

Management of Credit of a Commercial Bank – A Case Study of ONE Bank Limited

Internship Report

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**Internship/Project Report Approval Form**

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Letter of Transmission

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Subject: Submission of Internship Report

Dear Sir,

I am highly grateful to submit my Internship report on “Management of Credit of a Commercial Bank – A Case Study of ONE Bank Limited”. In preparing this report I have tried my level best to accumulate relevant information from all the available sources. I hope this report will provide you a fair perspective on the issue.

I am very grateful for your kind cooperation, support and suggestion. I hope that this report will meet the standards of your judgment. Any limitations in this report will be subject to your kind of full consideration.

Sincerely,

Sinthia Afrin Nikita

ID: 17101101

Executive Summary

ONE Bank Limited was established in 1999 as a private commercial Bank in Bangladesh. For the last 22 years, ONE Bank Limited serves its customers with a primary focus on its performance and quality. ONE Bank Limited provides various products and services to serve their best and become a leading private commercial bank in Bangladesh.

I got an opportunity to do my internship in ONE Bank Limited, Ring Road branch. The main purpose of doing the internship is to prepare a report to fulfill the requirement of the BBA program. The internship report is based on the credit management of ONE Bank Limited. For the study on credit management, I used a qualitative research method and based on available information and resources I collect data from both primary, and secondary research.

The report is basically in two parts. Part A is the organization profile where I discussed ONE Bank Limited history, mission, vision, OBL's product and services, OBL's organogram, and also do an industrial analysis of OBL by five forces of model and SWOT analysis. My Internship role and responsibility are also mentioned in this part.

In Part B Research Project, I mentioned my research method, data source, and my findings. In my analysis and findings, I tried to find out the sanctioning process of a loan of OBL, from 2015-2019 loan status of OBL, loan products, and sector-wise loan of OBL.

And lastly, I have tried to mention some recommendations regarding the credit management of OBL which may help OBL to develop in the future and serve its valuable customers.

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Part A: Internship Experience

Chapter One: Organization Profile

1.1 Company Background

ONE Bank Limited is one of Bangladesh's leading commercial bank. OBL has been established itself as a leading third-generation commercial bank in Bangladesh. ONE Bank Limited registered as a private commercial bank with the Registrar of Joint Stock Companies, as required by the Companies Act of 1994 in May 1999. The chairman of ONE Bank Limited is Mr. A.S.M. Shahidullah Khan. ONE Bank always focuses on oneness which is-one team, one goal to serving their clients, stakeholders and the community at large in spite of oneness. With the spirit and commitment to succeed as ONE Bank Ltd in both value and image, the primary emphasis is on performance and quality. ONE Bank is always make sure to reach out to people from all walks of life and work together in a spirit of oneness to achieve prosperity. The OBL has 107 branches and 25 sub-branches throughout Bangladesh to represent their valued customers. More than 2414 employees are working with OBL. According to the annual report of OBL 2019, it has TK 10,000 Million taka authorized capital and TK 8,432 Million paid-up capital.

ONE Bank Limited is committed to providing unwavering service to its customers and clients' with performance, transparency, accuracy, and motivation are the key focus of OBL. To meet consumer demand, OBL provides a variety of banking products and services. OBL is a private sector commercial bank that specializes in taking deposits from the general public through various savings schemes and lending the funds to various sectors at a margin to reduce risk. OBL financing is concentrated in both working capital financing and long-term financing. The textile and RMG sectors are the ONE bank's primary focus in the industrial field. OBL provides real-time online banking and has launched Visa debit and credit cards, ATMs, E-Banking, and Mobile Banking, among other services.

1.2 VISION OF OBL:

- To establish ONE Bank Limited as a role model in Bangladesh's banking sector.
- To meet the needs of OBL's Customers, provide fulfillment for their People and create Shareholder Value

1.3 MISSION OF OBL:

- To constantly seek ways to better serve OBL Customers.

- Be proactive in fulfilling OBL's Social Responsibilities.
- To review all business lines regularly and develop the Best Practices in the industry.
- Working environment to be supportive of teamwork, enabling the employees to perform to the very best of their abilities.

1.4 CORE VALUES OF OBL:

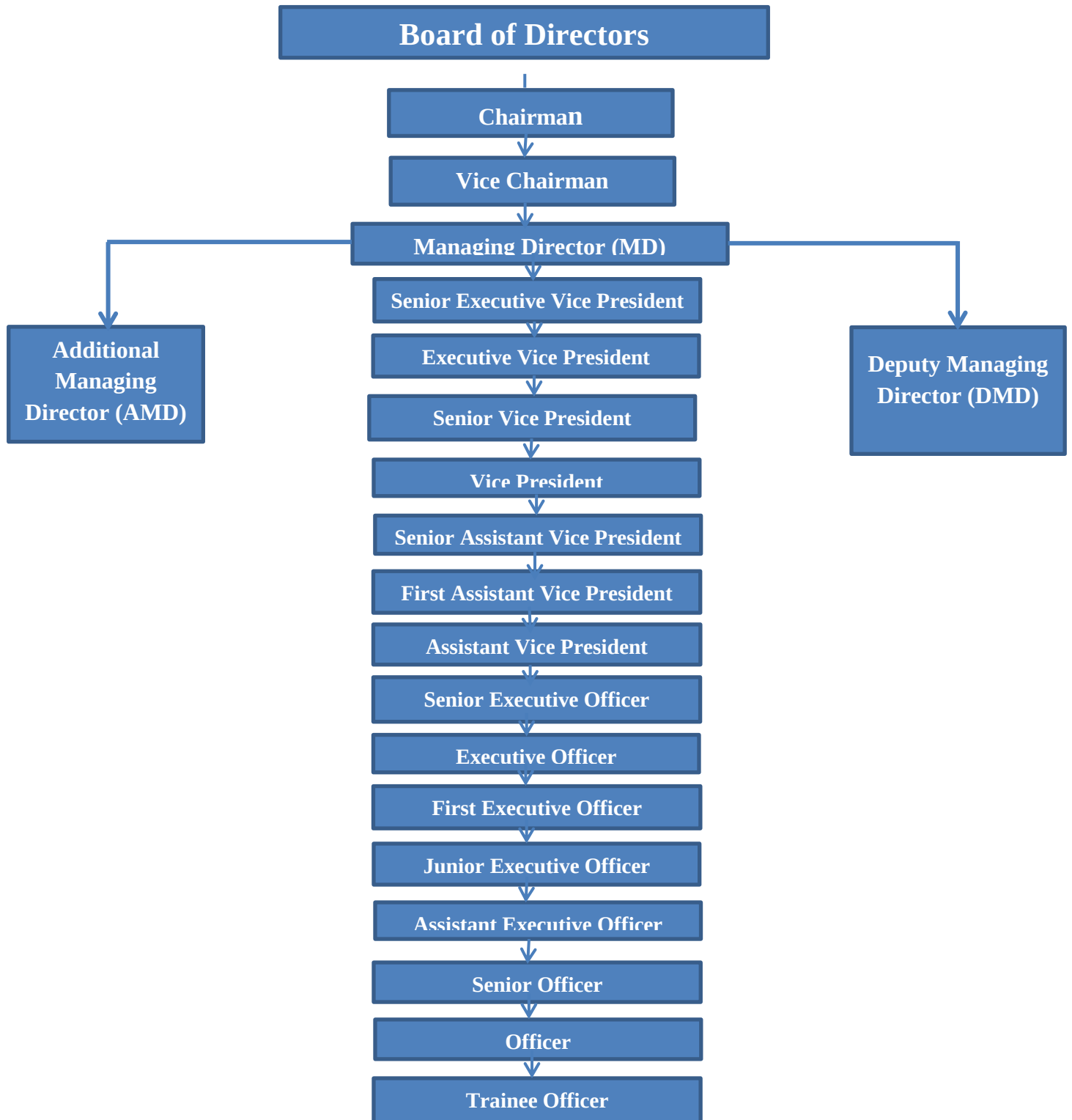
- Accountability
- Transparency
- Disclosure
- Compliance
- Strong ethical standards
- Laws and regulations
- Enhancement in the stakeholders' value
- Consistency
- Enrichment of quality of life of the community through discharge of Corporate Social Responsibility (CSR)
- Promotion of Sustainable Development

1.5 Subsidiary company of OBL:

ONE Bank Limited has two subsidiary companies:

- ONE Securities Limited (OSL)
- ONE Investment Limited (OIL)

1.6 Organogram of OBL:



1.7 Product and services of OBL:

OBL provides various financial products and services to their customers. These Products and services are given bellow:

1. Retail Banking:

i. Retail Deposit

- Current Deposit Account.
- Savings Account.
 - ❖ Gold Savings Account
 - ❖ Silver Savings Account
 - ❖ Women's Savings Account
 - ❖ Youth Banking Account
 - ❖ School Banking Account
 - ❖ Elegant Savings Account
 - ❖ Probashi Shonchey
 - ❖ Pyramid Savings
- DPS Products.
 - ❖ Quick Millionaire
 - ❖ Probashi DPS
 - ❖ Edusave
 - ❖ Bibaho Shonchey
 - ❖ pensave
- Fixed Deposit (FDR):
 - ❖ Monthly Money Maker

ii. Retail Loan

iii. OK Wallet

iv. Remittance

2. Corporate Banking

i. Corporate Deposit

- Deposit Account
- Salary/Payroll Account

ii. Corporate Finance

3. SME Banking:

- i. SME Deposit
- ii. SME Loan

4. OBL Cards:

- i. OBL Credit Card
- ii. OBL Debit Card
- iii. OBL Prepaid Card

5. Cash Management:

- i. Online Utility Bill Collection Services
- ii. Online Mobile/Broadband Bill Collection Services
- iii. Online Fees Collection Services of different Government bodies/Authorities
- iv. Online Tuition Fees Collection Services

6. Agri Finance.

7. Agent Banking.

1.8 Five Forces Model of OBL:

Threat of new Entrance	Low
Threat of Substitute	High
Bargaining Power of Buyer	High
Bargaining Power of Supplier	High
Competitive Rivalry	High

- **Threat of new Entrance:**

Threat of new Entrance of OBL is Low. OBL is a private commercial bank in Bangladesh and to start a new private commercial bank in Bangladesh, a bank has to deposit a large amount of capital in Bangladesh Bank also needs political power. The rules and regulations to start a bank in Bangladesh are

not so easy to enter in the banking industry. That's why the threat of new entrance Of One Bank Limited is not high.

- **Threat of Substitutes:**

Threat of Substitutes of OBL is very high. In Bangladesh, the numbers of commercial banks are very high. Customers can easily substitute OBL with other private commercial banks, which are providing better service. Not Only banks but also mobile banking services, online banking, etc. are also can be a substitute of OBL. That's why the threat of substitutes of ONE Bank Limited is very high.

- **Bargaining Power of Buyers:**

Bargaining Power of Buyers of OBL is very high. Bangladesh is an over populated country but it is a very small country. In this small country, there are more than 54 commercial banks in the banking industry of Bangladesh. Customers have a huge option to switch their suitable bank which bank is providing better service and make their transactions. That's why the bargaining power of buyers of ONE Bank Limited is very high.

- **Bargaining Power of Supplier:**

Banking is a service-oriented business and Commercial Banks collect deposits from customers and invest them in various things. If we consider depositor's deposits are the suppliers of a commercial Bank, then the bargaining power of suppliers of OBL is very high. Customers can easily switch their banks, which give more interest on their deposits.

- **Competitive Rivalry:**

Competitive Rivalry of OBL is very high. The number of commercial Banks in Bangladesh is more than 54. Those banks are offering various products and services to serve their customer and grab the customers. Customs would deposit in those banks from whom they can get better services. That's why the competitive rivalry of ONE Bank Limited is very high.

1.9 SWOT ANALYSIS OF OBL:

▪ **Strength:**

- OBL's branches are located in the country's most important commercial areas to serve their valuable customer.
- OBL provides its customers with a variety of product lines and the best bank services.
- OBL has a strong network throughout the country to provide its service in the whole country.
- OBL provides internet banking facilities throughout the country in rural, semi-rural, and urban areas.
- OBL maintain a strong relationship with their clients.
- OBL contributes to different CSR activities.

▪ **Weaknesses:**

- OBL marketing planning weak. Their promotions and advertisement are not effective enough.
- The number of branches and ATM Booths of OBL is comparatively less than other commercial Banks.
- Service quality of OBL is good but not high as a customer expected

▪ **Opportunities:**

- OBL's online banking and SWIFT facilities create many scopes
- OBL provides a large diversification of products and services.
- OBL ha a good market value in the banking industry and also among the customers.

▪ **Threats:**

- Strict control overall banking activities by Bangladesh bank and sometimes it becomes difficult to follow all the rules and regulations.
- High competition among the commercial banks because many competitors of OBL provide various products and services to the customers.
- COVID-19 pandemic is a threat for all banking industry.

Chapter Two: Intern's Role and Responsibility

An internship is a way to gain work experience by working in an organization. I got the opportunity to do my intern at ONE Bank Ltd. To gather real life experience I was appointed as an intern in ONE Bank Ltd., Ring Road Branch. It was a three-month internship program from 3rd February to 3rd May, 2021.

In One bank Ring Road Branch, there are several departments and every job is done in a specific desk by a specific employee. I worked in every department during my three months internship. I gather lots of real work experience during my internship. These three months internship journey was very amazing and the staffs, officers of the ONE Bank Limited, Ring road branch are very helpful.

During my three months of internship at ONE Bank Ltd. My roles and responsibility are:

1. General Banking Department:

General Banking department is the customer service center of a bank. In the general banking department, all kinds of banking general activities are done. It is the introduction stage of banking service.

I worked in the general banking department for 1 month. Here I can able to learn different activities of the general banking division. And my activities in general banking department during these 1 months are:

- **Account Opening:**

Account Opening is the initial stage to start a relationship with the bank and a customer. When a customer wants to open a bank account, I give them instructions on what kind of document he/she needs to open a bank account.

For Savings account:

- ✓ 2 copies passport size photo of accounts holder and one copy nominee photo.
- ✓ NID photocopy of both account holders and nominee
- ✓ Utility bill's copy
- ✓ Source of income.

For Current Account:

- ✓ Account holder's passport size photo
- ✓ NID photocopy

- ✓ Trade license
- ✓ Organization seal

Account's holders also need an introducer who has a bank account with ONE Bank. I am also fill-up the account opening form take the signature in the form, in the signature card, cheque requisition slip, Debit card form, and OK wallet form. I have also verified the NID of both account holder and nominee from the software. After fulfilling all the activities, the customer gets an account number with the branch code 054, which is the Ring road branch code number. Customers also have to deposit initially 500tk for the savings account and 2000 TK for the current account.

- **Cheque Book, Debit card, and Debit Card Pin:**

In these one months, when cheque-book, debit cards, and debit card pin come, I received that and give entry that with the specific date in the register and specific officers cut the charges for that from account holders account. When a customer comes to receive the cheque book or debit card, I check the date from the customer statement and give them the cheque-book or debit card, when the signature is appropriate. When the cheque book was received by others, I will take the authorization letter from them and then delivered the cheque.

- **Bank Statement:**

When a customer needs a bank statement of their account, he/she needs to fill up the form with the account holder's signature, and then from the customer statement, I print the statement from which date to which date she/ he needs the statement. If he/she needs a statement for more than one year 500 TK will be charged from the account holder's accounts.

- **Payment Order or Pay-order:**

When a customer needs a pay order, I wrote the pay order with the specific information and authorize it by specific officers of the bank.

- **FDR Maturity Report:**

In the FDR register, I wrote the FDR amount which is mature in that date with the specific interest rate of that period, and match the amount with the customer statement.

2. Cash Department:

The Cash department deals with all types of cash transactions. I worked in the cash department for 7 days because of the lockdown. Customers can deposit or withdraw money, pay utility bills, pay semester fees of different universities in the ONE Bank Limited, Ring road branch. In the cash department my duty was to received cheque and deposit slip, give a seal on the deposit slip cash received, and enter in the transaction books. I have also received the utility bill entry in the register book. At the end of the day at 4 pm, I had to sum up the whole amount in register entries and checked the amount with computer automated software entries.

3. Accounts Department:

Accounts departments collect transactions voucher from all departments and approve them. Accounts departments also deals with branch's different expense and authorized them. I worked 7 days in the accounts department because of the lockdown. Where I checked all the vouchers from all departments.

4. Clearing Department:

In ONE Bank Limited, Ring road branch, there is not any different department for clearing. Clearing cheque issues are deals in general banking department and in the cash. In clearing department, there were two types of cheque-Inward and outward. If the customer gives the clearing cheque before 12 pm, the cheque will be received on that day. And if it is after 12 pm, the cheque will be received on the following day. If the amount of the cheque is more than five lacs then it goes to high value and the rest of the cheque goes to regular value. My job in clearing section is collecting the clearing cheque and put authorization seals Received for Collections with same date.

5. Credit Department:

The credit department is the heart of a commercial bank. As my intern topic is based on credit, I worked full one month in the credit department and also gather important information about credit facilities like the process of getting a loan, types of loans, etc. of ONE Bank Limited. My task in the credit department was to fill up forms for personal loans, SME Loans (Small Medium Enterprise) also write CIB (Credit Information Bureau) form. I was also attaching stamp on documents which need to issue for approving loan facilities like-demand promissory note (10 TK 5 stamps), letter of continuity (100 TK 3 stamps), Memorandum of Deposits of Moveable asset as security (100 TK 3 stamps), General Letter of lien and right to set off (100 TK 3 stamps) and letter of lien and right to set off (100 TK 3 stamps).

There is not a separate department for foreign trade in ONE Bank Limited, Ring road branch, the credit department officers' deal with foreign trade, especially issuing LC. I was writing LC form when someone wants to issue LC from OBL Ring road branch.

6. Additional Work:

When I worked in the credit department, I get an opportunity to work on National Housing Project. Under this national housing project, there were five projects- Mohammadpur F Block, Swapnagar Abashik Prokolpo-1, Swapnagar Abashik Prokolpo-1, Joynagar, and Greha Suchana. I was proving basic information if any customer wants to know about the project and help them to write a despite slip to buy the prospectus by 1000Tk. I have also received the documents when the customer submitted the related document with the Payment order. I was also prepared a deposit voucher in Excel for the clearing cheque and also prepare an Excel document sheet of collection form from customers who submitted their documents.

My experience during internship:

During these three months of internship at ONE Bank Limited, Ring road Branch my experience was quite good. Besides my roles of responsibility, during my internship in my Bank, I was able to communicate with different types of people and also able to learn how to deal with different perspectives of the people. Also, I learned that the banking profession is the job of patients because it is a service-oriented business. The behavior of the employees was also very generous and the culture & environment of the branch are very friendly. Even if any employee is of a higher position, they rarely addressing each other as sir. I was also visiting a site with the RM of ONE Bank Limited Babu Lal Paul, which was a different experience for me.

Chapter Three: Observations

I worked as an intern in ONE Bank for three months. During this short period, my observations toward ONE Bank are-

- Employees of ONE Bank are very responsible and systematically operate their works.
- Employees of ONE Bank are always tried to keep a strong relationship with their customers.
- Every week on Saturday 9.00 am manager arrange a meeting to getting the up-to-date information about the working progress of the branch.
- Employees of ONE Bank are very helpful. When any of their colleague absent try always try to do their job if that is necessary for any customer.
- They have some big clients, who transaction with them for a long time.
- Sometimes because of the internal server issues of ONE Bank Ltd, employees cannot give proper service to their customers.

Part B: Research Project

Chapter One: Research Design

1.1 Introduction

A bank is a type of financial institution that accepts deposits from people and lends out money. Interest received from the loans is considered the main source of income of a commercial bank. That's why Credit management is considered one of the most core functions area of a commercial bank. Credit Management is the process of allocating the funds with effective long-run planning and setting the terms which it is granted to minimize the risk and recovering the credit successfully. Effective credit management will help a bank to minimize bad debt and have an efficient cash flow.

ONE Bank Limited is one of the leading commercial banks in Bangladesh. This report is on the Management of Credit of ONE Bank Limited. The purpose of this study is to find and analyze the management of the credit process of ONE Bank Limited.

1.2 Objective of the Study:

Main Objective:

The main objective of the study is to examine and assess the credit management system of ONE Bank Ltd.

Specific Goals to achieve the Objectives:

- To acquire theoretical knowledge about the credit management of a commercial bank.
- To examine the credit management system and procedure of a commercial bank practically.
- To know about the percentage of classified and unclassified loans.
- To learn about the credit recovery process of a commercial bank.
- To detect the problems involved in the process of credit management.
- To recommend some suitable suggestions to overcome the problems of credit management.

1.3 Methodology:

In our study Credit management of ONE Bank limited we would follow Qualitative research that is non – probability sampling also because-

- ✓ Our Sample size is low.

- ✓ Our population is unknown.
- ✓ Research can't be generalized.
- ✓ Not possible to make a sampling frame.

In this research are five –Manager of ONE Bank Ltd. Ring Road branch, Credit in-charge of ONE Bank Ltd. Ring Road branch and three senior officers of the Credit department.

Based on the available information and resources of ONE Bank Ltd. data for our research will be collected from:

1. Primary Sources.
2. Secondary Sources.

Primary Sources:

For our study primary sources are:

- Direct consultation with the ONE Bank Ltd.'s officers and staff.
- Consultation with the clients of ONE Bank Ltd.
- Practical work experience in the credit department of ONE Bank Ltd.

Secondary Sources:

For our study those are:

- Annual Report of ONE Bank Ltd.
- Official Website of ONE Bank Ltd.
- Different Articles of ONE Bank Ltd
- Different manuals or documents of ONE Bank Ltd.

1.4 Scope:

- ✓ Analyze the Overall credit function of ONE Bank Limited and how it is managed by ONE Bank Limited.
- ✓ Get information about credit management of ONE Bank Limited.
- ✓ Get a real picture of the financial condition of ONE Bank Limited.
- ✓ Get an opportunity to find out problems regarding credit management of ONE Bank Ltd.

1.5 Limitations:

- **Limitation of time:** The internship time duration is only three months which is not enough time to research on the credit management of a commercial bank. Also because of lockdown, the time duration of the internship is decreased
- **COVID-19 pandemic:** COVID-19 pandemic is another limitation of the study because for the pandemic many banks face financial problems.
- **Lack of support:** Bank officers and staffs are always very busy and can't provide me enough time to do research.
- **Don't disclose all information and data:** Every organization has its security policy they don't share confidential data and information for their security purpose. That's why it is one of the limitations of my study.

Chapter Two: Theoretical Background

The word bank is derived from the Italian word banco, which means "bench." A bank is a form of the financial institution that is permitted to accept deposits and make loans. The Bank plays an important role in a country's economy. Banking is a business that deals with cash, credit, and other forms of money and provides a safe environment for storing excess cash and credit. Banks play a critical role in the economy by providing essential services to both customers and businesses. Now besides deposits and lending money commercial banks provides various services like online banking services, card services, ATM services, locker services, etc. to their valuable customers.

2.1 History of Banking Industry:

The concept of banks dates back to 1,800 BC in Babylon. The ancient temples of Egypt, Babylonia, and Greece used a simple method of banking in which they loaned gold and silver deposited for safekeeping at high-interest rates. By 600 AD, private banking had expanded significantly and was considerably developed by the Greeks, Romans, and Byzantines. Since goldsmiths had traditionally been the keepers of cash and valuables, they were in a unique position to develop a banking system. They were the ones who pioneered the use of paper money and checks. They also began lending money to their customers at a profit.

2.2 History of the Banking Industry in Bangladesh:

Bangladesh's banking industry has grown significantly in recent years, contributing significantly to the country's economy. The banking industry of Bangladesh is the lifeline of Bangladesh's economy. After the liberation war in 1971, all Bangladeshi banks were founded and after the independence 'State Bank of Pakistan' was renamed as 'Bangladesh Bank'. After 1970 government decided to allow foreign banks to continue their business and also nationalize the local banks. Bangladesh's journey with an independent banking system began with the establishment of Bangladesh Bank as the country's central bank. Bangladesh bank follows the traditional banking function of a central bank of a country. With the emergence of private banks and deregulation in Bangladesh, the rate of economic growth increased and development occurred.

2.3 What is Credit Management?

Credit management is considered one of the most core functions area of a commercial bank. Credit Management is the process of allocating the funds with effective long-run planning, and setting the terms which it is granted to minimize the risk and recovering the credit successfully. Credit management is an effective process for determining credit risk, assessing the risk of its failure and manages the inherent risk of credit. Effective credit management is necessary for an effective cash flow of a business and also analysis the performance of credit and reduces the risk of default. Enhancing contract management and accounts receivables collection, defining and analyzing the risk of new customers defaulting on payments, and develop a strategic credit risk management strategy, those are the basic process of credit management.

2.4 How do Commercial Banks Manage Credit?

Effective and strategic credit management is one of the major and important activities for any commercial bank. Effective credit management will help a bank to minimize bad debt and have an effective cash flow. A bank is the main source of lending capital among all financial institutes. Bank follows some principles regarding credit management-liquidity, safety, diversity, stability, and profitability. Commercial banks establish a credit management team that prepares a credit risk management policy and responsible for the following actions. The bank shall strictly follow the guideline and credit rating system issued by the central bank. All credit proposals whether new, renewal, or enhancement shall be gone through ICRR (Internal Credit Risk Rating) process and also set off the ICRR report shall be retained in the loan file ICRR credit rating and score are-

Excellent	$\geq 80\%$
Good	$\geq 70\%$ to $<80\%$
Marginal	$\geq 60\%$ to $<70\%$
Unacceptable	$<60\%$

2.5 Functions of Commercial Banks in Bangladesh:

Primary Functions:

1. Accepting deposits:

Accepting deposits from the public is the most significant and primary function of commercial banks. Banks accepting deposit in the forms of:

- i. **Savings Deposit:** People can deposit their amounts in banks and withdraw the amount from their bank account with some rules and regulations and also get a minimum interest on their deposited amount.
- ii. **Current Deposit:** In the current deposit account there is no transaction limit. Account-holders can withdraw money without any notice. There is no interest in current deposit accounts. Businessmen are open current deposit account for their business transactions.
- iii. **Fixed deposit:** Banks are accepting deposits for a fixed period and get a higher rate of interest compared with savings deposit.

2. Loan and Advances:

Loan and advances are another most important primary function of commercial banks. Banks lend their deposits for interest and this interest is one of the main income sources of banks. Bank keeps a certain amount of money for cash reserve and the rest of the amount is given to the borrowers. Different types of loans and advances of commercial banks are:

- i. **Cash Credit:** In cash a credit facility customer can borrow money from banks against some security goods.
- ii. **Demand loans:** A bank's demand loans are those that can be repaid at any time if the bank wants.
- iii. **Short-term loans:** Short-term loans are personal loans that offering a smaller loan amount and repayment tenor.

Secondary Functions:

- i. Overdraft facilities.
- ii. Locker Facilities.
- iii. Dealing in foreign exchange
- iv. Purchasing and Selling Securities etc

Chapter Three: Analysis and Findings

The total amount of money an individual or company may borrow from a financial institution is referred to as credit. Credit is a heart of a banking system. ONE Bank Limited is one of the leading private commercial banks, showed positive results in credit management. OBL has a successful track record in short- and long-term loans. OBL is always making sure to follow all the legal formalities to approve a loan. OBL always consistent transaction monitoring within authorized limits and timely recovery of the bank's dues.

ONE Bank Limited offers various types of loans and advances according to the needs of the customer to fulfill the requirement of their monetary crisis.

3.1 Types of loans and Advances of OBL:

- **Retail Loan:**
 - OBL Personal Loan
 - OBL Protect - Personal Loan
 - Cash Line
 - OBL Swopno Neer
 - OBL Home Loan
 - OBL Car Loan
 - OBL Student Loan
 - OBL Professional Loan
- **SME Loan or Small Medium Enterprise Loan (Industry/Trading/Service):** The minimum and maximum loan amount for SMEs is Tk 2 Lacs and Tk 50 Lacs.
 - OBL Shubidha (Collateral free)
 - OBL Romoni (Collateral free)
 - OBL Unnoyon
 - OBL Trinomul (For root level people)

- **Corporate Finance:**
 - Trade Finance
 - Project Finance
 - Infrastructure Finance
- **Agri Finance:**
 - OBL Foshol Loan (Who engaged in crop production)
 - OBL Motsho loan (Who engaged in Fish Farming and Hatchery Business)
 - OBL Gobadiposhu Loan (Who engaged in cattle rearing activity)
 - OBL Poultry Loan (Who engaged in Poultry Business both Egg & Meat and Hatchery)
 - OBL Krishij Shoronjam Loan (Who engaged in any agricultural activity)
 - OBL Uparjon Loan (Who engaged in different income-generating activity)

3.2 Categories of loan and Advances of OBL:

Fore categories of loan and advances that ONE Bank Limited is providing:

1. Continuous Loan:

Continuous Loan Accounts are loan accounts that allow transactions within a certain limit and have an expiry date for complete adjustment. Cash Credit, Overdraft, etc. are the example of continuous loan.

Period of Classification of Continuous loan of OBL are:

Loan Classification Status	Period of Classification
Substandard	Overdue for 3 months or more but less than 6 months
Doubtful	Overdue for 6 months or more but less than 9 months
Bad/Loss	Overdue for 9 months or more

2. Demand Loan:

The bank would treat loans that become repayable on demand as Demand Loans. Any contingent or other liabilities that are turned to a forced loan without prior approval as a regular loan will be treated as Demand Loans as well. For example, Forced Loan Against Imported Merchandise, Document Payment, Foreign Bill Purchased, and Inland Bill Purchased, among others. Period of Classification of demand loan of OBL are:

Loan Classification Status	Period of Classification
Substandard	Overdue for 3 months or more but less than 6 months from the date of expiry
Doubtful	Overdue for 6 months or more but less than 9 months from the date of expiry
Bad/Loss	Overdue for 9 months or more from the date of expiry

3. Fixed Term Loan:

Fixed-term loans are loans that must be repaid within a specific period and according to a specific repayment schedule. . Period of Classification of the fixed-term loan of OBL are:

Loan Classification Status	Period of Classification
Substandard	Due within 6 months (For up to TK 10 Lac) Due within 3 months (For above TK 10 Lac)
Doubtful	Due within 9 months (For up to TK 10 Lac) Due within 6 months (For above TK 10 Lac)
Bad/Loss	Due within 12 months (For up to TK 10 Lac) Due within 9 months (For above TK 10 Lac)

4. Short-term Agricultural & Micro-Credit:

In this sector, the bank provides short-term agricultural credit for agricultural growth purposes. Short-term Agricultural Credit will include short-term credits specified in the Agricultural Credit and Financial Inclusion Department (ACFID) of Bangladesh Bank's Annual Credit Program. Under the annual credit program, short-term credit in agriculture is repayable within 12 months. In microcredit, the volume of credit is not exceeded by ACFID of Bangladesh Bank. Period of Classification of Short-term Agricultural & Micro-Credit loan of OBL are:

Loan Classification Status	Period of Classification
Substandard	After 12 moths
Doubtful	After 36 months
Bad/Loss	After 60 months

3.3 Classification of Loan and Advances

As per the ONE Bank circular loan is classified to evaluate the overall performance in terms of payment of interest and timely payment the full amount. Classification of loan and advances are given below:

- **Unclassified Loan:** Unclassified loans are those that have regular installment payments.
- **Classified Loan:** A classified loan is, a loan that at risk of defaulting. When a borrower delays or unpaid the interest and the principal amount that is called a classified loan. Loans are classified according to three criteria:
 - **Substandard:** In substandard payments are irregular and have stopped, but there is a significant possibility of improvement.
 - **Doubtful:** Doubtful loans are those in which the complete repayment of a loan is uncertain, and the interest is also overdue.
 - **Bad/Loss:** When the bank is not able to recover the amount that is Bad/Loss of loans.

3.4 General System & Procedure for Sanctioning a Loan in OBL:

Sanctioning a Loan is one of the most important functions of a bank. Bank's strength depends on the quality of loans and advances they are providing. ONE Bank Limited always measures the traditionally three principles before lending in different credit products. Those are - safety, liquidity, and profitability. ONE Bank limited also considers the three most important things of credit. These are-

1. **Person:** OBL judge the person who wants to take a loan from OBL in five criteria, which is also known as Five C's of credit-
 - i. Character
 - ii. Capacity
 - iii. Capital
 - iv. Collateral &
 - v. Condition
2. **Sector:** For SME ((Small & Medium Enterprise Loan) and Corporate loan), OBL identify the sector that either the loan is SME Loan or it is a corporate Loan by these three parameters-
 - i. Trading
 - ii. Manufacture &
 - iii. Service
3. **Guarantee:** It's not possible to always keep a hundred percent guaranty especially in a corporate loan. But OBL always tries to make sure to keep at least an eighty percent guarantee against a loan.

OBL's lending process includes several steps that must be followed to comply with Bangladesh Bank's terms and conditions. The credit departments of OBL are following these general procedures step by step for giving a loan to a borrower-

1. Application for Loan Proposal:

At first, the applicant who wants to take a loan had to submit an application in the respective branch. In the application, the borrower had to mention specifically the reason that why he/she wants to take the loan and also need to submit the documents with the application. Then OBL credit department officers verify all the documents carefully. The applicant had to submit these documents with his/her loan proposal application-

- ✓ National ID card copy or Passport Copy.
- ✓ Attested Passport Size photo of the applicant.

- ✓ TIN Certificate.
- ✓ Last six months Bank Statement.
- ✓ For Service holder Salary Certificate.
- ✓ For business Trade License.
- ✓ For private limited company-Resolution Copy, Memorandum. Article of Associations.
- ✓ Collateral security

2. Form Fill-up:

The borrower's information is included in the specified form like his/her name, address, or the company's name, address, phone number, as well as details about his business, by the respective branch.

3. CIB (Credit Information Bureau) Inquiry:

The Credit Information Bureau (CIB) of Bangladesh Bank keeps all the information of a customer who is already availed loan. After receiving the application for loan proposal OBL collects the CIB report to know that either the customer take any loan from another bank or has any classified loan before or not.

4. Processing for loan Proposal:

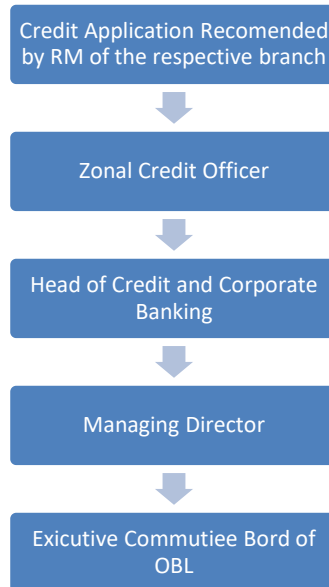
After receiving the CIB report, if OBL is satisfied with all the documents branch and security then the branch processed all the documents for loan proposal and valuation the security.

5. Credit application form fill up

If OBL head office is satisfied with all the documents of the applicant then the branch gives a credit form to the applicant to fill up. The credit application form contains some basic information about the applicant. Such as-Name and address of the applicant, name and address details of the business, types of business, product details, security against the loan, previous loan details, etc.

6. Head Office approval process:

RM (Relation Manager) recommended credit application and forwards for approval by head office. The approval processes of the Head Office of ONE Bank Limited are shown in the chart below:



7. Issue Sanction Letter:

OBL's respective branch issues a sanction letter to the borrower after receiving approval from the Head Office. By receiving the sanction letter, the borrower accepts all the terms and conditions of the loan. Sanctions Letter must contain the following information:

- ✓ Purpose for the loan and advances.
- ✓ Maximum limit of the loan amount.
- ✓ Interest rate of the loan amount
- ✓ Duration of the loan.
- ✓ Mode of adjustment
- ✓ Security of the loan and advances.
- ✓ Other terms and conditions for taking the loan.

8. Documentation:

After issuing a sanction letter to the borrowers, the respective branch of OBL prepares documentation for the issuing loan. Some necessary documents that have to issue in documentation-

- ✓ Promissory Note (Attached 10 TK 5 stamps)
- ✓ Letter of Continuity (Attached 100TK 3 stamps)

- ✓ Letter of Agreement
- ✓ Letter of Disbursement
- ✓ Letter of Authority
- ✓ Letter of Installment
- ✓ Memorandum of Deposit of Moveable Asset as Security (Attached 100TK 3 stamps)
- ✓ General Letter of Lien and Right to Set-off (Attached 100TK 3 stamps)
- ✓ Irrevocable Letter of Authority
- ✓ Letter of Authorization to Encashment of FDR
- ✓ Letter of Guarantee
- ✓ Counter Guarantee against the loan
- ✓ Mortgage-related documents

9. Disbursement of Loan:

After documentation OBL branch officer disbursement the loan. Disbursement of loan means credit the loan amount in the borrower's loan account, which the borrower has to use to withdraw money from the loan account.

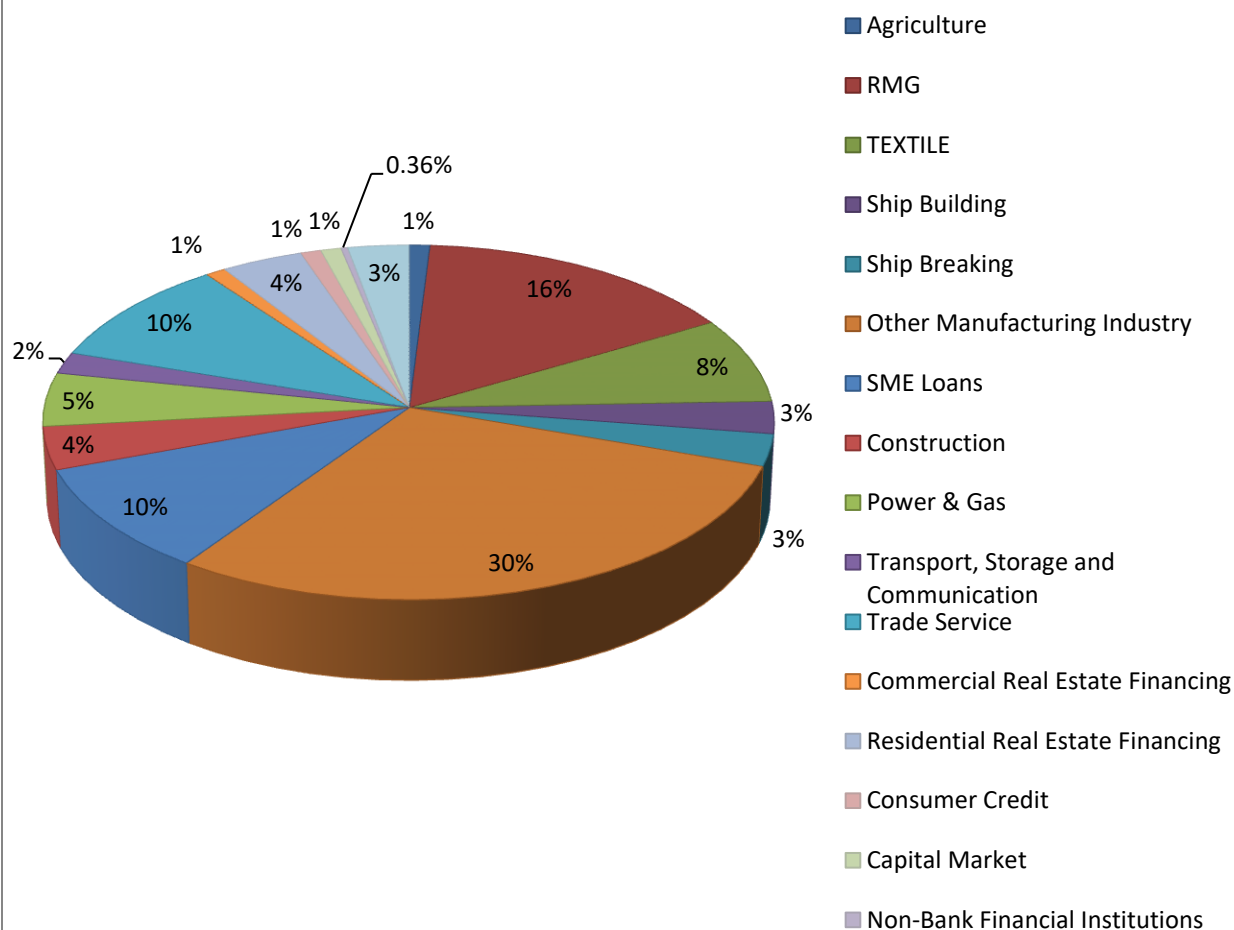
10. Recovery of loan:

The respective Branch of OBL tries to recover the landed fund within the deadline of the loan. If the borrowers fail to repay the loan within the deadline Bank declares the borrower as a defaulter. And then Bank recovers the fund by selling the securities. When a borrower default to repay a loan, OBL takes those steps to recovery of the loan:

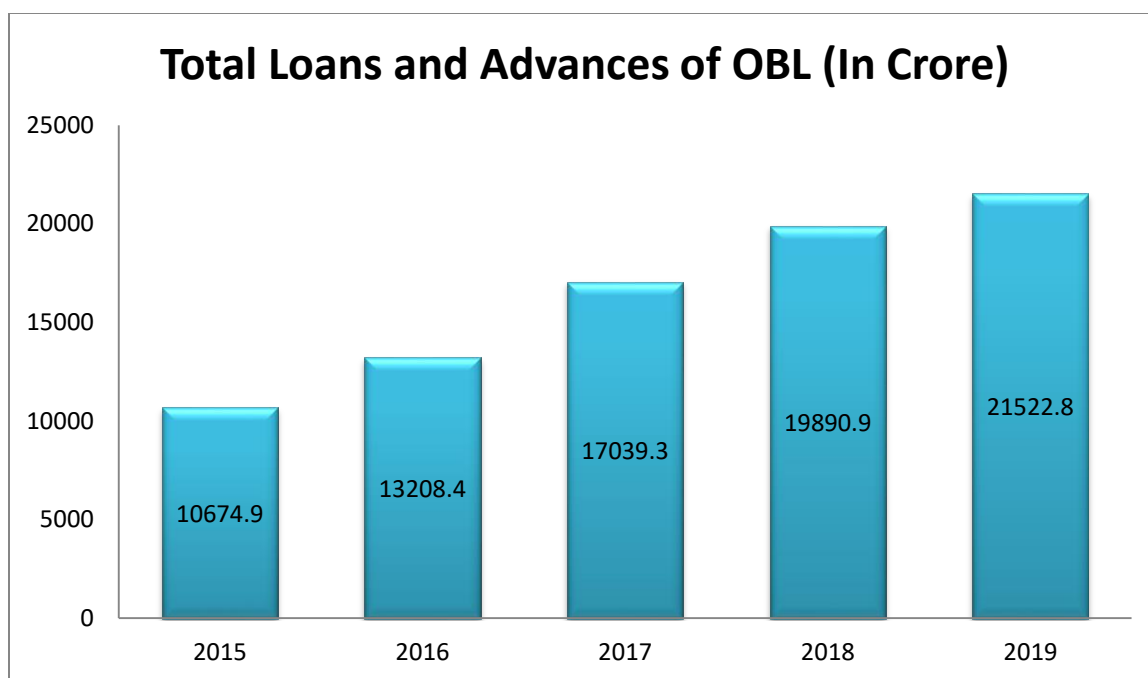
- ✓ A notice is sent to the borrowers by the bank. To repayment of the loan.\
- ✓ If the borrower does not respond to the note, a final warning letter is sent to them.
- ✓ Then bank sent a legal notice to the borrower for selling their collateral security.

Loans and Advances Scenario of ONE Bank Limited

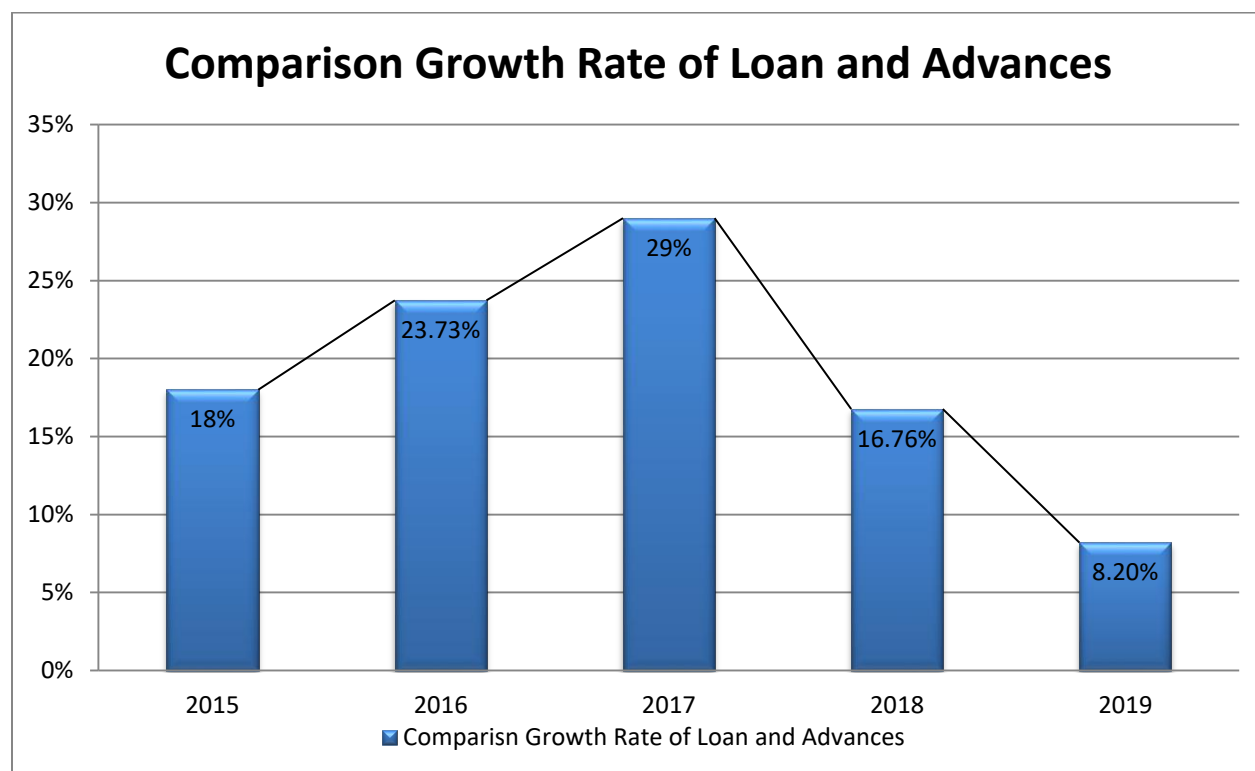
Sector Wise loan and advances of OBL in 2019



Source: Annual Report of OBL 2019



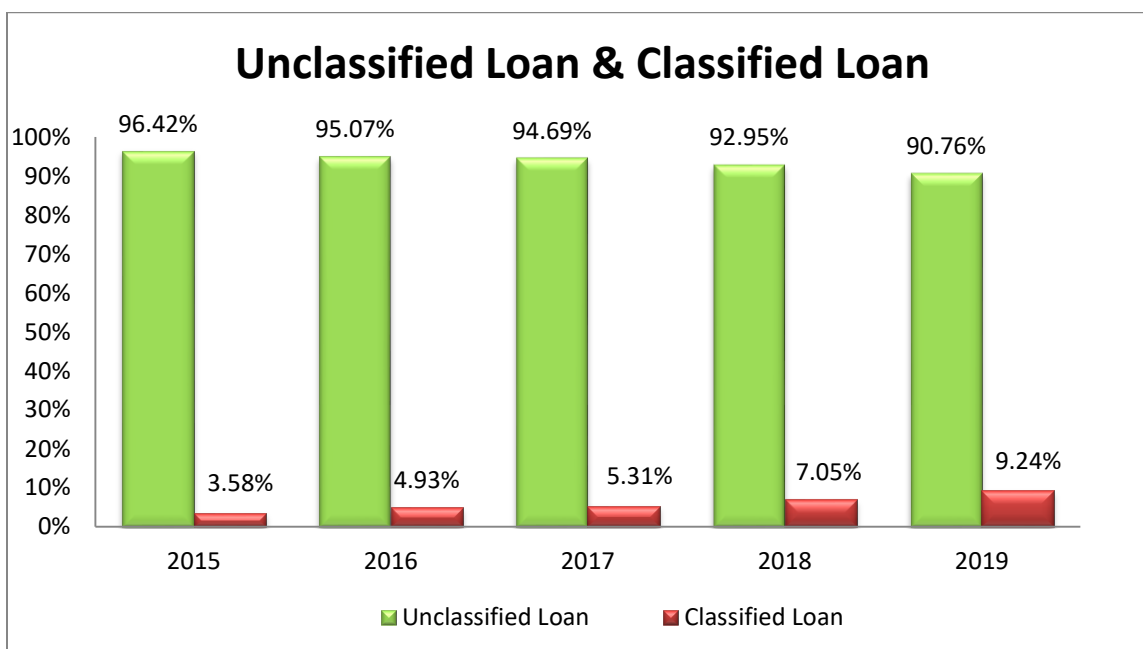
Source: OBL Annual Report

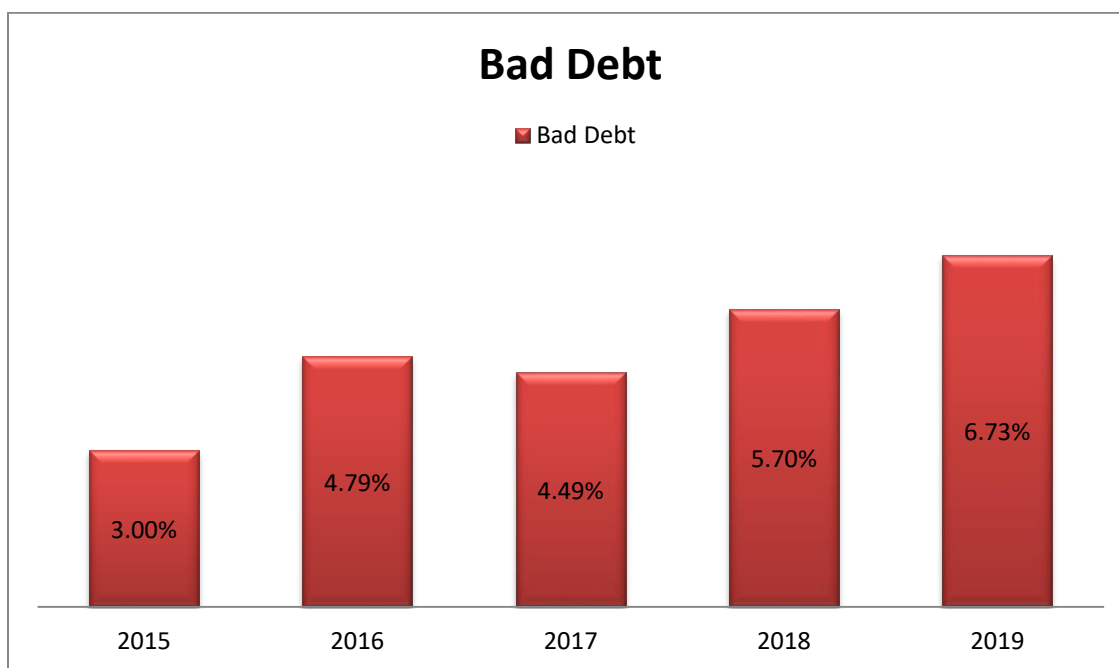
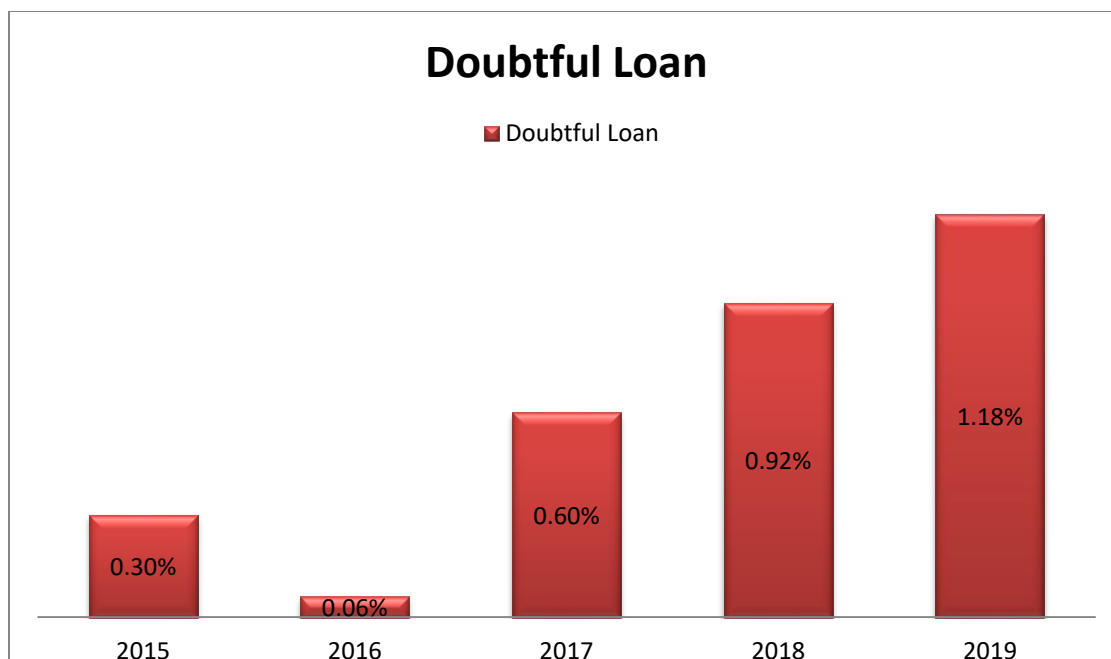


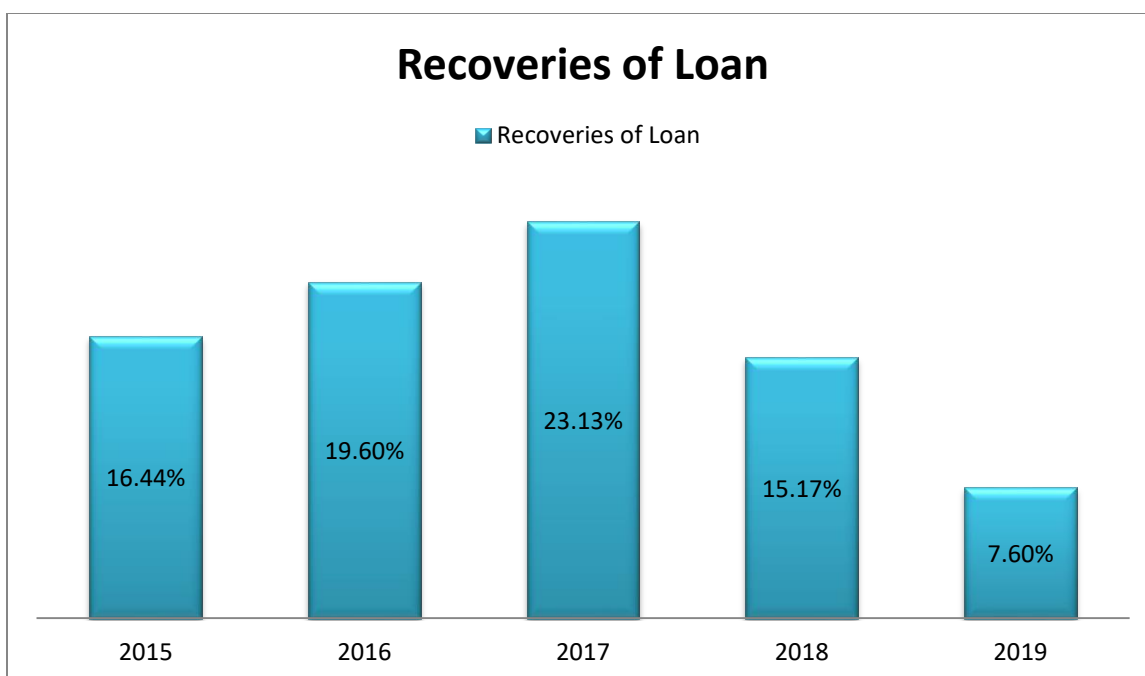
Information about Loans and Advances of OBL

Year	Unclassified Loan and advances (In crore)	Classified Loan and advances (In crore)	Doubtful loan and advances (In crore)	Bad Debt (In crore)	Recovery of Loan and Advances (In crore)
2019	19533.28	1989.49	253.47	1449.30	1635.71
2018	18487.78	1403.08	182.63	1133.87	3017.66
2017	16135.24	904.10	101.50	765.39	3941.36
2016	12557.36	6510.59	7.83	632.52	2589.13
2015	10292.83	382013	32.08	320.31	1754.61

Percent status of Loan and Advances of ONE Bank Limited







3.5 Findings:

- The sanctioning process of loan and advances of ONE Bank Limited is a long process because it follows the entire legal formalities step by step and then disburses a loan.
- OBL always verifies the borrower, the relevant document of the borrower, and also verifies the collateral security before sanctioning a loan. That's why it takes a long time to process a loan.
- ONE Bank Limited disbursed a huge percentage of loan in Other Manufacturing Industry (Except RMG, Textile, Ship Building), which is 30%.
- In comparison to the year 2015-2019, the Growth Rate of loans and advances in 2019 is less than the last 5 years, which is 8.20%. Where in 2018 it was 16.76%. This is not a good indicator.
- In comparison to the year 2015-2019, the Classified Loan of ONE Bank Limited is increased and Unclassified Loan was decreased.
- In comparison to the year 2015-2019, the Doubtful Loan of ONE Bank Limited is increased.
- In comparison to the year 2015-2019, Bad Debt /Loss are also increased.
- In comparison to the year 2015-2019, the percentage of Recovered Loan of ONE Bank Limited was decreased in 2019. But in 2017 OBL recovered 23.13% loan, which was the highest percentage of year the 2015-2019.
- ONE Bank Limited's overall Loan and advances performance of 2019 is not good as last year's.
- ONE Bank Limited always encourages women entrepreneur to take SME loan.

Chapter Four: Recommendations and Conclusion

4.1 Recommendation:

Some recommendations regarding credit services of ONE Bank Limited are given below:

- The sanctioning process of credit should be faster because sometimes borrower needs money urgently and it would be difficult for them to wait for a long time for the loan.
- In ONE Bank Ring Road Branch, where I did my intern, officers of the credit department are skillful. But ONE Bank Limited can arrange more training regarding credit management so that officers of OBL can serve their best to their valuable customers.
- ONE Bank Limited offers a variety of loan and advance products to the customers but most of the time the potential customer of the loan didn't aware of those loan products which are offered by OBL. So, OBL should increase its market strategy regarding loan products,
- ONE Bank Limited should monitor and supervise more so that the amount of classified loans will decrease.
- ONE Bank Limited should always try to find quality kind so that they can recover the loan amount smoothly from the borrowers.
- ONE Bank Limited should create a strong relationship with their loan clients.
- To create a strong bond with big clients, OBL can decrease the interest rate of the loan.
- ONE Bank should increase the personal loan. And give more in small business sectors.
- ONE Bank Limited should take a strong legal step when a borrower defaults to repay the loan and this legal step should take immediately.
- ONE Bank Limited should verify the collateral security of the borrower before sanctioning a loan. Because sometimes the market value of this collateral security became actually less than the loan amount. As a result, the mortgaged property is not sufficient enough to recover the loan amount.

4.2 Conclusion:

The banking sectors of Bangladesh, especially private commercial banks of Bangladesh are doing excellent in the banking business. Commercial Banks of Bangladesh play an important role in the economy of Bangladesh. ONE Bank Limited, a private commercial Bank of Bangladesh; for a long time has been serving their valuable customers. It is a profitable bank that always ensures its sustainable business. OBL is not only looking for profit it is also involved in different CSR (Corporate Social Responsibility) activities. I got an opportunity to do my intern at ONE Bank Limited, Ring Road Branch, and based on my analysis the overall credit management was quite satisfactory. OBL provides a large proportion of the loan in the manufacturing sector. The growth rate of loans and advances from 2015-2019 was good, but it was not as high in 2019 as in previous years. The ratio between classified and unclassified loan of OBL is satisfactory and but the classified loan increased in 2019. One bank limited will be placed as one of the best commercial banks in the private sector, if it would improve more in its credit management.

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