

An Internship Report
On
“General Banking & Credit Risk
Management of Southeast Bank Limited”



Southeast Bank Limited
a bank with vision

United International University
(UIU)



United International University
QUEST FOR EXCELLENCE

**Internship Report on
'General Banking & Credit Risk Management of Southeast Bank Limited'**

Submitted to:

Ms. Ishrat Jahan

Assistant Professor

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Submitted by:

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Date of Submission:

16th March, 2021

LETTER OF TRANSMITTAL

March 16, 2021

Ms. Ishrat Jahan

Assistant Professor

United International University (UIU)

Subject: Submission of Internship Report on “General Banking & Credit Risk Management of Southeast Bank Limited”.

Dear Sir,

With due respect I would like to inform you that, I have prepared my internship report on “General Banking & Credit Risk Management of Southeast Bank Limited” with my greatest effort after completing my 3 months internship program at Southeast Bank Limited. So, now its my pleasure to submit my internship report. I continued my internship in Southeast Bank Limited Mohammadpur Branch from 1st December, 2020 to 2nd March, 2021. In this report, I have made an analysis on ‘General Banking’ & ‘Credit Risk Management’. I have provided some recommendation for the improvement of the bank in future. I have collected information from the officers and staffs of Southeast Bank, websites for preparing the report.

Finally, I have completely done with my internship report by working very hard and hope that you will be satisfied seeing this report. I therefore pray and hope that you will be kind enough to accept the report.

Sincerely yours,

Kazi Yasir Abrar

ID: 111 162 039

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STUDENT DECLARATION

I, Kazi Yasir Abrar, declared that this internship report is on “General Banking & Credit Risk Management of Southeast Bank Limited” which is prepared by me after completing the internship program of three months period at ‘Southeast Bank Limited Mohammadpur Branch’. The internship period was a very valuable time for me to achieve knowledge regarding the banking sector.

I have collected lots of information for preparing the report. I am assuring that this internship report is well prepared by me. I also assure that this report is one of the unique reports for a BBA program.

Kazi Yasir Abrar

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Department: BBA

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United International University (UIU)

ACKNOWLEDGEMENTS

Actually I am very much thankful to do my internship in such a bank like Southeast Bank Limited for 3 months. Internship report is a very important part for BBA program by which the students can learn a lot. I have learnt a great deal of knowledge from different departments of Southeast Bank Limited. In this report I have elaborately discussed about general banking and credit risk. Actually general banking and credit risk both are very important sectors of bank. By preparing this report I have gained so much knowledge about general banking and credit risk.

I am very much thankful to my honourable internship supervisor Ms. Ishrat Jahan, Assistant Professor, United International University (UIU) for giving me the opportunity. The topic she has assigned was very suitable for me. I have made a broad and comprehensive report on this topic.

I am very much grateful to Mohammad Redwan Rahman, the executive officer of Southeast Bank Limited, Mohammadpur Branch who is assigned in Credit department. He helped me while doing my internship report. He has a good contribution for preparing my internship report. I have written the relevant information & data regarding the “Credit Risk Management” in this report by taking his opinion and taking help from the websites. The officers who are working in the general banking department (such as Account Opening, Remittance, Cash, Pay Order, Clearing etc.) have also helped me as much as possible. Their support made me eligible for writing about “General Banking”.

I am also grateful to Md. Alamgir Alam Munshi (Manager) for giving me the opportunity to make my 3 months internship in Southeast Bank Limited. The better cooperation, supervision and encouragement of the staffs and the employees made me very satisfied.

Finally, I would like to thank my university friends, senior brothers and sisters who provided me relevant information, well advices and suggestions for the completion of my report.

ABSTRACT

This is an internship report prepared by myself for the completion of BBA program. As I have done my internship for a period of 3 months in the Southeast Bank Limited, based on my internship experience I have prepared this report. This report is basically on the topic “General Banking” and “Credit Risk Management”. Analysing the general banking portion, credit policy, financial performance of credit is the main focus of the report. I have used both the primary and secondary sources of data in this report. At first, I have discussed about the introduction of the entire report. After that, the overview of Southeast Bank Limited, the departments, products and services, performance of the bank are described. The activities under the “General Banking” portion (account opening, cash, remittance, pay order, clearing), risk diversifications, credit risk management, principles of credit risk management, classification of loan, loans and advance are explained broadly. The remaining part consists of analysis, findings, problems, recommendation and conclusion. The actual information and working procedures of Southeast Bank Limited are mentioned properly in the report. Southeast Bank Limited is a better private bank in Bangladesh. Generally, people deposit their money in the bank and collect interests on their deposit from the bank. The bank also charges an amount from their deposit. Different business organizations and the individuals seek loans at different times from the bank. Bank provides loans to them and collects interests from the borrowers. This is the income source of the Bank. Whenever, any organization or individual wants loans, the Southeast Bank measures the risk components and other formalities before approving the loan. When all the formalities are completed, the respective officer of the bank disburses the loan. After providing the loan to the individuals and business organizations the next step is recovering the disbursed loan. The Credit Risk Management is a very important and relevant part of a bank. The ‘Credit Risk Management’ of Southeast Bank Limited is widely described under which Credit Risk Management policy, Securities against loans and advance, the procedures for sanctioning loan, Credit administration and Credit monitoring are explained properly for clearly understanding about the bank’s policy & implementation of that policy by different process. In the credit management analysis, it is found that the deposit and the advance ratio of the bank have increased year by year gradually. Besides, total investment, total income has also increased gradually in year by year. So the bank can invest more than before and maximize their profit. The credit distribution of the bank is increasing so far and for that Southeast Bank Limited is getting more ways to increase its revenue. The Southeast Bank is taking essential actions to decrease the bad & loss loan and doubtful loan.

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CHAPTER-01

INTRODUCTION

1.1 Introduction of the Study

Actually "Bank" is an organization where people save their money. Bank provides loan to the public. Bank also operates international business with its money. There are several types of banks including Central Bank, Commercial Bank, Investment Bank, Savings Bank etc. Southeast Bank is a commercial Bank where I have worked for three months. I have learned a lot of things from different departments such as General Banking, Foreign exchange, Credit etc. It will be very much helpful for me if I do job in a bank in future.

Banks are becoming very broad and comprehensive gradually. It is becoming faster and easier. Banks are bringing new ideas and new thoughts day by day. Banks competition is growing day by day. So they are trying to create more well services for the people.

1.2 Origin of the Report

I have prepared an internship report after completing my BBA program. Actually I have chosen internship because after completion of BBA my goal is to do job. Through the internship, I can achieve more knowledge regarding job sectors which will be helpful for me in future. I have chosen Southeast Bank for my internship because my passion is to get assigned to a bank job after my bachelor's degree Southeast Bank is one of the top banks in Bangladesh.

After completing the BBA program, I was assigned to the Mohammadpur Branch of the Southeast Bank Limited for learning banking activities. I have chosen the topic "Credit Risk" & "General Banking" for my internship report. "General Banking" is the primary activities of a bank which regularly interacts with the clients and customers. "Credit risk" is an important issue in banks which works with the loan activities.

1.3 Scope of the Report

This report has prepared based on the experiences and knowledge which I have been achieved for three months internship period. This study is discussed with the general banking system & credit risk management of Southeast Bank Limited. Most of the data used in this report are from the websites and annual reports of the Southeast Bank Limited.

1.4 Objective of the Study

The objectives of the study are given below:

- To understand the general banking activities such as account opening, remittance, pay order, clearing, fund transfer etc.
- To understand the lending procedures & regulations of Southeast Bank Limited.
- To know the systems and policies of credit risk management of Southeast Bank Limited.
- To know the loans & advances based on sectors, locations & years.
- To know the classified & unclassified loans & advances in few years.
- Loan disbursements and recovery.
- To represent some suggestions for the "Credit Risk Management" of Southeast Bank.

1.5 Methodology

I have collected important data and information from different departments of the bank. General banking portion brings with the primary activities and the credit risk portion brings with the loan activities. By negotiating with the employees of the bank and by searching at the annual reports I have gathered excessive information to write the report.

1.5.1 Research Design

This report specifically describes the "General Banking" and "Credit Risk Management" of Southeast Bank Limited. The relevant information of the report is taken from the Annual reports of Southeast Bank Limited and the website of Southeast Bank Limited. This study has been conducted by collecting data for the period of 5 year from 2015 to 2019.

1.5.2 Sources of Information

There are two sources of information which are "Primary Sources" and "Secondary Sources". They are discussed below:

The "Primary Sources" are as follows:

- Face to face interactions with the honourable officers & personnel of the bank.
- Practical works in different sectors of the bank.

The "Secondary Sources" are as follows:

- Annual reports of 5 years (2015-2019) of Southeast Bank Limited.
- Southeast Bank website, bank reports, statements etc.

1.5.3 Data Collection Procedure & Instruments

For analysing the “Credit Risk Management of Southeast Bank”, secondary data have mainly focused. The opinion of the managers and other officers has also helped intensively for writing the report.

1.6 Limitations

- By working with different officers for 3 months I have able to learn a lot of things regarding the banking issues which will help me to do job in banks in future.
- Every officer provided me much time besides their work to teach me how the activities are going on and how they work.
- The 3 months period was very valuable time for me when I done my internship with greatest effort.
- The employees of the bank do not dispose the information which is so deep.
- There was limited information in the official files and statements.
- There was limited up-to-date information regarding different issues.

CHAPTER-02

OVERVIEW OF SOUTHEAST BANK LIMITED

2.1 Historical Background of Southeast Bank Limited

Southeast Bank Limited is a commercial bank in the private sector which was established under the Bank Company Act, 1991 and incorporated as a Public Limited Company under Companies Act, 1994. The Southeast Bank started its operations on May 25, 1995. The Southeast Bank has positioned itself as an innovative & revolutionized financial institution in Bangladesh. The institution has also established itself as a higher reputation in the banks of Bangladesh.

2.2 Southeast Bank Limited Overview

Southeast Bank has played a vital role in the national economy of Bangladesh. The employees of the bank always try to provide better services to the customers and the clients with the sense of dignity and reputation.

Southeast Bank Limited is owned by the Bangladeshi entrepreneurs. The members of the board of directors are so energetic & creative to run the business and to lead the subordinates well.

Moreover, the bank is rearranging its structure time to time for its good outcome. The expectation of all the officers, entrepreneurs and public is very high.

In the economic development of our country the bank has implemented personalized services, innovative practices, dynamic approaches and efficient management. The Bank aims to be a leader in the economic activities of the country in future.

2.3 Objectives of Southeast Bank Limited

- Providing better services by using information technology.
- Southeast Bank Limited aims to keep up the development growth of it continuously.
- By improving the interaction between the bank and the customers, the bank wants to maintain the national development.
- The bank wants to provide innovation banking services to the customers.
- To improve the man power by increasing the work efficiency and technology.
- To sustain its own position by implementing creative banking services.

2.4 Mission Statement

Our vision, mission and value statements are the main functions of philosophy on which we base ourselves on, what we do and what we want to be in future.

2.5 Slogan

The slogan of the Bank is "A Bank with Vision".

2.6 Corporate Mission

- We provide best financial services for our communities on the basis of strong customer relationship.
- We provide long lasting solutions to our clients combining the technology, experience and financial strengths.
- We create a friendly environment where customers and our people can negotiate together.

2.7 Corporate Vision

The vision of the bank is stated as follows:

“Be a pioneer banking organization in Bangladesh and make excellent contribution to the national economy.”

2.8 Our Core Values

Accountability: We are accountable to the financial sides of our bank.

Professionalism: We drive customer delight by fulfilling their needs by providing timely solutions.

Integrity: We will always try to show our honesty, truthfulness, accuracy, high moral principles while interacting with the clients.

Confidentiality: We ensure the confidentiality of the customers and personal banking information.

Commitment: We are responsible, committed for continuous improvement of our organization.

Respect for individual: We treat our customers, clients and employees with respect and honour.

2.9 Departments of Southeast Bank Limited

The jobs should be allocated in specific departments. Otherwise the authority won't be able to control its system effectively. Each and every department should be fitted for particular works, otherwise there would be negative occurrences. Different departments of Southeast Bank Limited are the following:

- Human Resources Division
- Personal Banking Division
- Treasury Division
- Operations Division
- Computer and Information Technology Division
- Credit Division
- Finance & Accounts Division
- Financial Institution Division
- Audit & Risk Management Division

2.10 Products and Services

Southeast bank provides a broad banking products and services to the customers to satisfy their needs. They have divided the products and services into several segments. Each product and service has specific regulations, conditions, fees and particular characteristics. The products and services of Southeast Bank are as follows:

2.10.1 Deposit Products

Southeast Bank Limited is now providing different types of products for facilitating the savings of the people.

- Current A/C
- Savings Bank Deposit A/C
- Short Term Deposit A/C
- Term Deposit A/C
- Premium Term Deposit A/C
- Double Benefit Scheme
- Special Savings Scheme
- Special Fixed Deposit Scheme
- Pension Saving Scheme
- Money Saving Scheme
- Money Income Scheme
- Millionaire Deposit Scheme

2.10.2 Islamic Banking

The Southeast Bank Limited also provides Islamic Banking services to the clients and customers which are as follows:

- Mudaraba Saving Deposit
- AL-Wadiah Current Deposit
- Mudaraba Short Term Deposit
- Mudaraba Term Deposit Receipt
- Mudaraba Double Benefit Scheme
- Mudaraba Millionaire Deposit Scheme
- Mudaraba Hajj Sanchay Prokalpa

2.10.3 Loan and Advance Products

The Southeast Bank delivers loan and advance products to the clients for fulfilling the requirements of the bank. The loan and advance products are as follows:

- Working Capital Financing
- Commercial and Trade Financing
- Project Financing
- House Building Financing
- Long Term (Capital) Financing
- Bank Guarantee
- Industrial Financing
- Transportation Financing
- Retail and Consumer Financing
- SME Financing
- Agricultural Financing
- Import and Export Financing
- VISA Credit Card

2.10.4 Services

The Southeast Bank Limited provides the following services to the customers:

- ATM/Debit Card
- Remittance Service
- SWIFT
- E-Statement
- VISA Platinum Card
- Internet Banking
- Online Bill Payment
- SME Banking
- My Remit Card

2.11 Performance of Southeast Bank Limited

As a private commercial bank, Southeast Bank Limited is successful to position itself as a progressive financial institution in the country. The Bank is appreciated by different business organizations for its outstanding performance. The Southeast Bank Limited is developing day by day by its efficient workers. It is eligible to serve its clients very effectively. The organization is self-confident to do better in future.

2.12 Foreign Exchange

Foreign exchange is an important department of a bank which converts the currency of one country into that of another. Foreign exchange Department (FED) is an international department. Banks which want to deal with foreign exchange seek permission from the Bangladesh Bank. Bangladesh Bank issues license to those banks to deal with foreign exchange. These banks are known as Authorized Dealers. If any branch of a bank is an authorized dealer, it can operate foreign exchange from local country to foreign countries. Southeast Bank Limited principal branch is an authorized dealer.

There are 3 kinds of foreign exchange transaction:

1. Import
2. Export
3. Remittance

2.12.1 Import

The importer should need to be skilled enough to operate the import activities. According to the "Import and Export Control Act, 1950", the "Chief Controller of Import and Export" provides the Import Registration Certificate (IRC) to the importer. In terms of international business, the seller of goods seeks security for the payment of his exported goods because the buyer and the seller do not know each other.

Bank gives guarantee to the exporter that it will pay the exporter for the goods on behalf of the buyer if the buyer does not make the payment. This guarantee is known as "Letter of Credit".

2.12.2 Export

The goods and services are exported by Bangladeshi companies to foreign companies every year. The Import and Export Control Act, 1950 controls the export of a country. An exporter must need to fulfil some formalities and regulations during export of goods. During the exports from Bangladeshi companies, the companies are controlled by the Ministry of Commerce through "Chief Controller of Import and Exports (CCI & E)". The Chief Controller of Import and Export" provides Export Registration Certificate (ERC) to the exporter. Every exporter needs to be registered with "CCI & E" and hold Export Registration Certificate (ERC). The ERC is renewed every year.

2.12.3 Foreign Remittance

As an authorized dealer, Southeast Bank provides foreign exchange services to its clients. The bank operates outward and inward remittance of foreign exchange from one country to another country as the primary function of foreign exchange department. It sells and buys foreign currency. The conversion of one currency into another currency occurs at a specific rate. The foreign currencies are also offered for sales and purchase in which the cost is paid by the buyer in local currency.

Chapter-03

Theoretical Aspects

3.1 Risk Management

Risk is a general issue in all types of business. Risk is basically arises from errors, defaults, unauthorized activities, inefficiency etc. When any risk happens due to negative incidents, the higher level employees of the bank try to manage those risks with their greatest efforts. Generally fluctuations in the interest rate movement, exchange rate movement, equity price causes risks in the banks.

3.2 Several Types of Risk

There are 5 types of risks which are as follows:

1. Credit Risk
2. Liquidity Risk
3. Market Risk
4. Operational Risk
5. Reputation Risk

In case of credit risk, there are 5 categories of risk which are as follows:

1. Financial Risk
2. Business/Industry Risk
3. Management Risk
4. Security Risk
5. Relationship Risk

3.3 Risk Factors in Case of Export

There are 3 types of risks in case of export which are as follows:

1. Non Performance Risk
2. Non Repatriation Risk
3. Document Discrepancies Risk

1. Non Performance Risk: When any businessman wants to export something in a foreign country he needs to contract with the bank. In that case the bank takes the responsibility of the exporter. The bank does the payment on behalf of the exporter. The bank makes the agreement for exporting on behalf of the exporter. If the exporter fails to produce the products then the bank faces financial losses. Thus the bank fell in Non Performance Risk.

2. Non Repatriation Risk: In this case, there is a contractual agreement between the exporter and the bank that the bank will export the products on behalf of the exporter and the bank will pay the product market price to the importer. Bank will face the losses when the product market price decreases. In case of import, the bank operates the import activities on behalf of the importer and when the product market price will increase, the bank will face the loss.

3. Document Discrepancies Risk: Generally in case of import or export the importer or exporter makes L/C with the bank. To create the L/C, importer or exporter must need to submit relevant papers and documents regarding their business and importable or exportable product to the bank. If the importer or exporter doesn't submit all the relevant papers, documents and the accurate information, Bangladesh Bank won't accept the documents and the agreement. After that document discrepancies risk happens.

3.4 Principles for the Assessment of Banks' Credit Risk Management

1. Establishing an appropriate credit risk environment:

Principle 1: The Board of Directors is responsible to approve credit risk strategy and credit risk policy. They also periodically review the credit risk strategy and credit risk policy of the bank. The bank tolerates the risk and the profitability that they expect to achieve through the strategy.

Principle 2: Senior managers of the bank are responsible to implement the credit risk strategy and to develop the procedures & policies to measure, monitor and control the credit risks. These procedures & policies address credit risk in all of the banks.

Principle 3: Banks are greatly responsible for identifying and managing the credit risk. Banks should ensure that the risks that exist in the bank are subject to the risk management systems and controls before introducing.

2. Operating under a sound credit granting process:

Principle 4: Banks are needed to be operated within a well defined credit granting criteria which must be including the bank's target market, the structure, process of credit and its repayment.

Principle 5: Banks are responsible for establishing the credit limits in the banking and trading books at the levels of the borrowers and counterparties that aggregate in a meaningful manner.

Principle 6: Banks must have a process which is specific and clear to approve the new credits and amendment, renewal of those credits.

Principle 7: The credits to the individuals and companies should be authorized on an exception basis which will be monitored with sincerity.

3. Maintaining an appropriate credit administration, measurement and monitoring process:

Principle 8: Generally, there are some ongoing administrations of various credit risk-bearing portfolios in the bank for which banks must have a particular system and procedures.

Principle 9: There are some specific conditions of individual credits which includes the determination of the adequacy of provisions and reserves. Banks must have a particular system and procedures for monitoring those conditions.

Principle 10: Banks develop an internal risk rating system to manage the credit risks which must be needed to be consistent with the nature, size of the bank.

Principle 11: Banks need to measure its credit risk in balance sheet activities and for that banks should have information systems and techniques. The management information system need to provide relevant information regarding credit portfolio.

Principle 12: Banks should have specific systems and policies to monitor the quality of the credit portfolio.

Principle 13: Banks must think about the fluctuations that will occur in the economic conditions in future and they should assess credit risk exposure.

4. Ensuring adequate controls over credit risk:

Principle 14: Banks need to assess credit risk management process. For the reason, banks should operate a system which is independent and ongoing.

Principle 15: The credit granting functions are regularly managed and the credit exposures are consistent. Banks should ensure that those functions are properly managed. Banks must ensure that the policies and procedures are reported timely always.

Principle 16: Banks should establish a process to desolate the credits, manage the problem credits quickly.

5. The role of supervisors:

Principle 17: The supervisors should evaluate the strategies, policies, regulations of the bank for the authorization of credit and the portfolio management. The supervisors should create prudential limits to give barriers to the bank exposures to the borrowers and the counterparties.

3.5 Classification of Loan:

There are 2 types of loan:

1. Unclassified Loan
2. Classified Loan

1. Unclassified Loan: Unclassified loans do not have more than normal risk and do not have the features of classified loans. In this loan, the borrower has the ability to fulfil his obligations and therefore, there will be no loss.

2. Classified Loan: Classified loan is in danger of default. These loans have unpaid interest. These loans are categorized as adversely classified assets.

Classified loans have failed to meet acceptable credit standards. This loan has a high rate of borrower default, and the cost of borrowing money increases for other customers.

There are three types of classified loans which are below:

- 1. Sub Standard Loan:** A Sub Standard Loan is a period which is used for a loan that a banker is deemed to be in danger of defaulting. The borrower actually does not need to miss any payment order for a bank. A borrower can have a Sub Standard Loan for various reasons. Bank takes this precaution to prepare for a possible loss and to prevent risk.
- 2. Doubtful Loan:** In doubtful loan, full repayment is uncertain. The dimension of repayment of the loans ranges from complete loss to uncertain loss. Doubtful loans are non-performing loans. The interest is overdue and collection of the principal is uncertain.
- 3. Bad/Loss Debt:** A debt which is not collectible and worthless to the creditor is known as bad/loss debt. Bad debt is a product of the debtor on the way to bankruptcy. If the debt is considered as bad, then it will be written off as expense.

There is another classification of loan based on continuous loan & demand loan:

Classification of Continuous Loan:

- 1. Sub-standard:** Here the loan is overdue for 3 months or beyond but less than 6 months.
- 2. Doubtful:** Here the loan is overdue for 6 months or beyond but less than 9 months.
- 3. Bad/Loss:** Here the loan is overdue for 9 months or beyond.

Classification of Demand Loan:

- 1. Sub-standard:** Here the loan remains overdue for 3 months or beyond but less than 6 months from the date of expiry.
- 2. Doubtful:** Here the loan remains overdue for 6 months or beyond but less than 9 months from the date of expiry.
- 3. Bad/Loss:** Here the loan remains overdue for 9 months or beyond from the date of expiry.

Classification of Fixed Term Loan:

- 1. Sub-standard:** Here the amount of past due instalment is equal to or more than the amount of instalment due within 3 months.
- 2. Doubtful:** Here the amount of past due instalment is equal to or more than the amount of instalment due within 6 months.
- 3. Bad/Loss:** Here the amount of past due instalment is equal to or more than the amount of instalment due within 9 months.

3.6 Loans & Advance

Loan: A loan is basically an amount which a party gives to another party for a specific period of time. The lender charges an interest to the borrower on the loan amount. The borrower pays the loan amount with the interest to the lender on a periodical basis. When the loan term is ended, the full repayment of principal amount and interest should be made. The term of the loan is established in an agreement between the lender and the borrower.

Advance: An advance is given to an individual or corporation by a financial institution, bank, employer, friend, relative etc. Generally, advances are made for a short term. Advances do not carry any interest. Advances are cheaper and convenient method to attain extra cash in a short period. Loans and advances are used for the same objective, obtaining some extra funds.

3.7 Develop a Credit Application

Developing a credit application form is an important task. It contains the following steps:

1. Completing the credit application form which contains the business and personal details, trading name, credit guarantors, referees, and number of years in business,
2. Asking for suppliers details as referees and checking the client's payment habit,
3. Requesting the bank references,
4. Requesting the client to sign a director's guarantee,
5. Checking the client's registration of his business.

3.8 Debt Recovery

Generally, debt collection options include the following:

1. Personal communication & consultation with client: Bank employees contact with the clients by phone or email and let them know that keeping close track of accounts receivable. Bank employees always try to make positive relationship with the clients.

2. A written request to settle the debt (letter of demand): The bank sends a letter of demand to the client if the communication does not works properly. The letter of demand gives the client an opportunity to pay the debt without spend the time and money. The letter of demand should include specific details of the debt (date, agreement, amount due, days overdue), copies of applicable invoices, requesting that payment must be made by the certain date.

3. Debt recovery options:

- Looking at the debt recovery options
- The chances of recovery
- The time that is taken from business to pursue the debt
- Costs of debt collector agency
- Costs of legal and court

4. A debt collection agency: A debt collector recovers the payment on behalf of another person for the outstanding debt that the individuals are forced to pay. Demand for payment can be written or verbal.

CHAPTER-04

GENERAL BANKING

SEBL provides lots of services to the customers. The products of the bank are a variety of financial services. There are four functions in 'General Banking' that includes: (1) Account Opening and Customer Service Section, (2) Cash Section, (3) Accounts Section & (4) Clearing Section. The four functions of "General Banking" department are discussed broadly at the below:

4.1 Account Opening and Customer Service Section

This section serves the clients who want to open account in the bank. It creates a relationship between the banker and the customer. The officers are responsible to give better services to the customers. There are some steps under this section which are discussed below:

4.1.1 Checking of Relevant Documents

The bankers want the proper documents from their clients which are needed for opening account. After getting those documents from the clients they check the documents very carefully. If any document is missing there, then they again ask their clients to bring those documents. The clients should give the proper documents, passport size photo, NID copy of the client and nominee and the initial deposit. After that, the bank is forced to open account for the client.

4.1.2 Accepting the Deposits

Generally, the clients deposit an amount of money to open account in the bank. The clients deposit their money in different types of accounts as their wish. There are various types of accounts in the bank which are discussed below:

4.1.2.1 Current Account

Generally, individuals and businesses (sole proprietorship, partnership firm, limited companies etc.) both can open current account. In current account, the clients can make unlimited transactions (both deposit and withdrawals). There are no interests in this account. The required documents of current account for different kinds of organizations are given below:

Sole Proprietorship: 1. Trade license copy, 2. NID copy, 3. TIN copy, 4. Citizenship certificate copy, 5. Passport copy.

Partnership: 1. Partnership deed of the firm copy, 2. Registration certificate copy, 3. Trade license copy, 4. Partners list with address, 5. NID copy of every partner.

Company: 1. Trade license copy, 2. Incorporation certificate, 3. Memorandum and articles of the association of the company, 4. Directors list with address, 5. Transaction profile, 6. KYC.

Association/Club/Charity/Trust/Society: 1. Memorandum and article of association, 2. Registration certificate copy of the association, 3. Members list with address, 4. Transaction profile, 5. KYC.

4.1.2.2 Savings Account

Individuals who are interested to save money and to get interest open this type of account. Individuals get interests in savings account. They can withdraw money two times in a week. Interest on savings account is 1.5% annually. The minimum balance to open account is 3,000 tk.

4.1.2.3 Fixed Deposit Receipt (FDR)

In Fixed Deposit Receipt (FDR), people deposit an amount of money for a certain period. After the end of maturity date, the client will get his money with interest. If any client withdraws his money before the maturity date, then he will not get any interest. There are many slots in Fixed Deposit Receipt (FDR). Different slots consist of different period and different interest rates. People of 18 years or above can open this account. FDR has more interest than Savings Account.

4.1.2.4 Special Notice Deposit (SND)

In Special Notice Deposit (SND), people have to deposit money for at least seven days. In SND, interest rate is less than Savings Account. Basically, large private limited companies, government institutions open this account.

4.1.2.5 Monthly Savings Scheme (MSS)

In Monthly Savings Scheme (MSS), people deposit an amount of money every month for a certain period of time and after the period people gets his money with interest. The period of MSS is 2 years, 3 years and 5 years. The amount of monthly instalment is TK. 500 to TK. 25,000.

4.1.2.6 Pension Savings Scheme (PSS)

In Pension Savings Scheme (PSS), people deposit an amount of money every month for a certain period of time and after the period people gets his money with interest. The period of PSS is 4 years, 6 years, 8 years and 10 years. The amount of monthly instalment is TK. 500 to TK. 25,000.

4.1.2.7 Monthly Income Scheme (MIS)

In Monthly Income Scheme (MIS), people deposit an amount of money (TK. 10,000 or above) and get an interest in every month. The period of MIS is 3 years and 5 years.

4.1.3 Opening Account

When a client wants to open an account, he should collect an account opening form from the bank. After collecting the form, he should fill up the form properly with accurate information. He has to make nominee to a person and fill up the nominee's information. He must have an introducer who works in the bank and fill up the introducer's information in the form. His two passport size photo are needed which must be attested by the introducer and the nominee's two passport size photo are also needed which must be attested by him. After that, he should bring the form with his NID copy.

4.1.4 Issuing Cheque Book to the Account Holder

When a client opens an account in the bank, the bank issues a cheque book to the client for withdrawal. When issuing cheque book to the client, the bank charges TK. 230 from his account. The client withdraws his money with his cheque book. After the pages of cheque book are finished, the client takes another cheque book from the bank with the same charge.

4.1.5 Transfer of An Account

If any customer wants to transfer his account, he needs to submit an application where he should mention the name of branch to which he wants to transfer his account. His important documents will be sent to that branch through registered post. There is no charge in transferring account.

4.1.6 Closing the Account

When a client wants to close his account, at first he submits an application to the bank requesting to close his account. After that, the financier of front work area of SEBL requests that client to draw his last cheque for the remaining amount to credit. The client's card is charged (230 TK.) for shutting. The client's request for closing the account will be approved.

4.2 Cash Section

This section is an important part of "General Banking" section. All deposits, withdrawals, remit fund, pay orders are done in cash section. In Southeast Bank Mohammadpur Branch, there are four employees in cash department. The cash officers do their job at a risk. If anytime they can't equalise the bank calculation, then they have to equalise the calculation by paying amount from their own. The cash department should always keep sufficient cash amount in their funds for the clients to withdraw money.

4.3 Accounts Section

Accounts Department is one of the most important parts of the bank. Generally, many exchanges are done regularly in the bank. These exchanges should be recorded accurately by the accounts officer. If an accounts officer fails to record any calculation properly, it will cause harm to the bank's different departments. Accounts officers check properly the vouchers of the bank. They prepare the financial statements after getting all of the financial information. Later, the bank officers send the financial statements of the Branch to the Head Office.

4.4 Clearing Section

Clearing section is also an important part of “General Banking”. Clearing is done to transfer money from an account to another account. When a person issues a cheque of an amount to another person, then that person to whom the cheque is issued can transfer that amount to his account through clearing. There are four types of cheque for clearing which are: 1. Inward clearing cheque, 2. Outward clearing cheque, 3. Inward Bills for collection & 4. Outward Bills for collection.

Pay Order: Pay Order is done basically to provide money to someone. When a person issues a pay order of an amount to another person, the amount will be debited from his account who issued the pay order. After that, the person to whom pay order is issued will transfer the amount to his account through clearing. The pay order can't be dishonoured and the bank must pay the money. If any client wants to do pay order in Southeast Bank need to have an account at the Southeast Bank. Southeast Bank charges an amount from the clients to issue the pay order.

Remittance: Whenever a customer wants to remit funds, he needs to fill up a form depending on the platform by which the fund will be remitted. The client should also need to submit NID copy to the bank. The bank will print out a voucher for remittance and the client will withdraw his money from the cash section.

CHAPTER-05

CREDIT RISK MANAGEMENT

5.1 Credit Risk

Credit policy has some principles to broad, administrate, control and recover the credit with Bangladesh Bank and other authorities of the Government.

5.2 Southeast Bank Limited's Credit Risk Management Policy

1. Prudential Authority: Banks credit policy must be adjusted with the policy of Bangladesh Bank and other authorities of the Government.

2. General Lending Policy: Financial activities to the trade, industry and service sector will be for short term. Long time financial activities will be preferred.

3. Products and Services: Designing the products and the services to meet customer demand.

4. Loan-Deposit Ratio: Loan-deposit ratio is maximum 90%.

5. Name Lending: Sole lending on the reputation of loan is not permitted. Credit requirement, cash flow, risk level, mitigation, security are particularly analysed.

6. Single Customer Expose Limit:

- **Export oriented:** Funded will be maximum 15% in the 50% of maximum bank capital.
- **Non-export oriented:** Funded will be maximum 15% in the 35% of maximum bank capital.

7. Large Loan: The Bank can extend the large loan up to 56% of the portfolio.

8. Diversification and Sector Allocation: Credit is diversified into different sectors.

9. Maximum Tenor: Maximum tenor on the basis of the products has been defined in the credit manual.

10. Security/Collateral: Bank always tries to have collateral security as much as possible.

11. Support Security: Bank always tries to comfort by way of having support security like personal guarantee, & corporate guarantee etc.

12. Pricing: Pricing is on the basis of risk & market condition according to the Bangladesh Bank guideline. The head office revises the pricing by the board of directors.

13. CIB: CIB will be collected before the approval of credit.

14. Handling of Different Credits at Head Office:

- Corporate Credit.
- SME Credit.
- Retail Credit.
- Consumer Credit.

15. Segregation of Authority: Credit Function will be segregated from each other.

- **Credit Marketing:** Separate relationship officer at branch and head office division should be done.
- **Credit Approval:** Credits should be approved by different authorities after due assessment.
- **Credit Administration:** Bank is responsible to handle the documentation, management and administration of credit.
- **Credit Monitoring:** Credit monitoring should be done by the Branch and Head Office.
- **Credit Recovery:** Credit recovery must be done by different term at Branch and Head Office division.

16. Credit Risk Grading: All credits in the bank are graded into 8 categories. Periodical review of grading are made by marketing term and approved by Credit Risk Managing Division.

17. Credit Committee: There is a credit committee at the Branch and Head Office which is responsible to process the approval of credit.

18. Document Maintenance: Credit file and loan document are maintained properly by the employees.

19. Renewal of Credit: Renewal of credit is sent to the Head Office 2 months ahead of expiry.

20. Rescheduling: Rescheduling of credit should be done properly.

5.3 Functions & Responsibilities of Credit Personnel

The relationship managers are directly responsible for marketing, developing and sustaining the business of the bank. But the credit managers are not directly responsible for business activities. They are responsible to assure the quality of credit portfolio.

5.3.1 Responsibilities of Lending Staff

Generally the lending staffs are those who approve the credit proposals. They are generally responsible for the following activities:

1. Assuring the understanding of the business of the bank customers,
2. Exercising their authorities with care,
3. Following the instructions, directions, policies and regulations,
4. Assuring complete review of the borrowing clients before approving credit proposal,
5. Working with credit administration staffs to assure the appropriate implementation of the credit,
6. Jointly working with Credit Monitoring Division to assure the recovery of credit.

5.3.2 Responsibilities of the Relationship Managers

The Relationship Manager (RM) is mainly responsible for the following activities:

1. Developing new credit lines and renewing the approved credit lines.
2. Providing excellent customer service.
3. Growing the customer base through the marketing activities and business promotion activities.
4. Obtaining, reviewing all the relevant information for accurate & timely credit proposals.
5. Ensuring the implementation of the credit in a well designed manner.
6. Seeking the assistance from CRM.
7. Securing the essential and legally enforceable documentations.
8. Operating the securities, collaterals and supports with perfection.
9. Assuring that all the essential policies and controls are maintained during the continuation of credit.

5.3.3 Responsibilities of Credit Division

1. Formulating and establishing the bank's credit policies.
2. Co-ordinating with the respective business at the individual group's loan portfolio composition.
3. Overseeing the Bank's credit policies and controls relating to the credit risks.
4. Approving within delegated authority, credit applications related to the credit issues.
5. Issuing facility permission and sending copies to the Corporate Division and the Credit Administration Division.
6. Reviewing Bank's credits timely.

5.3.4 Responsibilities of the Credit Officers/Managers

1. Analyzing and co-operating the credit proposals requiring the approval of Deputy Managing Director/Managing Director.
2. Ensuring that credit proposals of the bank are complete, accurate and consistent with Bank's policies & procedures.
3. Ensuring that the latest CIB reports are in place.
4. Assisting the Relationship Manager to structure the credit sector of the bank.
5. Maintaining awareness of business conditions as those influence the Bank's loan portfolio.
6. Preparing the necessary information and reports that directed by the Head of Division.

5.4 Securities against Loans and Advances

1. House Building loan securities: Mortgaging a land or any property to the bank.
2. Transport loan securities: Joint registration, insurance policy, two guarantors & collateral securities.
3. Auto loan securities: Joint registration, insurance policy & two guarantors.
4. Any purpose loan securities: Two guarantors and post-dated cheques.
5. Loan against imported merchandise: Contractual agreement of imported merchandise.
6. Loan against trust receipt: Trust receipt in replacement of import document.
7. Foreign bill purchased: Shipping papers and documents of export.
8. Overdraft securities: Hypothecation, collateral securities.
9. Secured overdraft securities: Mortgaging an asset in any loan.

5.5 Overall Procedures for Sanctioning Loan

The following procedures are needed to be followed for giving advances to the customer. These are:

- Party's application
- Filling form-A
- Collecting CIB report from Bangladesh Bank
- Processing loan proposal
- Project appraisal
- Head office approval
- Sanction letter
- Documentation
- Disbursement

5.5.1 Party's Application

At first the borrower will submit an application to the specific branch for loan, where he/she will specify the reason clearly. When the bank will receive the application from the borrower, then the bank will verify all the information that is mentioned in the application. He will also check the account of the borrower in the bank. If the bank got satisfied then he will give form-A to the borrower.

5.5.2 Filling Form-A

When the bank will get satisfied with the application of the applicant, the applicant will fill Form-A which contains the business information of the borrower including organizations name, address, contact number, loan type, business achievement and failures etc.

5.5.3 Collecting CIB Report from Bangladesh Bank

When the bank will receive the application from the client, Southeast Bank will send a letter to Bangladesh Bank for CIB (Credit Information Bureau) report. Generally Southeast Bank needs this report from the head office. From this report, the bank will get informed about the borrower that whether he or she has taken any loan from other bank, if yes, then whether the borrower has any overdue on that bank or not.

5.5.4 Processing Loan Proposal

When the bank will receive the CIB report from the Bangladesh Bank, the next step is that the branch will prepare an Investment proposal including the terms and conditions of Investment for approval of the Head Office.

5.5.5 Project Appraisal

Project appraisal is a pre-investment analysis which is very important in banks for the following reasons:

1. Achieving organizational goals
2. Recommending whether the project is not maintained properly
3. Justifying the investment
4. Ensuring the repayment of the bank

5.5.6 Head Office Approval

After receiving the evaluation from the Branch by the Head Office, Head Office will evaluate the project again. If it is viable, then the Head Office will send it to the Board of Directors for the approval of Investment. When the Board of Directors will approve the investment, the Head Office will send the authorization to the Branch.

5.5.7 Sanction Letter

When the respective Branch will receive the approval from the Head Office, the Branch will send sanction letter to the borrower which contains the following:

1. Borrower's name,
2. Purpose of loan,
3. Interest rate,
4. Investment period,
5. Security.

5.5.8 Documentation

When the borrower will accept the sanction letter, the documentation will begin. Documentation is a written statement signed by the authorized persons. The most common documents of Southeast Bank are below:

1. Joint Promissory Note,
2. Letter of Arrangement,
3. Letter of Disbursement,
4. Letter of Instalment,
5. Letter of Continuity,
6. Trust Receipt,
7. Stock Report,
8. Status Report,
9. Letter of Guarantee,
10. Documents of Mortgage.

5.5.9 Disbursement

When the sanction and all the formalities are completed, the bank officer will disburse the loan. The bank officer will write a cheque and provide to the borrower. The borrower will have to open an account and he will withdraw the money through his account.

5.6 Credit Administration

The credit administration is very much critical. Bank has to ensure that the documentation & authorizations prior to the disbursement of loan are maintained properly. The credit administration should be segregated from relationship management/marketing.

5.7 Credit Monitoring

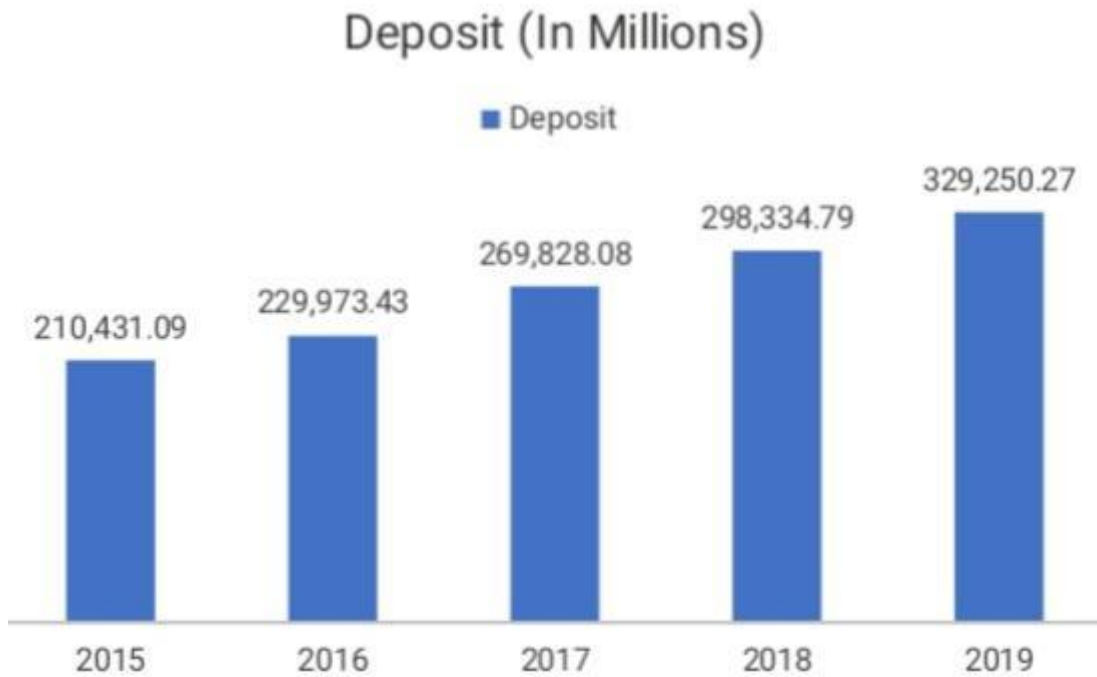
Credit monitoring procedures and controls should be maintained for minimizing credit losses. The following exceptions should be reported to relevant executives:

1. Past due principal and interest payments, past due trade bills.
2. Loan terms and conditions are controlled, financial statements are received, and any exceptions referred to the bank.
3. Timely correction is taken to address internal or external audit.
4. The loan facilities are reviewed at least annually.

CHAPTER-06

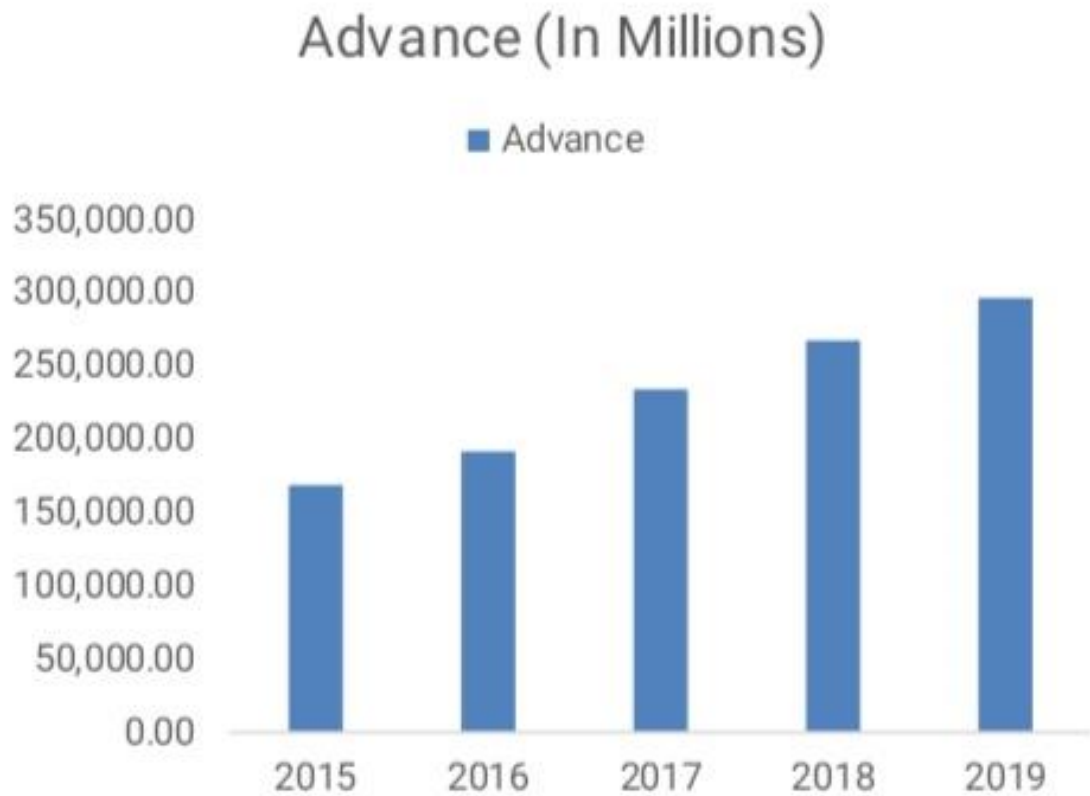
ANALYSIS OF CREDIT MANAGEMENT

6.1 Year Wise Deposit



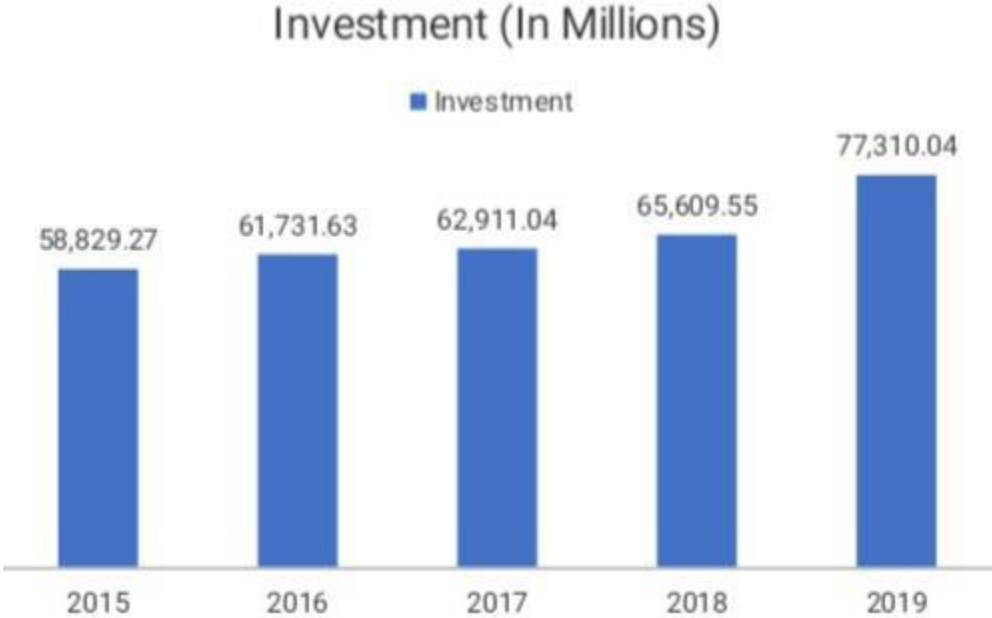
Interpretation: The above chart shows the total deposit of Southeast Bank Limited from 2015 to 2019. In 2015, the deposit was TK. 210,431.09 million. The deposit had increased year by year gradually. For the growth of the deposit, the bank had operated its business well.

6.2 Year Wise Advance



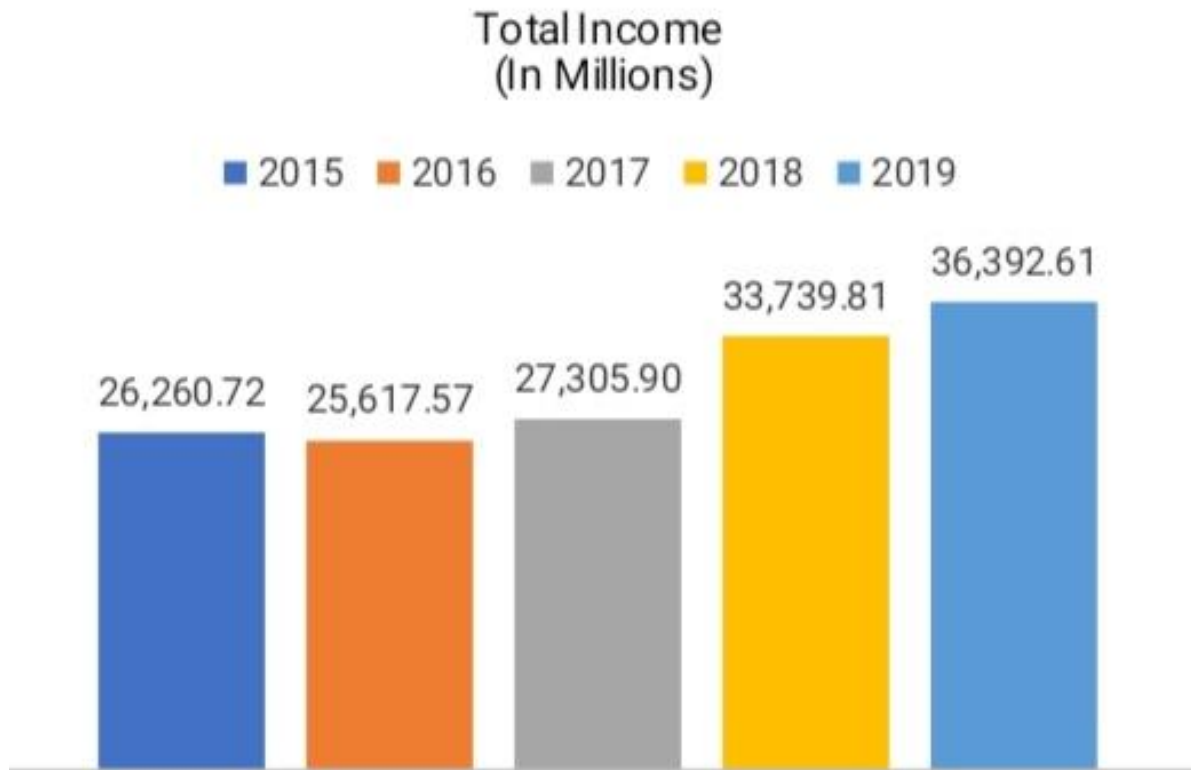
Interpretation: The above chart shows the total advance of Southeast Bank Limited from 2015 to 2019. In 2015, the total advance was TK. 165,250 million. The advance had increased year by year gradually. For the growth of advance year by year, Southeast Bank created many ways to get revenue.

6.3 Year Wise Investment



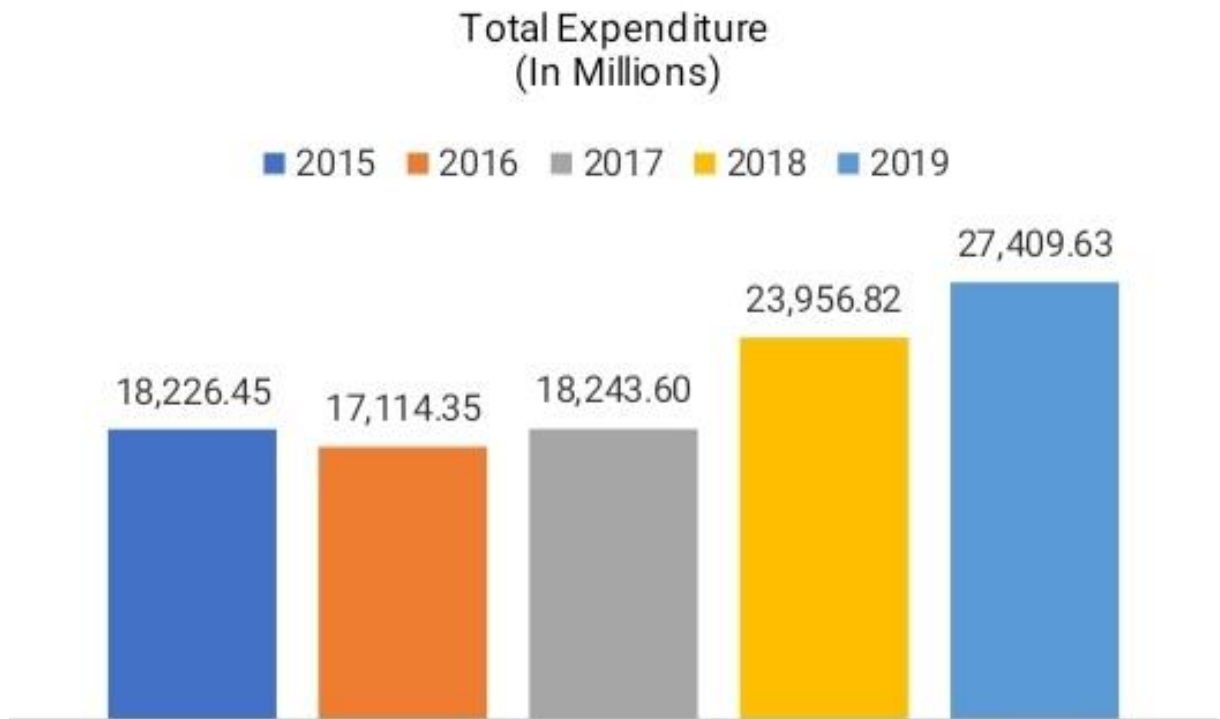
Interpretation: The above chart shows the total investment of Southeast Bank Limited from 2015 to 2019. In 2015, the total investment was TK. 58,829.27 million. The total investment had increased year by year gradually. For the reason, the bank got opportunities to generate more revenue.

6.4 Year Wise Income



Interpretation: The above chart shows the total income of Southeast Bank Limited from 2015 to 2019. In 2015, the total income was TK. 26,260.72 million. The total income decreased from 2015 to 2016. But the total income had increased from 2016 to 2019 gradually.

6.5 Year Wise Expenditure



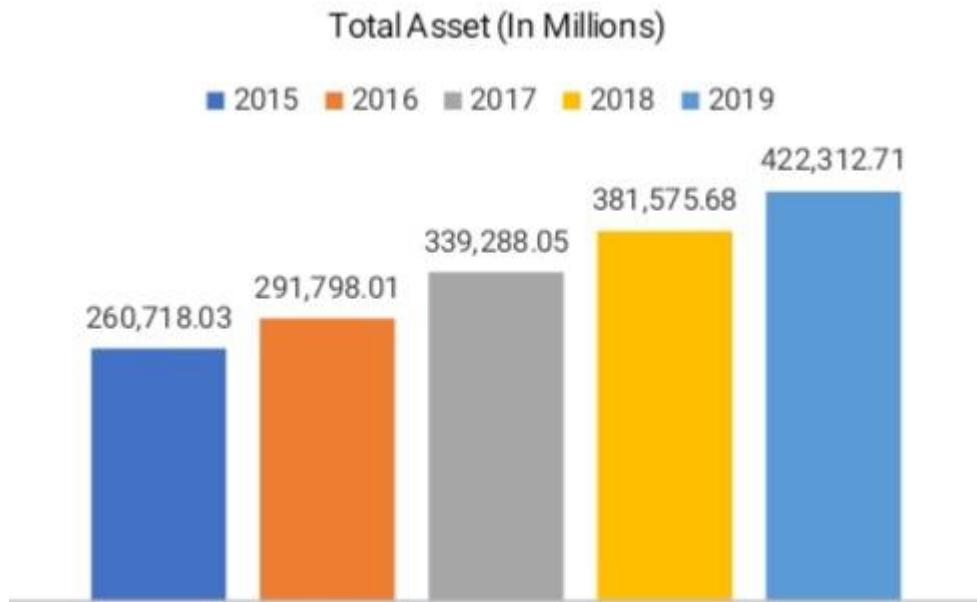
Interpretation: The above chart shows the total expenditures of Southeast Bank Limited from 2015 to 2019. In 2015, the total expenditure was TK. 18,226.45 million. The total expenditure decreased in 2016. After that, the total expenditure increased from 2016 to 2019 gradually.

6.6 Year Wise Operating Profit



Interpretation: The above chart shows the total operating profit of Southeast Bank Limited from 2015 to 2019. In 2015, the total operating profit was TK. 8,034.27 million. The total operating profit increased from 2015 to 2018. After that, the total expenditure decreased in 2019.

6.7 Year Wise Total Asset



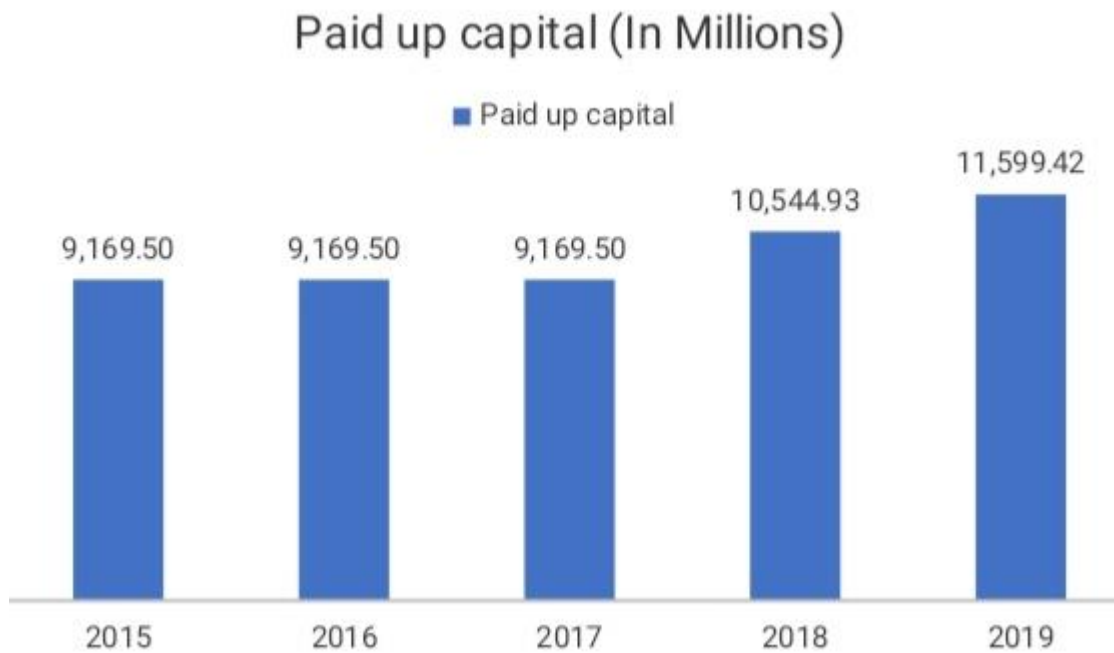
Interpretation: The above chart shows the total asset of Southeast Bank Limited from 2015 to 2019. In 2015, the total asset was TK. 260,718.03 million. After that, the total asset had increased from 2015 to 2019 gradually. Southeast Bank improved itself by increasing the total asset.

6.8 Year Wise Fixed Asset



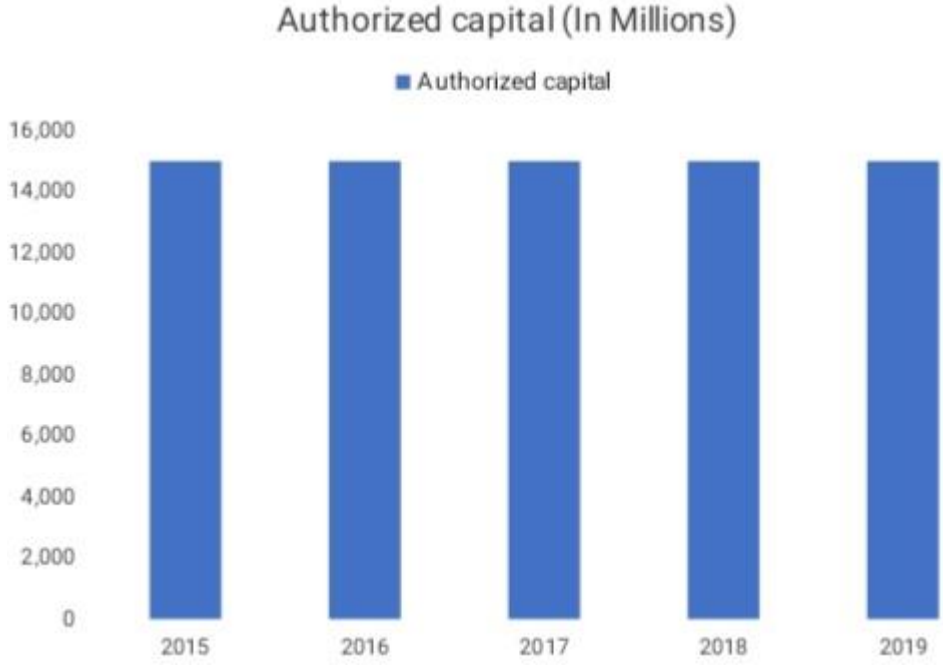
Interpretation: The above chart shows the fixed asset of Southeast Bank Limited from 2015 to 2019. In 2015, the fixed asset was very low, TK. 7,885.23. After that, in 2016, the fixed asset increased at TK. 8,947.16. Then, until 2019, the fixed asset was very high.

6.9 Year Wise Paid Up Capital



Interpretation: The above chart shows the paid up capital of Southeast Bank Limited from 2015 to 2019. In 2015-2017, the paid up capital was stable at 9,169.50. After 2017, the total paid up capital increased in 2018 & 2019.

6.10 Year Wise Authorized Capital



Interpretation: The above chart shows the total authorized capital of Southeast Bank Limited from 2015 to 2019. The total authorized capital remained stable in every year during 5 years.

CHAPTER-07

FINDINGS, PROBLEMS, RECOMMENDATION & CONCLUSION

7.1 Findings

7.1.1 Findings of General Banking

- Southeast Bank should consider its services to satisfy the customer needs. It should be tactful to deal with customers and launch new products.
- Southeast Bank Limited has built a well reputation as a banking organization. The bank has also appeared magnificent growth in profit and deposit sectors.
- The bank is continuously following online banking, but all of the branches are not following online banking.
- The excellent performance of the bank leads to a well reputation of the bank and increase of shareholders value.
- The bank has created well human resources with their skills. The strategy of Human Resource Department is creating a strong manpower with their efficiency and skills.
- The bank's future aim is finding for the best solutions for its clients.

7.1.2 Findings of Credit Risk Management

1. Generally in credit, a creditor gives a certain period of time to a debtor by which the debtor must pay the due.

2. Credit links between the government sector, private sector and financial sector.

3. By providing loans, banks generate revenue. Banks collect interest from the debtors and thus revenue increases.

4. Credit is very important in business, industries, agriculture. Banks provide loans to these sectors for investment.

5. Categories of Loan and Advances: All types of credits are classified into two groups:

A. Funded Credit

B. Non-funded Credit

A. Funded Credit: Funded credit involves direct out flow of the bank's fund to the borrower. There are four types of funded credit which are Cash Credit (CC), Overdraft (OD), Loan, Bills purchase and discounted.

B. Non-funded Credit: Non-funded credit does not involve direct out flow of the bank's fund to the borrower. Non-funded credit turns into funded credit at a time.

Banks provide term loans to the customers including short term, medium term and long term. Short term loans are provided for a period of 1 year. Medium term loans are provided for a period of 2 to 5 years. Long term loans are provided for a period of 5 years.

7.2 Problems

The big problem of Southeast Bank is lack of effective advertising and promotion. Advertisement and promotion are very important and relevant to the business organizations. To survive in a competitive field, advertising and promotion are very much important. But, there are no promotional activities through advertisement in Southeast Bank. For the reason, most of the customers are unknown with the products of Southeast Bank.

The software that Southeast bank uses for banking activities often faces problems. So the employees can't work properly and it takes so much time for them to complete their tasks.

7.3 Recommendation

The general banking department & credit department of Southeast Bank Limited requires the following recommendations in my perspective:

The Southeast Bank Limited should provide specific and clear information on the website so that people can well informed about its products. The bank should inspire people regarding the bank for its business growth. There is lack of market research in the bank on my perspective. So the board of directors should be conscious about it. The bank should give their greatest effort to provide better services to the customers and also provide online service. The bank should interact with their clients through the social media.

The growth rate of Southeast Bank fluctuated over the years. The bank should create new scheme for deposit for increasing deposit. After that, the growth will be positively increased. The total deposit, investment, income and operating profit of Southeast Bank Limited has increased in the last five years. The bank should give more effort to do better performance in future. Southeast Bank should operate effective controlling and administration for decreasing classified loan and it also provide retail loans to the customers.

7.4 Conclusion

Southeast Bank Limited is operating new systems and standards for its economic development. The officers and employees use the resources of Southeast Bank Limited effectively to keep its business growth. The new employees are given well training while appointing in the bank. The officers and staffs are very helpful to their clients. When any client arrives at the bank, the officers make well behaviour and attitude with them, notify them about the bank properly and provide better services to them. The performances are really well to deal with the local and foreign clients. The customer perceptions about the bank are very positive. The bank should retain its performance in future. The bank try to increase the socio-economic development as a banking organization. The bank provides abundant business loans and personal loans to the clients every year. The interest rate of loan is not high. So, the people become interested to take loan from the bank and thus the bank generates revenue by taking interests from the borrowers.

Southeast Bank Limited follows the government laws, rules and regulations properly. The business interactions with the Bangladesh Bank and other business organizations are always transacted properly. In fact, when the bank makes transactions with the foreign clients, the bank does not make any faults. It makes business transactions perfectly. For that, the foreign clients become very much satisfied. In future, Southeast Bank Limited will always try to operate its transactions properly.

With effective competitive strategies, the bank has implemented potential growth in its business operations. The bank needs better strategies to gain early mover advantage and to survive as a high level business organization. To increase the profitability of the bank, capital market operations are done very efficiently.

The Southeast Bank Limited is increasing loans for various purposes. It has also created loan portfolio. The bank should make concentration on the loan sector where the chance of default is very low and the investment is profitable because, default is raising gradually in the bank for improper administration and control. The loan procedures should be more calculative and simple.

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