending authority delegated to other executives having authority lower than him.
- The Managing Director is authorized to sub-delegate his business discretionary authority, if deemed necessary.
- The Managing Director further has the right to suspend/and or withdraws either partially or fully the business discretionary authority delegated to any subordinate officials.

5.4 Risk Management

➤ Credit Risk

The credit risk is managed by the CRM Division, which is completely segregated from business / sales. The following elements contribute to the management of credit risk. The Credit risk associated with the products is managed by the following:

- Loans will be given only after proper verification of customer's static data and after proper assessment & confirmation of income related documents, which will objectively ascertain customer's repayment capacity.
- Proposals will be assessed by CRM Division completely separated from business / sales.
- Every loan will be secured by hypothecation over the asset financed, and customer's authority taken for re-possession of the asset in case of loan loss.
- There will be dedicated 'collection' force that will ensure timely monitoring of loan repayment and its follow up.

➤ Contact Point Verification

Contact Point Verification should be done whenever possible for all applicants. The external CPV includes residence, office and telephone verifications.

➤ **Third Party Risk**

In case of third party deposits/ security instruments, banks should verify third party's signature against the specimen attached to the original instrument and bank will also send the instrument to the issuing office for their verification and written conformation on lien marking and encashment of the instrument.

➤ **Fraud Risk**

There is an inherent fraud risk in any lending business. The most common fraud risks are:

➤ **Application Fraud**

The applicant's signature may not be verified for authenticity. However, the applicant's identity should be confirmed by way of scrutiny of identification and other documentation.

There always remains the possibility of application fraud by way of producing forged documents. However, bank should be aware of this threat.

➤ **Liquidity and Funding Risk**

This risk should be managed and the position monitored by the Asset Liability Committee headed by the Managing Director of the bank.

➤ **Political and Economic Risk**

Political and economic environment of a country play a big role behind the success of business. The Banks should always keep a close watch in these areas so that it is able to position itself in the backdrop of any changes in country's political and economic scenario.

➤ **Operational Risk**

For SEF, the activities of front line sales and behind-the-scene maintenance and support are clearly segregated. Credit & Collections Unit (CCU) will be formed.

CCU will manage the following aspects of the product:

- a) Inputs, approvals, customer file maintenance, monitoring & collections
- b) The operation jobs like disbursal in the system including rising debit standing orders and the lodgment and maintenance of securities

Type 'a' jobs & type 'b' jobs will be handled by separate teams within CCU; therefore, the risk of compromise with loan / security documentation will be minimal.

➤ **Maintenance of Documents & Securities**

CCU or Operations Unit will hold the applications and other documents related to SE loans in safe custody. All this documents will go under single credit file per customer.

The physical securities and the security documents will be held elsewhere inside fireproof cabinets under CCU's or Operation's custody.

➤ **Internal Audit**

Audits should be carried out on a regular or periodically to assess various risks and possible weaknesses and to ensure compliance with regulatory guidelines, internal procedures, and Credit Risk Management Policy Guidelines and Bangladesh Bank requirements.

5.5 Appeal Process

Any declined credit may be re-presented to the next higher authority for reassessment /approval through HOCB. However, there should be no appeal process beyond the Managing Director.

Credit Administration

The Credit Administration function is critical in ensuring that proper documentation and approvals are in place prior to the disbursement of loan facilities. For this reason, it is essential that the functions of Credit Administration be strictly segregated from Relationship Management/Marketing in order to avoid the possibility of controls being compromised or issues not being highlighted at the appropriate level.

Disbursement

- Security documents are prepared in accordance with approval terms and are legally enforceable. Bank's standard loan facility documentation reviewed by legal counsel are used in all cases.
- Disbursements under loan facilities are only to be made when all security documentation is in place. CIB report should reflect/include the name of all the lenders with facility, limit & outstanding. All formalities regarding large loans & loans to Directors should be guided by Bangladesh Bank circulars & related section of Banking Companies Act. All Credit Approval terms have been met.

Custodial Duties

- Storage of security documents are maintained at the branch jointly by two authorized officers within RM Team.
- Appropriate insurance coverage is maintained (and renewed on a timely basis) on assets pledged as collateral.
- Security documentation to be held under strict control, preferably in locked fireproof iron-safe at branches under dual custody.

Compliance Requirements

- Ensure all excess & exceptions are approved from the appropriate credit discretion level.
- All required Bangladesh Bank returns are to be submitted in the correct format in a timely manner.

- Bangladesh Bank circulars/regulations are to be maintained and advised to all relevant departments to ensure compliance.
- All third party service providers (valuators, lawyers, insurers, CPAs etc.) are to be approved. List of Lawyers to be enlisted and approved and circulated accordingly.

5.6 Credit Monitoring

To minimized credit losses, monitoring procedures and systems are in place that provides an early indication of the deteriorating financial health of borrower. At a minimum, systems should be in place to report the following exceptions to relevant executives in CRM and RM team.

- Past due principal or inters payments, past due trade bills, account excesses, and breach of loan covenants:
- Loan terms and conditions are monitored, financial statements are received on a regular basis, and any covenant breaches or exceptions are referred to HO Credit for timely follow-up.
- Timely corrective action is taken to address findings of any internal, external or regulator inspection/audit.
- All borrower relationships/loan facilities are reviewed and approved through the submission of a Credit Application at least annually.

Early Alert Process

An Early Alert Account is one that has risks or potential weaknesses of a material nature requiring monitoring, supervision, or close attention by management.

If these weaknesses are left uncorrected, it may result in deterioration of the repayment prospects with a likely prospect of being downgraded to CG 5 or worse, within the next twelve months.

Early identification, prompt reporting and proactive management of Early Alert Accounts are prime credit responsibilities of all Relationship Managers, An Early Alert

report completed by the RM sent to the approving authority in CRM for any account that is showing signs of deterioration within seven days from the identification of weaknesses.

If there are other concerns, such as breach of loan covenants or adverse market rumors that warrant additional caution, an Early Alert report is sent to CRM.

5.7 Credit Recovery

The Recovery Division at Head Office directly manages accounts with sustained deterioration (a Risk Rating of Sub Standard (6) or worse). Account graded 4-5 transferred to the Recovery Division for efficient exit based on recommendation of CRM and Corporate Banking.

The Recovery Division's primary functions are:

- Determine Account Action Plan/Recovery Strategy
- Pursue all options to maximize recovery.
- Ensure adequate and timely loan loss provisions are made based on actual and expected losses.
- Regular review of grade 6 or worse accounts.

NPL Account Management:

All Non-Performing loans are assigned to an Account Manager. Within the recovery Division, for coordinating and administering the action plan/recovery of the accounts, and should serve as the primary customer contact after the account is downgraded to substandard.

Account Transfer Procedures:

Recovery Units should ensure that the following is carried out when an account is classified as Sub Standard or worse:

- Facilities are withdrawn or repayment is demanded as appropriate. Any drawings or advances should be restricted, and only approved after careful scrutiny and approval from HO Credit.
- CIB reporting is updated according to Bangladesh Bank guidelines and the borrower's Risk Grade is changed as appropriate.
- Loan loss provisions are taken based on Force Sale Value (FSV)
- Loans are only rescheduled in conjunction with the Large Loan Rescheduling guidelines of Bangladesh Bank. Any rescheduling should be based on projected future cash flows, and should be strictly monitored.
- Prompt legal action is taken if the borrower is uncooperative.

Non-Performing Loan (NPL) Monitoring:

On a quarterly basis, a Classified Loan Review (CLR) is prepared by Recovery Division Account Managers to update the status of the action/ recovery plan, review and assess the adequacy of provisions, and modify the banks strategy as appropriate.

NPL Provisioning and Write Off:

The guidelines established by Bangladesh Bank for CIB reporting, provisioning and write off of bad and doubtful debts and suspension of interest are followed in all cases. Provisions are raised against the actual and expected losses at the time they are estimated. The approval to take provisions, write offs, or release of provisions/upgrade of an account are restricted to MD/ Board.

The Recovery Division Account Manager determines the Force Sale Value (FSV) for accounts grade 6 or worse. Force Sale Value is generally the amount that is expected to be realized through the liquidation of collateral held as security. Any shortfall of the Force Sale Value compared to total loan outstanding is fully provided when an account is downgraded to grade 7.

5.8 Collection & Remedial Management

Monitoring

Banks loan portfolio should be subject to a continuous process of monitoring. This will be achieved by regular generation of over limit and overdue reports, showing where facilities are being exceeded and where payments of interest and repayment of principle are late. There should be formal procedures and a system in place to identify potential credit losses and remedial actions has to be taken to prevent the losses.

Recovery

The collection process for SE loans start when the borrower has failed to meet one or more contractual payment (installment). It therefore, becomes the duty of the Collection Department to minimize the outstanding delinquent receivable and credit losses.

This procedure has been designed to enable the collection staff to systematically recover the dues and identify / prevent potential losses.

Collection objectives

The collector's responsibility will commence from the time an account becomes delinquent until it is regularized by means of payment or closed with full payment amount collected.

The goal of the collection process is to obtain payments promptly while minimizing collection expense and write-off costs.

Identification and allocation of accounts

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

Chapter – 06

Findings, Recommendations & Conclusion



6.1 Findings

Dhaka Bank PLC provides all the general banking services very efficiently and effectively but still, it has a lot of scope to improve the quality of the services. Some findings have given below –

- In corporate partnerships, sometimes small loans are not issued to small investors, which is why the bank loses small investments.
- DBL Pays high interest on loans that affect the interest of loan users.
- In general, mortgage loans are best made by the central office, which sometimes creates problems for branches in choosing the right consumer.
- The loan application evaluation process is lengthy. As a result, customer value sometimes decreases.
- They have only 100 branches all over the country, which is lower than other commercial banks.
- They have few kind of mortgage products, which is not sufficient to compete in the market.

6.2 Recommendations

To be more competitive and improve its performance, Dhaka Bank PLC has to maintain and follow a few recommendations. Those are given below -

- Dhaka Bank PLC Small loans should be given to small companies so that they can attract small investors.
- Dhaka Bank PLC Interest rates on loans should be reduced to keep consumers satisfied with the loan.
- Mortgages and lenders need to recruit more experienced people to provide better service to customers in the industry.
- The loan application review process should be shortened, so that the beneficiaries are not lost.
- They have to increase the number of branches all over the county.
- Dhaka Bank PLC needs to increase its mortgage products to make the market more competitive.

6.3 Conclusion

Dhaka Bank PLC offers trading services to almost all companies. Based on the number of branches defined, the Bank has not yet limited its operations in our country, but it should also be noted that in the next few years from its establishment, no bank will be able to live up to the current DBL. When looking at different labels, it turned out that. Authorize and pay for investments, savings, loans, and more. Credit management, foreign investments, assets, corporate investments! Share the good business partnership, follow the rules given by the Securities and Exchange Commission, etc. it is appropriate to the quality at the level of interest. The bank is managed by a team of professionals who are well managed and manage the bank. It is now gradually moving towards automation and this will not allow for any discrepancies. The bank now strictly monitors and establishes partnerships with foreign investors, which makes the NBR speech easier and shorter. All this means that they have successfully won the trust of people and companies in our country.

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