

**A STUDY ON LOAN AND ADVANCES OF AGRANI BANK LIMITED,
SHYAMOLI BRANCH, DHAKA**

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FACULTY OF AGRIBUSINESS MANAGEMENT
SHER-E-BANGLA AGRICULTURAL UNIVERSITY
DHAKA-1207**

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AN INTERNSHIP REPORT
ON
A STUDY ON LOAN AND ADVANCES OF AGRANI
BANK LIMITED, SHYAMOLI BRANCH, DHAKA

By

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REGISTRATION NO: 10-04071

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

MBA IN AGRIBUSINESS

SEMESTER: JANUARY-JUNE, 2016

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18th May, 2017

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Subject: Submission of Internship Report.

Dear Sir,

Here I present my Internship report entitled “**A Study on Loan and Advances of Agrani Bank Limited, Shyamoli Branch, Dhaka**” with due gratitude and appreciation. As per partial fulfillment of the requirements for the MBA Degree. I have completed the internship from **Agrani Bank Limited, Shyamoli Branch, Dhaka-1207.**

During the period of my internship, I have come to learn a lot about different aspects of the banking industry, particularly of the loan and advances of Agrani Bank Limited. Before facing the corporate world, I have gathered general idea about the organizational culture and activities.

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

Sincerely yours,

MD. MAHMUDUL HASAN

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MBA in Agribusiness

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SUPERVISOR'S CERTIFICATE

This is to certify that the internship report entitled " **A Study on Loan and Advances of Agrani Bank Limited, Shyamoli Branch,Dhaka**"submitted to theFaculty of Agribusiness Management,Sher-e-Bangla Agricultural University, Dhaka, in partial fulfillment of the requirements for the degree of **MASTER OF BUSINESS ADMINISTRATION (MBA)INAGRIBUSINESS**,embodies the results of a piece of bona-fide internship carried out by**MD. MAHMUDUL HASAN**, RegistrationNo. **10-04071** under my supervision and guidance. No part of this report has been submitted for any other degree.

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

Dated:18.05.2017
Dhaka, Bangladesh

(Bisakha Dewan)
Assistant Professor
Supervisor
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Dhaka-1207

DECLARATION

I hereby declare that the internship report entitled " **A Study on Loan and Advances of Agrani Bank Limited, Shyamoli Branch, Dhaka**" has been prepared by me under the supervision of **Bisakha Dewan**, Assistant Professor, Department of Agribusiness & Marketing, Faculty of Agribusiness Management, Sher-e-Bangla Agricultural University, Dhaka-1207.

I also declare that the matter and information embodied in this report is original and neither this report nor any part of this report has been submitted elsewhere for the award of any other degree or any other purpose.

.....
Md. Mahmudul Hasan

Reg. No: 10-04071

MBA in Agribusiness

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Dedicated To

My

Beloved Parents

ACKNOWLEDGEMENT

At the beginning, I would like to express my sincere gratitude to Almighty Allah, the most merciful and beneficial for empowering me to prepare the report within the scheduled time.

I also want to thank especially to my internship supervisor Bisakha Dewan, Assistant Professor, Department of Agribusiness & Marketing, Faculty of Agribusiness Management, Sher-e-Bangla Agricultural University for his inspiring guidelines, valuable suggestion, constructive criticism and constant help throughout the work and in preparation of this report.

I also express my warm gratitude and cordial thanks to the management and all officials of Agrani Bank Limited, Shyamoli Branch who have given me the opportunity to work with them and helped a lot by providing the information and enabling me to prepare this report. I have received their generous help and support.

I would like to take the opportunity to express my wholehearted gratitude to my fellow friends, near and dear ones who offered encouragement, information, inspiration and assistance during the course of constructing this report.

EXECUTIVE SUMMARY

The report is originated in result of my internship, which I have done, as a requirement of MBA program. This report is done based on my sixteen weeks internship in Agrani Bank Limited, Shyamoli Branch, Dhaka. The environment of the Agrani Bank Limited is well and friendly. The staffs are cooperative and the motivation of the staff, I believe comes from the very sense of responsibility. Agrani Bank is one of the largest nationalized commercial bank with 935 outlets strategically located in almost all the commercial areas throughout Bangladesh. The Bank provides all kinds of commercial banking services to its customers. This report has been prepared based on my practical observation and experience gathered from the branch and the focus is given mainly on the Loan and Advances. The whole report is divided into eight parts- Introduction, Literature Review, Methodology, Overview of the organization and the branch, Theoretical Framework, Analysis of Loan and Advances, Findings, Recommendations & conclusion part. The first chapter is the introductory chapter of this report. It contains introduction, origin of the report, objective of the report, methodology of the report, scope of the report and limitations of the study. In the second chapter I try to review some literature to know about the previous work about this topic and find out the lacings of that works. In methodology chapter I mention sources of data and analysis technique. The organizational part contains background of Agrani Bank Limited, corporate information, vision, mission and motto of Agrani Bank Limited and some description about Shyamoli Branch. The theoretical overview part includes all about loan and advances. The analysis of loan and advances chapter shows some loan and advances given, recovery and received interest of Shyamoli branch. The findings part includes some findings regarding the “Loan and Advances of Agrani Bank Limited”., SWOT analysis of the Shyamoli Branch. Last chapter includes recommendations and conclusion. From the study, we will get a clear picture of overall loan and advances performance of Agrani Bank Limited, Shyamoli branch, Dhaka. I observed that the customer satisfaction level & quality of service is better than any other nationalized bank. After preparing the whole report, as an inexperienced person I may have made many mistakes in those findings, but whatever I felt from my point of view, I only pointed out those. Based on those

findings, I recommended some points which may help the bank to remove their many shortcomings.

ACRONYMS

ABL	Agrani Bank Limited
AD	Authorized Dealer
ATM	Automated Teller Machine
BB	Bangladesh Bank
CC	Cash Credit
CIB	Credit Information Bureau
CLP	Credit Line Proposal
DP Note	Demand Promissory Note
EC	Executive Committee
EDF	Export Development Fund
FBP	Foreign Bills Purchased
HBFC	House Building Finance Corporation
ICT	Information and Communication Technology
LAN	Local Area Network
LIM	Loan Against Imported Merchandise
L/C	Letter of Credit
LTMP	Long Term Management Plan
LTR	Loan Against Trust Receipt
MIS	Management Information System
NFCD	Non-resident Foreign Currency Deposit
PAD	Payment Against Document
PDV	Power-Driven Vehicles
SOD	Secured Overdraft
SME	Small and Medium Enterprise

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CHAPTER - 1
INTRODUCTION

1.1 Background of the Report

Internship program is a pre-requisite for acquiring MBA degree. Before completion of the degree, a student must undergo the Internship program. As the classroom discussion alone cannot make a student perfect in handling the real business situation, therefore, it is an opportunity for the students to know about the real-life situation through this program. And a report is required to be prepared to summarize the intern's analysis, findings and achieved knowledge from this program. This report is a basic academic requirement for the completion of MBA under the Faculty of Agribusiness Management, in Sher-e-Bangla Agricultural University. The program consists of three phases:

- a) The orientation of the Intern with the organization, its function and performance.
- b) The project work pertaining to a particular problem or problems matching with the Intern's area of specialization and organizational requirement.
- c) The report writing to summarize the Intern's analysis, findings and achievements in the proceeding of the followings.

1.2 Origin of the Report

In today's world only academic education does not make a student perfect to become competitive with the outside world. Internship is highly needed to gain idea, knowledge and experience. From the internship program student get the opportunity to learn to face the real business world. This report is an internship report prepared as a requirement for the completion of MBA (Agribusiness) Program of Sher-e-Bangla Agricultural University. The primary goal of internship is to provide the job exposure to the student and an opportunity to implement theoretical knowledge in real life situation. I took the opportunity to do my internship in the Agrani Bank Limited (ABL). My topic of internship is authorized from the head office of Agrani Bank Limited. My internship supervisor also approved the topic and authorized me to prepare this report as part of the fulfillment of internship requirement. The report thus was titled as 'A Study on Loan and Advances of Agrani Bank Limited, Shyamoli Branch, Dhaka.'

1.3 Objective of the Report

- To find and analyze the loan approval and monitoring process of Shyamoli Branch, Agrani Bank Limited.
- It will also include gathering an idea about different loans and the securities behind the loan facilities and issuing different bank guarantees.
- To recommend suggestions for the successful Lending Operations of Shyamoli Branch, Agrani Bank Limited.

1.4 Scope of the Report

Different division of Shyamoli Branch, Agrani Bank Limited is used as sources of information. So, scope of this report is the banking activities and accounting systems. So, it is said that scope of this report is overall activities and accounting Policy and practices of government bank on the light of ABL.

1.5 Limitations of the Study

Like any other study the limitations of this study is not out of questions. But the following factors seem to me the main points of weakness of this study, despite all out co-ordination from the bank officials.

- The main constraint of the study is inadequate access to information, which has hampered the scope of analysis required for the study. I could not use some important confidential information of ABL because those may be very sensitive for the county and overall Banking operation of Bangladesh as ABL is a State Owned Commercial Bank. So, I could not use this confidential information in this report.
- Due to time limitations, many of the aspects could not be discussed in the present report.
- Since a very few the bank personals have accounting based knowledge, many of the official can't provide a good briefing to me.
- Another problem is that creates a lot of confusions regarding verification of data in case of collecting information from more than one person.

CHAPTER - 2
LITERATURE REVIEW

There are many studies carried out on Agrani Bank Limited about its various operation and performance over the last 20 years. Report and studies related to Loan and advances, credit performance, foreign exchange activities, remittances, financial performances, general banking activities etc. can be found.

Syeda Farzana Haque (2008) presented a report on the banking and credit systems of Agrani Bank Limited. It recommended the improvement of the efficiency of the general banking operation as well taking strict measures in reducing default loans and increasing profitability. It also focused on the expansion of the banking services and as well minimizing the influence of bureaucracy in the credit division. It also recommends the effective advertisement and publicity of the products and services of the bank. The findings and recommendations of that study was very helpful in preparing the report on the Loan and advances of Shyamoli Branch, Agrani Bank Limited.

Md. Abul Kashem (2010) presented a report on the overall performance of the Agrani Bank Limited as well as on credit division. He presented a model which identifies the base of banking practice by the management of the bank that are perceived significant in explaining organizational commitment. He identified some major problems and proposed ‘IMPLEMENTATION TASK FORCE’ for each advisory area. The objective of each taskforce is to oversee and give direction to the implementation of the long term management plan (LTMP) which will be incorporated to set up a strategic planning and control unit in agrani bank limited to keep its growth in synch with national and industry growth, activate a data-based analytical accountability oriented performance planning and budgeting system, ensure that individual branch profit and loss is correctly assessed by setting up a fair and logical fund transfer price policy, set-up a good market planning and control system, regularize major strategic and policy issues and improve process efficiency in the short run by exploiting existing underutilized it resources. It also discusses about the loan recovery problem especially the foreign loans and recommends the proper disbursement of the loan to viable projects and reducing the bad practice of “rescheduling of loan” by the bank.

Rakib Hasan (2011) presented a report on the credit performance of the Agrani Bank Limited, National Museum branch, Shahbag. It included data related to the credit

division and its analysis based on the data like percentage analysis, trend analysis and non-data analysis like SWOT analysis. Although it lacks thorough analysis of data, it includes some general recommendations and findings. It also focused on the improvement of the loan repayment process and customer service as well as the overall general banking services. Agrani Bank Limited is placed 2nd in the ranking of most profitable banks of the country with record net profit over 600 crore taka in the recent past year. But still there are concerns over efficiency of its operation and it's alarming default rates of loans and advances.

Awadur Rahman Chowdhury (2013) presented a report on Credit Risk Management of Agrani Bank Limited. He pointed out that Farmgate branch's profitability is also experiencing ups and downs in recent years as the economy is facing downturn due to unstable political condition and cash crunch. Especially 2011-2012 fiscal year has seen unstable trend of profitability. It is also observed that interest income from loans and advances contributes to a smaller portion of the net profitability of the Branch. Its lion share of income comes from other general banking operations like commission and fees etc. So, it has become the dire need of the bank to focus on loans and advance services and earn more income from that sector which is said to be the basic banking function.

Nusrat Jahan, (2015) published a report on Loan and Advances of Agrani Bank Limited in which she discussed that Banking system plays a very important role in the economic life of the nation. The health of the economy is closely related to the soundness of its banking system. In a developing country like Bangladesh the banking system as a whole play a vital role in the progress of economic development. It recommends the improvement of loan and advance operations and taking proper measures to recover loans and increasing profitability.

CHAPTER - 3
METHODOLOGY

Methodology of the Study

a) Data Sources

The information and data for this report collected from secondary sources.

- Annual report of Agrani Bank Limited
- Different manuals and publications of Agrani Bank Limited
- Different manuals and publications of Bangladesh Bank.
- Unpublished data (daily, monthly and yearly statements, ledgers) received from different section of Shyamoli Branch, Agrani Bank Limited.
- Different text books.
- Official web site of Agrani Bank Limited.

b) Instrument Used for Analysis

A descriptive research approach has used to conduct the report. According to Business Research Methods by Willium G. Zikmund (Seventh Edition), descriptive research is a type of conclusive research which has its major objective is to provide the description of something-usually market characteristics or functions. While conducting smooth and accurately study everyone has to follow some rules and regulations. MS word has used to prepare the report.

CHAPTER-4
OVERVIEW OF THE ORGANIZATION

4.1 Introduction

Agrani Bank Limited, a leading commercial bank with 935 outlets strategically located in almost all the commercial areas throughout Bangladesh, overseas Exchange Houses and hundreds of overseas Correspondents, came into being as a Public Limited Company on May 17, 2007 with a view to take over the business, assets, liabilities, rights and obligations of the Agrani Bank which emerged as a nationalized commercial bank in 1972 immediately after the emergence of Bangladesh as an independent state. Agrani Bank Limited started functioning as a going concern basis through a Vendors Agreement signed between the ministry of finance, Government of the People's Republic of Bangladesh on behalf of the former Agrani Bank and the Board of Directors of Agrani Bank Limited on November 15, 2007 with retrospective effect from 01 July, 2007. Agrani Bank Limited is governed by a Board of Directors consisting of 12 (twelve) members headed by a Chairman. The Bank is headed by the Managing Director & Chief Executive Officer; Managing Director is assisted by Deputy Managing Directors and General Managers. The bank has 11 Circle offices, 34 Divisions in head office, 62 zonal offices and 935 branches including 27 corporate and 40 AD (authorized dealer) branches.

4.2 History of Agrani Bank Limited

Agrani bank, in pursuance of Bangladesh banks (nationalization) order 1972 (P.O. No-26 of 1972) came into being in 1971 taking over the assets and liabilities of the east while Habib bank ltd. and commerce bank ltd. functioning in the then East Pakistan. The bank started operation with 249 branches with its head office in Dhaka. In principle, it changed its motto from class banking to mass banking. As there had been poor banking structure and it failed to build sound banking infrastructure by local entrepreneurs before independence and the newly born independent country was down with enormous economic problem, the new govt. Agrani Bank being one of the largest nationalized commercial bank must shoulder the responsibility of expanding its network in rural area. Presently bank has its several branches out of total 935 branches located in rural areas implementing as many as 29 programs targeting rural

people. During my internship at Agrani Bank Ltd, I was placed in the Shyamoli Branch. I enjoyed my total working with the young, skilled & professional employees and earn my knowledge regarding financial and non-financial performance of Agrani Bank limited.

4.3 Vision, Mission and Motto

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.

Vision:

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.

Mission:

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

Motto:

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

4.4 Strategic Objectives of the Bank

- Winning at least 6.50 percent share of deposits and 5.50 percent share of loans and advance of Bangladesh market.
- Gaining competitive advantage by lowering overall cost compared to that of competitors.
- Overtaking competitors by proving 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 SME and agricultural Sectors.
- Strengthening research capability for innovative products.

4.5 Ethical Standards of Agrani Bank Limited

- **Be Trustful:** We believe in mutual trust and trust our customers in a way they can trust us.
- **Keep An Open Mind:** For continuous improvement of our bank we keep our minds open to new ideas. We seek opinions and feedback from both customers and team members through which our bank will continue to grow.
- **Meet Obligations:** Regardless of the circumstances, we do everything to gain the trust and confidence of customers and clients by honoring our commitments and obligations.
- **Be Transparent:** We are transparent in our dealings with customers and all stakeholders. We reevaluate all print materials including advertising, brochures, and other business documents making sure that they are clear, precise and professional
- **Be involved with the Community:** We remain involved in community-related issues and activities, thereby demonstrating that our business is a responsible community contributor.

4.6 Management Hierarchy of Agrani Bank Limited

Hierarchy Of Agrani Bank



4.7. Management Hierarchy of Shyamoli Branch, Agrani Bank Limited.

Assistant General Manager



Senior Principal Officer



Principal Officer



Senior Officer



Officer / Officer (Cash)



Attorney Assistants



Clerical Staff Members



Non-Clerical Staff Members

4.8. Automation and Modernization in Agrani Bank Limited

4.8.1 Development in IT sector

Information and Communication Technology (ICT) has its direct impact on productivity and competitiveness in both domestic and international markets. Shyamoli Branch using LAN based Branch Banking Software since 2012. Since then amidst increasingly fierce competition, the efficiency gains and the speed of IT have offered us the opportunity to open up new sources of advanced, innovative products and improved customer service. Sufficient allocation will be made for hardware and software to ensure complete implementation of our ambitious plans for the increased use of ICT and Management Information Systems (MIS).

4.8.2 Overall automation

Shyamoli Branch, Agrani Bank Limited started widely using computer technology for automation of its various banking operations. The Information Technology (IT) Division of the bank responsible for managing automation of banking operations is well equipped with IBM Midrange computers, very High End Servers and latest microcomputers and staffed with trained and experienced personnel. The Bank uses its in-house software for processing most of the jobs performed on IT Division.

4.8.3 Branch Computation

Agrani Bank Limited has grown significantly over the years in branch automation along with total 935 branches are computerized by using LAN based Branch Banking Software. Shyamoli Branch use this software for day to day operation. This software has been supplied by various renowned software vendors of the country. The major functionalities of the branch banking software:

- a) General Banking-Deposit, Inland remittance, GL/PL.
- b) Credit-all kinds of commercial loans and staff loans.

Most of the banking activities can be carried out using this software. Bank provides continuous training for the uses of this software. Now, the branch has adequate computers with internet connectivity along with 'Online Foreign Remittance Payment Software' and 'GL Software' capable of making instant payment of foreign remittance to the beneficiaries and preparing daily Statement of Affairs and Profit and Loss Statement besides making other day-to-day correspondences.

4.8.4 Online Banking

IT-based banking has a major role to play in rendering improved services to the valued customers and stakeholders in to-day's competitive banking environment. The Bank has taken various measures for automation of its functions and services. One of the major steps is installation of fully integrated online core Banking solution (T20 by Temenos). It began in 2010 with two pilot branches and how it has progressed further. At present, Shyamoli Branch is totally operating online Banking under this software. It should be mentioned that T24 software is rated as number one core banking software all over the world. For this purpose, a most modern data center equipped with all related hardware, database, connectivity and all other facilities was established in head office. All the modules of T24 have been customized as per existing business process and rules of the bank considering the guidelines of Bangladesh bank. Introduction of T24 software will ensure services like internet banking, ATM banking, and mobile banking to the customers.

4.8.5 Website

Agrani Bank Limited has an informative website description of its various products, services, annual accounts, citizen's charter and other up-to-date information about the Bank. Shyamoli branch hasn't any website of its own.

The website www.agranibank.org services as a primary source of information of the bank. Current news on recruitment, tender etc. are also found in this website.

4.8.6 ATM

Agrani Bank Limited has introduced ATM (Automated Teller Machine) card facility Known as E-cash Card. Shyamoli Branch offer those cards but it hasn't ATM booth adjacent to the branch. Under this system, a cardholder can get round-the clock services of cash withdrawal and utility bills payment facilities.

4.9 Slogan of Agrani Bank Limited

The Slogan of Agrani Bank Limited is *“Committed to serve the nation”*



CHAPTER - 5
THEORETICAL OVERVIEW

5.1 Introduction

A loan is a debt provided by an entity (organization or individual) to another entity at an interest rate, and evidenced by a note which specifies, among other things, the principal amount, interest rate, and date of repayment. A loan entails the reallocation of the subject asset(s) for a period of time, between the lender and the borrower.

In a loan, the borrower initially receives or borrows an amount of money, called the principal, from the lender, and is obligated to pay back or repay an equal amount of money to the lender at a later time.

The loan is generally provided at a cost, referred to as interest on the debt, which provides an incentive for the lender to engage in the loan. In a legal loan, each of these obligations and restrictions is enforced by contract, which can also place the borrower under additional restrictions known as loan covenants.

Although this article focuses on monetary loans, in practice any material object might be lent.

Acting as a provider of loans is one of the principal tasks for financial institutions. For other institutions, issuing of debt contracts such as bonds is a typical source of funding.

5.2 Definition of Loan

The term “loan” refers to the amount borrowed by one person from another. The amount is in the nature of loan and refers to the sum paid to the borrower. Thus, from the view point of borrower, it is “borrowing” and from the view point of bank, it is “lending”. Loan may be regarded as “credit” granted where the money is disbursed and its recovery is made on a later date. It is a debt for the borrower. While granting loans, credit is given for a definite purpose and for a predetermined period. Interest is charged on the loan at agreed rate and intervals of payment.

5.3 Definition of Advance

Advance is a “credit facility” granted by the bank. Banks grant advances largely for short-term purposes, such as purchase of goods traded in and meeting other short-

term trading liabilities. There is a sense of debt in loan, whereas an advance is a facility being availed of by the borrower. However, like loans, advances are also to be repaid. Thus a credit facility- repayable installments over a period is termed as loan while a credit facility repayable within one year may be known as advances. However, in the present lesson these two terms are used interchangeably.

5.4 Loan/Advance Products

a) Continuous Loan

- Cash Credit (Hypo)
- Cash Credit (Pledge)
- Secured Overdraft (SOD)

b) Term Loan

- Housing Loan (General & Commercial)
- Consumer Credit
- Loan for Overseas Employment

c) Rural & Agro Credit

- Crop Loan
- Fishery Loan
- Animal Husbandry Loan
- Agri Machinery Loan
- Rural Transport Loan
- Swanirvar Loan
- Poverty Alleviation Loan

d) Small and Medium Enterprise Loan

- Service Sector Loan
- Trading Sector Loan
- Manufacturing Sector Loan

e) Import Finance

- Loan Against Imported Merchandise (LIM)
- Loan Against Trust Receipt (LTR)

- Payment Against Document (PAD)

f) Export Finance

- Export Cash Credit
- Packing Credit (PC)
- Local / Foreign Bills Purchased (FBP)
- Loan Against Export Development Fund (EDF)
- Advance Against Cash Incentive (Subsidy, Assistance)

5.5 Types of Loans and Advances Offered by Shyamoli Branch

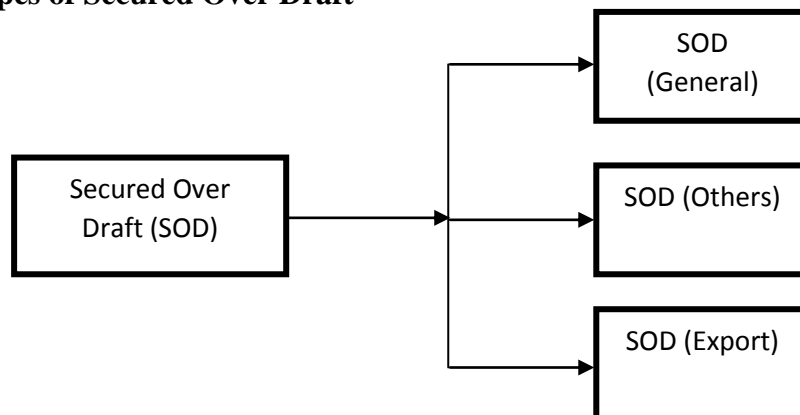
Shyamoli Branch, Agrani Bank Limited offers following types of loans and advances-

- a) Secured Overdraft (SOD)
- b) Cash Credit (CC)
- c) Staff Loan
- d) HouseBuilding Loan
- e) Transport Loan
- f) Mid-term Loan
- g) Bills Purchased and Discounted

5.5.1 Secured Overdraft (SOD)

It is a continuous advance facility. By this agreement, the banker allows his customer to overdraft his current account up to his credit limits sanctioned by the bank. The interest is charged on the amount, which he withdraws, not on the sanctioned amount. Agrani Banksanctions SOD against different security. Based on different types of security, we can divide SOD in the following categories-

Fig.: Types of Secured Over Draft



Source: Official Records of Agrani Bank, Shyamoli Branch, Dhaka

1. SOD (General): Advances allowed to the individuals/firms against financial obligations i.e. lien of F.D.R. or Defense Savings Certificate (P.S.P), ICB Unit Certificate etc.

2. SOD (Others): Advances allowed against assignment of work order for execution of contractual works falls under this head. The advance is generally allowed for a specific purpose. It is not a continuous loan.

3. SOD (Export): Advance allowed to purchasing foreign currency for payment against L/Cs (Bank to Back) where the exporter cannot materialize before the date of import payment.

The processes of extending SOD are as follows –

a. The party must have a current account with the branch

b. If the ownership of the firm is proprietorship, then a trade license must be submitted and in case of a limited company, all the documents required to open a current account should be submitted. The financial statements of the concerned firm should also be submitted.

c. The party must maintain a good transaction with the branch and have a good turnover rate.

d. The party will apply to the officer in charge of credit department of the branch for SOD arrangement

e. The concerned officer of the branch will give him a Credit Application Form and the party will have to fill up this form. In this form he discloses all the information about his concern, purpose of the loan, description of security, etc.

f. The concerned officer will prepare a “Credit Line Proposal”, where he writes about the business concern, details of proprietors/directors of the concern, management structure, and the

existing credit facilities, the particulars about the facilities that asked for – such as margin limit, date of expiry, details of security, and any other relevant information. Then the proposal is sent to the Head Office, General Advances Division for approval.

g. The responsible Department of the General Advances Division will appraise the proposal and if it seems to a viable then the loan will be sanctioned.

h. After the loan is sanctioned, the branch will issue two copies of a sanction advice, where all the terms and conditions set by the bank is mentioned. The borrower is advised to write, “accepted” on the original copy if he is satisfied with the terms and conditions of the bank and retain the duplicate one as record.

5.5.2 Cash Credit (CC):

Cash Credit (CC) is an arrangement by which a banker allows his customer to borrow money up to a certain limit. CC is a favorite mode of borrowing by traders, industrialists etc. for meeting their working capital requirements. It is operated like overdraft account. Depending on the needs of the business, the borrower can draw on his cash credit account at different time and when he gets money can adjust the liability. Agrani Bank Limited charges interest on the daily balance in the account. Depending on charging security there are two (02) forms of cash credit

- 1) Cash Credit (Hypothecation):
- 2) Cash Credit (Pledge)

Cash Credit (Hypothecation):

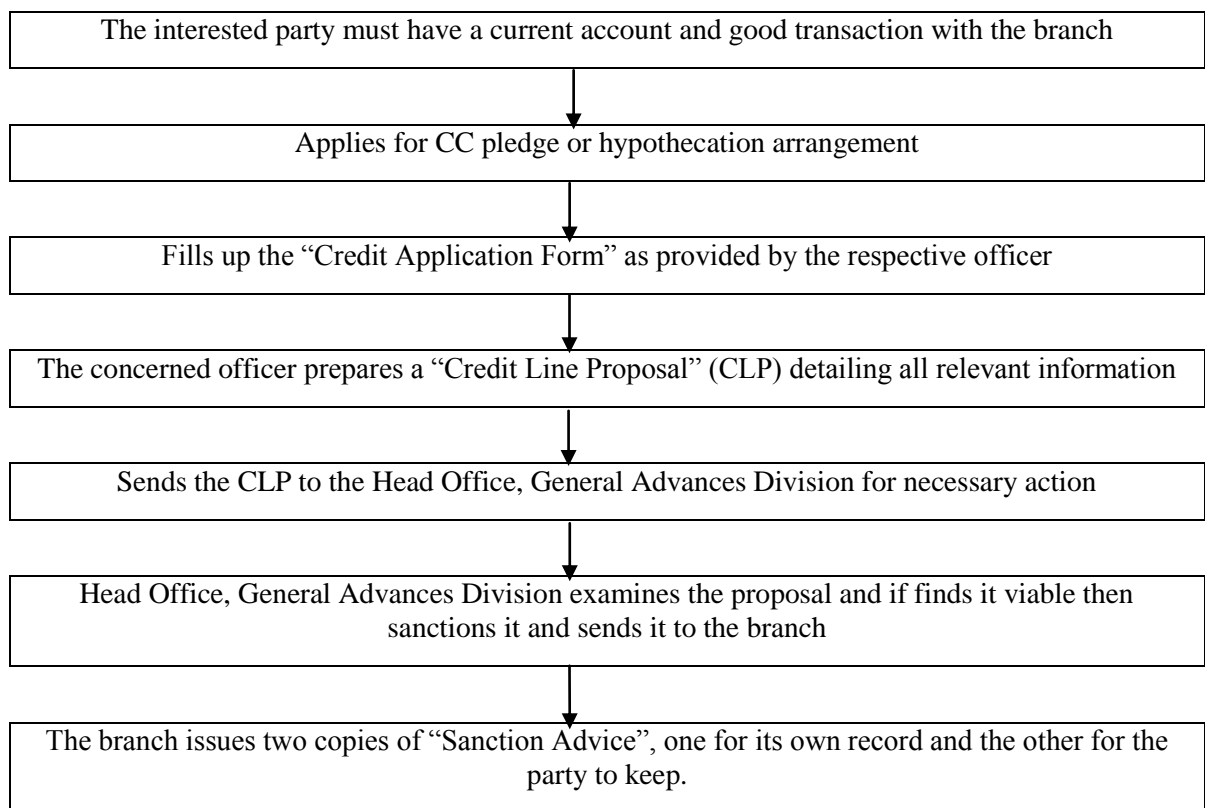
The mortgage of movable property for securing loan is called hypothecation. Hypothecation is a legal transaction whereby goods are made available to the lending banker as security for a debt without transferring either the property in the goods or either possession. The banker has only equitable charge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

Cash Credit (Pledge):

Pledge is the bailment of goods as security for payment of a debt or performance of a promise. Bailer in this case is called the “Pawnor” and the bailee is called the “Pawnee”. In a contract of pledge, Pawnor must deliver the goods to the Pawnee either actually or constructively. Transfer of possession in the judicial sense, is essential in the valid pledge. In case of pledge goods the bank acquires the possession of the goods or a right to hold goods until the repayment for credit with a special right to sell after due notice to the borrower in the event of non-repayment.

The processes of opening a CC account are shown in the following flow chart-

The processes of opening a CC account



Source: Official Records of Agrani Bank, Shyamoli Branch, Dhaka

5.5.3 Staff Loan:

Agrani Bank Limited provides advances to the staffs for buying motorcycles and bicycles, for wedding of their sons or daughters etc. It is called “Staff Loan”. Bank provides this advance facility under installment system. At the end of each month, when the staffs used to withdraw their salaries, bank takes a fixed amount from the salary of each of the concerned staff that takes this loan.

5.5.4 House Building Loan:

House Building Finance Corporation (HBFC) is the main institution to meet the requirement of loans in this field but Agrani Bank Limited also supplement to this sector. Advances for construction of residential houses against real estates as primary securities as allowed by banks. Agrani Bank Limited may grant advances for construction of commercial building also against real estates.

5.5.5 Purchase and Discount of Bills:

Purchase and Discount of Bills is also a special form of advances Agrani Bank normally purchase demand bills of exchange that are called “Drafts” accompanied by documents of title to goods such as Bill of Lading, Railway of Truck receipt. The purchase of bills of exchange drawn at an issuance, i.e., for a certain period maturing on a future date and not payable on demand or sight is termed as discounting a bill and the charge recovered by Bank for this is called “Discount”.

5.5.6 Mid-Term Loans:

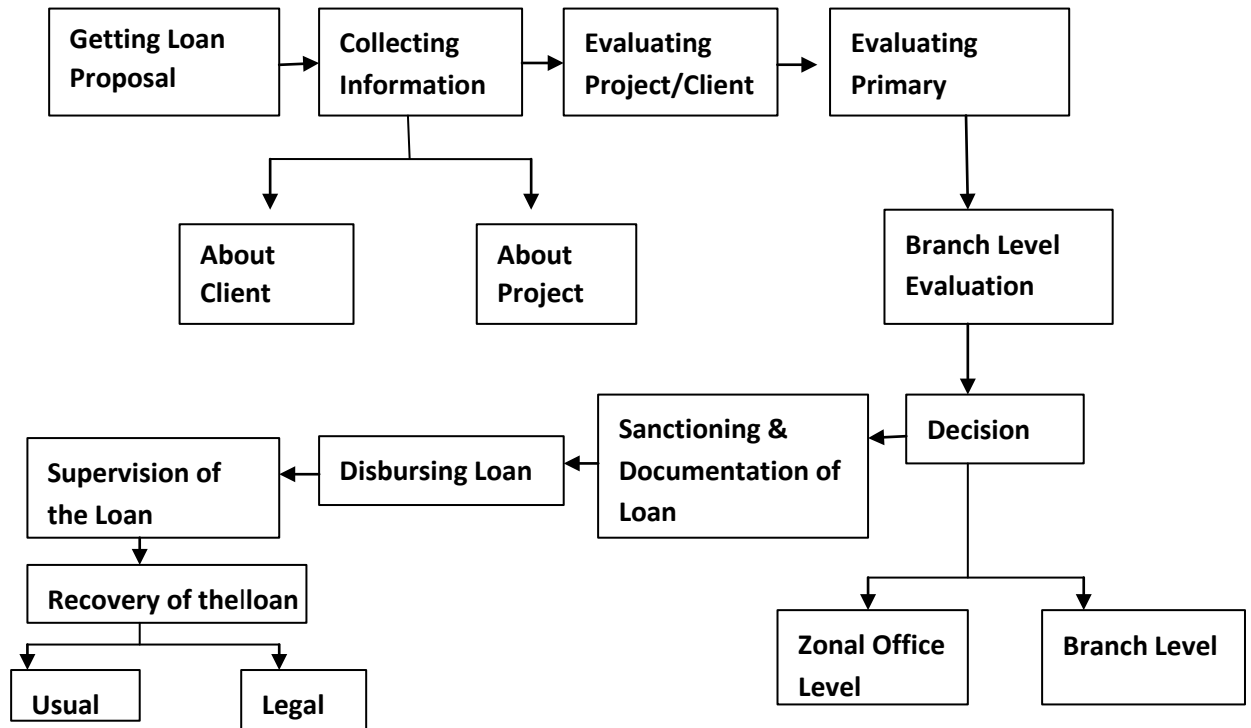
Agrani Bank Limited or other commercial banks, because of their capital structure, constitution and liquidity consideration, are advancing for short term on principle. But modern banks have stated lending a safe proportion of their demand and time liabilities for fairly long periods to HouseBuilding, Industrial, Agricultural, Transport and many other sectors. Such loans are repayable by installments over a number of years ranging from 2 to 12 so far as, nature and conduct are concerned.

5.5.7 Transport Loan:

Advances are allowed against hypothecation of “Power-Driven Vehicles” (PDV) including water crafts for genuine transport business to sufficient credit parties at 30% margin and suitable guarantee from persons of sufficient and standing where considered necessary mortgage of urban immovable property, registered or equitable, are also to be obtained by way of additional securities or in suitable case. In case of acceptance of mortgage, the minimum margin may be reduced up to 10 percent. These loans should be repayable within maximum period of two years, which is subject to renewal with approval from Head Office.

5.6 Sanction Procedure of the Loan:

When a borrower approaches to ABL for a loan, he or she is required to fulfill the following criteria: He or she has to be a client of the bank. He or she needs to apply properly & describing the purpose of the loan amount needed and his or her capacity of repayment.



5.6.1 Getting Loan Proposal:

Bank provides loan facilities to the people who are credit worthy to the bank. Credit worthiness depends on the credibility, financial capability, and feasibility of the project and management ability of the clients to earn profits. When bank is satisfied with all these then the client is provided with the requested loan. At this point it should be mentioned that the client has to go through an interview where his loan potentiality is justified through critical observation. When loan officer is satisfied with the customer he is asked to submit an application and to fill up a form with specific details.

5.6.2 Evaluating project/ client:

When Credit officer is satisfied with his credit worthiness, financial capability, management ability and feasibility of the project through credit appraisal of clients in

a prescribed form, he/she can hope for credit from the bank. Credit appraisal is done through “credit appraisal form”. Ratio analysis is give importance in case of project finance. But most of the medium quality loans are given on the basis of financial capability of repaying and credit worthiness of the client. Lending risk analysis is done in a prescribed form in case of large amount of loan, above 50 lac. Credit officer prepares a credit proposal along with the prescribed “Credit Proposal Form”. Credit officer measures the risk associated with the credit facility. No credit proposal can be put for approval unless there has been a complete written analysis. It is absolute responsibility of the proposing officer to ensure that all necessary proposal documentation have been collected before the facility request is sent to the sanctioning officer.

5.6.3 Evaluating Primary Security:

The primary function of the modern bank is to make advance against various types of securities whether moveable or immoveable. To bind the charge of those securities, banks create some documents to protect the safe guard of bank interest or bank money. The documentation varies depending upon the types of securities being accepted & nature of charge being created. Document should execute and stamped according to the law. Mainly document of the bank is called charged document in which bank may create charge against its disbursement.

Charge Document:

- Letter of acceptance (true copy of sanctioned advice)
- DP note
- Letter of disbursement
- Letter of Continuity with a stamp of BDT. 300.00
- Letter of guarantee
- Letter of undertaking
- Letter of agreement

- Memorandum of deposit of title deed
- Balance confirmation sleep
- Revival letter
- Deed of hypothecation of goods
- Letter of Authority

5.6.4 Decision:

Branch Level:

It is to be headed by the Branch Manager, other members to be selected by the manager in consultation with head office.

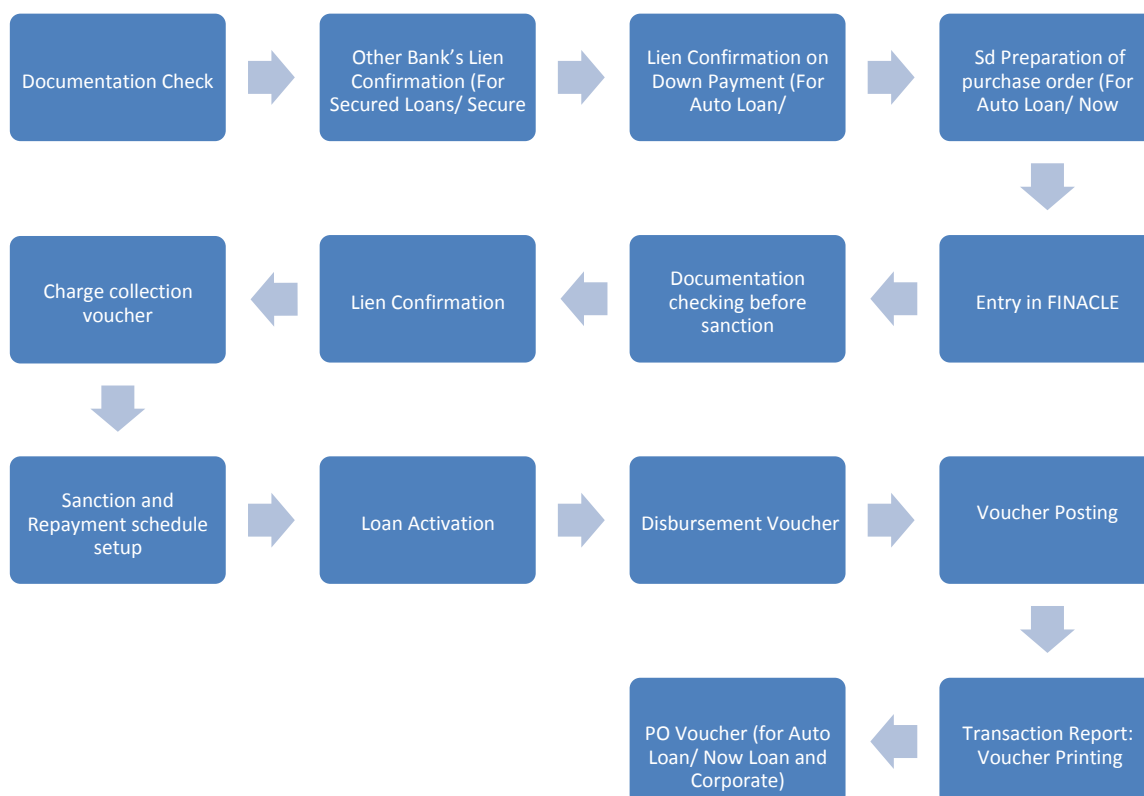
Zonal Office Level:

Zonal office credit in accordance with authority established and delegated by the Board of Directors.

- Reviewing, analyzing and approving extension of credit in accordance with authority established and delegated by the Board of Directors.
- Evaluate the quality of tending staff in the bank and take appropriate steps to improve upon.
- Recommending credit proposal to the executive Committee/Board of Directors which are beyond the delegated authority.
- Ensuring, that all elements of credit application i.e. Forms. Analysis of statements and other papers have been obtained and are in order.

5.6.5 Disbursing Loan:

Process flow for loan disbursement:



5.6.6 Recovery of the loan:

When a problem loan is detected the responsible loan officer takes the corrective action and tries to minimize the loan losses by allowing different facilities to the client. The steps are followed by the Agrani Bank to manage the clients are:

- Open discussion with the borrower
- Discussion with third party to find out the underlying reasons
- Issuing the “1st Reminder” letter to inform the due date and due installments

- If the party does not respond issuing the “2nd Reminder” and the “3rd Reminder” letter
- Revise the loan agreement
- Concession of interest (if the client is difficult to Pay)

5.7 Procedures for Giving Advances

The General Advances Department of Agrani Bank Limited, Shyamoli Branch, Dhaka, usually follows the below-mentioned procedures and steps for sanctioning any kind of advances as available with the branch-

In the **first step**, the prospective borrower has to apply to Agrani Bank Limited, Shyamoli Branch, Dhaka for loan by filling up of a specific Application form. The Application form (Request for Credit Limit) contains following particulars-

- Name of the Borrower
- Account No.
- Business address (with telephone no.)/Residential address and Permanent address
- Introducer’s name, A/C no. and address
- Date of establishment/ Incorporation
- Trade license number, date and expiry date (Photocopy of trade license enclosed)
- GIR/TR no. and amount of income tax paid last year
- Constitution/Status (Mention whether sole proprietorship/ partnership/ Public Ltd. company/ Private Ltd. company).
- Particulars of Individual/ Proprietor/ Partners/ Directors (Name and Designation, Father’s/ Husband’s name, present and permanent address with Telephone no., % of shares held)
- Experience and background of Individual/Proprietors/ Partners/Directors
- Full particulars of assets in the personal name of Individual/ Proprietor/Partners/ Directors with valuation

- Names of Subsidiaries/Affiliates, percentage of shareholding and nature of business
- Nature and details of business/products (for which credit facility is applied for), Markets (Present market price per unit, Factory price), Estimated sales for next one year.
- Credit facilities required (type, amount, period, purpose and mode of adjustment)
- Details of securities offered with estimated value (Primary security, Collateral security, market value of the security)
- Details of liabilities in the name of the client or in the name of any other Partners/Directors or Subsidiaries/Affiliates with Agrani Bank Limited and other banks, if any (Name of the Bank, Account no., Nature of advance, amount, security and validity of limit)
- Balance Sheet/Income Statement or Statement of Accounts of the following years attached (Preferably last 3 years)
- Other relevant information
- Proposed debt/equity ratio
- Signature of the Applicant

In the **second step** after receiving the loan application form Agrani Bank Limited, Shyamoli Branch, Dhaka, sends a letter to Bangladesh Bank for obtaining a report from there. The purpose of this report is to being informed that whether the borrower has taken loan from any other bank; if 'yes', then whether these loans are classified or not.

In the **third step**, after receiving CIB report if the Bank thinks that the prospective borrower will be a good borrower, then the bank will scrutinize the documents. In this stage, the branch will look whether the documents are properly filled up and signed.

In the **fourth step**, i.e., the processing stage, the branch will prepare a Proposal. A proposal contains following relevant information –

- Name of the Borrower
- Nature of Limit
- Purpose of Limit
- Extent of Limit
- Security
- Margin
- Rate of Interest
- Repayment
- Validity

The branch incumbent has the discretionary power to sanction loan (SOD) up to Tk.25 lac against financial obligations by informing Head Office. But in that case, the DGM of the branch has to give attention to the following matters-

- The interest rate of the loan must not be less than 14.5%; and
- The borrower must maintain 30% margin.
- Except this case, the branch has to send the proposal to the Head Office. Head Office will prepare a minute and submit it before the Executive Committee (EC). The minute has to be passed by the EC. After passing the minute, it will be sent to Bangladesh Bank for approval in case of the following-
- ✓ If the proposed limit exceeds 20% of bank's equity
- ✓ If the proposed limit against cash collateral securities exceeds 25% of banks equity.

After getting the approval from Bangladesh Bank, it will again come to the Head Office. The Head Office then prepares a “Sanction Advice” and sends it to the branch. A Sanction Advice usually contains the following particulars amongst other details-

- Name of borrower

- Facility allowed
- Purpose
- Rate of interest
- Margin
- Period of the loan and mode of adjustment
- Security
- Security
- Other terms and conditions.

The borrower receives the advice and returns a copy of this letter duly signed by him as a token of having understood and accepted of the specified terms and conditions.

In the **fifth step**, after receiving the sanction advice, the branch will collect necessary documents. Documents mean any written record, which serves as evidence in respect of a transaction and may be described as anything that is obtained for recording a transaction. Documentation is a very important aspect of loans and advances. It may be described as the process or technique of obtaining the relevant documents/papers for securing advances. A banker must obtain proper documents to be executed by the borrower to protect the Banks interest. Moreover, when money is lent against security of some assets, the document must be got executed to give to the banker a legal and binding charge against those assets. The documents for loans and advances can be classified into the two categories namely charge documents and security documents. Charge Documents are a set of printed and prescribed forms, which are executed by the borrowers to protect Bank's interest while bank is providing loan/advances. Different types of advances are allowed to the customers against different types of securities. All securities are not suitable for all types of advances. There is common type of charge documents for types of advances. These are as follows-

- Demand Promissory Note
- Letter of Arrangement
- Letter of Disbursement
- Balance Confirmation Certificate

Specific types of charge documents are required for Commensuration types of securities/ facilities. The types of advances made by the Agrani Bank Limited, Shyamoli Branch, Dhaka, to its customers and probable securities offered by them are listed below-

Types of Advances	<i>Probable Securities</i>
LAOS	Lien of various kinds of Sanchaypatras, Government. Securities, Debentures etc
LSM	Mortgage of Immoveable Properties
LIM	Pledge of Imported Merchandise
TR	Trust Receipt obtained in lieu of Import Documents
Secured Overdraft	Sanchaypatra, Non-resident Foreign Currency Deposit (NFCD) etc.
Cash Credit	Pledge or Hypothecation of stock in trade, Goods produce and merchandise
LAFB	Shipping Document for Export
FDBP	Shipping Document for Export
LBP	Bank's Acceptance
PAD	Shipping Documents for Import

Source: General Advance Dept. Agrani Bank Limited,

In the **sixth step**, after verifying all the documents the branch disburses the loan to the borrower. A “Loan Repayment Schedule” is also prepared by the branch and is given to borrower.

In the **seventh step**, after the disbursement of the loan the bank follows the borrower in the following manner-

- Constant supervision
- Working Capital assessment
- Stock report
- Break Even analysis
- Rescheduling of repayment

In the **eighth step**, the loans are repaid in installment. This installment is according to bank directives. Some loans are repaid all at a time. If any loan is not repaid then notices served to the customer. Sometimes legal actions also taken for recover the loan.

5.8 Interest Rate

Loan sector	Interest Rate
Crop Loan	9%
Fishery Loan	9%
Poverty Alleviation Loan	9%
SME & Micro Credit	9%-13%
Large & Medium Enterprise Loan	14.00%
Import Finance	13%
Export Finance	7%-13%
Demand Loan	14%
General Home Loan	12%
Commercial Home Loan	13%
Commercial Loan	14%

Source: www.agranibank.org

CHAPTER: 6
ANALYSIS of LOAN & ADVANCES

In this chapter, the following Tables show total classified Loans and Advances and Recovery, Continuous loan and advances, Demand Loans and Advances, Term Loans and Advances (upto 5year) ,Term Loans and Advances (over 5 years) ,Staff loans, Total Interest Received Against Loan and Advances from 2012 to 2016 of Shyamoli branch, Agrani Bank Limited.

Amount of Loan Provided by Shyamoli Branch

Table-6.1: Statement of Total Classified Loans and Advances and Recovery of Agrani Bank, Shyamoli Branch, Dhaka.

Year	Amount of Classified Loans and Advances (in Tk.)	Recovered Amount During the Year (in Tk.)	Outstanding Amount at the end of the Year (in Tk.)
2012	87227044	76455634	10771410
2013	91256201	78699277	12556924
2014	129702524	108745538	20956986
2015	112291790	100425633	11866157
2016	153273813	143115971	10157842

Source: Agrani Bank Limited, Shyamoli Branch, Dhaka (Credit Department)

The Table-6.1 shows that the amount of Total Classified Loans and Advances has increased in the year 2015 and 2016 rather than 2012 to 2014 because of the massive number of the default loan in the previous years. So, we can say that credit performance is satisfactory in the recent years and branch's performance can be said as satisfactory in recent years.

Table-6.2: Statement of Total Amount of Continuous Loans and Advances of Agrani Bank, Shyamoli Branch, Dhaka.

Year	Amount of Continuous Loans and Advances (in Tk.)
2012	56394270
2013	40246850
2014	46825630
2015	16859110
2016	46953660

Source: Agrani Bank Limited, Shyamoli Branch, Dhaka (Credit Department)

The Table-6.2 show that the Total Amount of Continuous Loans and Advances has increased and decreased from the year 2012 to 2016. It is good for the branch if the loan recovery is favorable, otherwise it is negative for the branch.

Table-6.3: Statement of Total Amount of Demand Loans and Advances of Agrani Bank, Shyamoli Branch, Dhaka.

Year	Amount of Demand Loans and Advances (in Tk.)
2012	12512455
2013	14055864
2014	14727570
2015	15248073
2016	15520964

Source: Agrani Bank Limited, Shyamoli Branch, Dhaka (Credit Department)

The Table-6.3 show that the Total Amount of Demand Loans and Advances has increased from the year 2012 to 2016. It is good for the branch if the loan recovery system is strictly followed and proper documentation should ensure.

Table-6.4: Statement of Total Amount of Term Loans and Advances (upto 5year) of Agrani Bank, Shyamoli Branch, Dhaka.

Year	Amount of Term Loans and Advances (upto 5year) (in Tk.)
2012	8467255
2013	21568439
2014	51284301
2015	57428493
2016	62428650

Source: Agrani Bank Limited, Shyamoli Branch, Dhaka (Credit Department)

The Table-6.4 show that the Total Amount of Term Loans and Advances has increased from the year 2012 to 2016.

Table-6.5: Statement of Total Amount of Term Loans and Advances (over 5 years) of Agrani Bank, Shyamoli Branch, Dhaka.

Year	Amount of Term Loans and Advances (over 5 years) (in Tk.)
2012	2466586
2013	1967804
2014	2806637
2015	4288476
2016	7852077

Source: Agrani Bank Limited, Shyamoli Branch, Dhaka (Credit Department)

The Table-6.5 show that the Total Amount of Term Loans and Advances (over 5 years) has increased from the year 2012 to 2016. But it should be limited for branch's operation.

Table-6.6: Statement of Total Amount of Staff loans of Agrani Bank, Shyamoli Branch, Dhaka.

Year	Amount of Staff Loans (in Tk.)
2012	7386478
2013	13417244
2014	14058386
2015	18467638
2016	20518462

Source: Agrani Bank Limited, Shyamoli Branch, Dhaka (Credit Department)

The Table-6.6 show that the Total Amount of Staff loans by Agrani Bank, Shyamoli branch, Dhaka. From 2012 to 2016 total amount of staff loans has increased. So the branch's performance is satisfactory.

Table-6.7:Statement of Total Interest Received Against Loan and Advances by Agrani Bank, Shyamoli branch, Dhaka

Year	Total Loan and Advance Disbursements Amount (in TK.)	Total Interest Received Amount (in TK.)
2012	87227044	1641294
2013	91256201	2856488
2014	129702524	4624863
2015	112291790	7748576
2016	153273813	9476428

Source: Agrani Bank Limited, Shyamoli Branch, Dhaka (Credit Department)

The Table-6.7 show that the Total Interest Received Against Loan and Advances by Agrani Bank, Shyamoli branch, Dhaka. From 2012 to 2016 the total interest received against loan and advances has increased. It is a good indicator for the performance of the branch.

CHAPTER -7

FINDINGS

Findings

Major findings of the study have been summarized below:

- a) Total Classified Loans and Advances has increased at a slower rate. in the last two years than other years because of the massive number of the default loan in the previous years. So, the credit performance is satisfactory in the recent years.
- b) Total Amount of Continuous Loans and Advances has increased and sometimes decreased but the recovery is favorable.
- c) Total Amount of Term Loans and Advances upto 5 years has increased and bank has given such type of loans to the reliable customer.
- d) The increasing rate of Term Loans and Advances (over 5 years) is a good indicator of branch's performance.
- e) Staff loans given by the Agrani Bank, Shyamoli branch, Dhaka. has increasing but not at a satisfactory level.
- f) Total Interest Received Against Loan and Advances by Agrani Bank, Shyamoli branch, Dhaka is good but not upto the mark. It is an indicator for the performance of the branch.
- g) The loans and advances provided by the Shyamoli branch only covered a few products. It hardly provides loans on diversified sectors.

SWOT analysis of Shyamoli branch, Agrani Bank Limited

Strength

- Energetic as well as smart team work
- Good Management
- Cooperation with each other
- Good banker-customer relationship
- Young enthusiastic workforce

Weakness

- Tendency to leave the bank in quest of flexible environment
- Lack of proficient manpower in some department
- Office environment is not good as private bank environment

Opportunity

- Expansion of banking services into other different services
- Experienced Managers
- Young employees have to engage in different levels

Threats

- Upcoming Banks/Branches
- Similar products are offered by other banks
- Default Loans

CHAPTER -8
RECOMMENDATIONS AND CONCLUSION

8.1 Recommendations

This complementary study recommends that the Agrani bank, Shyamoli Branch, Dhaka to expand their services in a planned and well-articulated strategy for the long run, in order to have Customer satisfaction and increase its profitability. On the basis of my observation I would like to present the following recommendations-

- a) Total Amount of Demand Loans and Advances has increased in the recent years. It is good for the branch to hold the customers.
- b) The loan recovery system is strictly followed and proper documentation should have ensured in case of demand loans but the defaulter shouldn't have allowed.
- c) In case of giving loans to the customer, bank should have check the credit history of that customer.
- d) Though term loans and advances provides an opportunity to finance potential investment. So, this loan provided by the branch should have increased by this time capital flexibility should be increased.
- e) Staff loans provided by the branch should have increased and the interest rates should have lowered.
- f) Loan recovery and interest received against loans and advances should have increased for profit maximization.
- g) The bank should try to increase its recovery amount since loan amount each year has been increased. The bank should induce quality client and select best project for risk free rate of interest.

8.2 Conclusion

Loan and advances granted by Agrani Bank Ltd are highly beneficial for firms, individuals, companies and industrial concerns. Shyamoli branch try to keep pace with the head office and other branches. Loan may be regarded as credit granted where the money is disbursed and its recovery is made on a later date. It is a debt for the borrower. Advance is a credit facility granted by the bank. Bank granted advances for short term purposes. Loan and advances granted by banks help in meeting short term and long term financial needs of business enterprises. Loan and Advances comprise the most important asset as well as the primary sources of earning of the bank. A prudent bank management should always try to make an appropriate balance between return and risk involved with the loan portfolio and unregulated bank might be with unregulated risk for maximizing its potential return. In such a situation, bank might find itself in a serious financial distress instead of improving its financial health .Consequently not only the depositors but also the general shareholders will be deprived of getting back their money from the bank. Credit Division of Agrani Bank has a very qualified and dedicated group of officers and staffs who are always trying to provide the best service to the clients. They always monitor the credit in different sectors and their position. Before providing the loan they analyze whether the loan will be profitable and whether the client is good enough to repay the loan within the given period of time. Credit department diversified their loans in different sectors classified by them. Among the sectors the bank doesn't provide more loans in the agricultural side. The reason showed that this sector is very risky and depends on natural climate and still didn't expand their service in the rural side. The bank also does not provide more loan in the small & cottage industry. The reason is that the return from this sector is not very good and also the sector is very uncertain. The bank provides most of the credit facility in term loan mainly in long-term loans. Return from short-term loan is very good and also proves to be very safe to finance.

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