

INTERNSHIP REPORT
ON
GENERAL BANKING OF IFIC BANK

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To

REZA FAKHRUZZAMAN

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Subject: Letter of Submission

Dear Sir,

With due respect, I am submitting this Internship Report on **GENERAL BANKING OF IFIC BANK** Under the requirement of BBA curriculum.

I thank you for giving me the opportunity to acquire these learning and hereby I am submitting the Internship Report. I shall be honored to provide you any additional information if necessary.

Sincerely

MANOAR RAIHAN FERDOUS

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BBA Program (^{4TH} Batch

ACKNOWLEDGEMENT

For the preparation of the report, I am grateful to various individuals. Here I want to mention them. First of all, I am very much grateful to my faculty supervisor **REZA FAKHRUZZAMAN** as he asked me to concentrate only one issue and make a focus in depth, so that, I worked only with “*GENERAL BANKING*” and learned much of it. His guidance and suggestions made my works easier.

I would like to express my gratitude I am grateful to Mr. Abdus Sabur Khan (SPO) Head of Operation, National Bank Limited and Mr. Nazmul Ahsan (Manager), Standard Chartered Bank for allowing me to work with them on this project and provide necessary support to me. They has availed me with their best support.

I want to thank my organizational supervisor Md. Ariful Hoque, Executive Officer, Information Technology Division of IFIC BANK LIMITED to assist me with advice and information during this project. Truthfully, they give me the concept and appropriate direction to work in this paper. I am beholden to them for their information about the present circumstances and future prospect of card business in Bangladesh.

Lastly, I would like to thank all of my family members and friends.

MANOAR RAIHAN FERDOUS
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CHAPTER ONE: INTRODUCTION

1. INTRODUCTION:

In general sense we mean “Bank” as a financial institution that deals with money. There are different types of banks like Central bank, Commercial bank, Savings bank, Investment bank, Merchant bank, Co-operative bank etc. But when we use the term bank it generally means ‘commercial bank’ that collects the deposit from surplus unit of the society and then lends the deposits to the deficit units.

Now-a day’s banking sector is modernizing and expanding its hand in different financial events every day. At the same time the banking process is becoming faster, easier and is becoming wider. In order to survive in the competitive field of the banking sector all organizations are looking for better service opportunities to provide their fellow clients. So it has become essential for every person to have some idea on the bank and banking procedure.

Internship program so called work attachment program is essential for every BBA student because it helps him or her to acquaint with the real life situation. As bank is one of the most important financial intermediaries; so I have selected ‘**International Finance & Investment Corporation (IFIC)**’ which is one of the most leading banks in the new banking arena.

2. OBJECTIVES OF THE REPORT:

The objective of the internship program is to familiarize myself with real market situation and compare it with bookish concept. The main objective of this report is to have an assessment about Overall Banking activities of IFIC Bank Limited. In addition the study seeks to achieve the following objectives:

- To familiarized with practical job environment.
- To have an exposure on the financial institution especially on banking environment of Bangladesh.
- To present an overview of IFIC Bank Limited.
- To identify the problems facing by IFIC Bank Limited and suggest remedial measures.

3. SCOPE:

This report has been prepared through extensive discussion with bank employees and with the clients. Prospectus provided by the bank also time of preparing the report, I had a great opportunity to have an in depth knowledge of all the banking activities practiced by the IFIC Bank Limited.

4. LIMITATIONS:

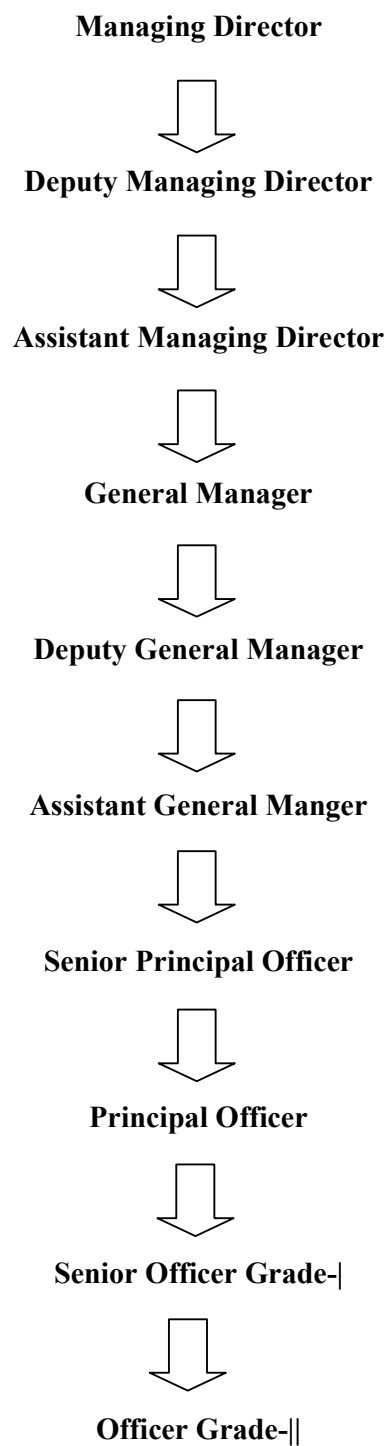
Some restraint at the time of preparing the report are appended below:

- The insufficiency of information is main constraint of the study. Moreover employees are not interested to provide all information due to security and other corporate obligation.
- The employees and clients are busy to provide me time for interview.
- Inexperience and time limitation were the constraints of the study.

5. BACKGROUND OF IFIC BANK LIMITED:

During 28th January 1965 The Eastern Banking Corporation inaugurated its operation in East Pakistan as a commercial bank. After 6 months of its inauguration it has got the status of Schedule Bank. It was the first Bengali Owned commercial Bank. After liberation the Eastern Banking Corporation was changed by name as IFIC Bank Ltd. During 1972 it was taken under national ownership. At that time it's paid up capital was 69.13 crore and profit figure was 42 lakhs. During September 1983 it was privatized under Privatization Act. At that time this deposit was 231.03 crore and profit figure was 5.06 crore. Up to 2002 its number of branch stands to 198 and it's paid up capital was 100 million. 95% of its shareholder is public and rest of share holds by Government. The bank earned ever-highest operating profit during the year 2002 among all private banks of Bangladesh (except Islami Bank BD Ltd.) The bank earned an operating profit of Tk. 131.18 crore during the year 2002.

6. ORGANIZATION HIERARCHY OF IFIC BANK LTD:



7. ORIGIN OF THE REPORT:

There exists huge deference between theoretical knowledge and practical knowledge. This report is an outcome of practical study. Since it is mandatory for the BBA program, Faculty of Business Studies, University of Development Alternative, to make a proper blending of student's theoretical knowledge with the practical exposure which they have earned in their internship program.

This report is an integral part of every student course curricula and the gaining of his practical training. It ensures the practical knowledge on a specific matter, which is assigned to the students by their respective teachers.

8. OBJECTIVES OF THE STUDY:

This report on credit management system of IFIC Bank Ltd. encompasses the following major objectives:

- i. To grasp the theoretical aspects of credit management.
- ii. To describe the term "Credit" by the IFIC Bank Ltd.
- iii. To identify various credit scheme of IFIC Bank Ltd.
- iv. To introduce the credit structure of IFIC Bank Ltd.
- v. To identify beneficiaries of loans.
- vi. To show the disbursement procedure.
- vii. To highlight the recovery the loan.
- viii. To highlight the problems of recovery.
- ix. To identify the overall performance regarding granting loan.

9. METHODOLOGY:

In order to conduct such a study the repost prepare must follows some specific methods. This report is based on an empirical method, which is stated hereafter.

10. ORGANIZATION COVERED:

This study mainly covers a particular organization, the IFIC Bank Ltd. But the relevant data are collected from the head office of the IFIC Bank Ltd. training institute and its Federal Branch.

11. SOURCES OF DATA:

All the relevant data regarding this study are collected from two sources:

a) PRIMARY SOURCES:

- ❑ Interviewing with the bank officials, specially the principal officer of loan and advance department of IFIC Bank Ltd Federation Branch.

b) SECONDARY SOURCES:

- ❑ Annual report of IFIC Bank Ltd.
- ❑ Published Booklet of IFIC Bank Ltd.
- ❑ Published Journals of Faculty of Business Studies, University of Dhaka.
- ❑ Journals of BIBM.
- ❑ Various published documents.

CHAPTER TWO: GENERAL BANKING

1. GENERAL BANKING:

Internship is the means of having some practical experience from an organization after getting the bachelor or master degree to do job in any organization. I feel proud to do my internship in this bank because its position is second among all the private banks in case of earning profit. As I am an intern the following responsibilities have been carried out during my three (3) months internship period:

2. OPENING OF ACCOUNT:

When a person want to open an account in IFIC Bank Limited, Federation Branch, needs to communicate with responsible officer. For opening an account an accountee must fill up a bank account opening form and needs to present the following things:

- a. Trade license. (For businessman)
- b. Citizenship certificate.
- c. Two copies passport size photographs.

Other Requirements:

- a. Reference of an account holder who has an account in this Branch.
- b. Minimum deposit -incases of current accounts Tk. 1,000 and for saving account Tk. 5, 00.

3. MAIL TRANSFER (MT):

Mail transfer means money transfer from one branch to another branch of the same bank. It may occur between the two different banks. MT issues and receives is a regular task of this branch. In case of MT issue a branch charges commission. This commission depends on amount, which will be transferred.

From MT issue this branch earned about Tk. 20,000 per month.

Process of MT:

When any body want to transfer money from this branch to another branch of IFIC Bank Limited or other bank at first the client needs to communicate with responsible principal officer Md. Kamal Uddin and then he/she collects a printed MT form. After filling the form he/she needs to deposit cash with commission to the cash counter and takes a receipt. In case of MT four (4) copies of vouchers are prepared. Original and duplicate copy is send to the responding branch. Triplicate copy is send to the Head Office with daily schedule. This branch preserves the quart-duplicate copy.

4. TELEPHONE TRANSFER (TT):

Telephone Transfer (TT) means transfer of money from one branch to another branch of the same bank through telephone message. Telephone transfer is quicker process than mail transfer. In case of TT issue this branch charges commission. This commission depends on amount, which will be transferred. From telephone transfer per moth income of Federation Branch is about Tk. 25,000.

Process of TT:

When anybody wants to transfer money through telephone message from this branch to another branch of the same bank he/she needs to communicate with responsible officer. At first the client collects a printed TT form and after filling the form he/she needs to communicate with Second Officer and then deposits cash with commission to the cash counter and finally takes a receipt. In case of TT issues, this bank prepares three (3) copies of vouchers. Original copy is sending to the responding Branch and the duplicate copy is sending to the Head Office with schedule. This branch preserves the triplicate copy.

5. DEMAND DEPOSITE (DD):

Demand Draft means money transfer from one branch to another branch of the same bank. It may occur between the two different banks. DD issues and receives is a regular task of this branch. In case of DD issue a branch charges commission. This commission depends on amount, which will be transferred. From DD issue this branch earned about Tk. 20,000 per month.

Process of DD:

When any body want to transfer money from this branch to another branch of IFIC Bank Limited or other bank at first the client needs to communicate with responsible officer and then he/she collects a printed DD form. After filling this form he/she needs to deposit cash with commission to the cash counter and takes a receipt. In case of DD four (4) copies of vouchers are prepared. Original and duplicate copy is send to the responding branch. Triplicate copy is send to the Head Office with daily schedule. This branch preserves the quart-duplicate copy.

6. PREPARATION OF SCHEDULE:

IFIC Bank Limited, Dhanmondi Branch, needs to prepare daily schedule. Daily schedule is prepared for the purpose of measuring performance of this branch. This schedule is prepared on the basis of vouchers (debit & credit vouchers). For preparing a daily performance report or schedule bank has two separate colored printed forms.

7. CLEARING HOUSE:

Every working day IFIC Bank Limited, Federation Branch, receives about 35-60 cheques that made on another bank. When IFIC Bank Limited, Federation Branch, receives this type of cheques then it sends these cheques to the Clearinghouse of Bangladesh Bank through the Head Office. The Clearinghouse is formed with the representative of every scheduled bank. IFIC Bank Limited representative gives the cheque to the representative of respected branch on which cheque is made. After one or two days the bank on which cheque is made sends a message about the validity of the cheque that means it provides information about account and deposited money on this account.

8. CUSTOMER HANDLING:**Receives customer's phone:**

Different type's phone calls were received from customers in different time about IFIC Bank Limited services.

Account opening and closing:

The customers who came to booth to open an account, necessary support service were provided them to fill up the opening form, account number and help them to do other formalities. Also help them to close the account.

Clearing:

Sometimes a few of customers don't understand how does he fill up the chequebook, this situation I try to help them as soon as possible.

CHAPTER THREE: LITERATURE REVIEW

1. LOAN POLICY:

The Board of Directors of a bank has the ultimate responsibility for all of the loans made by their bank. Because the board delegates to others the task of making loans, it uses a written loan policy to establish general guidelines and principles for the bank's lending activities. It is important to understand that the policies are guidelines and they are not inflexible rules carved in granite.

Written policies vary widely from bank to bank. The policies of a small bank that lends primarily to farmers are going to differ from that of large bank specializing in international lending. Nevertheless, some of the items that are resented in many written loan policies are presented here.

2. GENERAL POLICY:

The general policy outlines the bank's lending objectives in terms of profitability and risk. For example, the policy may state that the bank is in the business of making sound and profitable loans. An important part of this goal is that all loans should have a plan of liquidation at the time they are made. The general policy section may also include statements concerning the organizational structure for supervising lending activity.

Risk:

By definition, lending funds involves some degree of risk, and we know that risk is related to returns. The higher the risks, the higher the expected returns. The degree of risk that a bank is willing to face could be expressed in the following way:

The bank is not an investor and should limit its risk to that which is commensurate with the return usually available to it as a lender. The yield on a customer's total relationship should meet the bank's earning objectives after allowing for the cost of funds, risk factors, and the cost of administration.

Loan Supervision:

The Board of Directors has policies regarding the lending authority of individual loans officers and the approval process for particular types of loans of various sizes. Smaller banks have fewer layers of management and a simpler approval process.

Geographic Limits:

A bank's trade area depends on its size. Small banks generally have all local trade area; medium-sized banks may consider themselves regional banks; and large banks may be national or international in scope. Thus, one bank's policy may state that, "sound local loans are one of the most satisfactory and profitable means of employing the bank's funds. Therefore, it is the intent of the Board that with few exceptions the bank's loans are limited to the metropolitan area we serve. "In contrast, another bank's policy is "to concentrate our lending efforts in the Pacific Basin."

3. COLLATERAL:**Collateral and Risk:**

Sound banking practices require that certain types of loans be backed by collateral. Collateral refers to an asset pledged against the performance of an obligation. If a borrower defaults on a loan the bank takes the collateral and sells it. Collateral reduces the bank's risk when it makes a loan. However, collateral does not reduce the risk of the loan parse. The risk of the loan is determined by the borrower's ability to repay it.

While collateral reduces the bank's risk, it may increase cost. The higher costs are due to the need for documentation and the costs of monitoring the collateral. Nevertheless, without collateral some borrowers could not obtain loans. Therefore, collateral benefits both borrowers and lender in certain type of loans. In other types of loans collateral is not used.

Characteristics of good Collateral:

Almost anything that is lawful may be used as collateral. Nevertheless, some things are better than others. The five factors listed next determine the suitability of items for use as collateral. The suitability depends in varying degrees on standardization, durability, identification, marketability, and stability of value.

1. Standardization:

The standardization leaves no ambiguity between the borrower and the lender as to the nature of the asset that is being used as collateral.

2. Durability:

Durability refers to the ability of the assets to withstand or it can refer to its useful life. Durable goods make better collateral than non-durables. Stated otherwise, crushed rocks make better collateral than fresh flowers.

3. Identification:

Certain types of assets are readily identifiable because they have definite characteristics or serial numbers that cannot be removed. Two examples are a large office building and an automobile that can be identified by make, model, and serial number.

4. Marketability:

In order for collateral to be of value to the bank, the collateral must be marketable. That is, you must be able to sell it. Specialized equipment that has limited use is not as good as collaterals are dump trucks, which have multiple uses.

5. Stability of Value:

Bankers prefer collateral whose market values are not likely to decline dramatically during the period of the loan. Common stocks, for example, are not as desirable as real estate for collateral because stock prices are more variable than real estate prices.

Types of Collateral:

The most common types of collateral used in commercial lending are examined here:

1. Accounts Receivable:

Accounts receivable can be used as collateral in three ways. They are pledging, factoring, and banker's acceptances.

Pledging:

A borrower can pledge accounts receivable with his or her bank. In this case the borrower retains ownership of the receivables; and there is usually no notification made to the buyer of the goods for which the receivables have been pledged.

Before accepting the receivables, the bankers evaluate the credit rating of the firms owing the receivables. Accounts receivable from firm with weak credit ratings or those that are overdue may not be acceptable as collateral.

The percentage of face value of the accounts receivable that the banker is willing to advance depends on the size, number, and quality of the receivables. Most bankers

prefer to advance funds from receivables from a few well-established firms with good credit ratings.

Factoring:

Factoring is the sale of accounts receivable to a factor, which is usually a bank or finance company. When the receivables are sold, the buyer of the goods is usually notified to make repayments to the factor like pledging, factors prefer receivables from well-established firms.

Bankers Acceptance:

A banker's acceptance usually arises from foreign trade. The means of payment is a time draft, which is similar to a predated cheque.

2. Inventory:

Inventory is widely used as collateral against commercial loans. The most common ways in which inventory is used as collateral are explained next.

Floating Lien:

Raw material through the finished goods. The floating lien has two advantages from the A floating lien or continuous lien is used to cover a firm's entire inventory the borrower's point of view. It enables the entire inventory to be pledged. The borrower can self-finished inventory in the ordinary course of business since the lien does not follow each item. The major disadvantage is that banks may only want to lend a small percentage of the value of such inventory because of its undesirable characteristics.

Trust Receipts:

Trust receipts, or floor planning as it is commonly called, are used to finance automobiles, trucks, airplanes, and consumer durable goods such as television, the title for the inventory is held by the lender and the borrower assumes the role of trustee for the goods.

Chattel Mortgage:

A chattel mortgage, or security agreement as it is sometimes called, gives the lender a lien on tangible personal property.

Warehouse Receipts:

Banks have the greatest control and security when inventory that is used as collateral is held in a bonded public warehouse, which is commonly called a terminal warehouse. Under this arrangement, the inventory is stored in a public warehouse and the receipt is held by the lender. Inventory can only be released when proper receipts are presented at the warehouse. The receipts may be either negotiable or nonnegotiable.

Order Bills of Lading:

Finally, there are some ways in which inventories are used that are unique to particular industries. Common carriers, for example, use order bills of lading, which are a special kind of receipt, as collateral on commodities that are in transit.

Livestock and Crops:

Livestock is widely used as collateral, and credit is extended on it through all stages of the production process. Credit is also extended for planting crops. Such loans are normally payable when the crops are harvested.

3. Marketable Securities:

Marketable securities, including corporate stocks and bonds, certificates of deposit (CDs), Treasury securities, and others, may be used as collateral for business loans. The amount of credit extended on such securities varies widely. One problem with securities as collateral is that the market value of publicly held stocks and bonds can vary widely from day to day. The value of publicly traded securities is readily available in the press.

4. Natural Resources:

Natural resources, such as oil and gas reserves are used as collateral. The value of the natural resources depends on estimates by qualified engineering firms. The bank should order the estimates, not by the borrower.

5. Real Property and Equipment:

Real property refers to real estate, which includes houses, offices, buildings, shopping centers, factories, and so on. Such property is widely used as collateral. In addition, equipment of various sorts may be used.

6. Guarantees:

Bankers can improve their security by having a third party guarantee the payments.
The third party may be an individual, insurance company.

CHAPTER FOUR: PROCESS OF GRANTING CREDIT

1. WAYS FOR BANKS TO MAKE LOANS:

Banks intentionally make loans in six ways. Overdrafts, which are unintentional loans to customers who overdraw their transaction accounts, are not considered here. There is no significance to the order in which the methods are presented.

1. Banks Solicit Loans:

First, bank actively solicits loans in local and distant markets. Loan officers visit prospective customers offering loans and other services provided by their respective banks. This type of sales effort is typical of banks seeking new customers.

2. Buying Loans:

Secondly, bank buy parts of loans, called participations from other banks, suppose that a large bank is making a \$ 100 million loan to an airline, but the originating bank does not want to keep such a large loan in its loan portfolio. It may sell parts of that loan to other banks. The sale of participations “downstream” to smaller banks allow smaller bank to participate in loans that they could not originate. In addition, it is one way for a bank with slack demand for loans to increase its loan portfolio. It also allows all of the banks involved to diversify their loan portfolios. Participations can originate from small banks too. Suppose that a small bank wants to make a loan that exceeds its lending limits. It can make the loan and sell participations “upstream” to larger banks.

3. Commitments:

Third, banks make loans under commitments. As noted in the previous chapter, commitments are agreements between banks and borrowers to make a loan under certain conditions. For purposes of this discussion, commitments include both letters of credit and standby letters of credit.

4. Refinancing:

Fourth, banks refinance loans. Suppose that interest rates have declined and that borrowers with high fixed rate loans want to take advantage of the lower rates. The

can make a new loan at the lower rate and pay off the higher rate loan. The refinancing is at the borrower's option, and only occurs when it is to their advantage.

5. Loan Brokers:

Fifth, loan brokers sell loans to banks and other lenders. Loan brokers are individuals or firms who act as agents or brokers between the borrower and the lender for example, a loan broker may contract with a real estate developer to find financing for a particular project. The broker will seek lenders and arrange for the loan. Once the loan is made and the fees are paid, the broker is out of the picture.

6. Customers Request Loans:

The final method of originating a loan is the most common. Someone asks for a commercial loan. Unfortunately, many potential borrowers are denied loans or do not get what they need because they do not know what information the bank needs in order to grant a loan request. Some borrowers, for example, do not know what type of loan will meet their financial needs or what type of collateral is suitable for their loans. Good loan officers work with prospective borrowers who do not know the procedures by explaining to them what information they must provide to the bank.

2. ROLE OF INFORMATION FOR GRANTING LOAN:

Information plays a crucial role throughout the lending process. Initially, there is asymmetric information one party has substantially more information than the other. The prospective borrower knows more about his or her own financial condition and prospects for the future than the bank knows. It may be in the borrower's best interest to reveal only the minimum amount of information necessary to get a loan. For example, the borrower might not want to reveal that the book value of certain assets is overstated or that projected sales are inflated. In contrast, the bank wants to obtain as much relevant information as possible in order to (1) evaluate the loan request and (2) reduce the risk of loss if the loan is made.

Banks, wanting to minimize the risk of loss, must monitor information about the borrower's financial behavior throughout the term of the loan. If the information suggests that a borrower is having financial difficulties and may not be able to repay

the loan, the bank must react quickly to deal with the problem. Early detection of potential problems may allow the bank to help the borrower resolve the problem before the loan defaults and it becomes a loss. Keep in mind the crucial role of information as you read not only about commercial loans, but all loans.

3. LOAN PROCESS:

The type of information that banks prefer to receive from customers requesting commercial loan is illustrated by the following example. Most loan requests are not as well organized or as complete as the one presented here. It is a “model” loan request that provides the information needed by the bank in order to make a lending decision.

1. Loan Request:

The bank received a letter from borrower, which is called as application for loan. The letter contains a brief history of the firm and other pertinent information.

2. Business Plan:

A business plan serves two purposes. First, it is a document used to raise money. It describes a firm’s past and current operations. It also explains how the funds that are being raised will be used to further the firm’s goals, the reward the firm’s investors, and to repay the loans. Second, a business plan is used internally to provide operating guidelines to managers so they know what is expected of them. Some of the key elements of a business plan follow:

- ❑ The goals and objectives of the business.
- ❑ A description of the business including its history and comments on products, services, and markets. Included here is an analysis of the firm’s strengths, weaknesses, opportunities, and threats.
- ❑ Strategies that the firm will use to compete.
- ❑ An operating plan to carry out the goals and strategies.
- ❑ A process to monitor the progress of the plan and to revise it if the need arises.

3. Financial Data:

Borrower need to send the bank its balance sheet and income statements for the Five Years of its existence. Some firms provide banks with pro forma financial statement and cash budgets, which are projections of inflows and outflows of cash. This is especially useful to banks because loans are repaid out of cash. The cash available to repay loans each month is not same as the net income. The usefulness of cash budgets and pro forma statements depends on the accuracy of the projections and the assumptions that are made while constructing them. If the projections and assumptions are correct, the statement is a useful tool for both the firm and the bank. Otherwise, it usefulness depends on the degree to which it errs. The bank's credit analysis should make their own projections and do a sensitivity analysis in order to compare the results. A sensitivity analysis allows the bank to change critical variables, such as sales, and determine the effect of those changes on earnings, cash flows, and the ability to repay loans.

4. Initial Interview:

The initial interview may be the only time the borrower and banker meet face to face. Therefore, the bank must use this meeting to obtain additional information from the customer necessary to make a loan decision. For example, the banker may want to clarify some points in the customer's business plan or pro forma statements.

When a borrower's business plan and financial statements are not available, the banker will want to know:

- ☐ What is the amount of the loan?
- ☐ When the funds are needs?
- ☐ How are the funds going to be used?
- ☐ When is the loan going to be repaid?
- ☐ How is the loan going to be repaid?
- ☐ What collateral will be pledged?

Additional information will be required about the organization of the business (sole proprietorship, partnership or corporation), its trade area other banking relationships, and more.

4. EVALUATING A LOAN REQUEST:

The bank must evaluate the loan request and determine if a loan will be granted. The evaluation involves the 6C's of credit as follows:

- ❑ Character (personal characteristics of the borrower, honesty and attitudes about willingness and commitment to pay debts).
- ❑ Capacity (the success of the business).
- ❑ Capital (financial condition).
- ❑ Collateral (pledged assets).
- ❑ Conditions (economic conditions).
- ❑ Compliance (laws and regulations).

CHAPTER FIVE: TYPES OF CREDIT

1. COMMERCIAL AND INDUSTRIAL LOAN:

Commercial and industrial loans (C&I loans) are loans made to business concerns to finance their day-to-day activities (e.g. inventories, receivables), to finance their longer-term needs (e.g. plant and equipments) and for other business purposes. The maturity of these loans ranges from one day (called overnight loans) to 10 years or longer.

Different types of C&I loans are used to finance different types of assts. The principal types of C&I Loans presented here:

a. Line of Credit:

A line of credit is an agreement between a customer and the bank that the bank will entertain requests from that customer for a loan up to a predetermined amount.

The line of credit is the maximum amount that can be borrowed under the terms of the loan. They are frequently made for periods of one year or less, and are used to finance seasonal increases in inventory, an accounts receivable. Then the inventory is sold, receivables are collected, and the funds are used to reduce the loan. Frequently, lenders require inventory or receivables as collateral. The loans are usually payable on demand by the bank or within 90 days.

Sometimes short-term loans are renewed or rolled over so often that both the firms and the banks view them as a form of long term financing. When that occurs, both parties should consider long-term financing.

b. Revolving Loan:

Revolving loans are similar to a line of credit because these two are used to finance borrower's temporary and seasonal needs. One difference between a revolving loan and line of credit is that the bank is obligated to make the loans up to the amount of the commitment, if the borrower is in compliance with the terms of the agreement. The borrower may repay the loans and then borrow again, up to the amount of the commitment.

c. Term Loan:

A term loan is usually a single loan for a stated period of time or a series of loans for specified dates. They are used for a specific purpose, such as acquiring machinery, renovating a building refinancing debt, and so forth. They should not be used to finance day-to-day operations.

Term loans can have an original maturity of five years or more. The maturity of the loans should not exceed the economic life of the asset being financed if that asset is being used as collateral for the loan.

The value of the asset being financed should always exceed the amount of the loan. The difference between the value of asset and the amount being financed is the borrower's equity. The borrower's equity represents the borrower's investment in the asset being financed. The also provides the bank with a "cushion" in the event of default. The borrower will lose his or her funds before the bank experiences a loss. Borrowers not wanting to less their equity investment have an incentive to operate their business so that the loan will be repaid.

d. Bridge Loans:

Bridge loans are loans that "bridge a gap" in a borrower's financing until some specific event occurs. For example, a firm wants to acquire a new warehouse facility but needs funds to finance the transaction until the old warehouse can be sold. A bridge loan can be used to fill the gap.

e. Asset-Based Lending:

Asset-based lending is a form of commercial lending in which the assets of a company are used to secure the company's obligation to the lender. In the broadest sense, all secured loans could be classified as asset-base lending. Asset-based loans have as their collateral base accounts receivable, inventory, machinery and equipment, and real estate, single or packaged in various combinations.

f. Overdrafts:

An overdraft occurs when a check is written on uncollected funds. If a bank pays on a check written against uncollected balances, it is extending and unsecured loan. Some

overdrafts are written with period permission of the bank, but most are not. In the later case, the overdraft represents a loan that the bank may not want make. It is certainly a loan where the borrower did not make an application to the bank to request the funds in advance. The overdraft loan can be for less than one day, such as when a check is written or funds transferred wire in the morning and the deposit to cover that check or wire transfer is not made until that afternoon, or for one or more days.

g. Cash Credit:

Cash credit refers to the issue of credits to respectable and trustworthy persons against the guarantee of a third party or parties. The cash credit is a credit specially granted by the banker in favor of a customer, but instead of the customer having to take up whole amount as a demand loan, he can either draw or repay, in whole or in part, the amount advanced at anytime to suit his own convenience.

This ‘cash credit’ may either take the form of “Pledge’ or “Hypothecation.” In case of “Hypothecation” possession of goods is not transferred to the banker and therefore, such an advance is no better than a clean loan. Such an advance can, thus, only be granted to a person in whose integrity the banker has full confidence, but in case of “pledge” the possession of the goods and not the ownership passes to the creditor, namely, the banker.

h. Loan Commitments:

A loan commitment is an agreement between a bank and a firm to lend funds under terms that are agreed on in writing. About three-fourths of all commercial and industrial loans are made under loan commitments.

2. REAL ESTATE LENDING:

Real estate loan is the largest volume of loans made by commercial banks. The term mortgage is used in connection with real estate lending. At common law, a mortgage is a written conveyance of title to real property to provide security for the performance of a duty or the payment of a debt. In some states, mortgage is regarded as a lien, but not creating title or an estate. In general terms, it is an agreement that the property will be sold if the debt is not paid as agreed. The proceeds of the sale of the property are used to reimburse the lender. The mortgage gives the lender a security

interest on the property, if the mortgage is properly recorded in the country courthouse.

3. CONSUMER LENDING:

Consumer lending is the heart of retail banking. Retail banking refers to banking services provide to individuals and to small business concerns. Services provided to medium and large-size business concerns and government is called wholesale banking. Most banks do both retail and wholesale banking although some specialize more than others. Small banks tend to specialize in retail banking because they do not have sufficient assets to do large-scale wholesale lending.

CHAPTER SIX: TECHNIQUES OF CREDIT MANAGEMENT

1. INTRODUCTION:

Management of credit means the cycle that starts from the issuing of credit and ends with its recovery. The good credit management means the recovery of credit with interest. The bank's credit management policy varies under the different credit sanction procedures. The bank grants credit by taking securities in order to ensure the recovery of loans. If the bank can manage those securities effectively the management of credit is ensured. This chapter deals with the management of credit under different credit sanction procedure.

2. FACTORS LIMITING THE LEVEL OF A BANKS CREDIT:

- i. The size and maturity-wise pattern of deposits: The primary source of funds is the deposits made by the depositors. Their size and maturity-wise pattern has an impact on the level of a bank's advances. Bank's capacity to grant loans advances increases with an increase in deposit resources moreover, the maturity-wise pattern of such deposits affects the pattern of advances. In case of demand liabilities, the banker is under an obligation to repay the fund on demand and hence he needs larger cash reserve.
- ii. Credit Control by Reserve Bank. The capacity of banks to provide loans and advances depends on their cash resources (i.e. cash in hand and balances with the Reserve Bank). The cash resources increase through 1. Rise in deposits, or 2. By they're borrowing from the Reserve Bank, or 3. By sale of their investments. The Reserve bank regulates the quantum of cash resources of the banks by exercising the power conferred upon it. If it feels the necessity of expansion of credit, measures are adopted to increase bank's cash resources and vice-versa.
- iii. Seasonal variations in Bank Credit. An important feature of bank credit in an agricultural country like ours is the seasonal variations in the quantum of credit granted by banks.
- iv. The Demand of credit. The expansion or contraction of credit largely depends on the demand for bank credit by borrowers, which in turn depends upon.

1. The level of production, both agricultural and industrial.
2. The level of inventories held by business and industrial houses.
3. The price level of goods and commodities in the country.
4. The procurement policy of Food Corporation.

A banker should always keep in mind the above limiting factors of issuing credit. Good credit management in case of issuing credit means granting credit by considering the above limiting factor. The banker who can manage the above limiting factors is called an effective credit manager.

3. MANAGEMENT OF CREDIT BY TAKING SECURITY:

In the employment of his funds a banker generally attaches great significance to the consideration of security. Largely depending upon the borrowed funds, a banker cannot afford to take undue risks. He, therefore, safeguards his interests by granting loans on an advance on the security of tangible assets, i.e. a large variety of goods and commodities, documents and immovable property. Secured advances account for a major portion of the total bank advances. In case of secured advances, a charge is created over the assets of the borrower in favor of the banker. The banker may, therefore, recover his dues from the customer out of the sale proceeds of the assets charged to him.

General Principles of Secured Advances:

While granting advances on the basis of securities offered by customers, a banker should observe the following basic principles:

1. Adequacy of Margin:

The word 'margin' has special meaning and significance in the banking business. In banking terminology, 'margin' means the difference between the market value of the security and the amount of the advance granted against it. For example, if a banker sanctions an advance of Tk. 70 against the security of goods worth Tk. 100, the difference between the two is called the margin. A banker always keeps an adequate margin because of the following reasons.

- i. The market value of securities is liable to fluctuations in future with the result that the banker's secured loans may turn into partly secured ones.
- ii. The liability of the borrower towards the banker increases gradually as interest accrues and other charges become payable by him.

Factors Determining Margin:

The quantum of margin is not uniform in case of all commodities or in case of all customers. The following factors determine the margin:

- i. The amount of margin depends upon the likely fluctuations in the prices of the various commodities.
- ii. In case of shares of industrial concerns the financial position and reputation of the issuing undertaking is also taken into account. Shares of sound industrial concerns are treated as good as government securities and lower margin is required.
- iii. Margins are fixed keeping in view the credit and reputation of the borrower-concern.
- iv. The margin, determined at the time of sanctioning an advance, may be raised or reduced subsequently according to the variation in the prices of the securities.
- v. In case of commodities, which are subject to selective credit control of the Central Bank, margins are usually prescribed by the Central Bank from time to time. It is essential for the banks to keep such margins.

2. Marketability of Securities:

Credits are usually granted for short periods by the commercial banks because their deposit resources (except term deposits) are either repayable on demand or at short notice. If the customer defaults in making payment, the banker has to liquidate the security. It is, therefore, essential that the security offered by a borrower may be disposed of without loss of time and money. A banker should be very cautious in accepting assets, which are not easily marketable.

It is proverbially said "a banker lends his umbrella when the sky is clear and demands it back as soon as it rains."

3. Documentation:

Documentation means that necessary documents, e.g. Agreement of pledge or mortgage, etc, are prepared and signed by the borrower at the time of securing a loan from the bank.

4. Realization of the Credit:

If the borrower defaults in making payment on the specified date, the banker may realize his debt from the sale proceeds of the securities pledged to him.

4. MANAGEMENT OF CREDIT AGAINST GOODS:

Credit sanctioned may be secured by goods and commodities broadly divided into four main heads as follows:

1. Food articles.
2. Industrial raw materials.
3. Plantation products, and
4. Manufactures and material.

These credits meet the needs of working capital of a large number of businesses and industrial concerns. In fact, such credits are essential for all trading and commercial activities in the country.

5. PRECAUTIONS TO BE TAKEN BY A BANKER:

Goods and commodities are safe, sound and dependable securities for a banker but they are not always free from certain risks. A banker should, therefore, be very careful in accepting them as security and take the following precautions:

1. Though the goods and commodities are the best securities to a banker for granting loans, the customer is also equally important. The customer must be honest and trustworthy otherwise the risks of fraud or dishonest practices always remain.
2. Before accepting any commodity as security the banker must be well acquainted with the nature of its demand. He must enquire whether the

commodity is an item of necessity, comfort or luxury and whether its demand is elastic or otherwise, is constant through out the year or is seasonal in nature.

3. The banker must be well acquainted with the commodity market. He should know well the commodities offered as security, the conditions and customer of their trades and also the trend of their prices in the market. Such knowledge is essential for him to regulate the margins to be maintained.
4. The market should take delivery of the goods before he grants a loan against it to a customer.
5. The banker should estimate the value of the goods very carefully.
6. The banker should also take necessary care regarding the storage of the goods pledged.
7. The goods should be duly and adequately insured against fire, theft, etc.
8. As the borrower is allowed by the banker to repay the loan in parts also and to get the commodities released, it is very important for the banker to ensure that goods released should be in proportion to the amount of the loan repaid by the customer.

6. MANAGEMENT OF CREDIT AGAINST DOCUMENT OF TITLE OF GOODS:

A document of title to goods is a document used in the ordinary course of business as a proof of the possession or control of goods. It authorizes, either by endorsement or by delivery, the processor of the document to transfer or receive the goods represented by it.

There are two tests by which we may judge the validity of such a document:

- a) The person who possesses such document is recognized by law or by business practice as possessing the actual goods: and
- b) The person who possesses such document can transfer the goods to any person by endorsement or delivery or by both. The transferee is thus entitled to take delivery of the goods in his own right.

PRECAUTION TO BE TAKEN BY THE BANKER:

1. In order to avoid risks of fraud or dishonesty, the banker should accept such documents a security from honest, reliable and trusted parties only.
2. Special care should be taken to see that documents are genuine and not forged ones.
3. It should be carefully noted that documents of title do not contain any onerous or prejudicial remark about packing of the goods. If the documents contain a remark to this effect, such as “Packing defective” or “Goods not properly packed” or “The container is leaking”, the banker should not grant any advance against such receipt.
4. The goods must be insured for its full value against the risks of fire, theft, etc.
5. To ensure that the goods packed in bags, etc. actually conform to the description contained in the documents, it is described that a certificate from a reliable firm of packers is obtained, especially in case of valuable goods.
6. The banker should also take memorandum of charge from the borrower authorizing the banker to sell the goods if the borrower defaults in making payment.
7. It is also essential that the issuer of the document of title to goods, i.e. transport, warehouseman, etc., is a reliable person of firm.

7. MANAGEMENT OF PROBLEM LOANS:

Problem loans usually means the borrower has missed one or more promised payments or the collateral pledged behind a loan has declined significantly in value.

8. SYMPTOMS OF PROBLEM LOANS:

While each problem loan situation is somewhat different, several features common to most such situation should warn a banker that troubles have set in:

- ❑ Irregular or delinquent loan payments.
- ❑ Frequent alteration in loan terms.
- ❑ Poor loan renewal record (with little reduction of principal each time the loan is renewed).

- ❑ Unusual high loan rate (perhaps an attempt to compensate the bank for a high – risk loan).
- ❑ Unusual or unexpected build up of the borrowing customer's accounts receivable and /or inventories.
- ❑ Rising debt –to-net-worth (leverage) ratio.
- ❑ Missing documentation (especially missing customer financial statements).
- ❑ Poor quality collateral.
- ❑ Reliance on reappraisals of assets to increase the borrowing customer's net worth.
- ❑ Absence of cash flow statements or projections.
- ❑ Customer reliance on nonrecurring sources of funds to met loan payments (e.g., selling buildings or equipment).
- ❑ For business loan, any sudden change in methods used by the borrowing firm to account for:
 - Depreciation
 - Make pension plan contributions.
 - Value inventories
 - Account for taxes or
 - Recognize income
- ❑ Change in the customer's credit ratings
- ❑ Adverse change in the price of borrowing customer's stock.
- ❑ Net earnings losses in one or more years, especially as measured by ROA, ROE and EBIT.
- ❑ Adverse changes in the borrowers capital structures.
- ❑ Deviations of actual sales or flow form those projected when the loan was requested.
- ❑ Sudden, unexpected and unexplained changes in deposit balances maintained by the customer.

9. CAUSES OF PROBLEMS LOANS:

Empirical studies show that loans fall into problems owing to the following causes:

- ❑ Unrealistically structured loan installment.

- ❑ Unusually high interest rate.
- ❑ Adverse change in the price of borrowing customer's stock.
- ❑ Net earnings losses in one or more years, especially as measured by ROA, ROE and EBIT.
- ❑ Adverse changes in the borrowers capital structures.
- ❑ Incompetent management.
- ❑ Dishonesty and immorality of the client.
- ❑ Sudden rise in corporate tax rate.
- ❑ Fresh imposition of excise or sales tax on client's products.
- ❑ Loss of market share of the client.
- ❑ General economic recession.
- ❑ Obsolescence of the client's product causing a fall in demand thereof.
- ❑ Window dressing of financial accounts.
- ❑ Major contract loss.
- ❑ Significant rise business competition.
- ❑ Procrastination in project implementation.
- ❑ Erroneous project feasibility analysis.
- ❑ Borrower's reluctance to pay off the loan.
- ❑ Loop holes in the stipulated loan contract.
- ❑ Lower equity of the borrower in the pledged collateral.
- ❑ Political pressure.
- ❑ Corrupted loan recovery officer.

10. STEPS TO HANDLE PROBLEM LOANS:

What a banker should do when a loan is in trouble is of supreme importance for today's bank lending operations. Experts in loan workouts the process of recovering the bank's funds from a problem loan situation-suggest the following key steps:

1. Always keeps the goal of loan workouts firmly in mind: to maximize the bank's chances for the full recovery of its funds.
2. The rapid detection and reporting of any problems with a loan are essential. Delay often worsened problem loan situation.
3. Keep the loan workout responsibility separate from the lending function of avoid possible conflicts of interest for the loan officer.

4. Bank workout specialists should confer with the troubled customer quickly on possible options, especially for cutting expenses, increasing cash flow and improving management control. Precede this meeting with a preliminary analysis of the problem and its possible causes noting any special workout problems (including the presence of competing creditors). Develop a preliminary plan of action after determining the bank's risk exposure and the sufficiency of loan documents especially any claims against the customer's collateral other than that held by the bank.
5. Estimate what resources are available to collect the troubled loan (including the estimated liquidation values of assets and deposits).
6. Loan workout personnel should conduct a tax and litigation search to see if the borrower has other unpaid obligations.
7. For business borrowers, bank loan personnel must evaluate the quality, competence and integrity of current management and visit the site to assess the borrower's property and operations.
8. Bank workout professional must consider all reasonable alternatives for cleaning up the troubled loan including making a new temporary agreement if loan problems appear to be short-term in nature or finding a way to help the customer strengthen cash flow (such as reducing expenses or entering Dhanmondi) or to infuse new capital into the business. Other possibilities include finding additional collateral, securing endorsements or guarantees, reorganizing, merging or liquidating the firm or filing a bankruptcy petition.

Of course, the preferred option nearly always is to see a revised loan agreement that gives both the bank and its customer the chance to restore normal operations.

11. RECOVERY OF LOAN:

The most important part of sound credit management is of disclosing the recovery of loans and advances, problems thereon, defaulter patterns, provisioning against bad and doubtful loans and advances etc. usually bank's credit management performance represents the recovery performance of loans and advances as against the utilization of funds. Besides, it has substantial impact on the bank's ultimate profit performance.

12. PROGRAMS FOR LOAN RECOVERY:

It is the subsequent step of programs for loan distribution. The detailed programs for loan recovery are stated within the terms and conditions of loan distribution. As a result, it is not a new subject in sound credit management. To maximize the loan recovery performance the following programs should be taken:

- i. To establish credit supervision and monitoring cell in the bank.
- ii. To re-structure the loan sanctioning and distributing policy of the bank.
- iii. To sanction loans and advances against sufficient securities as best possible.
- iv. To give more posers to the branch manger in credit management decisions making process.
- v. To offer a package of incentives to the sound borrowers.
- vi. To give more emphasis on short-term loans an advances.
- vii. To impose restrictions on loans and advances for trading business.

To take legal actions quickly against un-sound borrowers as best as possible within the period specified by the Law of Limitations.

CHAPTER SEVEN: CREDIT MANAGEMENT SYSTEM OF IFIC BANK LIMITED – A PRACTICAL EXPOSURE

1. CREDIT POLICY OF IFIC BANK LTD:

As a continued process IFIC Bank Ltd followed the course of its own credit policy within the framework and guidelines outlined by the Government and Bangladesh Bank in respect of deployment of its loan able fund. The Bank continued to explore and diversify the area of its operation to extend credit facilities throughout the year to the various productive sectors on priority basis.

2. CLASSIFICATION OF CREDIT OF IFIC BANK LTD:

IFIC Bank Limited provides various credit facilities to the borrows general credit facilities and the interest rate are stated below.

Credit		Interest Rate
		3% & Above the rate allowed on FDR.
a. Overdraft	i. Against FDR	14.50%
	ii. Against Share	15.50%
b. Cash Credit	i. Hypothecation	15.50%
	ii. Pledge	15.50%
c. Demand Loan	i. Secured	15.50%
	ii. Unsecured	15.50%
d. Loan Against trust Receipts		15.50%
e. Payment Against Document		15.50%
f. Loan Against Import Merchandise		15.50%
g. Inland Bill Purchase		15.50%
h. Foreign Bill Purchase		15.50%

3. SPECIAL CREDIT SCHEME OF IFICBANK LIMITED:

Besides general credit facilities IFIC Bank Limited also introduced some special credit schemes named as “Uttaran”. This scheme encompasses the following credit facilities.

Consumer Credit Scheme:

Most of the people of Bangladesh are middle class and in the orbit of Limited income. They are not able to buy necessary consumable goods by their own savings. For this reason IFIC Bank Limited introduced consumer credit scheme from October 1996. Loan disbursed under this scheme stood at Tk. 52.07 corer up to December 2002. The rate of recovery of loan under this scheme also 100 percent.

Features of this schema are:**a. Objectives of the scheme:**

- i. Creating the habits of savings for limited income group
- ii. Increasing standard of Living
- iii. To play an important role in developing the socio economic condition of Bangladesh.

b. Goods under this scheme:

New and re-conditioned car, Motorcycle, Refrigerator, Television, V.C.P, Radio, Two in one, Air Conditioner, Water Cooler, Water Pump, P.C, UPS, Printer, Type Writer, Washing Machine, Iron & Wooden Furniture, Sewing Machine, Toaster, pressure Cooker, Photocopier, Cellular Phone, Fax, various kind of Fan, Dish Antenna, Bicycle, Baby Taxi, Tempo, Microbus etc.

c. Ceiling of Loan and Down Payment:

Under this scheme highest amount of loan is Tk. 5.00 Lac. Borrower must pay down payment at the following rate:

i.	New Motor Car	:	35%
ii.	Recondition Car/Microbus	:	40%
iii.	Baby Taxi/Tempo	:	40%
iv.	Motor Cycle	:	35%
v.	Refrigerator, Deep Fridge, Washing Machine, Air Conditioner, Personal Computer, Photo Copier, Fax, Mobile Phone	:	25%
vi.	Others	:	20%

d. Interest Rate and other Charge:

- i. Interest : 14% at Simple Interest Rate.
- ii. Default Interest : 2% at Simple Interest Rate.
- iii. Service Charge : Up to Tk. 50,000: Tk. 200,
Above Tk. 50,000: Tk. 500.
- iv. Risk Fund : 2% of loans but at least Tk. 200
(Must pay before taking loan).

e. Loan Repayment Period:

- i. New Motorcar : 4 years (Equal monthly Installment)
- ii. Baby Taxi/Tempo/Microbus : 4 years (Equal monthly Installment)
Partial amount of Installment must be
paid every week.
- iii. Others : 3 years (Equal monthly Installment)

4. SMALL BUSINESS LOAN SCHEME (SBL SCHEME):

SBL scheme has introduced for extending loans to the small business owners who are doing business with their own capital, which is inadequate to expand business and have no tangible security to offer as collaterals.

Features of SBL Scheme are:

a. Qualification of Borrower:

Borrower must have a current account in the branch from which he is willing to take loan.

b. Ceiling of Loan:

Under SBL scheme one can borrow an amount not more than Tk. 5 Lac. But it depends on the monthly income of the borrower.

c. Interest and Other Charge:

Interest : 16.5% per annum.

Application From : Tk. 100

d. Loan Repayment Procedure:

Loan must be repaid within 3 years at monthly installment.

7.3.3 House Repairing/Renovation Scheme:

This scheme was introduced for extending loans to the people who own house/building of their own or inherit from their ancestors, which may require renovation/repairing but cannot afford to make such expenditure at a time.

Features of this Scheme are:

a. Amount of Loan:

Under House repairing/renovation scheme you can take loan up to Tk. 5 Lac. But the actual account of loan will depend on your monthly income.

b. Interest and Other Charge:

Interest : 15%

Loan Processing Fee : Tk. 5,000 (50% of this amount are refundable if rejected)

Application From : Tk. 100.

If the customer repay loan regularly and timely than 5% of interest will exempt.

c. Loan Repayment Period:

Loan must repay within 5 years including interest at installment basis.

Lease Financing Scheme:

A credit schema in the name of Lease Financing Scheme has been functioning effectively from June 1999 to finance the prospective and genuine customers for acquisition of capital machinery equipment, medical instruments automobiles etc. The balance of the loan under this scheme stood at Tk. 49060 corore as on 31st December 2004.

RECOVERY PROGRAM

It is the subsequent step of programs for loan distribution. The detailed programs for loan recovery are state within the terms and conditions of loan distribution. As a result, it is not a new subject in sound credit management. As the recovery performance of the commercial banks (both public and private in Bangladesh) gradually deteriorating overtime, government as well as the board of directors of the respective banks has taken some special programs in the area of loans recovery.

IFIC Bank Ltd. has taken the following programs to ensure maximum recovery:

- i. It establishes credit supervision and monitoring cell in the bank.
- ii. It re-structures the loan sanctioning and distribution policy of the bank.
- iii. It sanctions loans and advances against sufficient securities as best as possible.
- iv. It gives more powers t the branch manager in credit management decisions making process.
- v. It offers a package of incentives to the sound borrowers.
- vi. It gives more emphasis on short-term loans advances.
- vii. It imposes restrictions on loans and advances for trading business.
- viii. Ti takes legal actions quickly against un-sound borrowers as best as possible with the period specified by the Law of Limitations.

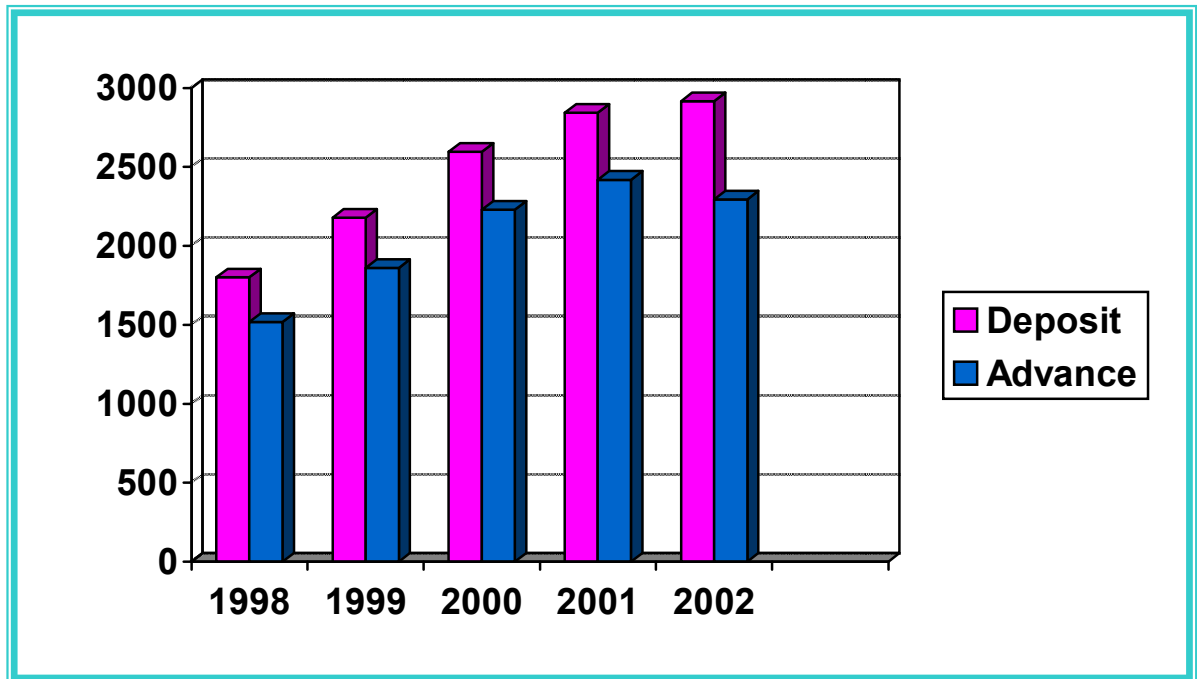
CHAPTER EIGHT: STUDY FINDINGS

1. SECTOR-WISE POSITION OF LOAN AND ADVANCE AS ON 31-12-2004 IS GIVEN BELOW:

Sectors of Loan & Advances	Public/Nationalized (Taka in Crore)	Private (Taka in Crore)	Total (Taka in Crore)
1. Agriculture:			
a) Primary Producer	-	1.67	1.67
b) Fertilizer	-	0.07	0.07
2. Industrial Term Lending		154.30	154.30
3. Working Capital:			
a) Jute Industry	-	90.79	90.79
b) Other Working Capital	14.01	64.92	78.93
4. Export:			
a) Jute and Jute Goods	-	9.23	9.23
b) Other Goods/Commodities	-	47.31	47.31
5. Trade and Commercial Lending:			
a) Jute Trading	-	20.40	20.40
b) Commercial	-	1,146.43	1,146.43
6. Special Programme:			
a) Small and Cottage Industry (Term Loan)	-	3.66	3.66
b) Personal Loan Scheme	-	4.84	4.84
c) Consumer Credit Scheme (Uttaran)	-	44.69	44.69
7. Urban Housing	58.49	24.88	83.37
8. Officers and Staff House Building	-	12.01	12.01
9. Others	14.79	581.07	595.86
Total	87.29	2,206.54	2,293.83

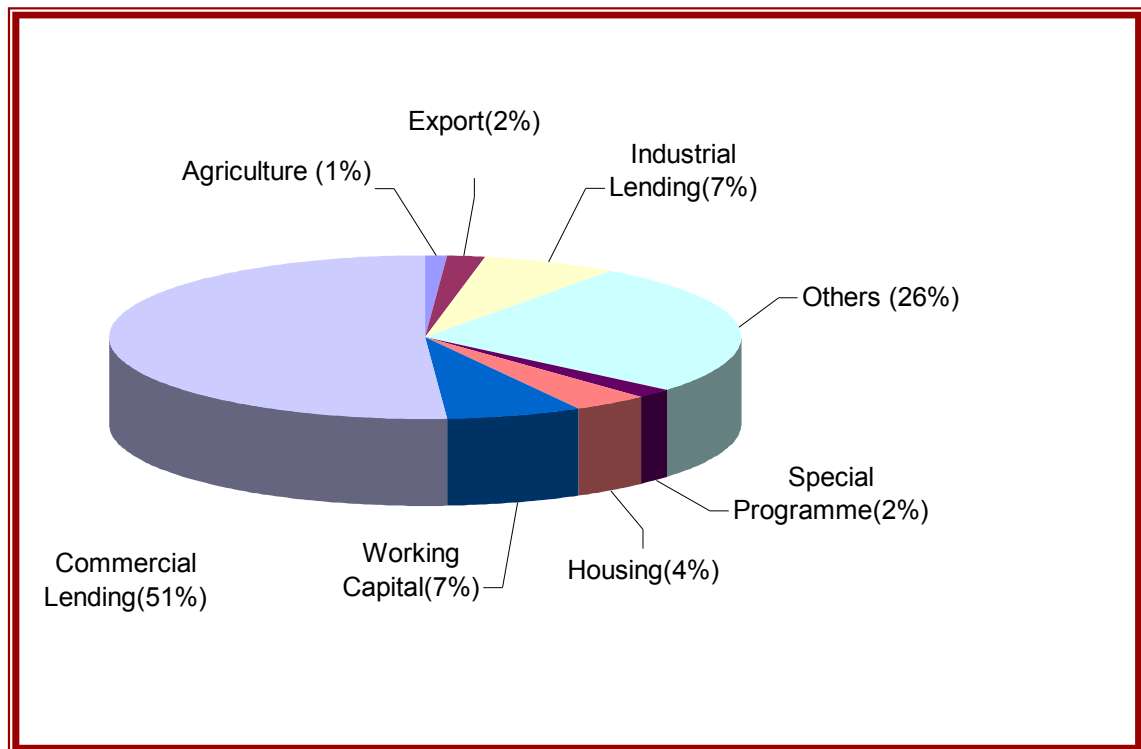
2. DEPOSITS AND ADVANCES (CORE TAKA) POSITION FOR FIVE YEARS:

Deposit & Advance



3. SECTOR WISE LOANS AND ADVANCES UNDER PIE CHART:

Sector Wise Advance (%)



4. PROBLEMS IN LOAN RECOVERY OF IFIC BANK LTD:

Those who are the sound borrowers can easily to be identified but the status and the number of unsound borrowers cannot be measured accurately as they are the major portions of total number of borrowers. This is the present status of credit management in Bangladesh both in the public sector banking and the private sector banking also. Problems in loan recovery are the outcome of the default in loan disbursement IFIC Bank Ltd. usually faces the following problems in loan recovery:

- I. Sometimes loans are given without sufficient securities.
- II. Sometimes loans are given under fictitious names and enterprises.
- III. Approval of loans in excess of the branch manager's powers.
- IV. Sometimes over-valuation of securities is a common phenomenon.
- V. Loans are approved against defective project appraisal report.
- VI. Improper monitoring and supervision of credit.
- VII. Loans are sometimes disbursed for economically un-sound project.
- VIII. Emphasis on public sector investment causes the high rate of non-recovery.
- IX. Loans are approved for the parties by the authorities bearing in mind their personal objectives not the overall objectives of the bank and the economy.
- X. Loans are approved for industries, which are only socially desirable.
- XI.** Political misuse of loans programs.

CHAPTER NINE: SUGGESTION AND CONCLUSION

1. RECOMMENDATIONS:

In the light of the variations of the problem the following measures if adopted, may go a long way in improving the situation:

1. Selection of borrower shall be made as per rules and procedures of the advances and after making proper assessment of business establishment, respectability, creditability, actual requirement of fund repayment capacity etc. Appraisal of feasibility and viability of the projects shall be done in proper manner examining all the factors by an efficient and qualified appraiser so that no difficulties are faced at any stage of the project from construction to production stage.
2. The lack of proper supervision, conduct and control of the loan shall be done by the financiers to ensure purpose for which the loan is sanctioned, close contact and persuasion shall also be borrowers to ensure recovery of loan installment as and when due without allowing it to become arrear.
3. The bank should not always be very much sensitive of recovery of loans and will not bring necessary pressures for recovery provided the borrowers are incorrigible and habitual defaulters. The lenders shall not resort to any hasty decision and take legal action against the borrowers if there is any scope for recovery of the dues on compromise terms even by allowing some concession of interest and rescheduling the repayment program by allowing reasonable time to the borrowers.
4. Problem of the borrower's projects or business, which have turned sick unavoidable circumstances of unforeseen events, shall be looked into sympathetically by the lending bank. If necessary, bank shall not hesitate to allow further finance to revive the sick unit to ensure safe recovery of the loan in future for which a suitable repayment schedule may be prepared in consultation with borrowers.
5. The officials of the bank should be made well conversant with the methodical and procedural components of credit management starting from the stage of preparation of loan proposal and ending up to the follow up and recovery of

the same. None of the officials who have sporadic knowledge in handling loan cases should be assigned with the duty of operation of loans & advances.

6. The lenders shall take legal action against the incorrigible defaulting borrowers who are avoiding payment on flimsy grounds without bonafide intention to square up their dues without wasting of time. Money suits & criminal cases filled against the bad borrower shall be closely followed up for early decision of the court and immediate steps shall be taken for satisfaction of the decrees against the judgment debtors. Proper vigilance are required to be kept over disposal of court cases & recovery of the decretal dues as per judgment and in default, to file execution suit for attachment & sale of borrower's properties for satisfaction of the decree.
7. Alertness and education amongst the sub-conscious about their obligation to return bank's money in time and utilization of funds of funds only for productive purpose of motivation and education field assistants of the lending bank may play vital role.
8. The officials of the bank shall be honest, sincere and free vices in their deal with borrowers for personal gain should be skillfully detected and exemplary punished to prevent others from indulging such irregularities. Steps should also be taken to arrest growing moral degradation amongst the officials by improving their service benefits, socio-economic condition and a standard of living where the officials shall have no reasons to be allured by the borrowers.
9. The problem can be solved by rational strategy formulation.
10. The lenders shall sanction and disburse loan to the borrowers in proper time of investment. They will see that no delay is caused in completing formalities and processes which may create problem to the borrowers to divert funds elsewhere or want of scope for investment and thus the funds become stuck up ultimately. So loans should always be sanctioned & disbursed in proper time of investment to ensure recovery of the loan in time from the borrowers.

2. CONCLUSION:

For any B.B.A student who would like to build up his/her career in the banking sector, he/she must need this type of internship training. As a successful intern, I am really a lucky person that I could perform my Internship in IFIC Bank Limited, Federation Branch, which is the second bank of Bangladesh in case of earning profit. I hope this report prepared by me on the basis of my internship training will be beneficial for the personnel who are already involved in job in any reputed organization and will also be helpful for the future internees those who will carry out their internship training in IFIC Bank Limited or in other banks.

IFIC Bank Ltd. has been able to continue its over all progress for year to year, specially in granting loan to right sector and its recovery. Since bank's profit largely depends on its interest income. IFIC Bank Ltd. was able to achieve 2nd highest profit in year 2002. Which shows that the loan position, interest and recovery are excellent? This success has been making possible due to dynamic leadership of the bank management, proper guidelines good counsel and devotion and sincerity of all categories of officers an employees of the bank.

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