

**An Internship report on SME financing of Agrani Bank  
Limited: A Case study on Tongi Branch, Gazipur**

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DHAKA-1207**

**JUNE, 2016**

**SME Financing of Agrani Bank Limited: A Case Study on Tongi Branch,  
Gazipur**

**By**

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**Registration No: 09-03308**

An Internship Report  
Submitted to the Faculty of Agribusiness Management,  
Sher-e-Bangla Agricultural University, Dhaka,  
in partial fulfilment of the requirements  
for the degree of

**MASTER OF BUSINESS ADMINISTRATION IN AGRIBUSINESS**

**SEMESTER: JANUARY- JUNE, 2016**

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## Letter of Transmittal

18<sup>th</sup> May, 2017

To

Professor Gazi M. A. Jalil  
Department of Agricultural Economics  
Faculty of Agribusiness Management  
Sher-e-Bangla Agricultural University  
Dhaka-1207, Bangladesh

**Subject: Submission of the internship report entitled “SME financing of Agrani Bank Limited: A Case Study on Tongi Branch, Gazipur”**

**Dear Sir,**

It’s my honor to let you know that I have furnished a report based on my practical experience under your supervision; during the internship period I had the opportunity to gather experience in Credit and Advances Division and General Banking Division of Agrani Bank Limited. My topic has been decided **“SME financing of Agrani Bank Limited: A Case Study on Tongi Branch, Gazipur”** I have tried to write this report on the basis of my experience in the Bank.

I therefore, pray and hope that you would be kind enough to accept this report as fulfillment of the requirement of my post graduation.

Yours sincerely,

.....

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## **SUPERVISOR'S CERTIFICATE**

This is to certify that the internship report entitled '**SME Financing of Agrani Bank Limited :A Case Study on Tongi Branch, Gazipur**' submitted to the Faculty of Agribusiness, Sher-e-Bangla Agricultural University, Dhaka, in partial fulfillment of the requirements for the degree of **Master of Business Administration (MBA) in Agribusiness**, embodies the results of a piece of bona fide internship carried out by **Rubaiya Sharmin, Registration. No. 09-03308** under my supervision and guidance. No part of this report has been submitted for any other degree or diploma.

I further certify that such help or source of information as has been availed of during the course of this investigation has duly been acknowledged.

Dated:18.05.2017  
Dhaka, Bangladesh

**Professor Gazi M. A. Jalil**  
Faculty of Agribusiness Management  
Department of Agricultural Economics  
Sher-e-Bangla Agricultural University  
Dhaka-1207, Bangladesh



**Agrani Bank Limited**  
Committed to Serve the Nation



**Agrani Bank Limited** Date: 13/4/2017

Tongi Branch, Gazipur

**CERTIFICATE**

**Internship Program**

This is to certify that **RUBAIYA SHARMIN**, Daughter of **MD.GOLAM HOSSAIN** and **ROKEYA BEGUM**, Under the Program of **Master of Business Administration in Sher-e -Bangla Agricultural University** with **Reg. No: 09-03308** , Participated in the **4(Four)** month's internship from 12<sup>th</sup> December 2016 to 12<sup>th</sup> April 2017 in our branch.

She has successfully completed Internship program.

Alauddin Ahmed  
Senior Principal Officer/ Manager

Alauddin Ahmed  
SPO/Manager  
Agrani Bank Limited  
Tongi Branch  
Gazipur.

## **Acknowledgement**

At first I present my due regards to almighty ALLAH, who provided me the excellent opportunity to build and complete this internship report entitled “**SME Financing of Agrani Bank Limited: A Case Study on Tongi Branch, Gazipur**” I am deeply indebted to my supervisor Professor Gazi M. A. Jalil, Professor, Department of Agricultural Economics, Sher-e-Bangla Agricultural University, for his whole-hearted supervision during my organizational attachment period. His suggestions and comments were a great source of spirit to make the report a good one.

My special gratitude goes to Md. Alauddin Ahmed, Senior Principal Officer of Agrani Bank Limited, Tongi Branch, Gazipur. Additionally, I am also grateful to Md. Zafar Islam, Md. Sazzat Hossain, Amrit Lal Roy and Abeda Sharmin for giving their advice to complete my report. I am deeply indebted to all senior officers and officers and all other employees of Agrani Bank Limited, Tongi Branch for their friendly and sincere cooperation during my organizational attachment period.

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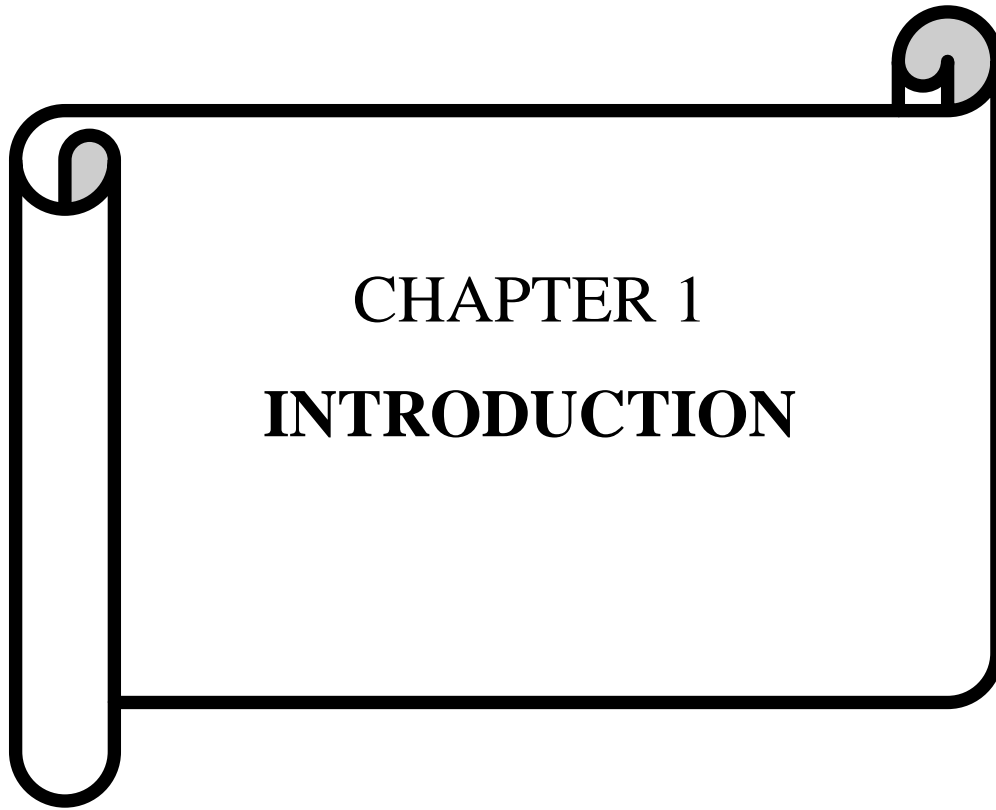
## **“SME Financing of Agrani Bank Limited: A Case Study on Tongi Branch, Gazipur”**

### **ABSTRACT**

It is said that Small and Medium Enterprises (SME) account for 60 percent of total employments in our country. Every year about 2 million young people join in the country's workforce. Half of them find jobs at home and abroad. So it has become a challenge to create more jobs so that the rest can be employed. SMEs can be an answer to the problem. In labour surplus country like Bangladesh, SMEs can play a substantial role in providing the impetus to the development of the modern manufacturing sector and job creation outside the agriculture and informal sectors. SMEs are labour intensive but relatively low cost capital intensive. For a developing country like Bangladesh SMEs are a cost effective way towards the reduction of unemployment.

Financial Institutes around the world are relentlessly trying to enhance the SME exposure in their groups. Over the years Agrani Bank Limited has expanded the financing exposure all over Bangladesh. SME sector is one of them. Although all over the world, the importance of SME financing is highly appreciated and entertained, this sector lacks proper boost from the government and attention of financial organizations. There are many reasons that financial organizations especially banks are unwilling in financing to the small and medium enterprises. Agrani Bank Limited is currently motivated hard to enhance the SME exposure of the bank. According to The Dhaka Tribune (2015) Agrani Bank Limited achieved 95.31% of its target in SME financing.

The internship report entitled “SME Financing of Agrani Bank Limited: A Study at Tongi Branch”. The main objective behind this report is to know about the SME financing activities of Agrani Bank Limited, Tongi Branch and also to determine how well Agrani Bank performs in this sector. The survey is conducted on 30 respondents (sample, those represent the total general customers segment) to measure customers satisfaction with SME financing. This report consists of seventh chapters. The sixth chapter contains result and discussion of the report. Where most of the respondents (73%) said that SME financing increased their standard of living and more than 60% of the respondents said that they renewed the loan after duration. Most of the respondents satisfied with branch services but they are not happy with the interest rate of SME financing. The seventh chapter deals with findings, conclusion of the report with recommendations. From my overall study it is concluded that, Agrani Bank Limited, Tongi Branch, Gazipur should possess a more attractive and standard SME financing procedure by solving the problems which dissatisfied the customers.



CHAPTER 1  
**INTRODUCTION**

# CHAPTER 1

## INTRODUCTION

### **1.1 Origin of the Study**

As a qualification of obtaining Masters of Business Administration (MBA) degree, every student has to go through an internship program. The main reason of this course is to experience the reality of the corporate life and relate it with the knowledge get from academic curriculum with practical situation. This course is taken as a four months program which creates opportunities for every student to work different organizations where they work different working environment and gather practical knowledge. I am very lucky that Agrani Bank Limited gave me opportunity to work as intern. ABL has country wide branch network thorough, which they provide a comprehensive banking service to their customers, which includes wealthy individuals, corporate client and financial institutions. Customer's satisfaction is the top priority of the bank. Bank in its goal has mention that customer's expectations will be meeting through innovative financial products and services. Deposit scheme includes current accounts (CA), savings accounts (SB), fixed deposits receipts (FDR), short-term deposit accounts (STD). Loans scheme includes consumer credit, staff loan, personal loan, SME credit, agriculture credit etc.

This report named “**An Internship report on SME financing of Agrani Bank Limited: A study on Tongi Branch, Gazipur**” has been made as a part of my internship at Agrani Bank Limited. The report includes my work experiences at Tongi Branch of Agrani Bank Limited as an intern. During this period I learned how the host organization works with the help of the internal supervisor. On the basis of working experience in this period I have prepared this report and I have tried my level best to relate the theoretical knowledge with the practical work situation.

### **1.2 Objectives of the Study**

The objectives of the report are divided in two parts. One is general objectives and another one is specific objectives.

**1.2.1 General Objective:** The overall objective of this report is to know the SME financing activities of Agrani Bank Limited, Tongi branch, Gazipur.

### **1.2.2 Specific Objectives**

Specific objectives of this report are :

- To know bank's overall credit activities towards Small and Medium Enterprise(SME)
- To find out customers view and their satisfaction with SME financing services of Agrani Bank Limited, Tongi Branch
- To find out the year wise SME loan disbursement and percentage of SME loan to total loan of Agrani Bank limited, Tongi Branch
- To identify the problems related to smooth flow of SME loan and some recommendations to solve the problems

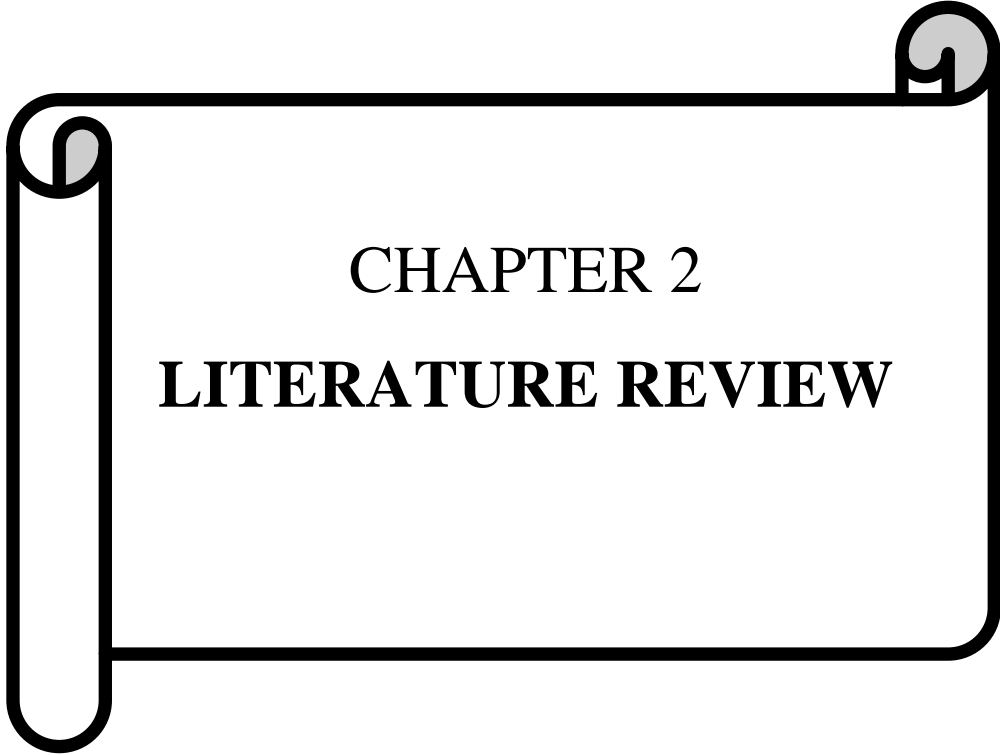
### **1.3 Justification of the Study**

This internship report is an important partial requirement of MBA program. This is because knowledge and learning become perfect when it is associated with theory and practice. It is also known to all of us that there is no alternative of practical knowledge and the practical knowledge is much more durable and useful than the theoretical knowledge. This study will help us to get a true picture of the practical business world, particularly of banking business and also to attain practical knowledge on the various spheres of banking business. So this study is of paramount importance for each and every student regardless of his/her study area or discipline.

### **1.4 Scope of the Study**

The scope of the report is limited to Agrani Bank Limited, Tongi Branch. The whole report covers the organizational structure, background of the bank, objectives, functions and business performance, SME financing activities of ABL, the main part works on,

- SME Credit approval Procedure of Agrani Bank Limited, Tongi Branch
- SME Credit Performance, facts and figure of Agrani Bank Limited, Tongi Branch



CHAPTER 2  
**LITERATURE REVIEW**



## CHAPTER 2

### LITERATURE REVIEW

**Chowdhury (1985)** made a commendable contribution to the literature in this field. In his study he observed that the rate of interest charged under different credit programmed were high and the security policy was rigid and cumbersome. The negative and restrictive conditions of the credit policies hampered the smooth running of the enterprises of the borrowers.

**Jesmin and Rubayat (2009)** found that, strengthening the financial sector is one of the most important issues for enabling Small Scale Industries (SSIs) to perform successfully. Most of the commercial banks as well as other financial institutions are somewhat reluctant to provide loans from own funds to SSIs due to the high credit risk associated with such lending. To overcome this problem a mechanism can be devised to set up a special insurance scheme with funds from the government, donors and even, may be contribution from local financial institutions.

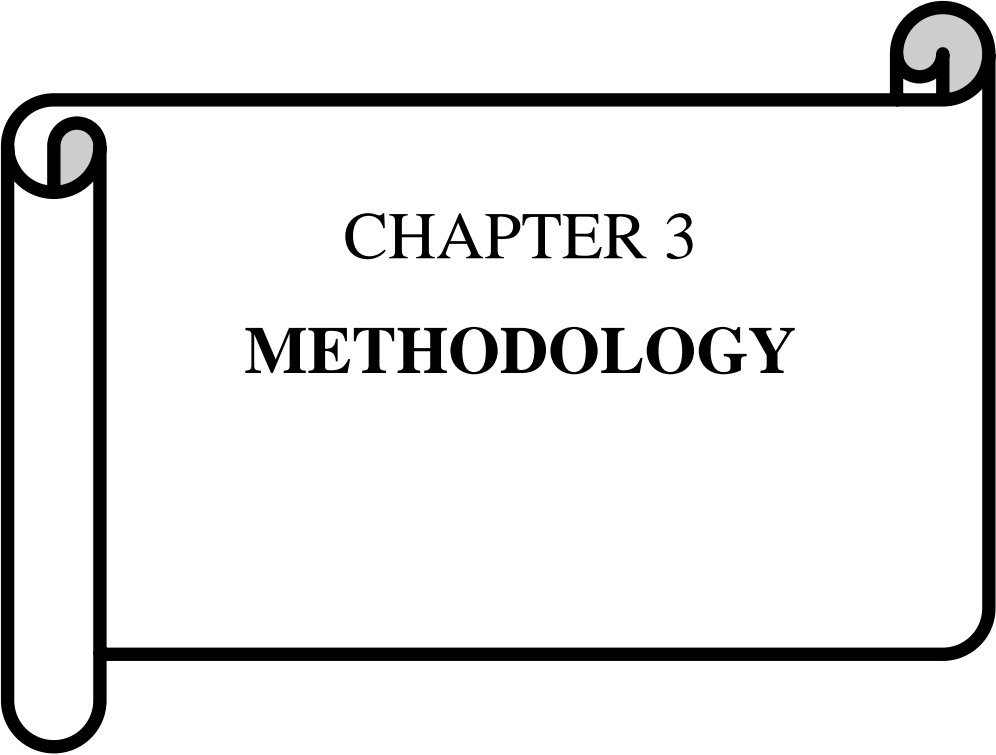
**Akter rujjaman (2010)** conducted a study where major findings were related to the high interest and loan duration rates, reasons for SMEs relatively informal way of doing business in contrast to bank's formal procedures and prerequisites, bank's relative experience in this field.

**Chowdhury and Ahmed (2011)** observed that non availability of adequate credit, complex loan granting procedure, inadequate infrastructure facilities, problems of collateral requirements, paucity of working capital, non availability of skilled work force; poor salary structure, lack of coordination among SME related organizations, lack of appropriate marketing strategies etc. are the major hindrances to the development of the SMEs in Bangladesh. They recommended easy loan application and disbursement procedure, fix the minimum salary, adequate finance for modernization, expansion and technological advancement of SMEs etc for the development of SMEs.

**Zaman and Islam (2011)** found that lack of investment finance and working capital finance, inability to market SME product, lack of skilled technicians and workers, non tariff barriers and changes in world trade regimes are the major financing constraints faced by SMEs in Bangladesh and suggested enhancing access to SME finance, development of SME infrastructure, quality of SME products, and training facilities for SME workers and entrepreneurship etc. are as some policy measures to overcome those constraints.

**Uddin (2014)** observed that limited financing, high interest rate, poor infrastructure, credit information gap etc. make the performance of SMEs below the global standard in Bangladesh. This study was an analysis to identify some of the constraints related with SMEs financing and some policy implications for the future.

**Khanam and Hasan (2016)** conducted a study. The main finding of the study were i) the investment of BASIC bank in Industrial sector occupy the first position and SMEs gets the highest loans (on an average 57%) from the bank over the study period. .ii) It is seen that the productivity performance in terms of working fund to total expenses and total income to total expenses have been satisfactory in most of the banks during study period. iii) It is also observed that the profitability performance in terms of total income, working fund and total deposits have been satisfactory of all the sample banks during the study.



CHAPTER 3  
**METHODOLOGY**

## CHAPTER 3

### METHODOLOGY

#### 3.1 Research Design

This is a descriptive type of research. The study requires a systematic procedure from selection of the topic to preparation of the final report. To perform the study, the data sources were to be identified and collected, to be classified, interpreted and presented in a systematic manner and key points were to be found out. The overall process of methodology has been given as below.

- **Selection of the topic:** The topic selected for the study was chosen and approved by the supervisor.
- **Identifying data sources:** Both primary and secondary data were needed to complete and workout the study. To meet up the need of data, primary data are used and the study also required to interview the SME customers . Secondary data sources were annual reports, files, documents etc.
- **Collection of Data :** Questionnaire preparation was required to collect the primary data. Secondary data were collected from annual report, previous documents ect.
- **Classification, analysis, interpretation and presentation of data:** In some cases, to classify, analyze, interpretation of data I used some statistical Tools, Tables and Presentation to understand them clearly.
- **Findings of the study:** After scrutinizing the data facts and figure of the study were pointed out. Recommendation was suggested to overcome the problems.
- **Final report preparation:** On the basis of the suggestions of my honorable supervisor some deductions and additions were made and final report was prepared thereafter.

### **3.2 Sources of Data**

#### **i) The Primary Data Sources**

Primary data were collected through Questionnaire Survey on SME customers of Agrani Bank Limited. Tongi Branch, Gazipur.

#### **ii) The Secondary Data Source**

- Annual reports of Agrani Bank Limited.
- Different publications regarding Banking functions by Agrani Bank Limited.
- Official website of the Agrani Bank Limited.

### **3.3 Sampling Technique**

- **Target Population:** SME Customers of Agrani Bank Limited, Tongi Branch, Gazipur
- **Sample Size:** 30
- **Sampling Method:** Convenience sampling method was used as I collected data of the 30 respondents among 50 SME customers of Agrani Bank Limited, Tongi Branch.

### **3.4 Method of Data Collection**

For the purpose of the study, the following methods have been applied to collect primary data:

- Questionnaire method to contact with the respondents.
- Face to face conversation with the officers and clients during internship period at Agrani Bank Limited, Tongi Branch.
- Working experience at different desks in Agrani Bank Limited, Tongi Branch, Gazipur.

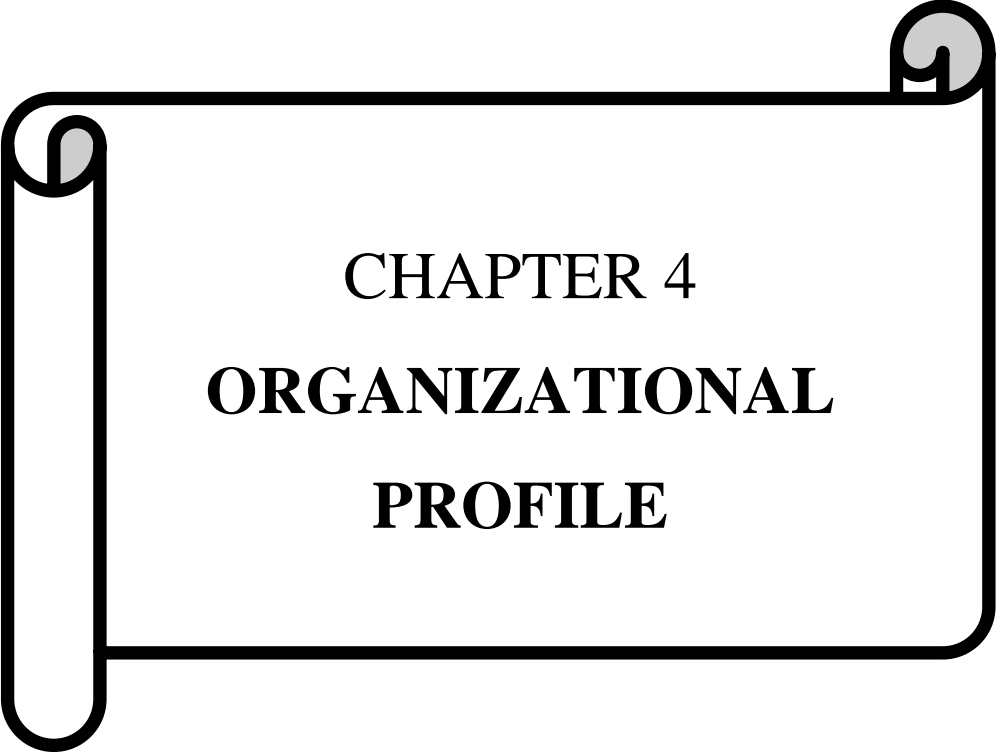
### **3.5 Analytical Technique and Tools**

All the necessary data are taken and analyzed in a systematic manner through likert scale. I used mainly Microsoft office, Microsoft excels for data analysis and making all the graphs and charts to the related parameter.

### **3.6 Limitations of the Study:**

Though I have given utmost effort to prepare this paper but there are some limitations of the study. Such are as follows-

- The main constrain of the study was insufficiency of information, which was required for the study. There are various information the bank employee cannot provide due to security and other corporate obligations.
- Credit management in SME is a vast area of study. Time limitation is also one of the main reasons so for that more detailed study was not possible
- In this report, the work is done on a sample of small respondents. It is not possible to collect whole data within a short time period.
- Since the bank personnel were very busy, they could not provide enough time to me.
- Lack of knowledge and experience among the respondents.
- Analyzing with financial data is much more confusing and complicated than any other data.
- Large-scale research was not possible due to constraints and restrictions posed by the organization.



**CHAPTER 4**  
**ORGANIZATIONAL**  
**PROFILE**

## CHAPTER 4

### ORGANIZATIONAL PROFILE

#### 4.1 History of Agrani Bank Limited

Agrani Bank Limited, in pursuance of Bangladesh Banks (Nationalization) order 1972 ( PO No. 26 of 1972) came into being in 1971 taking over the assets & liabilities of the Habib Bank Ltd. & Commerce Bank Ltd, functioning in the then East Pakistan. In 17<sup>th</sup> May 2007 it has incorporated as public limited company with vendor agreement conducted in 15<sup>th</sup> November 2007. Now it is one of the four NCB's performing in Bangladesh and fully owned by the Government. The bank started operation with 249 branches with its head office in Dhaka. Now Agrani bank Limited is operating with 11 Circle offices, 34 Divisions in head office, 62 zonal offices and 935 branches including 27 corporate and 40 AD (authorized dealer) branches and total work force of it 13,262.

#### 4.2 Corporate profile:



**Agrani Bank Limited**  
*Committed to serve the nation*

Legal Status	Public Limited Company
Shareholding Pattern	100% share owned by Government of the People's Republic of Bangladesh
Chairman	Dr. Zahid Bakht
Managing Director & CEO	Dr. Syed Abdul Hamid, FCA
Company secretary	Khandaker Sajedul Haque
Registered Office	9/D Dilkusha, Dhaka 1000, Bangladesh
Authorised Capital	Tk. 2,500.00 Crore
Paid up Capital	Tk. 2,027.29 Crore
Operating Profit	Tk. 877.47 Crore



Total Equity	Tk. 4,467.59 Crore
Tax Identification Number	0022001223
Vat Registration No.	19011031730
Branch	935
Zonal office	62
Corporate Branch	27
Employee	13,396 (Officer 10,737, staff 2659)
Foreign Correspondent	322
Phone	+88-02-9566160-9, +88-02-9566153-4, +88-02-9566074-5
Fax	+88-02-9562346, +88-02-9563662, +88-02-9563658
SWIFT Code	AGBKBDDH
Website	<a href="http://www.agranibank.org">www.agranibank.org</a>
E-mail	agrani@agranibank.org

#### 4.3 Branches of Agrani Bank Limited:



#### 4.4 Vision Statement:

Source: Annual Report 2015

To become the best leading state owned commercial bank of Bangladesh operating at international level of efficiency, quality, sound management, customer service and strong liquidity.

#### **4.5 Mission Statement:**

To operate ethically and fairly within the stringent framework set by our regulators and stimulate ideas and lessons from best practices to improve our business policies and procedures to the benefit of our customers and employees.

#### **4.6 Values :**

Agrani Bank value in integrity, transparency, accountability, dignity, diversity, growth and professionalism to provide high level of service to all our customers and stakeholders inside the country.

#### **4.7 Motto :**

To adopt and adapt modern approaches to stand supreme in the banking arena of Bangladesh with global presence.

#### **4.8 Business Objectives:**

- Build up a low cost fund base.
- Make sound loans and investments.
- Meet capital adequacy requirement at all time.
- Ensure 100% recovery of all advances.

#### **4.9 Strategic Objectives :**

- Winning at least 6.50 percent share of deposits and 5.50 percent share of loans and advances of Bangladeshi market.
- Gaining competitive advantages by lowering over all costs compared to that of competitors.
- Overtaking competitors by providing quality customer service.
- Achieving technological leadership among the peer group.
- Strengthening the Bank's brand recognition.
- Contributing towards the economic well-being of the country by focusing particularly on remittance, SME and agricultural sectors.
- Strengthening research capability for innovative products.

#### **4.10 Ethical Standards**

**Be Trustworthy:** It's believe in mutual trust and treat the customers in way so that they can trust

**Keep an open Mind:** For continuous improvement of Bank keep minds open to new ideas. Bank seek opinions and feedback from both customers and team members through which Bank will continue to grow.

**Meet Obligations:** Regardless of the circumstances, Bank does everything to gain the trust and confidence of customers and clients by honoring commitments and obligations of the bank.

**Be Transparent:** Bank transparent in its it's dealings with customers and all stakeholders, ensure transparency by furnishing information through print and electronic media as well as in Bank's websites, journals and reports.

**Be involved with the community:** It's involved in community-related issues and activities, thereby demonstrating that these business is socially responsible.

**Be respectful:** Treated all stakeholders with utmost respect and courtesy regardless of differences, positions, titles, ages or other types of distinctions.

**Be Environment Conscious:** Bank provide industrial financing decorously to keep the environment free from pollution and health hazard. Also ensure setting up ETP before installation of industries to keep environment safe.

#### 4.11 Hierarchy of Agrani Bank Limited:

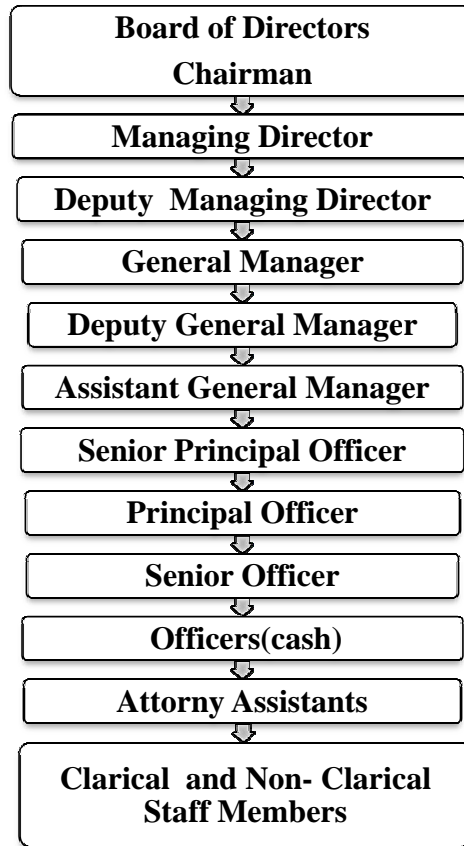


Figure 4.1: Hierarchy of Agrani Bank Limited

#### 4.12 Products and Services of Agrani Bank Limited

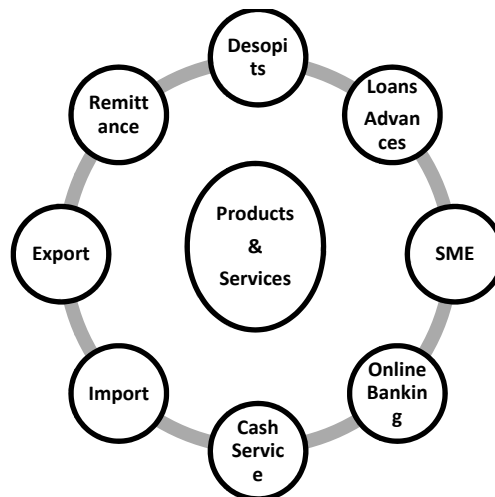


Figure 4.2: Products & Services of Agrani Bank Limited

<b>1. <u>Deposits:</u></b>	<b>2. <u>Loans and Advances :</u></b>
<p><b>a) Taka Account</b></p> <ul style="list-style-type: none"> <li>• Current Deposit (CD)</li> <li>• Savings Deposit (SB)</li> <li>• Fixed Deposit (FDR)</li> <li>• Special Notice Time Deposit (SNTD)</li> <li>• Non-Resident Special Taka Account (NRTA)</li> <li>• Non-Resident Investors Taka Account (NRIT)</li> <li>• Agrani Bank Pension Scheme (APS)</li> <li>• Agrani Bank Bishesh Shanchay Scheme (ABS)</li> <li>• Students Savings A/C (School Banking)</li> <li>• Small Life Insurance Policy Holders A/C</li> <li>• Ten Taka Farmers A/C</li> <li>• Freedom Fighters A/C</li> <li>• Other Beneficiaries A/C under Social Securities Program</li> </ul> <p><b>b) Foreign Currency Account</b></p> <ul style="list-style-type: none"> <li>• Foreign Currency (FC) A/C</li> <li>• Non-Resident Foreign Currency Deposit (NFCD) A/C</li> <li>• Resident Foreign Currency Deposit (RFCD) A/C</li> <li>• Exporters Retention Quota (ERQ) A/C</li> </ul> <p><b>e) Import Finance</b></p> <ul style="list-style-type: none"> <li>• Loan Against Imported Merchandise (LIM)</li> <li>• Loan Against Trust Receipt (LTR)</li> </ul>	<p><b>a) Continuous Loan</b></p> <ul style="list-style-type: none"> <li>• Cash Credit (Hypo)</li> <li>• Cash Credit (Pledge)</li> <li>• Secured Overdraft (SOD)</li> </ul> <p><b>b) Term Loan</b></p> <ul style="list-style-type: none"> <li>• Industrial Credit (IC)</li> <li>• Housing Loan (General &amp; Commercial)</li> <li>• Consumer Credit</li> <li>• Loan for Overseas Employment</li> <li>• Weavers' Credit</li> </ul> <p><b>c) Rural &amp; Agro Credit</b></p> <ul style="list-style-type: none"> <li>• Crop Loan</li> <li>• Fishery Loan</li> <li>• Animal Husbandry Loan</li> <li>• Agri Machinery Loan</li> <li>• Rural Transport Loan</li> <li>• Swanirvar Loan</li> <li>• Poverty Alleviation Loan</li> </ul> <p><b>d) Small and Medium Enterprise Loan</b></p> <ul style="list-style-type: none"> <li>• Service Sector Loan</li> <li>• Trading Sector Loan</li> <li>• Manufacturing Sector Loan</li> <li>• Women Entrepreneurs Loan</li> <li>• Agrani Bidesh Jawar Loan (ABJL)</li> </ul> <p><b>f) Export Finance</b></p> <ul style="list-style-type: none"> <li>• Export Cash Credit</li> <li>• Packing Credit (PC)</li> <li>• Local / Foreign Bills Purchased (FBP)</li> <li>• Loan Against Export Development Fund</li> </ul>

### **3. Treasury**

#### **a) Money Market**

- Maintaining CRR and SLR
- Call Money Transaction
- Term Placement (FDR)
- Treasury Bills
- Treasury Bonds
- Secondary Trading of Govt. Securities
- Repo
- Reverse Repo
- Custodian Services
- Other Investments

#### **b) Foreign Exchange Market**

- Selling Foreign Currency for Import Payment
- Buying Foreign Currency against Export Proceeds
- Fixation of Exchange Rate
- Foreign Currency Buying and Selling
- SWAP Transactions
- Forward Transaction
- Term Placement

### **4. Letter of Credit**

- Letter of Credit - Sight
- Letter of Credit - Usance
- Back to Back L/C

### **5. Letter of Guarantee**

- Advance Payment Guarantee
- Bid Bond
- Performance Guarantee

- Shipping Guarantee
- Guarantee - Others
- Standby Credit

#### **6. Other Foreign Exchange Service**

- Documentary Bill Collection
- Advanced Payment for Import & Export
- Foreign Remittance (Incoming & Outgoing)
- Foreign Currency Endorsement against Passport
- Issuance of Draft, TT
- Collection of Draft, Cheque, TC
- Opening of Student File, Medical File

#### **7. Cash Service**

- ATM Service
- Cheque Encashment
- Foreign Currency

#### **8. Fund Transfer:**

- Inter-Branch Money Transfer
- SWIFT
- Telegraphic Transfer (TT)
- Issuing Foreign Draft
- Encashing Foreign Draft
- Bangladesh Electronic Fund Transfer Network (BEFTN)
- Bangladesh Automated Clearing House (BACH)
- Online Deposit to Accounts
- Real Time Gross Settlement (RTGS)

#### **9. Value Added Service**

- Locker Service

- Utility Bill Collection
- Arm forces Pension Payment

#### **10. Merchant Banking Service**

- Issue Management
- Underwriting
- Portfolio Management

#### **11. Islamic Banking Service**

##### **a) Deposit**

- Al Wadiah Current A/C
- Mudaraba Savings A/C
- Mudaraba STD A/C
- Mudaraba Term Deposit
- Mudaraba Special Scheme Deposit

##### **b) Investment**

- Bai Murabaha (Pledge)
- Bai Muazzal (Hypo)
- Higher purchase Shirkatul Meilk
- Bai Sal

#### **4.13 Contribution of Agrani Bank Limited in Banking Sector of Bangladesh:**

Banking sector of Bangladesh operates consisting of 56 banks having more than 9 thousand branches. Along with maximum contribution to the socio-economic development of the country, Agrani Bank Limited has earned 10,720.50 million operating profit in 2015 which is the highest among the State Owned Commercial Banks. Data as on 31 December 2015 shows 8.36% of assets, 7.76% of deposit, 5.83% of loans and advances of the banking sector are possessed by ABL. Details are narrated below:



**Table 4.1: Spotlight of 2015, Agrani Bank Limited**

<b>Sl.</b>	<b>Component</b>	<b>Amount (Taka in Crore)</b>	<b>Market Share (%)</b>
<b>1</b>	Loan and Advances	24,480.18	5.83
<b>2</b>	Deposits	43,998	7.76
<b>3</b>	Total Assets	56,535	8.36
<b>4</b>	Equity	4,468	5.19
<b>5</b>	Operating profit	878	5.79
<b>6</b>	Foreign Remittance	13204	9.48
<b>7</b>	Branches (number)	930	10.00
<b>8</b>	Manpower (number)	13,395	7.00

Source: Annual Report of Agrani Bank Limited, 2015

#### **4.14 Agrani Bank Limited Tongi Branch, Gazipur**

- a) **Location:** Agrani Bank, Tongi Branch located at Arichpur, Tongi Bazar, Gazipur.
- b) **Personnel of this branch:** It is not corporate branch, total number of employees are 20 and 4 other staffs.
- c) **Chief of these Branch:** The chief(manager) of Tongi Branch, Agrani Bank Limited is Alauddin Ahmed and his designation is Senior principal officer.

#### **Employees of this Branch:**

**Table 4.2: Employees of this Branch**

<b>Employees</b>	<b>Number</b>
Senior Principal Officer	1
Principal Officer	3
Senior Officer	6
Officer(Cash/IT)	5
Staff	5
Ansar	4
<b>Total</b>	<b>24</b>

#### **4.15 My Working Areas:**

##### **4.15.1 Account Opening:**

At first I was asked to work in General Banking and the assigned department was Account opening. Different types of accounts are opened here like Current accounts, Savings accounts, ABS, DPS, APS. I was often used to fill up the account opening forms.

##### **4.15.2 Foreign Remittance Department:**

In these department one person send money in Bangladesh from outside of the national boundary, customer come to the officer and give a PIN number. If PIN number in right,

bank pay the amount to the customer. My work of these department was fill up the form, collect national ID and other necessary papers.

#### **4.15.3 Clearing Department:**

It is another department. All cheques of another banks or other branches are collected here. After that it was posted through online to local office. After three days here the deposited amount will transfer to the customer accounts.

#### **4.15.4 Loan and Advance Department (SME):**

Last two months I was worked here I worked these department very sincerely because these department related to my topic. In these department I observe how a SME loan is given to the customer, what necessary documents are needed for getting loan and credit facilities. What type SME products are available for customers and SME credit helpful or not for the customers etc.



CHAPTER 5

**SME Financing Activities  
of Agrani Bank Limited**

## **CHAPTER 5**

### **SME FINANCING ACTIVITIES OF AGRANI BANK LIMITED**

#### **5.1 Small and Medium Enterprise (SME) Finance**

SME Finance is the funding of small and medium sized enterprises and represents a major function of the general business finance market – in which capital for different types of firms is supplied, acquired and cost/priced.

SME can be defined by a simple sentence “Small Business with Big Opportunity”.

#### **5.2 Potential of SMEs**

- i. Every year about 2 million young people join the country’s workforce. Half of them find jobs at home and abroad. So it has become a challenge to create more jobs so that the rest can be employed. SMEs can be an answer to the problem.
- ii. In labour surplus country like Bangladesh, SMEs can play a substantial role in providing the impetus to the development of the modern manufacturing sector and job creation outside the agriculture and informal sectors.
- iii. SMEs are labour intensive but relatively low cost capital intensive. For a developing country like Bangladesh SMEs are a cost effective way towards the reduction of unemployment.
- iv. SMEs can reduce the urban migration in the capital and other major cities , increase cash flow there by enhance standard of living, bridging urban-rural income gap and contribute towards inclusive growth.

So, Bangladesh government has given more emphasis on SMEs considering a priority sector for which Bangladesh Bank has also taken various priority initiatives. As a development partner, Agrani Bank Limited has also been operating various loan activities for the development of SMEs.

#### **5.3 Guideline of Loan Disbursement in SME sector:**

To comply with Bangladesh Bank’s new instruction, Agrani Bank Limited has circulated instructions by modifying definition of Cottage, Micro, Small and Medium Industry, SME financing, Women Enterprises and various refinance schemes.

**Table 5.1: New Definition of SMEs on the Basis of Business Size:**

Business Segment	Business Type	Defining Criteria	
		Fixed asset at cost (Excluding land & building)	Manpower
Small	Manufacturing	Tk. 50 Lac-Tk. 10 Crore	25-99
	Service	Tk. 5 Lac-Tk. 1Crore	10-25
	Trade	Tk. 5 Lac-Tk. 1Crore	10-25
Medium	Manufacturing	Tk.10 Crore-Tk. 30 Crore	100-250
	Service	Tk.1Crore-Tk.15 Crore	50-100
	Trade	Tk.1Crore-Tk.15 Crore	50-100
Cottage	Manufacturing Predominant family	Up to 50,000	10
Micro	Manufacturing	Tk.5lac-Tk.50 lac	10-24
	Service	Less than Tk.5 lac	10
	Trade	Less than Tk. 5 lac	10

(Source: Annual Report 2015, Agrani Bank Limited)

#### **5.4 Sectors of SME Financing of Agrani Bank Limited:**

##### **Service Sectors**

Hotel, restaurant, tailoring, laundry, hospital, clinic, kindergarten, block and painting, tractor, power tiller, irrigation equipment etc.

##### **Trading Sectors:**

Grocery shop, cloth shop, medicine shop, plastic and synthetic shop, shop of spare parts, rods and cement, furniture, agro-business and economic generating and socially acceptable business.

**Manufacturing/ Industry sectors:** Cotton industry, jute industry, garments, rice mill, plastic industry, saw mill, light engineering, agro processing, feed mill, furniture industry and other socially acceptable and eco-friendly business.

**Table 5.2: Sector wise disbursement and outstanding SME in 2015**

Taka in crore

<b>Sectors of SME financing</b>	<b>Disbursement</b>	<b>Outstanding</b>
Service sectors	357.00	297.74
Trading sectors	1780.63	3043.18
Manufacturing sectors	53.37	1309.08
<b>Total</b>	<b>2191.00</b>	<b>4650.00</b>

Source: Annual Report, 2015 Agrani Bank Limited

**5.5 Contribution of ABL in Developing of SME:**

Since the inception of SME financing, Agrani Bank Limited has been taking various steps such as establishing of separate SME credit division, adopting SME financing activities according to Bangladesh Bank's guidelines, operating SME financing activities through all branches, allocating sufficient budget for SME loan disbursement, zone & clusters wise SME loan disbursement, establishing SME help desk & women entrepreneur development unit in all Zonal offices and Corporate Branches, setting up focal officer, introducing separate loan activities for women entrepreneurs, vivid participation in different SME fairs & other promotional efforts etc. As a result of taking these activities, in the mean time the Bank has achieved an advanced position. The financial position of SME loan activities up to December 2015 is given below:

**Table 5.3: Contribution of Agrani Bank Limited in Developing of SME:**

Taka in crore

Nature of loan	Disbursement Target 2015	Disbursement in 2015	% of Disbursement	Outstanding
Cottage Enterprises	10.00	1.00	10%	2.20
Micro Enterprises	90.00	350.70	390%	121.12
Small Enterprises	1357.36	1364.80	101%	2875.50
Medium Enterprises	787.61	474.50	60%	1651.81
<b>Total</b>	<b>2245.00</b>	<b>2191.00</b>	<b>98%</b>	<b>4650.00</b>

Source : Annual Report 2015, Agrani Bank Limited

**5.6 SME financing along with national and international organization:**

### **NGO Linkage program of ABL:**

Agrani Bank Limited is a pioneer bank in expanding credit activities through the capable NGOs. The Bank has engaged different NGOs for expanding the SME credit services. Any potential NGO can avail the credit facilities from this Bank complying existing rules and regulations. The Bank has already disbursed a total loan of tk 312.00 crore to the BRAC in 2015. As a retailer, the NGOs have re-lent the same to the targeted SME people.

### **Foreign Aided Credit Programs of ABL:**

The Agrani Bank Limited has been utilizing its own fund and the foreign fund for credit operation. The credit programs namely EGPRP and MSFSCIP (Kurigram) are being successfully operated by the Bank under the financial assistance of IFAD. Under the program EGPRP, the Bank is extending credits to the people through its 190 branches. Agrani Bank Limited has disbursed tk 21.31 crore under EGPRP program & Tk 0.21 crore under MSFSCIP program 2015.

### **5.7 Forward Looking Statements for SME of Agrani Bank Limited**

The Bangladesh Government has formulated policy strategies for developing SME through industrial policy 2010 providing guidelines for SME development. As a development partner of the Government, the Bank has a wide vision for the next years. Under the vision, the SME credit should be extended to close door people. In this purpose tk 2694,00 crore has been assigned as SME loan disbursement target for the next year. An action plan related to train up branch manager & loan officers will be taken alike previous years to ensure better SME loan service as per instructions of Bangladesh Bank. Various SME products of ABL will be displayed in various fairs & will be participated in various seminars/ conferences. Special attention will be given to increase financing in environment friendly, agro based & agro processing industries, labor intensive & production oriented enterprise, production of import substitute commodities, export oriented enterprise, creative new enterprise and IT & technology oriented enterprises. Besides these, necessary steps will be taken from time to time to gear up overall SME activities so that performance of ABL will be pioneering in developing SMEs.



### 5.8 Purpose of SME Loan:

- Working capital.
- Purchasing of capital machinery.
- Delivery Van /Transport for business purpose.
- Renewing office/ Business premises.
- Purchase of commercial land, possession for new venture.
- Other eligible portfolio of the bank.

### 5.9 Structure of SME Division:

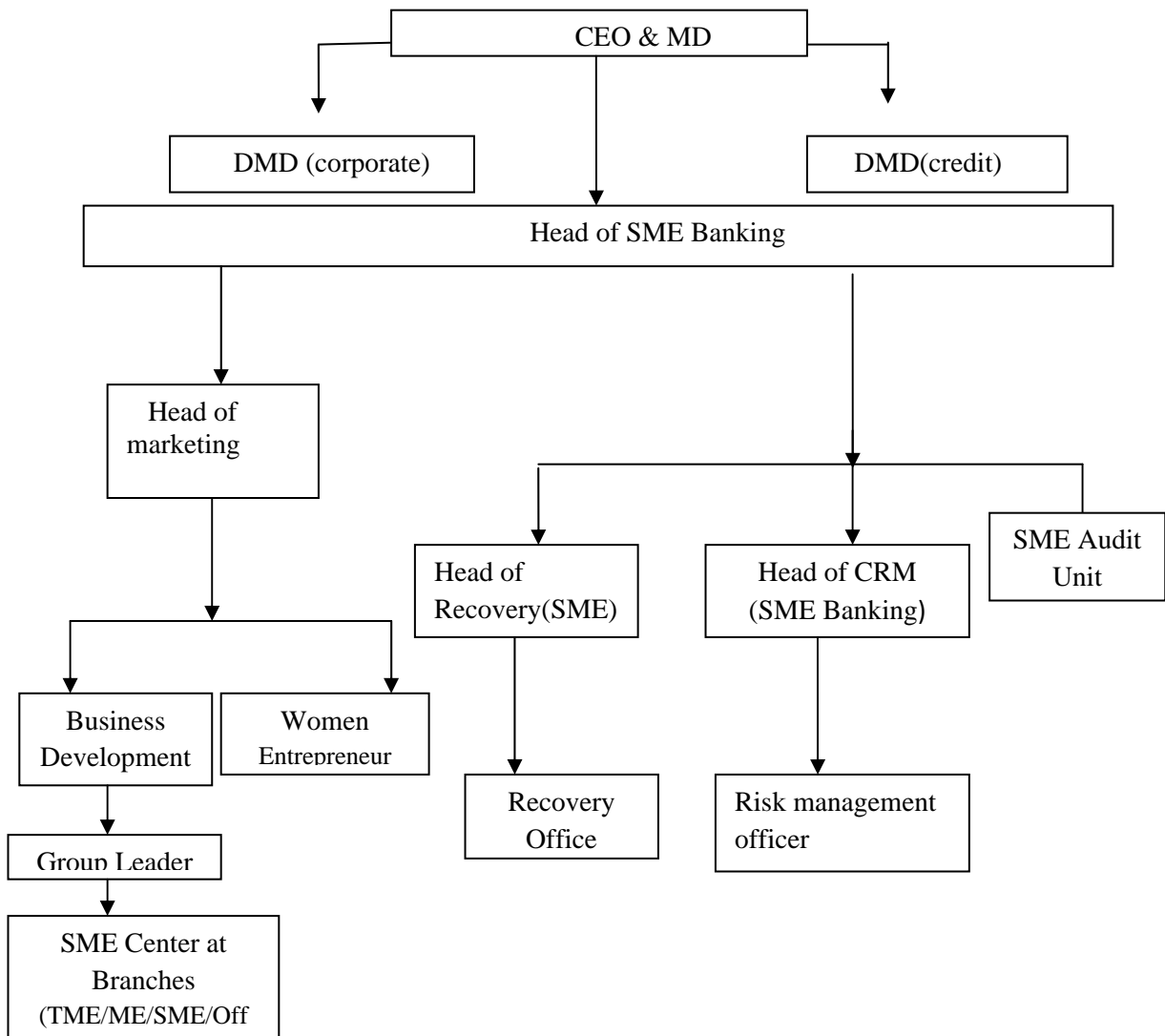


Figure 5.1: Structure of SME Division

## **5.10 Criteria and Conditions of SME Loan**

### **Acceptable Entrepreneur**

- Entrepreneurs must be Bangladeshi citizen.
- Age must be above 18 years.
- The entrepreneur should have related professional experience, good managerial ability, adequate capital, financial solvency, good repayment behavior, technical & marketing related knowledge, training.
- The entrepreneur should have capability of utilization and repayment of loan.
- Must have acceptable CIB report from Bangladesh Bank.
- Defaulters of any bank or financial institution are not considered under this lending program.

### **Credit Duration**

- Short term loan (up to 12 months).
- Medium term loan of 4 years duration including six months grace period. Total amount with interest to be refunded in seven installments.
- Loans are renewable given satisfactory dealing.

### **Credit Limit**

- Small Industry: Tk 2.00 lac to TK 50.00 lac.
- Medium Industry: Tk 51 lac to TK 1000.00 lac.
- Cash Credit: Maximum 100% of current capital or 75% of total inventory and receivables.

### **Debt-Equity Ratio**

- From TK. 2.00 lac to TK. 10.00 lac - 50:50
- From TK. 10.00 lac to TK. 1000.00 lac - 60:40
- The entrepreneurs putting high equity are preferred.

## **Guarantee**

For SME credit above TK. 50,000 collateral security should be taken covering the loan amount.

## **Rate of Interest**

1. Small Industry: 13%
2. Medium Industry: 13%

## **Approved SME Credit Sector**

According to SME development policy -2005 of Ministry of Industry, the following sectors are selected for targeted development:

1. Software Development.
2. Agro-processing/Agri-business/plantation agriculture/tissue culture.
3. Leather Goods.
4. Health services and diagnostics.

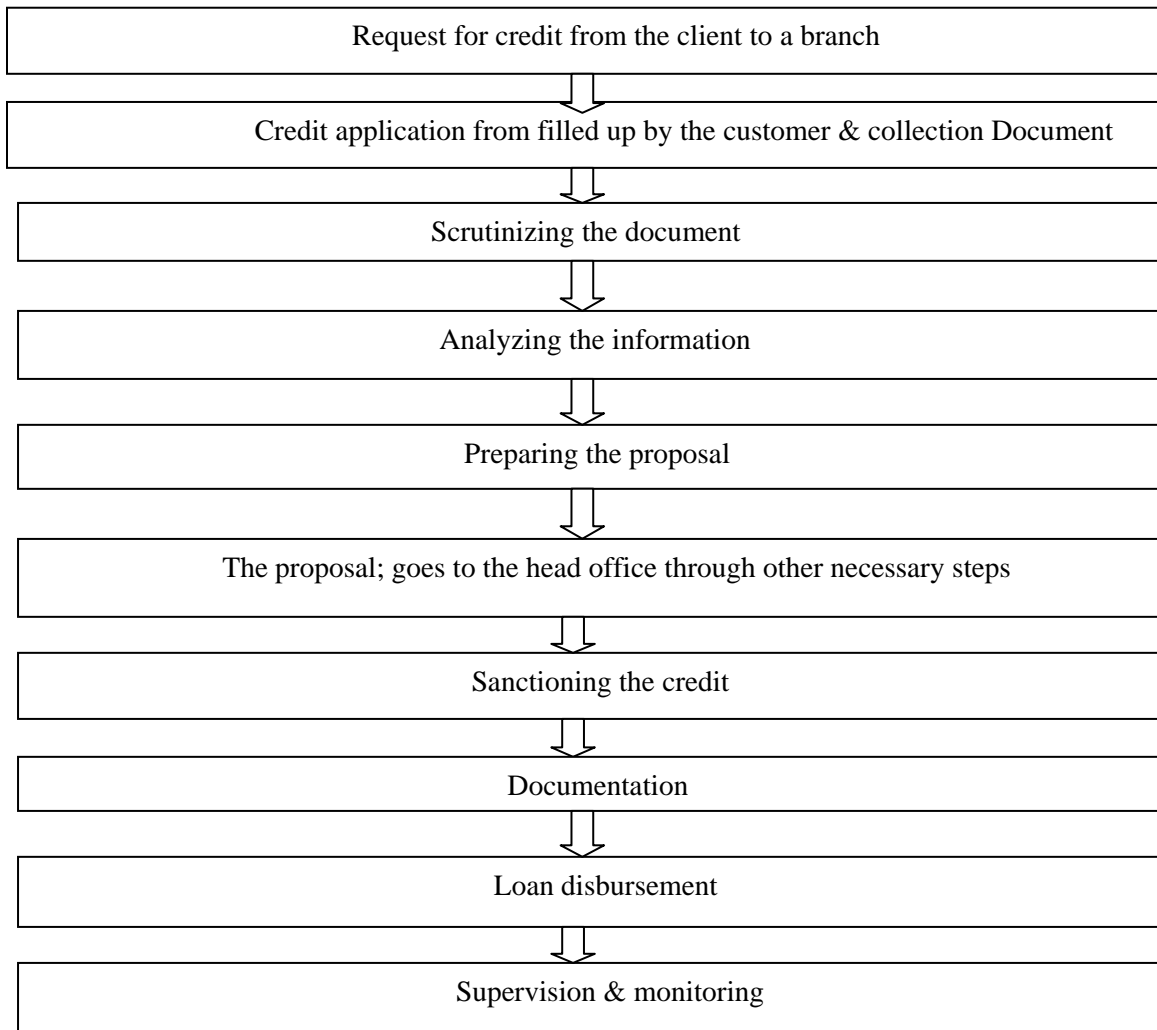
## **5.11 SME Loan Disbursement System of Agrani Bank Limited**

### **Terms and Conditions of SME Loan Disbursement**

At the time of lending, bank judges the customer's credit worthiness. Bank collects information from various sources for the security of credit information which is very essential for unsecured loan. Bank can collect information from the following sources-

1. SME Loan application form.
2. Ownership and changes there in.
3. Analysis of financial statement.
4. Analysis of past transaction made with the bank.
5. Credit Information Bureau Report (CIB Report)
6. Personal interview.

### 5.12 Diagrammatically Loan Disbursement Procedure:



**Figure 5.2: Loan Appraisal and Approval Process**

#### **Request for credit:**

At first the client request for credit to the local branch. Then

- Hold preliminary discussion with the prospective client his investment needs, business experience, viability of the project, assets, business and the uses of the assets.
- Brief him on the salient features, terms and conditions of SME financing.

- Look to the past performance of the client.
- If the proposal is found suitable, advise the client to submit formal Application, if not found suitable, regret politely.
- Request potential client to open a Current Account. Let him maintain the Current Account Satisfactorily for a reasonable period.

**Application:**

- Obtain application from the Client and record the same in the Credit Proposal Received and Disposal Register.
- Obtain and affix a photograph of the proprietor attach top right corner of the application.

**Scrutinizing the Application:**

Scrutinize the application of the Client to see that -

- All columns are properly filled in;
- Particulars and information given therein are complete and correct in all respects;
- All required Documents/Papers as listed in the footnote for the applications are submitted.
- It is signed by the Client as per specimen signature with the Bank and duly verified by the
  - authorized official of the Bank.

**Analyzing the Information:**

Analyzing the following information is necessary.

**Character:**

- Whether the borrower has a responsible attitude towards borrowed funds and whether he will have every effort to repay what is owed.
- Responsibility, truthfulness, serious purpose, and serious intention to repay loans

make up the characters of the borrower

**Capacity:**

- Whether customer requesting loan has the authority to request loan and have the legal standing to sign loan agreement and documents.

**Economic Condition/ Assets:**

- Whether borrower has sufficient assets to repay the loan.
- Other loans and liabilities of the borrower

**Credit history/Credit habit:**

- Whether loans borrowed by the customers previously and how those earlier loans were handled.
- Whether there is any loan default earlier.
- Whether legal action has ever been taken against him for recovery of default loan

**Preparing the Proposal:**

Preparing the proposal on the basis of Credit report and CIB report.

**Credit Report:** The branch manager should ensure preparation of credit report on the client to determine its past record, business performances, market reputation etc. The credit report should contain the following:

- The nature of client's business.
- The names of owners and details of their associated business concerns.
- Net worth of the individual person owing the firm /company (obtain through declaration at the time of submission of loan application).
- The financial health of the business concern.

**CIB Report:**

For processing credit proposals, (both funded & non-funded) Banks and Financial Institutions need to obtain mandatory satisfactory CIB report from Bangladesh Bank. Present criteria for obtaining mandatory CIB report may be changed from time to time at the discretion of Bangladesh Bank. Branch manager must obtain satisfactory CIB report prior to processing of credit proposals and mention the status of the client and its allied concerns /persons of the borrower in the credit line proposal as it is revealed in the latest CIB report. In CIB report there is any classified loan, no farther credit proposal is processed.

**The Proposal; goes to the Head Office:**

On completion of appraisal as provided here-in-above, if the proposal is found viable, issue sanction advice mentioning all the terms and conditions in duplicate to the client and endorse copies to Head Offices retaining one copy in the client's file duly accepted by the client.

**Sanctioning:**

After the credit Line Proposal has been finally approved by the appropriate sanctioning authority in the Bank's credit organization structure it enters the post sanction processing stage. At this stage the signed credit line proposals is returned to the branch/ credit officers, following four further steps are to be taken by the branch manager before the borrower can use the credit lines that have been sanctioned to him. These steps are as follows:

- Convey offer /sanction letter to the borrower.
- Branch credit officers perfect the security and charge documents considering the nature and the terms of facility and the securities and in accordance with the laws of the land.
- An account number is allocated to the new credit facility.
- The account record is set up and borrower's file is prepared.

When these four steps have been complied with, the post sanctioning process is completed and the borrower can draw on his account.

**Documentation:**

Immediate after sanctioning of loan, documentation is to be made properly before disbursement of loan. Documentation formalities are commonly known as completion of 'Charge document' in the banking world. Type of documents to be signed by the client varies depending upon the nature of loan and advances given. Some common documents are listed below:

- Stock report
- Trade license (Up-to-date)
- Photograph proprietor/partner/directors (two copy each)
- Income Tax clearance certificate /TIN certificate.
- Declaration of liability position with other Banks (Up-to-date).
- Particulars of assets of the firm /company.
- Personal Assets of the proprietor/partners.
- Statement of receivable and payable.
- Partnership Deed (in case of partnership firm).
- Credit Report.
- Statement of profit calculation.
- Banks statement for prior 12 months from previous Bank (for new customer).
- Business plan.
- Bio-Data of the proprietor/partner.
- Rental Agreement (in case of rented premises).

Charge documents required by different types of advances are mentioned bellow:

i) Demand Promissory (DP) Note, ii) Letter Arrangement, iii) Letter of continuity (in case of continuous loan), iv) Letter of pledge (in case of Pledge), v) Letter of Hypothecation (in case of Hypothecation), vi) Letter of Undertaking, vii) Letter of Debit Authority, viii) Letter of Installment (in case of term loan to be paid in installment) and ix) Letter of Guarantee (Personal Guarantee).

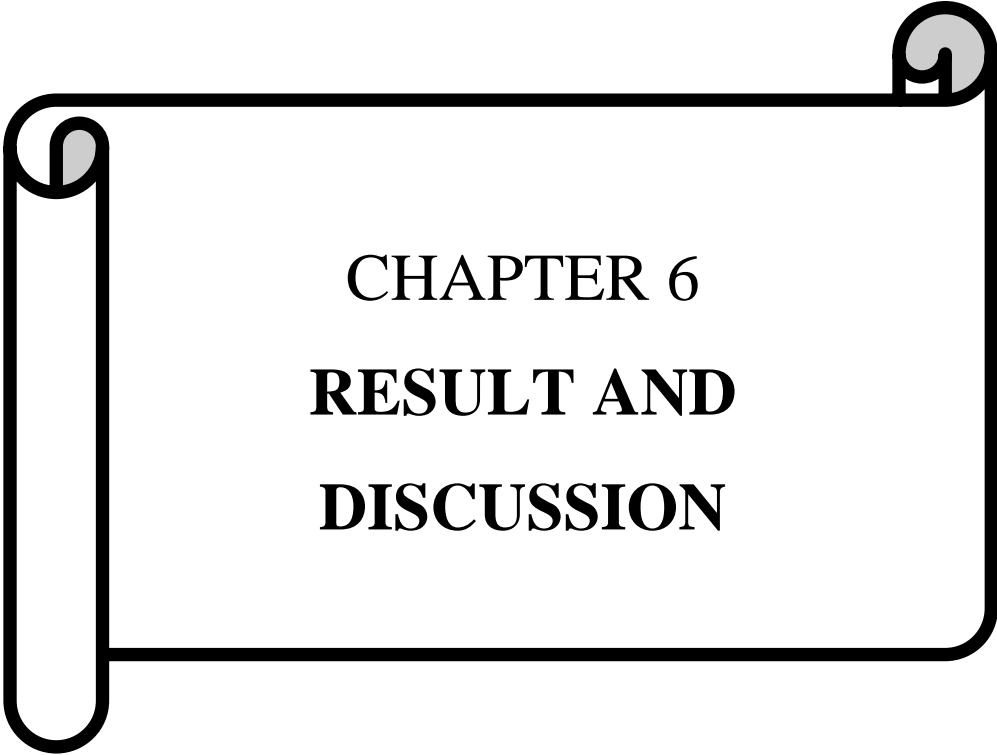


**Disbursement:**

SME loan as a form of advance is a separate account by itself and is maintained in a separate ledger. The borrower may operate the account within stipulated limit as and when required. The drawings are subject to drawing power. SME credit is an active & running account to which deposit as an fixed installment and withdraws may be made frequently. The debit balance of the account on any day cannot exceed the agreed limit.

**Supervision & Monitoring:**

Close supervision must be ensured by the Branch for proper implementation of the project and recovery of installments in time. For this purpose supervisors (technical hands) shall have to be appointed for each of the designated Branches. Initially at the stage of implementation, the supervisor must visit the project weekly and after implementation at least once in a month and keep the Branch Manager informed about the position of the project in detail.



CHAPTER 6  
**RESULT AND  
DISCUSSION**

## CHAPTER 6

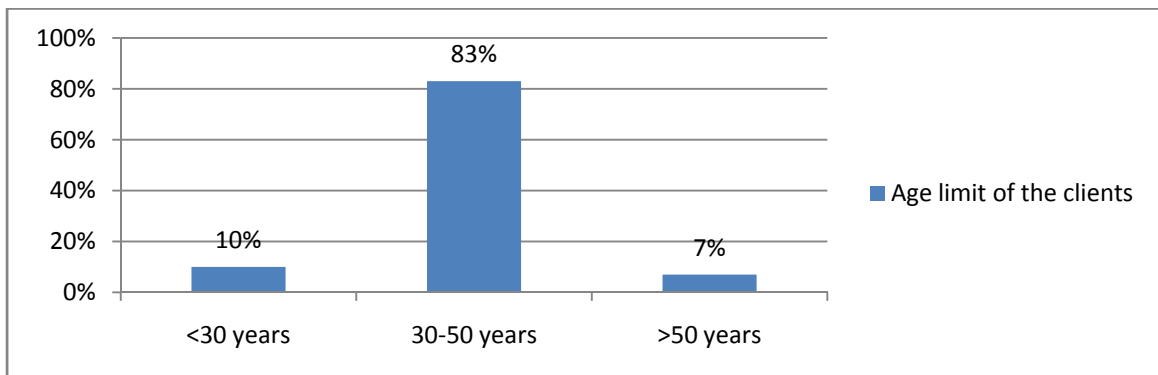
### RESULT AND DISCUSSION

#### 6.1 Analysis of Data on the Basis of Customer Responses

Data analysis is done on the basis of responses of customers indifferent questions and it is given below.

##### 6.1.1 Age Limit of the Clients

The following table shows age limit of clients who take SME loan from Agrani Bank Limited, Tongi Branch, Gazipur.

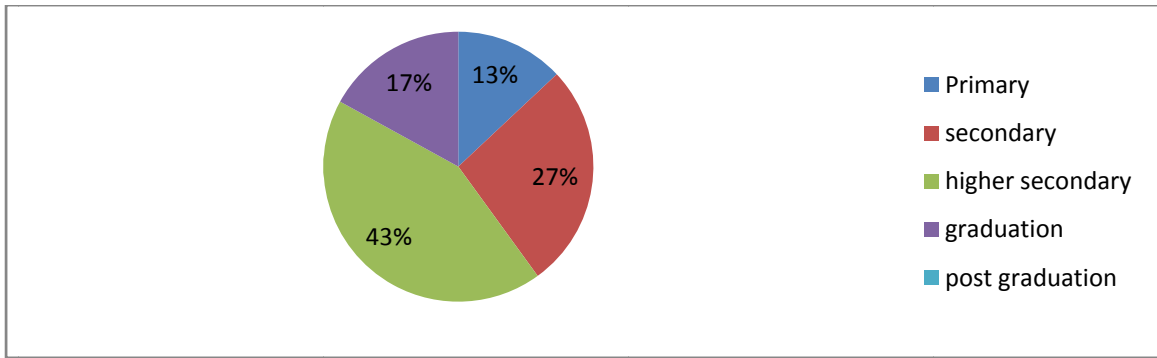


**Figure 6.1: Age limit of the clients**

**Interpretation:** In this survey, it was found that more than 80% (25) of the surveyed clients were between 30-50 years. That means middle age people were more interested with SME loans.

##### 6.1.2 Educational Qualification of the Clients:

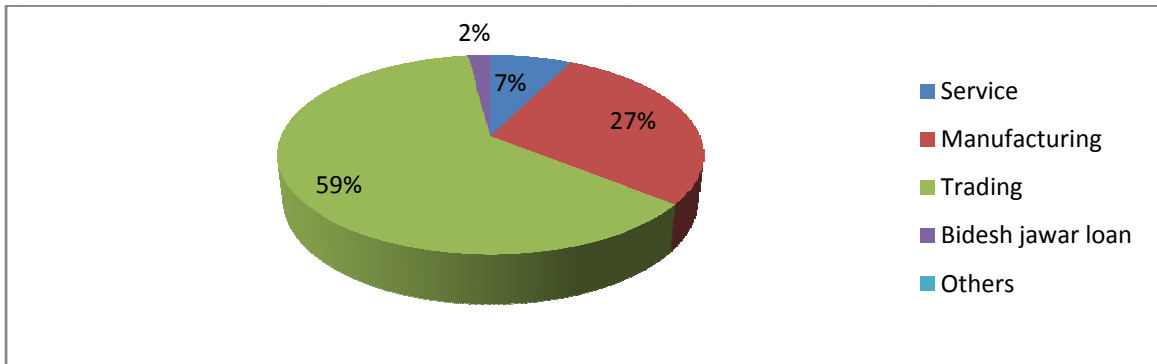
The following table is showing educational qualification of clients who got the facility of SME financing by Agrani Bank Limited, Tongi Branch.



**Figure 6.2: Educational Qualification of the Clients:**

**Interpretation:** In this survey, it was found that educational qualification most of the entrepreneurs were higher secondary. In Bangladesh, there is a common perception that most of the SME customers is not educationally much advanced. The result of the surveyed clients also reflects that perception.

### 6.1.3 Enterprise profile of the proprietors

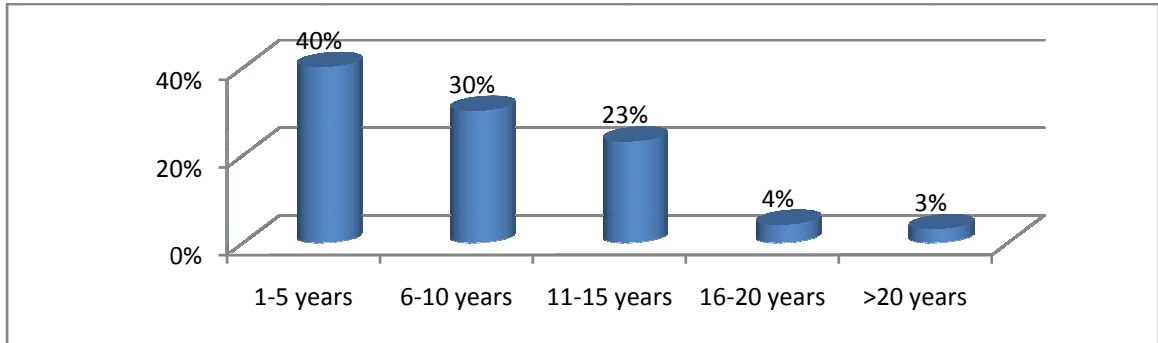


**Figure 6.3: Enterprise profile of the entrepreneur**

**Interpretation:** In this survey, it was found that most of the SME financing engaged with trading 59% (18 entrepreneurs). While 27% of the proprietors engaged with manufacturing and rest 7% with service business.

### 6.1.4 Business Experience of the Proprietors

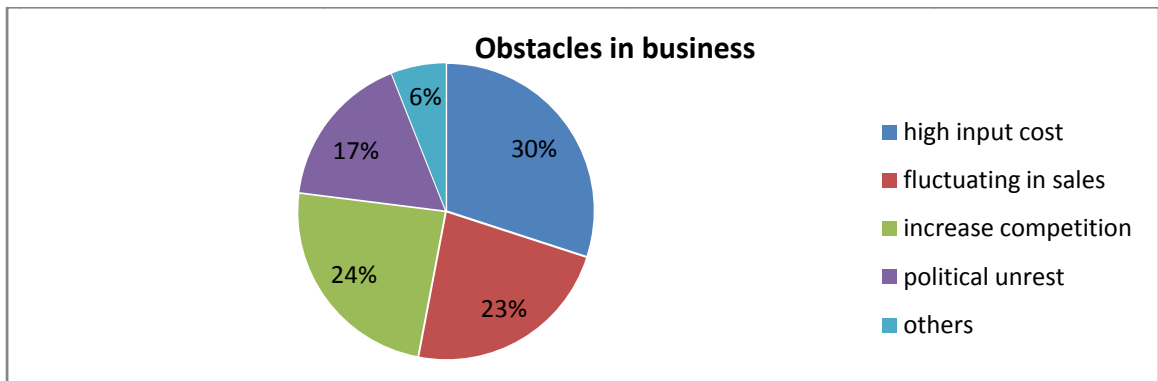
To know about business experience of the proprietors five ranges of years were used and it is shown in following table.



**Figure 6.4: Business Experience of the Proprietors**

**Interpretation:** In the survey, it was found that the maximum portion of the sample lies in the range of 1-5 years (40%), the second highest is 6-10 years (30%) of the total respondents.

### 6.1.5 Most common obstacles in business:



**Figure 6.5: Most common obstacles in business**

**Interpretation:** The survey result shows that most common obstacles in SME business are high input cost, increase competition, fluctuating in sales, political unrest etc.

### 6.1.6 Time period between application and sanction

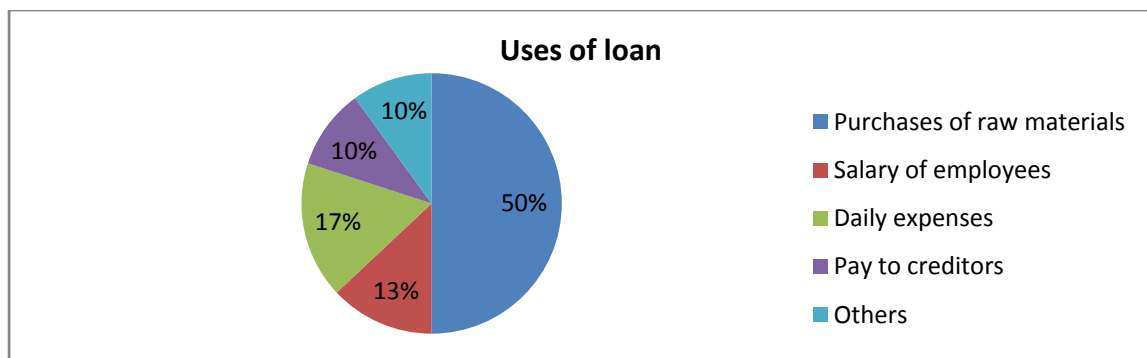
**Table 6.1: Time period between application and sanction**

Particulars	Frequency	Percentage
7 days	16	54%
14 days	8	26%
21 days	3	10%
28 days	2	7%
Others	1	3%
Total	30	100

**Interpretation:** These table shows that most of the respondents (54%) answered it's taken only seven days from application for the loan and sanction by the head office. 26% of the respondents said it was 14 days to sanction the loan.

### 6.1.7 Major Use of the SME Loan

Different clients use SME loan for different purposes. The following table shows the major uses of SME loan.



**Figure 6.6: Major Use of the SME loan**

**Interpretation:** From the survey, it was found that most of the loans are used in raw material purchases (50%), 17% of SME loans used in entrepreneurs daily expenses, 13% of the respondents said that they used the credit in salary purposes, others said that they used it in pay to creditors the percentage is 10% or other purposes is also 10%.

### 6.1.8 Status of SME Loan Customers (on the basis of repayment patterns):

Repayment patterns of loan is varies from clients to clients. According to Bangladesh Bank they can be classified as follows:

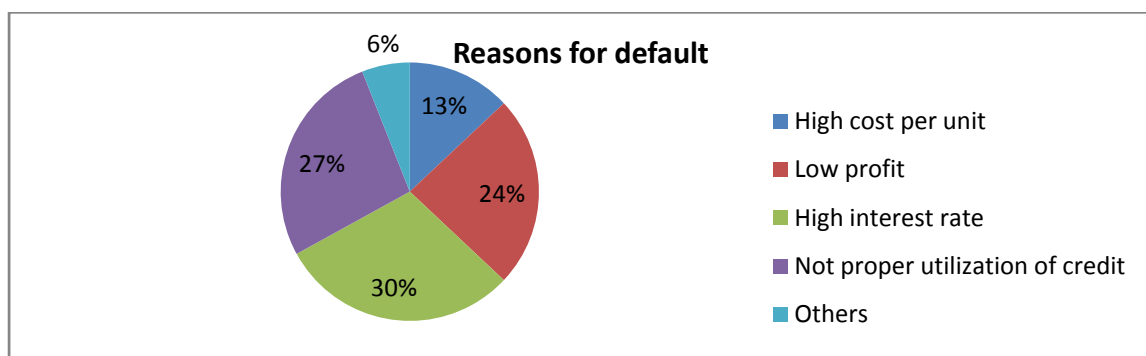
**Table 6.2: Status of SME Loan Customers**

Particulars	Frequency	Percentage
Unclassified(regular)		60%
a)standard	14	
b)special mentioned account	04	
Classified(irregular +overdue)		40%
a)substandard	04	
b)doubtful	00	
c)bad/loss	08	
Total	30	100

**Interpretation:** The survey result found that the number of unclassified SME loan taker is more than classified loan taker. But the overall percentage is closely related. Here 60% customers paid regularly on the other hand 40% customers were paid irregularly or had overdue.

### 6.1.9 Reasons for default in repayment

The clients were unable to repayment of loan due to several reasons. They are summarized below:



**Figure 6.7: Reasons for default in repayment**

**Interpretation:** From the survey result it is found that, most of the respondent said that interest rate is high (30%). Also it is found that they misused the credit (27%). Low profit against per unit cost is also reasons for irregular repayment (24%). Now-a-days input cost

is also a matter of concern (13%). Beside these there was others reasons that percentage is 6%.

**6.1.10 SME financing is helpful for Enterprise:**

SME financing is helpful or not under these criteria answer is given below:

**Table 6.3: SME financing is helpful for Enterprise**

Particulars	Frequency	Percentage
Yes	19	64%
No	8	26%
Neutral	3	10%
Total	30	100

**Interpretation:** Most of the respondents said yes (64%), SME financing is helpful for their enterprise other 26% said that they did not need SME financing. Other 10% said that they did not get benefit or loss from SME financing.

**6.1.11 SME financing is able to change standard of living:**

Against the question SME financing is able to change customers standard of living, answer was as follows:

**Table 6.4: SME financing is able to change standard of living**

Particulars	Frequency	Percentage
Yes	22	73%
No	4	13%
Neutral	4	14%
Total	30	100

**Interpretation:** This survey result shows that 73% of the respondent said yes, SME financing increased their standard of living. While 13% said that SME financing did not



helpful for them on the other 13% said that their condition was neutral though SME financing was used by them.

#### 6.1.12 Impact of SME on family (standard of living):

Who said yes, their changing pattern are as follows:

**Table 6.5: Impact of SME on family (standard of living)**

Particulars	Frequency	Percentage
Per capita income increases	22	
Consumption pattern changes	22	
More calorie intake	22	
Able to fulfill basic need	22	
Above all	22	100%
Total	22	100%

**Interpretation:** From the survey it was found that, with the help of SME loans most of the customers able to fulfill basic needs. With income increases their consumption pattern changes, they intake more calories than past and they also able to fulfill their families basic needs.

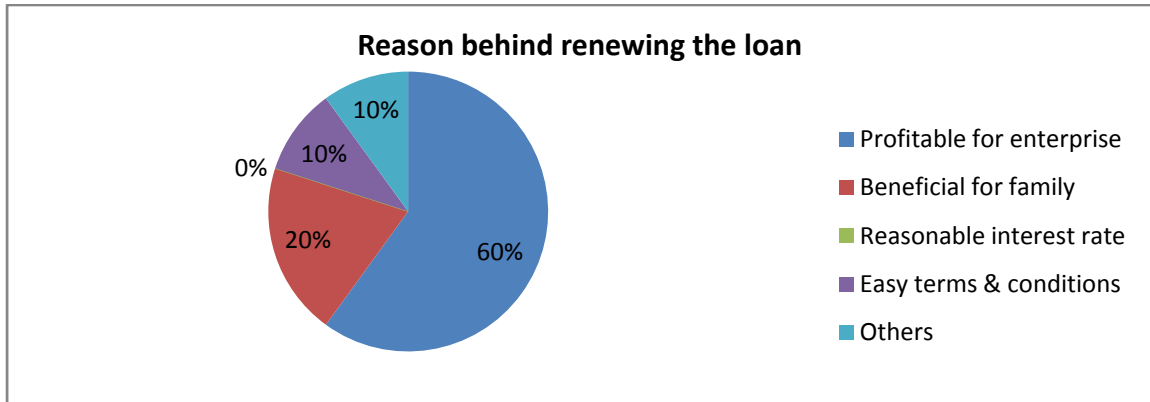
**Table 6.6: Do you think to renew the advance after duration ?**

Particular	Frequency	Percentage
Yes	20	66%
No	4	13%
Neutral	6	21%
<b>Total</b>	<b>30</b>	<b>100%</b>

**Interpretation:** On the basis of 30 sample 66% of the respondents were agreed, they wanted to renew the loan after duration and 13% did not agree to renew loan and rest 21% remained neutral. That means SME financing is helpful for their enterprises.

If yes, then what is the main reason behind renew the loan?

From the survey result was as below:



**Figure 6.8: Main reason behind renewing the loan**

**Interpretation:** From the survey it was found that, most of the (60%) respondents said SME financing is profitable for business. 20% of the respondents said that it is beneficial for family. But no body was agreed that SME interest rate is reasonable. Because there interest rate is high than others private banks. 10% of the respondents said that SME terms & conditions is flexible than other types loan like CC (cash credit).

## 6.2 Analysis of Services of SME Loan & Advance Division of Agrani Bank Limited, Tongi Branch

**Table 6.7: Analysis of services of Agrani Bank Limited Loan & Advance Division in percentage ( %)**

Statements	Strongly agree	Agree	Neutral	Strongly disagree	Disagree	Total
Employees behavior is good with customers	26%	27%	17%	10%	20%	100%
Service charge is reasonable	21%	36%	13%	19%	11%	100%
The processing time to provide loan is quick	17%	13%	17%	25%	28%	100%
Procedure of getting loan is easy	13%	16%	17%	26%	29%	100%
The terms& conditions regarding loan sanction is satisfactory		10%	22%	24%	44%	100%
Loan transaction with ABL is safe	25%	14%	13%	28%	20%	100%
The employees try to delivery services timely	11%	9%	14%	30%	36%	100%
The formalities followed by the bank is necessary	40%	50%	10%			100%
When problems arise in Taking loans the ABL Authority shows concern About it	15%	21%	25%	13%	25%	100%
The loan interest rate is competitive		10%	15%	20%	50%	100%
Web site is enough developed	10%	5%	20%	35%	30%	100%

- i. More than 50% customers were positive about employees behavior with customer.
- ii. Above 36% customer were agreed and 21% were strongly agreed with that the service charge is reasonable.

- iii.** Around 25% customer strongly disagreed and 28% customer disagreed with that the processing of providing loan is quick.
- iv.** Around 55% customers give negative opinion about procedure of getting loan.
- v.** Above 60% of respondents are not satisfy about the terms and conditions regarding loan sanction.
- vi.** Only 39% of the respondent said that loan transaction with ABL is safe.
- vii.** Most of the respondents about 66% agreed that service of the bank is not quick.
- viii.** The formalities followed by the bank providing loan are necessary in that question 90% respondents were agreed and strongly agreed.
- ix.** When problems arising from loan facilities the Agrani Bank Limited authority shows sincere concern on it in that question most of customer (38%) were neutral.
- x.** About competitiveness of loan interest rate 70% of customer strongly disagreed and disagreed with this statement.
- xi.** About digitalization of web site with current information most of the respondents 65% disagreed with these.

### 6.3 Loan and Advances in Agrani Bank Limited, Tongi Branch, Gazipur:

Agrani Bank Limited is currently poised among the top ranked banks in public sector in Bangladesh. Their relentless endeavor to succeed leads them to enhance their loan portfolio each and every year. From the following table it can be observed that, the total advance of Agrani Bank Limited, Tongi Branch increased from 2014 to 2016.

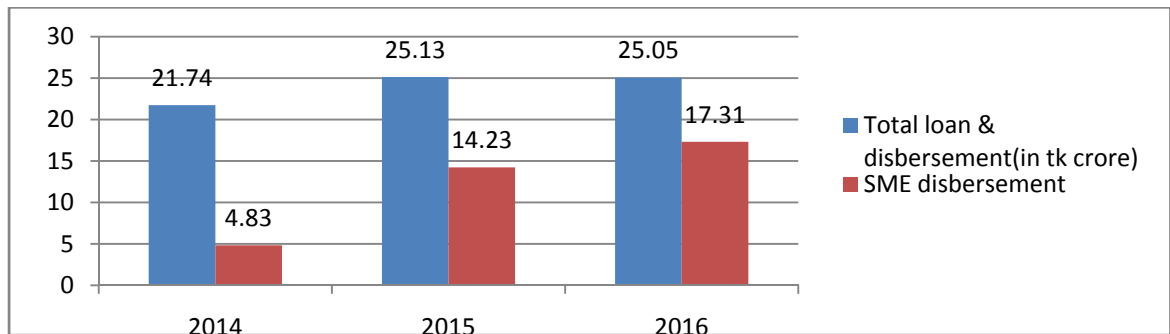
**Table 6.8: Loan and Advances in Agrani Bank Limited, Tongi Branch, Gazipur**

Year	Service	Manufacturing	Trading	Bidesh javar loan	Women entrepreneur	Total (in tk)
2014	2,50,000	1,36,05,632	3,38,55,633	6,50,000	-	4,83,61,265
2015	10,00,00,000	93,21,231	3,30,55,000	2,50,000	-	14,23,76,231
2016	10,00,00,000	2,05,50,600	5,26,34,830	-	-	17,31,85,430

These table shows the last three years SME loan and advances under five categories at Tongi Branch, which is increasing year by year but there is no women entrepreneur in last 3 years in Tongi Branch.

**Table 6.9: Comparison between total loan& advances and SME disbursement**

Year	Disbursement (in taka crore)		Profit (in taka crore)	
	Total loan & advance	SME	Total loan & advance	SME
2014	21.74	4.83	1.32	0.36
2015	25.13	14.23	2.82	0.57
2016	25.05	17.31	2.85	0.88

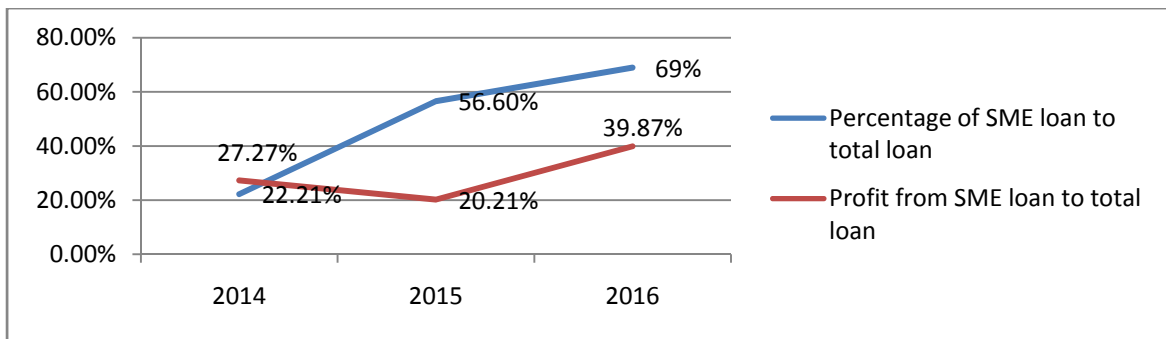


**Figure 6.9: Total Loan and Advances & SME in Agrani Bank Limited, Tongi Branch**

These figure shows that SME disbursement is increases with total loan disbursement and last year it was more than 50%. Profit from SME disbursement also increases year by year.

**Table 6.10: Percentage of SME loan to total loan**

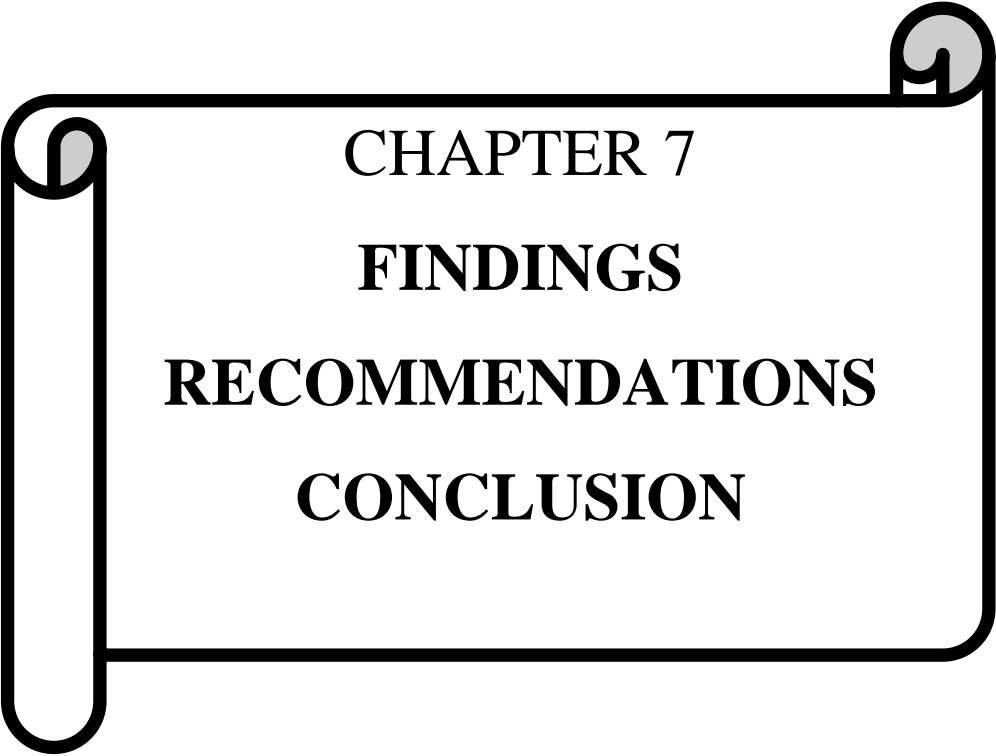
Year	Percentage of SME loan to total loan	Percentage of profit from SME loan to total loan
2014	22.21%	27.27%
2015	56.6%	20.21%
2016	69%	39.87%



**Figure 6.10: Percentage of SME loan to total loan**

These figure shows the percentage of SME loan to total loan and advances in last three years. Last two years SME loan was more than 50% than total loan and advances and profit got from these section was also a high amount.

Every bank has its own SME financing procedure. As the objective of my report is to make a clear idea about SME financing of Tongi Branch ,Agrani Bank Limited. I tried my best to collect data for the report and find out the reality. Based on the data generated during my internship period I have summed up my findings here and I think this will help me to achieve my objectives:



CHAPTER 7

**FINDINGS**

**RECOMMENDATIONS**

**CONCLUSION**

## CHAPTER 7

### FINDINGS, RECOMMENDATION & CONCLUSION

#### 7.1 Findings

Every bank has its own SME financing procedure. As the objective of my report is to make a clear idea about SME financing of Tongi Branch, Agrani Bank Limited. I tried my best to collect data for the report and find out the reality. Based on the data generated during my internship period I have summed up my findings here and I think this will help me to achieve my objectives:

#### **Objective 1:**

- Agrani Bank Limited over all SME credit activities is good. In last year Trading sector disbursement was highest than other sectors, it was more than four times from service and manufacturing sectors disbursement.
- Actually, the structured SME financing has come into being in 2005 as per Prudential Guidelines introduced by Bangladesh Bank. From then the bank has been taking a number of initiatives to develop SMEs such as,
  - Creation of separate SME credit division
  - Intensive credit operations as per guidelines of Bangladesh Bank
  - Credit program through all branches of the bank as soon as possible
  - Sufficient budget allocations for disbursement
  - Introducing separate credit program for women
  - Establishing SME help desks
- **SME financing along with national and international organization:**

#### **NGO Linkage program of ABL:**

Agrani Bank Limited is a pioneer bank in expanding credit activities through the capable NGOs. The Bank has engaged different NGOs for expanding the SME credit services. The Bank has already disbursed a total loan of tk 312.00 crore to the BRAC in 2015. As a retailer, the NGOs have re-lent the same to the targeted SME people.



### **Foreign Aided Credit Programs of ABL:**

The Agrani Bank Limited has been utilizing its own fund and the foreign fund for credit operation. The credit programs namely EGPRP and MSFSCIP (Kurigram) are being successfully operated by the Bank under the financial assistance of IFAD

#### **➤ Forward Looking Statements for SME of Agrani Bank Limited**

The Bangladesh Government has formulated policy strategies for developing SME through industrial policy 2010 providing guidelines for SME development. As a development partner of the Government, the Bank has a wide vision for the next years. Under the vision, the SME credit should be extended to close door people. In this purpose tk 2694,00 crore has been assigned as SME loan disbursement target for the next year. Special attention will be given to increase financing in environment friendly, agro based & agro processing industries, labor intensive & production oriented enterprise, production of import substitute commodities, export oriented enterprise, creative new enterprise and IT & technology oriented enterprises.

### **Objective 2:**

From this study it is observed that:

- Most number of respondents marked interest rate as the most common problem. Because private organizations interest rate is low than government areas.
- There are also some reasons behind default of loan, here main cause is misuse of loans and second cause is higher input cost.
- Processing of getting loan and timing of providing loan is lengthy. Therefore, sometimes valuable clients are lost.
- Local branch provides loans without sufficient observation in some cases. The portion of Classified(40%) loans and advances in percentage of total loans & advances is too high.
- In the classified loan the amount of “Bad & loss” loan ratio is very high. Number of classified loan among 30 respondents was 12. Which is bad for a financial organization.

### **Objective 3:**

From this study it is observed that:

- Since SME financing started at Tongi Branch from 2014 it's overall performance was good over year. Last 3 years it was increasing year by year. It is observed there are four types of target market of Agrani Bank Limited for SME financing. It is found that 88.3% of SME loan takers are involved in trading & service.
- SME disbursement is increases with total loan disbursement and last year it was more than 50%. Profit from SME disbursement also increases year by year.
- It was found that compared to the total loan disbursement Agrani Bank Limited, Tongi Branch, SME financing and the interest earning from these is increasing over the years and it was 70% of total loan & advanced sanctioned by the branch and 40% of total profit(interest) earned by the branch last year is quit low compared with the interest earning from total loan & advance.

### **Objective 4:**

- It is matter of regret that there is lack of women entrepreneur in Tongi Branch.
- Compared with other competitive market Agrani Bank Limited provide better service in case of SME. They also provides loan named Bedesh Jawar Loan, which is new product besides common SME products like service, manufacturing and trading.
- About competitiveness of loan interest rate 70% of customer strongly disagreed and disagreed with this statement. Because in private sector interest rate is low than public sectors. Which is one of the major problem in SME financing with government sector.
- Terms and conditions for SME financing should be simplified then it will be helpful for lone taker. Most of the loan are sanctioned as CC (cash credit). Which is based on one year time period (without project). So loan recovery may difficult for customers.
- The website of Agrani Bank Limited does not contain all required information about SME loan, that's complained by clints.

Above reasons are the obstacles for the smooth flow of SME credit among customers

## 7.2 Recommendations:

For achieving the best possible targets, the bank should take following some steps. These can be-

1. Banks overall SME credit policy is good. There are some suggestions for policy development:
  - Establish SME monitoring cells, which will be helpful for best utilization of SME credit
  - Appointment of SME focal officers
  - Colorful participation in SME fairs and other promotional activities
  - Special attention should given to the green sectors
  - Agrani Bank Limited authority should provide adequate training to their SME officers and the managers so for better SME credit service
2. The banking industry is extremely competitive and continuously changing. Competitor banks are introducing new products and services and taking new actions to man risk. So, Agrani Bank Limited should put more time and money in developing new SME products.
3. Women entrepreneurs are low than other categories of loan. So should take necessary steps to encourage them.
4. The bad and loss loan increased over the years in Tongi Branch. So, bank should take necessary actions for reducing the percentage of bad & loss loan, such as carefully selecting the borrower and credit sectors which may help to reduce the percentage of bad & loss loan. Last year SME investment was 70% of total loan & advanced but interest earned from these sector was only 40% of total loan & advanced.
5. The SME financing policy and loan sanction procedure should be made flexible and easy. Then it will encourage the customers and non-customers also.
6. Regular checking of the SME portfolio should be made more successful.

7. Interest rate of SME should be made more competitive in order to expand the SME portfolio. 13% interest rate is quit high than other private organizations.
8. Loan documentation process needs to be more effective in order to reduce guarantee risk and loan default. All the loan documentations have to done honestly. The bank should concentrate more on proper documentation of all types of loans to make the department trustworthy & healthy.
9. Agrani Bank Limited authority should provide adequate training to their SME officers so for that they can get new SME clients and also credit analysts should be recruited to reduce pressure on existing employees.
10. The website of the bank should be more informative that customers will get the all information about the different activities and facilities of SME of the bank.
11. Processing of providing loan should be quick.
12. From my overall study I can say that The Agrani Bank Ltd should possesses a more attractive and standard SME loan disbursement procedure by solving the problems which dissatisfied the customers.

### **7.3 Conclusion:**

Agrani Bank Limited has a good possibility to be a leading bank in the economy of Bangladesh. To achieve that, they need to find out the areas where they can expand. According to The Dhaka Tribune (2015) Agrani Bank has achieved 95.31% of its target. In recent years, their performance in SME sector compared to other banks is not so much satisfactory, but they showed a regular growth from last three years. This means that they have the possibility to be one of the best banks in SME sector. SME is a successful sector in Bangladesh which can be important for all the banks in the near future. According to the worldwide expansion of the SME financing, in Bangladesh, banking sector also taken steps to expand SME Business for the ultimate economic growth of the country. All the banks are always trying to maximize their SME collection. In Tongi Branch SME financing is a profitable business but overall loan and advance position is not so good. That is why, to keep up with other banks in Bangladesh, Agrani Bank Limited need to know the problems of the future SME clients and try to find the best possible way which will make good connection with their new clients and achieve their goals.

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## APPENDICES

### Appendix –A Questionnaire for Clients

1. Name & Address: -----  
-----

Phone: -----

e-mail: -----

2. Age:

3. What is your Educational Qualification?

a) Primary

b) Secondary

c) Higher srcondary

d) Graduation

e) Post graduation

4. What is your Enterprise Profile ?

a) Trading

b) Manufacturing/Industry

c) Service

d) Production

e) Others

5. How many years you have owner experience in business ?

a) 1-5 years

b) 6-10 years

c) 11-15 years

d) 16-20 years

e) >20 years

6. What is the most common obstacles in your business ?

a) High cost of inputs

b) Fluctuations in sales

c) Increasing competition

- d) Political unrest
  - e) Other
7. What is the main purpose of your credit ?
- a) purchase of raw material
  - b) salary of employee
  - c) daily expenses
  - d) pay to creditors
  - e) other purpose
- 11) How much time taken between application and sanction ?
- a) 7 days
  - b) 14 days
  - c) 21 days
  - d) 28 days
  - e) Others
- 12) What is the repayment pattern of your finance?
- a) Regular
  - b) Irregular
  - c) Overdue
  - d) others
- 13) What is the reasons for default in repayment?
- a) High cost per unit production
  - b) Lack of profit.
  - c) Due to high interest rate
  - d) not proper utilization of credit
  - e) others
- 8) Do you think SME credit system is helpful for your enterprise?
- a) Yes b) No
- 9) Do you think SME financing is able to change your standard of living?
- a) Yes b) No
- 10) If yes, then what type of change occurred in your family?
- a) Per capita income increases



- b) Consumption pattern changes
- c) More calorie intake
- d) Able to fulfill basic need
- e) Above all

14. Do you think to renew the advance after duration ?

- a) Yes b) No

15. If yes ,then what is the main reason ?

- a) SME financing is profitable for enterprise
- b) It is beneficial for family
- c) Interest rate is reasonable
- d) Easy terms & conditions
- e) others

## Appendix- B

Statements	Strongly agree	Agree	Neutral	Strongly disagree	Disagree	Total
Employees behavior is good with customers						
Service charge is reasonable						
The processing time to provide loan is quick						
Procedure of getting loan is easy						
The terms& conditions regarding loan sanction is satisfactory						
Loan transaction with ABL is safe						
The employees try to delivery services timely						
The formalities followed by the bank is necessary						
When problems arise in Taking loans the ABL Authority shows concern About it						
The loan interest rate is competitive						
Web site is enough developed						