“Credit Operation system & Retail banking of Trust Bank Limited”

Mithila Momo

This report is submitted to the school of Business and Economics, United International University as a partial requirement for the degree fulfillment of Bachelor of Business Administration

"Credit Operation system & Retail banking of Trust Bank Limited"

Submitted to

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School of Business & Economics

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Letter of Transmittal

September 22 ,2022

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Subject: Submission of Internship Report.

Dear Madam,

This is my great pleasure that, I am submitting my internship report on **"Credit Operation system & Retail banking of Trust Bank Limited"** as a requirement of our BBA program. For me it was an extensive prospect to assemble immense information and appropriately catch the subject matter. This entire report is developed based upon my academic knowledge that I have learned from the BBA program & the empirical experience from my internship program. I tried to give my best sincere effort to prepare this report productive & commendable The report might have some mistakes because of some limitations.

Therefore, I will look forward for your concern in this regard. I hope that you will evaluate my efforts and expect that my report will satisfy you.

Regards,

Mithila Momo

ID – 111183056

School of business and economics

United International University

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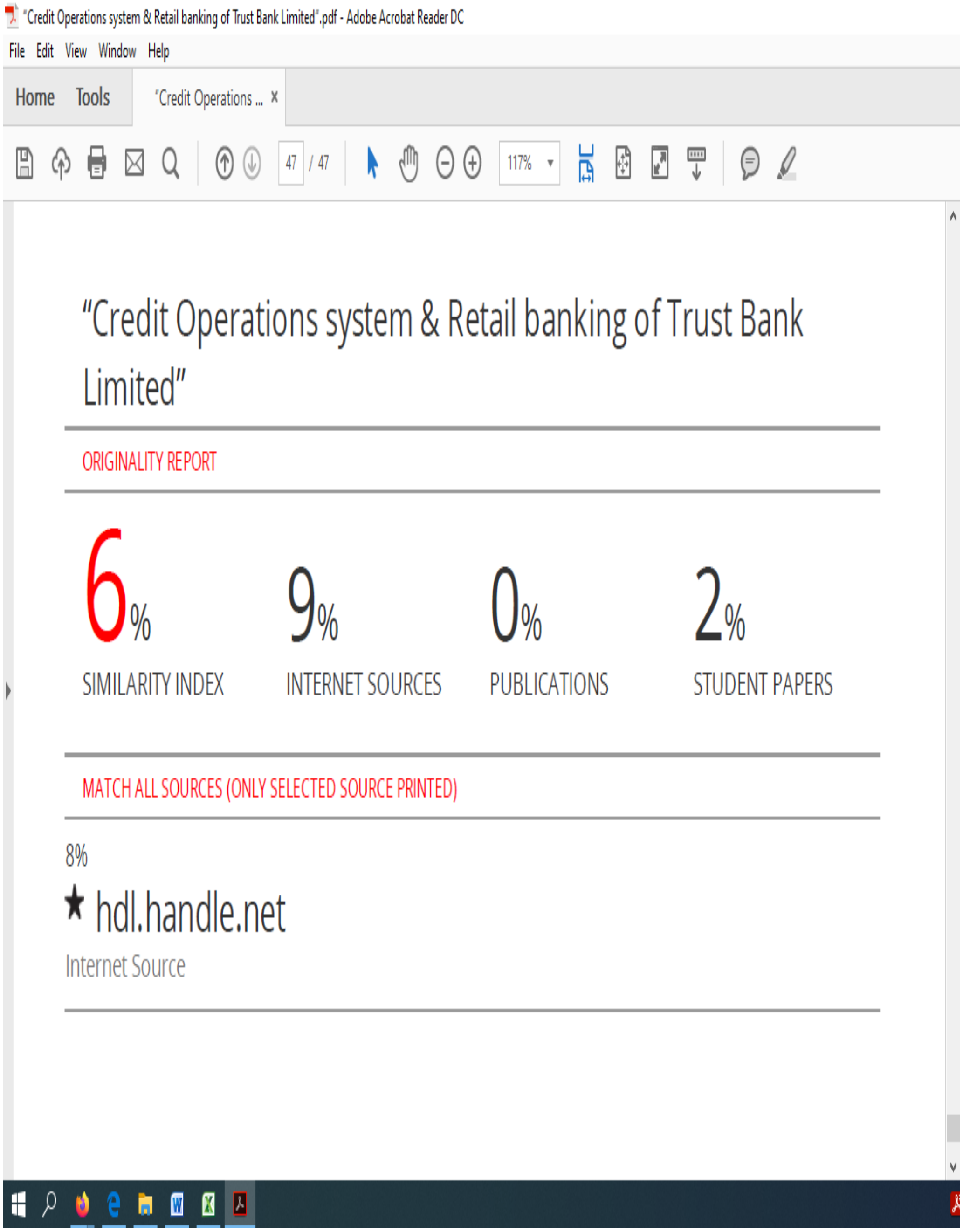

"Credit Operations system & Retail banking of Trust Bank Limited"

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Declaration of the student

I am Mithila Momo, would like to declare that this internship report titled "**"Credit Operation system & Retail banking of Trust Bank Limited"** is submitted to BBA department of UIU as a partial requirement of my academic program. This report is authentically prepared by me after completing three months' internship at Trust Bank Ltd, Cumilla cantonment branch.

I would also like to declare that report is prepared for my academic purpose only. So this report might not be used for any other purposes.

Mithila Momo
ID-111 183 056
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Acknowledgement

First of all, I would like to express my deepest sense of gratitude to almighty Allah that I have completed my internship at Trust Bank Ltd (Cumilla Cantonment Branch, Cumilla) from February 2022 to May 2022. Then, I would like to mention few people without their contribution my internship report would not have been possible to complete.

I gratefully acknowledge my honorable supervisor, Zinnatun Nesa, Assistant Professor in the Department of Finance, United International University with profound regard. I cordially appreciate co-operation, advice, and guidance of her in making this report.

Furthermore, I would like to convey gratitude to all my faculty members of our BBA program who helped by their precious guidance.

I feel so glad that I got the opportunity to work at Trust Bank Limited as an intern. I would like to thank all the employees of TBL cantonment brunch for being friendly and being so much helpful. It was completely a new phase in my life. This internship taught me a lot about working environment of bank, different types of people, different types of work, and ways to handle the situation. And all of this was possible with their co-operation. I am so much thankful to Md Shamsur Rahman (First Assistant Vice President, Manager Operation& Customer Service), Md. Nazmul Alam Bhuiyan (Junior Officer), and Md. Sunzid Rahman (Senior Officer), Abu Salman Talukder (Junior Officer), who helped me with all the necessary ideas. I would also like to express my special thanks to Syeda Shamim Ara (Senior Assistant Vice President, & Senior Manager of cantonment Branch, TBL) who helped all through the report activities.

In addition, I would also like to show my gratitude to the Human Resource Department of Trust Bank Limited for allowing me to make my internship program in this organization. Their consideration favored me to perform the internship and prepare this report. Otherwise, it would not have been possible for me to complete the internship. However, I hope the practical experience that I have learned from here, will help me in future to build my career.

Executive Summary

Trust Bank Limited plays a vital role in the socio-economic development of our country by satisfying the demand and improving the banking service in our country. This report has been prepared based on my 3 months internship at TBL which I have done as a requirement of my BBA program. Both primary and secondary sources of data have been used to prepare this report. The report is mainly concentrated on Loans and Advances and consumer loans of TBL. At first, a brief organizational overview is given to know about the bank. Then, the overall credit department, credit policies, and credit approval process of the bank is given. Also, consumer loans demographic factors, time series analysis of consumer loan is covered. Lastly, after analyzing all the data, a list of findings is stated which might helpful to identify the challenges, reduce disadvantages and improve the performance of the bank.

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List of Abbreviation

Following acronyms are frequently used in this report:

TBL – Trust Bank Limited

AWT- Army Welfare Trust

FIS- Financial Institutions

MNC- Multinational Corporation

CIB- Credit Information Bureau

NPL- Non-Performing Loan

SLA- Service Level Agreement

CLP-Credit Line Proposal

BCC- Branch Credit Committee

HOCC- Head Office Credit Committee

FSRP- Financial Sector Reform Project

LRA- Lending Risk Analysis

CRM- Credit Risk Management.

NIM- Net Interest Margin

CRRAR- Capital to Risk Weighted Assets Ratio.

CHAPTER I: INTRODUCTION

I.1 Background of the Report:

Banking industry plays a vital role in the economic development of the nation. A country's economic condition is largely depends on the robustness of a country's banking industry. First of all, Bank collects saving through different depository so people can keep their money safely in banks. Simultaneously, they provide loan to individual, business and agricultural sector. Banking promotes investments. Banks invest their money they collect from their depositors. They can make both investment or make advance loans to other the investors. Most importantly, play a crucial function on the foreign exchange. In a foreign transaction like export, import we need to transfer money from one country to another through banks. Hence Banks plays a crucial role in the economic development of a nation. Banks are just like a heart in the economic structure and the capital provided by it is like blood in it. So, if a country' s all sectors such as agriculture or industrial and other sectors don't get enough financial support on time, they will be destroyed . That's why banking is now an important part of any economy as well as of a nation . Today, without the availability of banking services we can't think about the modern trade and commerce.

I.1 Objectives of the Report:

Objective of the study can divided into two parts-

a) Primary Objective;

b) Secondary Objective.

Primary Objective: The primary objective is to describe and make familiar the overall Credit Operation Systems activities maintained by Trust Bank Limited. This report thereby provides a general description about initial and present status of Credit Operations of Trust Bank Limited. The analysis done in this report will be helpful for the bank employees who take lending decisions, deals the Non-performing loans cases, and who analyze credit risks. Also general readers as well as researchers who analyze consumer loan and Non-performing loans and this report can be useful.

Secondary Objectives: Following points are the secondary objective of this report -

- Understanding, the credit lending procedures of TBL.
- Understanding products and services provided by TBL.
- Observing the major lending sectors of TBL.
- Identifying most significant & growing sectors for TBL
- Analyzing TBL's consumers loans with demographic factors.
- Forecasting consumer lending for 10 years

I.3 Scope and limitations of the Report:

Scope: This report covers the overall credit facilities and credit granting procedure provided by "Trust Bank Ltd." Such as consumer credit, corporate credit, short and long term credit. Moreover, This report is prepared by having a substantial discussion with the employees of the bank. While making this report, I got the opportunity to get a comprehensive idea about the credit management by the Trust Bank Ltd. At the same time this report also helped me to get idea about their Credit approval process, types of credits they offer in different sectors, their Consumer Loan, demographic analysis of consumer loan.

Limitations: Various study and analysis has been done from the beginning to the end, to make this report complete and precise. However, problems and limitations may appear. One of the limitations was for me it was not possible to go to entire area of the bank. But the financial statements and bank specific other data's have properly placed .The report may have the following limitations

- Not having full of experience for being an intern.
- Lack of comprehensive idea, knowledge and analytical ability to write such report;
- There was some lack of information on the website which created a problem in preparing the report;
- Most importantly not having enough latest and required data .

Since the bank did not want to disclose some of their information because of confidentiality. I was placed as regular employee in various departments during that 3 months internship period. So, despite of having some constraints, I have given best effort to make this report informative. Therefore, I would seek consideration to the readers for the constraints.

I.4 Definition of Key terms

I.4.1Risk Management: Risk management means recognizing possible risks examining them, and making necessary actions to lessen them. Investment decision is associated with so many potential financial risks. In credit risk management process amount of risks depends on which of financial instrument are taken by the borrower. This risks could become form of inflation, capital markets instability, bankruptcy, recession, etc. Fixed deposit is an example of a less risky investment conversely, equity investment can be regarded a risky investment.

I.4.2Credit Risk: Credit risk for bank refers to possibility of loss that may occur when its borrower fails to repay his loan with an agreed time period. So, it is risk in which lender (Bank) may not receive principal amount and interest which creates disruption to cash flow, and increase of collection costs. Credit risk has an unfavorable effect on a banks overall financial performance. Banks are disclose to this credit risk by their credit and capital market activities. So, the effective administration of loans/credits is an essential task for long term success of banks. As exposure to credit risk has become a major problem in banking world-wide so, banks should take proper session through the experience they made in the past. Moreover, banks need to have an acute consciousness about this risk and need to identify measure, monitor and control credit risk. Also they have to determine that they have adequate capital against these risks as well as adequately compensated for this risks incurred.

I.4.3Credit Risk types: Credit risks can be divided into the following stated types-

1. **Credit default risk:** It is the risk of financial drop that may arise when a borrower become unable to pay its loan obligations in full or when he already past 90 days from the due date for repayment.
2. **Concentration risk:** These types of risk are associated with single or group of counterparty exposures which have potential to produce large enough losses to

threaten banks core operations. Usually business organization is responsible for creating this type of exposure for banks.

3. **Country risk:** The risk of loss arises when a country freezes or defaults its foreign currency payments (transfer/conversion risk). This type of risk occurs from a country's economic or political instability.

I.4.4Credit Analysis: Credit analysis is a financial analysis that is done for measuring the issuer's ability to meet its debt obligations. When any customer wants to take loan from a bank, it analyzes all relevant information to evaluate if the loan matches with their risk-return objectives. Credit analysis is another word a default risk analysis in which a loan officer attempts to evaluate a borrower's ability and willingness to repay the loan. For these analyses the credit officer needs to analyze 3 things-

- borrowers Creditworthiness
- loan agreement properly documented or not?
- assets or earnings of the customer can be pledged as collateral for this loan or not?

Bankers look for these answers by conducting qualitative analysis which has been classified according to the five Cs of credit-

1. Character: Character refers to the borrower's credit history or his morality and integrity. Before lending credit banks should check out the borrower's honesty and their intention to repay the loan. Loan should be rejected If bank finds any serious doubts about these factors.

2. Capital: It indicates to the borrowers overall assets or wealth position to measure his financial soundness. It helps cushion loses and reduces the likelihood of bankruptcy.

3. Capacity: Capacity refers the borrower's ability to repay its debt obligations. To determine capacity banks compares borrower asset and debts to see his capacity to repay the loan.

4. Condition: A condition refers to position in which the borrowers are qualified to give the loan. Here banks evaluate it by certain factors such as how the borrower plans to use the money and some external factors like economic environment, interest rate etc

5. **Collateral:** Collateral is something that borrower provide as security. For banks it is the secondary source of repayment in the case of default. So, collateral is an asset that the bank can use to seize and sell when a borrower can't make payment for their debts.

I.4.5 Credit Risk Management: Credit Risk Management is the process of reducing banks losses by considering the adequacy of a bank's capital and loan loss amount at any given time. The main objective of credit risk management is to improve bank's risk-adjusted rate of return and managing credit risk disclosure within acceptable parameters. For credit risk management banks need to manage the credit inherent risk and other risk associated with the individual loan or transactions. Also they should manage credit risk and other risks relations .Therefore, effective credit risk management is an essential component for a banks long term success.

Reasonable methods of this risk management includes these activities -

- Establishing an proper environment for measuring credit risk
- Working under an appropriate credit granting process;
- Persevering credit activities such as measurement, administration and monitoring in a best possible way and ensuring having control on credit risk.

I.4.6 Non-Performing Loan: "Non-performing loan" are the types of loans, advances or bills discounted which aren't remunerated within maturity. In banking, loan is considered as nonperforming if the borrower makes no payment of principal and interest within 90 days. When the Bank notice that a borrower has a demands payment of interest & principle from the borrower that the loan is considered as NPL until its paid within 90 days .In other word when the borrower and the Bank make an agreement, mentioning that depletion will be made at specific times, and if depletion aren't done correspondingly that loan is treated as NPL. This NPL account is not treated as classified, substandard, doubtful, or bad loan or loss unless it is classified according to Bangladesh Banks CL circulation. When a bank is unable to recover money from non-performing loans, it can hold and sell the collateral assets. When a bank has too many NPL account it can affect their cash flow as well as the entire financial performance. Thereby, Non-performing Loan creates a big threat for banking industry.

“***All classified loans are Non-Performing Loans (NPL) but All Non-Performing Loan (NPL) are not classified Loans.”***

CHAPTER II: COMPANY AND INDUSTRY PREVIEW

2.1 Company Analysis:

2.1.1 Overview and history :

Trust Bank Limited is private commercial bank of Bangladesh established on 17 June 1999. The bank was sponsored by Army Welfare Trust (AWT). The Headquarter of the bank is Shadhinota Tower, Bir Srestha Shahid Jahangir Gate, Dhaka Cantonment, Dhaka. It is one of the leading private commercial bank having a network of 113 branches, 7 SME service center,244 ATM booth and 140 POS . It provides a wide range of financial products including corporate, retail, SME and Islami banking. Its products and services also includes ATM services, Consumer Banking,Corporate Banking Investment Banking, Treasury Management, Internet Banking, Locker Services. The Bank registered with Dhaka Stock Exchange on 25th September 2007 and Chittagong Stock Exchange on 24th September 2007.Trust Bank Limited is now one of the successful bank in our country since they have a very strong support to give them financial support by the Army Welfare Trust. All the financial activities of the army are done by this bank and that’s why it is so well liked in Bangladesh defense community. Moreover, they are also obtaining admiration in the general public and business institutions. In addition the bank also deals in Foreign Exchange transactions. Trust Bank Limited has extended credit facilities to almost all the sectors of the country’s economy and they are planning to invest considerably in agricultural and industrial sectors in future. TBL has also organized to foster industries which are agricultural based. To encourage the textile sectors of our country it has already engaged with other banks in a loan agreement and their such engagement will continue in the future for the better interest of our country. Also the bank is constantly improving its products services, launching new products to provide customers better services with their growing demands with keeping in mind their financial and banking needs. The authorized capital of the bank is TK 10000 million, Paid-up Capital is Tk 200 million and 60% of it’s shareholder are The Army Welfare Trust (AWT).

Vision: Their vision is to building a long term sustainable financial institution through financial inclusion and delivers optimum value to all stakeholders with the highest level of compliance.

Mission: The missions of Trust Bank Limited are -

- Sustainable Growth- They want to achieve a long term sustainable growth by diversifying their business with robust risk management.
- Financial Inclusion- they want to bring unbanked population into the banking network by their low cost and technology-based service delivery.
- They are accountable to all stakeholders- customers, shareholders, employees & regulators with their highest level of compliance and transparency at all levels of operation.

2.1.2Customer mix:

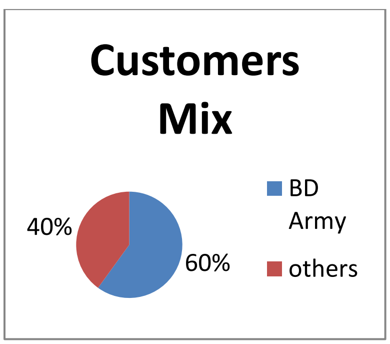


Figure 1: Consumer Mix of TBL

TBL provides the best banking service to their customers and that's why is has become successful as well as popular within in a short period of time. Their outstanding service, friendliness, and excellent ways of meeting customer need leads them to get this position. Though main target customer of TBL is the army community and it also dedicated to give its best facility to the individual clients and business organization. So, as a result trust bank limited is now became popular among both army, general public and business sector.

2.1.3Product/service mix :

Trust bank limited serves its customers with different types of services excluding the traditional services provided by banks. A list of products and services offered by Trust Bank Limited is stated below-

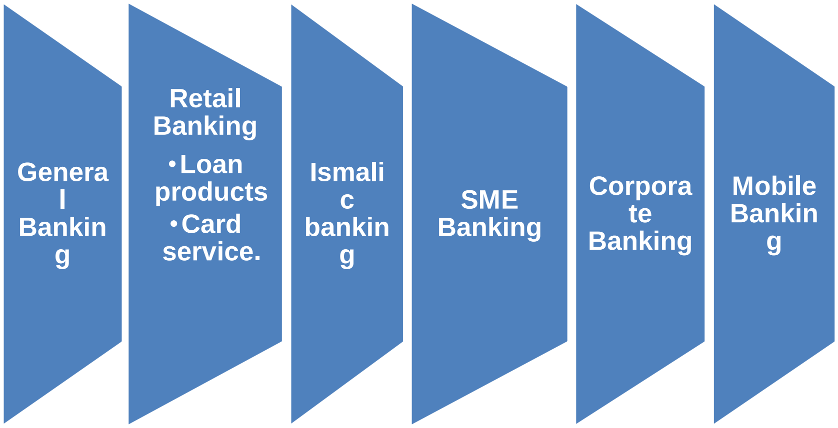


Figure 2: Products & services Mix of TBL

Products offered by credit Department:

Bank creates money from money. Collecting money as deposit is not the only task of a bank. Commercial banks one of the major functions is to create and disburse of loan and by this way Bank earns a profit. TBL bd has different types of-

Retail loan: A Retail loan is a loan that bank generally provided to individual customers to fund their different type of expenses. Particularly, retail loan is a type of loan that is provided to an individual consumer by a creditor. It can be both secured or unsecured . Trust bank provides different types of retail product such as-

- Car Loan
- Home Loan
- Education Loan
- Doctor's Loan
- Loan against Salary
- Any Purpose Loan
- CNG Conversion Loan
- Loan against TMDS

SME Loan: This loans are basically given to the small & medium size business enterprise to fulfill their borrowing needs. SME loan can be both working capital loan and term loan. Different types of SME loan provided by TBL are-

- Agriculture loan
- Women enterprise loan
- Entrepreneur Loan and
- Engineering loan.

Corporate loan: Corporate loan is a type of loan that is given to the business organization rather than individual and government. Usually they are secured loan and given based on the creditworthiness of the applicant organization and banks discretion that's why interest rate is usually high in corporate loans. Corporate loans offered by TBL are-

- Term loans
- Line of Credit
- Working Capital loans
- Real estate loans
- Venture loans
- Equipment loans
- Loan against future lease rentals
- Export financing
- Bill financing
- Short-term loans.

Loan classification based on secured and unsecured:

Secured loans: A secured loan is a credit facility provided to the borrowers which is secured by collateral (asset of borrower).By taking secured loan borrower can get larger amounts of loan, longer payment time, and a smaller interest rate. Secured loan is supported by collateral thereby here risk of the creditor is low because if the borrower defaults the lender has the right to possess and that asset. Secured loan provided by TBL bd are-

Apon Nibash Loan, Army Officers Housing Loan Scheme, Car Loan, HBL against Registered Mortgage for Defense Officers, Trust Thikana- Home Loan, Loan against Commutation Benefits for Defense Personnel.

Unsecured loans: An unsecured loan is a loan that isn't secured by any collateral. Since this loan isn't supported by any assets, so here lenders risk is high. If the borrower defaults, bank won't be able to retrieve the amount of loan as there is no collateral asset. It also grants the borrower to have small quantity of loan, smaller payment period & high interest charge. Unsecured loan provided by TBL are as follows- personal loan, education loan, doctor's loan, advance against salary, marriage Loan for defense personnel, trust digital loan. Loan for any purpose for defense officers, OD against Salary for officers, motor loan for defense person, house hold durable loan for defense officers, CNG conversion loan for officers, , RRDH for JCO's & other loans.

Credit Card: Trust Bank conveniently introduced online banking in January 2007 which promoted in all branch banking, ATM banking, phone banking, SMS banking, and internet banking for all their clients. Now customers can easily put and draw their money from any branches of TBL without opening different accounts in different branches. Customers can reclaim 24 hours of their accounts update like checking up their account balance with statements and also can draw money via online services and Debit Card. Trust Bank also introduced Visa Credit Cards to serve its existing and potential valued customers. Customers can now use their credit card at stores, malls or restaurants throughout the country and even outside of the country. They give prominence on their credit card services and they are optimistically devising to come up with more appealing traits to give more benefits to their card holders.

2.1.4 Operations:

As a private commercial bank TBL's main operation includes collecting deposits from clients and lending credit to borrowers. Department wise operations of TBL is illustrated bellow-

Departments of TBL: Trust Bank's whole banking system divided into 3 departments-

a) General Banking department

b) Credit Department

c) Foreign Exchange Department.

Figure 4: Different Departments of TBL

Since this reports the main focus is the credit departments activities of tbl as majority days of my internship period was spent working in the credit department. So, credit department and activities related to this department are emphasized here.

Credit department of TBL: One of the core function of a commercial bank is to lend credit to the potential borrowers and credit department manages this whole credit process of a bank. The main task of this department is to sanctioning credit to the borrowers by evaluating the credit applicants' financial condition and identifying their ability to repayment the loan with interest. The ultimate goal credit department is managing their loans thereby reducing their bad loan and increases the timely payment of clients. Credit administrative groups are assigned to deal with the overall all activities related to credit department of a bank. These groups are responsible for managing the entire credit policies such as-

- approving credit to borrowers
- evaluating their creditworthiness,
- issuing CIB and
- Credit reviewing of existing customers.

This group also ensures that branch follows the necessary rules and regulation of department. Credit administrative groups need to develop a credit policy for it .The policy includes the activity of credit terms, deposits, credit standard, credit limit, information requirement, collection procedures. TBL Credit department's respective credit officers' conduct all these activities to execute their entire credit procedures.

Credit Approval Process of Trust Bank Ltd:

Following steps are followed by TBL for approving credit to the borrowers

Borrower Selection Process on TBL: Borrower selection is an important part of credit approval process of TBL. In this process respective credit officers analyze proposed borrowers all relevant information and with this they set the levels of collaterals. This process is hence related with evaluating relevant information and thereby setting credit risk associated with each loan proposal.

Credit Analysis Process of Trust Bank Limited: After borrower selection credit analysis is done .This analysis is usually done at the branch level and evaluated in the head office. To analyze the proposed loan Trust Bank Limited follows different techniques. These include-

1. Analyzing CIB Report;
2. Analyzing lending risk
3. Appraising the Project Feasibility.
4. Financial Spreadsheet Analysis ('Y' score and 'Z' score).

Evaluation of CIB Report: Evaluating CIB Report contains the activity of-

- Collecting information related to the borrower (outstanding loan balance and loan classification status);
- Collecting business related information;
- Credit Exposure Matrix/financial information
- Third-party /guarantors information.

Analysis of Project Feasibility: In order to get the loan from bank, borrower needs to fill-up a credit limit form provided by Trust Bank which is called project feasibility report. It contains-

- Identification and promoter of the Project;
- Projection of the Organization and Management;
- Technical & Marketing features of the Project;
- Socio-Economic aspects of the project.
- Project costs and Financial Aspects of the Project i.e. BEP & ratio analysis;

Lending Risk Analysis: A good lending practice is important for the overall success and profitability of a bank. Central Bank has made it mandatory for all commercial banks to do Lending Risk Analysis for evaluating credit proposals amounting to TK 1.00 crore and above.

Lending Process of TBL:

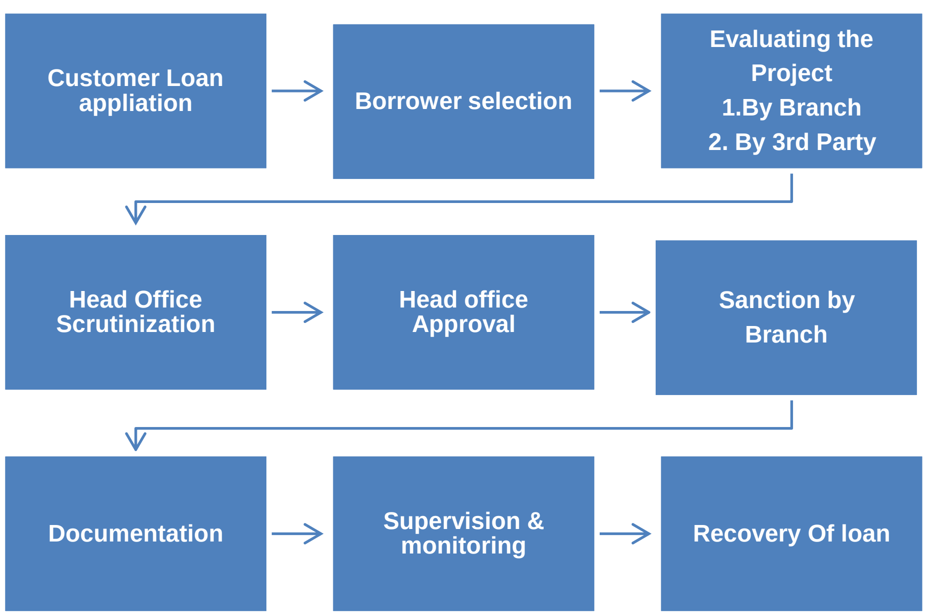


Figure 5: Credit lending procedure

The above-shown flowchart is more or less followed by all the banks and financial institutions of Bangladesh while disbursing a loan after receiving loan seeking application by the applicant. The following procedures are followed by Trust Bank Ltd. For lending credit-

Application from the Credit Applicant: Lending procedure starts with a loan application from a client. A loan applicant must have an account with the Bank. The branch receives an application from the client for a loan facility. In the application, the client mentions what type of credit facility he/she wants. Then, an initial interview with borrower is taken by the branch manager or the Officer in charge.

Obtaining the CIB Report: After receiving the loan application from the client to get the credit inquiry report of the customer, the bank sends a letter to the Credit Information Bureau of Bangladesh Bank which is named the CIB (Credit Information Bureau) report.

Collection of Documents: Following documents are needed to collect by the bank -

- For the business client, company's financial documents of past 3 or 5 years. For new company , forecasted financial data is required;
- borrowers personal net worth.
- At this level, the bank makes sure that all documents are properly signed and filled properly. Usually credit officer of the branch is responsible for collecting this information by discussing with them.

Scrutinizing Documents: Credit department inspect the project for which the loan is applied If the proposed amount is more than Tk. 10.00 lac, a Senior Officer from the Head Office performs an on-site inspection of the project.

Analysis of Collected Information: Loan proposals are evaluated based on the financial information given by applicant of loan. After that to measure the financial soundness of the borrower bank conducts financial statement analysis that includes a series of quantitative techniques .Bank also conducts a lending risk analysis to measure the borrower’s ability to pay the loan

Legal Opinion: After analyzing the collected information bank conduct a legal opinion on the collateral provided by the applicant. They want to see if they are appropriately defered, regular and update

Credit Proposal: At this level information gathered from applicants’ bank’s next step is to prepare a credit proposal by analyzing their information. Credit proposal contains-

- Borrowers name;
- Credits type/nature;
- Credits purpose.
- Credit extent;
- Collateral Margin;
- Interest rate;
- Schedule of repayment;
- Credit validity etc.

Collection of Charged Documents: Bank collects necessary charge documents after issuing the sanction advice.

Collection of Charged Documents: Finally, branch disburses the loan through a loan account in the name of the borrower, and starts monitoring of the loan formally.

Credit Approval Process The process which Trust Bank Limited goes through for the approval of credit are stated below-

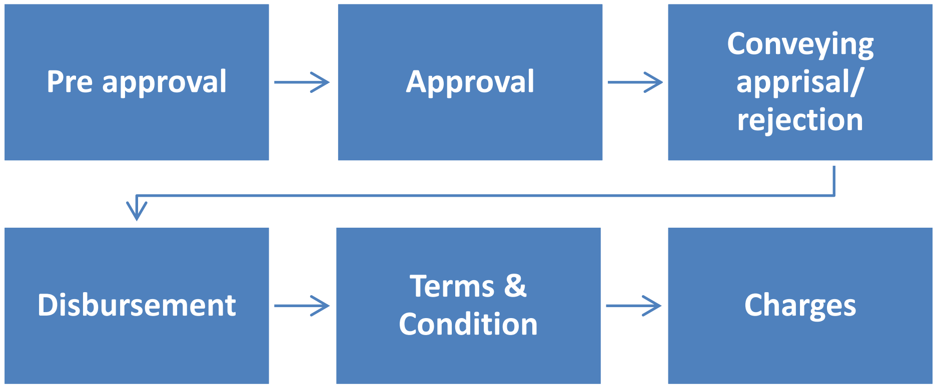


Figure 6: Credit approval process

Pre Approval Stage at Branch: At this stage by properly evaluating and analyzing the lending criteria bank makes a credit Proposals. Then if everything is okay the credit departments head and Chief Manager sign it and send it to the Head Office, Credit Risk Management (CRM) Division for the pre sanction evaluation and approval.

Approval Process at Head Office: In head office, Credit Risk Management (CRM) Division evaluates & approves the credit proposals those are matched with the requirement. Then the CRM division evaluates the credit proposal which was sent from the branch level and ensures that the proposal has been analyzed and prepared following all the necessary rules, regulations, circulars, Credit Policy, Credit Norm guidelines and recommendation of TBL, Central bank of BD, and other agency. This process also make sure that all the proposed loans match with the banks lending cap, industry preference, liquidity factor, tenure limit, and other substantial factors. After that for final approval the proposal is sent to, Head of CRM, Deputy Managing Director, Managing Director, the Executive Board of Directors and approved copy is sent to the the respective branch .

Conveying Credit Rejection: In case if the proposals don’t match with banks risk parameters bank could reject the loan application by explaining the reasons.

Loan Applications under Syndication: In this stage to conduct the approval of loan proposals banks develop procedures by appropriately synchronizing with members of syndicate.

Disbursement of Loans: Then in this level bank disburse the loans to the applicant with some terms and conditions. And after that bank provide a sanction letter to consumer.

Conveying Credit terms& Conditions: It involves different activities of borrower including monitoring, repayment and collection of loan. Here borrower need to know exactly how the loan is structured, what he is receiving, how bank will monitor and impose any conditions as well as accept his responsibility to punctually inform the lender regarding any incapacity to repay and any other subjective changes that may make the agreement default.

Creation and implication of charges: Lending procedure includes, the following terms:

a) Judicious selection of Customers

b) Purpose of loan

c) Safety

d) Security

e) Liquidity

f) Adequate Return (Profitability)

g) Supervision

h) National/ Social Interest

i) Credit Policy of Bangladesh

Here, everyone should remember one thing that bank is the curator of public money and we should be sensible, careful, and selective while borrowing loan. And for the bank, the determining factors for recovery of loans are selecting the right borrowers, following up effectively and supervising properly.

2.1. 5 SWOT analysis:

SWOT analysis is conducted to evaluate the both internal & external position or well being of a organization such as their strength, weakness , threat And opportunities. Among them strength and weakness are related to an organizations internal factors whereas Threat and opportunities indicates the external factors. SWOT analysis of Trust bank are given below-

Strength: One of the strength of TBL is its founded and funded by Army welfare trust. So the bank has no funding problem. Majority of its consumers are also from army community as their all the banking activities from salary issuing to managing their business funds/organizations are conducted through TBL. So its is one of TBL strength. Anther strength is its goodwill to all over the country which is increasing day by day. Also, TBL has a very good product & service portfolio which includes advance technological facilities. Moreover, their attractive location near cantonment area is considered as their strength.

Weaknesses: Like any other organization TBL has some weaknesses too. One of the major issues is their banking software & ATM service is not much satisfactory. Also, their marketing strategy is not good enough that's why many people don't know about TBL properly. Another fact is there limited braches over the country which is responsible for people not adequately getting their service.

Opportunity: One of the major opportunities of TBL can be their growing consumer credit holders which we have found from one of our analysis. The can set consumer credit as their niche marketing strategy. Another opportunity can be their increasing income. From its 10 years annual report data its been found that there income is increasing so it can give TBL an opportunity to expand their business and make demand for their product and services.

Threats: Extensive competition among the private commercial bank and MNC is one of the major treats of TBL.As competitor banks are also offering lucrative products and services such as more efficient I banking, Mobile banking and ATM so, if TBL fails to cope up with them it will be a great threat for them. The risk of new entrance in banking industry is another threat for them. Another threat could be the current global economic condition and these could become worse if they couldn't make the effective strategy.

2.2 Industry Analysis:

2.2.1 Specification of the industry:

Trust bank is a private commercial bank/Financial institution of our country which falls under the banking industry of Bangladesh. The main function of this organization is proving financial support to its customers such as lending credit and providing deposit facilities. The role of TBL's in the economy is very important. It provides capital and credit to both individual and organization which helps to improve the production of industry, develop agricultural activities and improve the individual consumer activities thereby boots the economic condition as well as collects deposit from customers and thereby maintain the liquidity in the economy. Also, it follows the central banks regulation so indirectly it helps in imposing government policy in the economy. Another specification of TBL is its foreign banking activities. TBL engages in foreign banking activities. Foreign banking activities are import for an economy and TBL BD is facilitating in export and import of our country by proving its foreign banking service.

2.2.2 External economic factors:

External economic factors are considered to be very crucial and affecting factors of banking institutions. The global and domestic economic condition has a significant effect on bank. If the economic condition is good is affects the bank positively on the other hand if there is a rescission in the economy bank face some negative affects for it. A stable economic condition is therefore a demanding factor for banks. Since bank's profitability can fluctuate with the external economic factors that's why they should consider this fact with high importance.

2.2.3Technological factors:

Technology plays an important role in a bank's profitability or financial performance. The more a bank is advanced in technology they more they can capture and retain customers hence can create brand value. TBL also provide advanced technological facilities by its products and services to its customers. Their I banking service, TAP service, debit and credit card facilities provide its customers with advanced technological facilities.

2.2.4Barriers to entry:

Entry barrier plays an important role in affecting a bank's profitability. If entry barrier is low it is a threat for existing banks. For TBL new entrance threat is not high. Entering into the banking industry is not that easy because it requires a huge amount of capital, procedure is also complicated and lengthy. Also it is not easy to achieve brand value like TBL or other banks. So, as its new entrance threat is not much significant they should be conscious about their existing competitors.

2.2.5Supplier Power:

TBL main supplier are their deposit holders, other banks /FIS when they borrow from them and their employees as the provide them labor resource. It power of supplier become high it would be a threat for TBL. So, to control supplier bargaining power they should try to hold current customer both individuals and FIS's with their products and services, capture more new customers and retain their employees by providing them attractive salary.

2.2.6 Buyer Power:

Buying power of customer means when the customer has the power to lower the price. It could happen if there are so many options and their switching cost low. If customers see that other banks provide them banking service with less hassle and offer more attractive service they can switch to other banks. TBL also has this buyer power threat. To minimize this threat TBL should try to serve their customer in the best way so that they don't want to switch to other banks**.**

2.2.7Threat of Substitutes:

Threat of substitutes for bank indicates when any banking organization has the treat that other nonbanking organization can affect their profitability. Trust bank also has this treat from its substitutions. Some Nonbanking organization such as insurance company, mutual fund, fixed income securities can be a substitutional treat for TBL if they can offer their service in a lower interest rate .They could affect TBL's customer thereby profitability. So, TBL should be conscious about this fact to avoid this treat.

2.2.8Industry rivalry:

TBL industry rivalry is highly competitive. There are so many private commercial bank and MNC in our county whose are serving in the same industry and proving the same service as well. So, TBL has a high competitive environment. Dutch Bangla bank, Dhaka bank, Mutual trust bank, Uttara bank, Citi NA, HSBC is the major competitors of TBL among the private commercial banks and foreign banks. So, to be competitive and to achieve the competitive advantage TBL should also keep the same standard in their product and services.

Chapter-III: Loans Classifications and NPL

3.1 Loan Classification:

Loan classification is a process in which bank accounts its loans on a particular date and also they are identified and quantified to measure the level of reserves they have to keep to provide for the probable loss for those risky loans. All types of loans of a bank fall into the following four sections

- **Unclassified:** Repayment is regular;
- **Substandard:** Repayment is irregular but has a reasonable prospect of improvement;
- **Doubtful Debt:** Loans unlikely to be repaid but special collection efforts may result in
  partial recovery;
- **Bad/Loss Debt:** The loan which has very little chance of recovery.

3.2. Loan Classification Procedure:

According to Bangladesh Bank circular(BRPD) If borrowers fail to make repayment the loan within this bellow stated period it will then classified into:.

Table 1: Loan Classification status

Classification	Types Of loan				
Unclassified	Agricultural/ Short term loan.	Continuous Loan.	Demand loan.	Continuous loan upto 5 years	Continuous loan above 5 years.
Substandard	12 months or below	Less than 3 months	Less than 3 months.	Less than 6 months.	Less than 12 months.
Doubtful Debt	More than 12 months and less than 36 months.	More than 6 months and less than 12 months.	6 months more but less than 12 months.	12 months or more.	18 months or more.
Bad Debt	More than 60 months.	12 months or more.	12 months or more	18 months or more.	24 months or more.

Provision: If the borrower of a loan fails to repay, the account is classified as Standard, Doubtful, Bad/Loss depending on the period of non-payment. Banks need to make

Provision for this. So, when bank reserve a certain amount of cash from their net profit to cover upcoming losses from loan it's called provision. The provisioning requirement for classified loans as per BRPD circular no16, 1998 of Bangladesh Bank are-

Table 2: Provision Requirement of different Loan Classification

Types of Classification	**Types of requirement**
Agricultural/Short term loan	
Unclassified, Substandard, Doubtful	5%
Bad/Loss	100%
All other Loans	
Unclassified	1%
Substandard	20%
Doubtful	50%
Bad/Loss	100%

CHAPTER IV: INTERNSHIP EXPERIECNE

4.1 Position, duties, and responsibilities

I started my internship in TBL as an intern from February 20 to May 20.My working experience in TBL was good and I feel myself so lucky to work in such an organization. I got the opportunity to work with Cumilla Cantonment Branch of Trust Bank Ltd and working experience with TBL Cumilla cantonment branch provided me an idea about the whole banking system of our country and instructed me how to be professional at the workplace. During my entire internship period, all employees were so encouraging and they guided me a lot to absorb the things. Despite their tremendous workload all the officers of TBL were mostly courteous, friendly in nature and eager to help. During my internship period as an intern, I worked 5 days in a week in several departments on a turning basis from10 a.m. to 6 p.m. And working in many departments was a great experience.

4.2Contribution to departmental functions:

At first, the branch manager Sayeda Shamim Ara (SAVP) took me to the General banking section under the supervision of Abu Salman Talukder. So, from February 20 to March 20, I started my internship from General banking section. In the General banking department, I did different jobs as per the official's requirement. Though I was not assigned for specific work and I did different customer management related jobs such as-

- To help Customers to fill up forms(account opening and pay order)
- To provide customers TBL's product & service associated information;
- Provide necessary information as per customers need.

Then from March 21 to May 20 I was assigned to work in the Retail Banking Unit under the supervision of credit officer Nazmul Alam Bhuiyan. I worked in Loan & Advance department and here I spent most of the time of my internship. So, this reports central theme is focused by my working experience with credit department of TBL. In Retail banking section, I gathered knowledge about various aspects of loan, and their marketing strategy. Also I learned how the credit officer analyze credit proposals and disburse loans. In retail banking department I did the following jobs:

- Creating folders of customers with all necessary documents.
- Making loan proposal documents
- Doing Head Office forwarding for loan approval.
- Filling up CIB form for customers and sending them to Bangladesh Bank for checking.

4.3 New skill development:

This internship program has facilitated me with development of different skills. Working in different department has introduced me the real life dealings of banks. I worked in TBL' both general and credit department and in both department I have performed certain duties. So, from my 3 months internship with Trust bank I have learned-

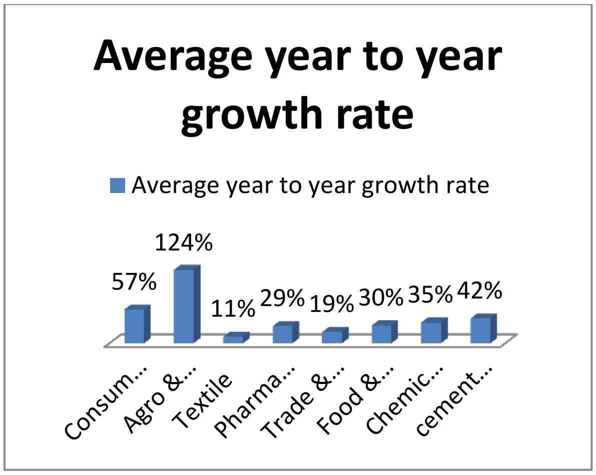
- How to apply the theoretical knowledge into real life.
- How to be professional at workplace.
- How to explore the real corporate world
- How to communicate with clients and employees professionally and so on.

4.4 Application of academic knowledge:

Internship is a required course for students to gain practical experience about the corporate world. In Internship we actually get a chance to apply our academic knowledge into the real life phenomenon. During my internship with TBL I got the opportunity to do so. As a finance major student in our 4 years BBA program I have learned many theoretical knowledge regarding banking and credit which I could practically relate and apply during working in the bank. So, by applying classroom knowledge into the practical life and by gaining experience from it made me possible to prepare this report.

Chapter V: Loans & Advances in TBL

5.1 loans provided by TBL in different sector (2010-2020):



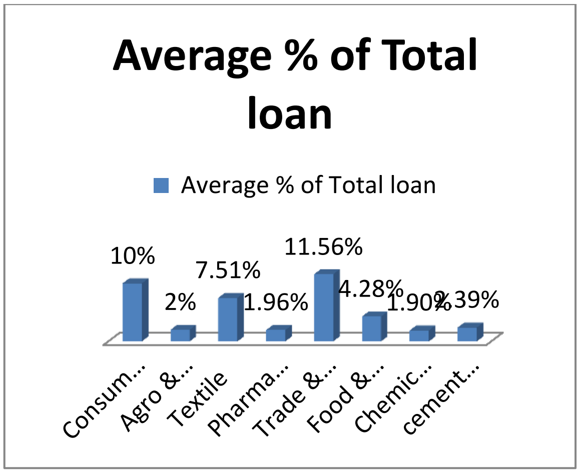


Figure 7: Average percentage of loan *Figure: 8 Average year to growth rate.*

These above shown charts illustrate average percentage of total loan and year to year growth rate of TBL's loan in different sectors from 2010 to 2020.In this analysis we took TBL,s last 10 years major lending sectors including consumer, textile, agro & fisheries, pharmaceutical, trade & commerce, food & allied, chemical & fertilizer, cement & ceramic industries to see their average percentage of total loan and growth rate.

If we look at the average percentage of loans provided by TBL- consumer loan (10%) trade & commerce (11.56%) & textile industries (7.51%) are the major sectors .Trust bank provides majority portion of its loan in these sectors compared to other sectors.

And if we see the average year to year growth rate - consumer loan (57%), agro& fisheries (124%), cement & ceramic (42%) chemical & fertilizer (35%) are the major growing sectors. That means, in these sectors amount of loans are increasing and decreasing more over years.

So, of those all types of loan we can see, consumer loan has a significant percentage of the total loan provided by TBL and in term of year to year growth rate its change is also very significant. Among of the total loan given by TBL consumer loan is 10% which is a significant percentage. Moreover, It's year to year growth rate is 57% which is also high although there were some downturn in some years.

Therefore, as the average growth rate and average percentage of consumer loan is high our main focus will be the consumer loan provided by trust bank limited.

5.2 Time series analysis of TBL Consumer loan:

Time series forecasting refers to a technique that predict the future value over a period of time. Time series forecasting develop models based on the previous data and apply them to make observations and guide future strategic decisions. Therefore, in time series forecasting we estimate the future by analyzing the trends of the past as well as assume that future trends will be similar to historical data or trends.

Here we will apply time series forecasting model to forecast the future total loan and consumer loan. For this analysis we took past 10 years (2010-2020) total and consumer loan amount of TBL and based on this historical data we will try to forecast the trends of total and consumer loan in next 5 years

Table 3: Forecasting of Total & consumer loan for next 5 years

Forecast

Model		2021	2022	2023	2024	2025
Consumer loan-Model_1	Forecast	35479950643	39032764791	42585578938	46138393086	49691207233
	UCL	53330565724	56883415595	60436310111	63989267128	67542304500
	LCL	17629335563	21182113987	24734847765	28287519043	31840109966
Total loan-Model_2	Forecast	231088200484	248592483929	266096767373	283601050817	301105334261
	UCL	257051471649	285310094133	311066472161	335527593146	359160973504
	LCL	205124929320	211874873724	221127062585	231674508488	243049695019

For each model, forecasts start after the last non-missing in the range of the requested estimation period, and end at the last period for which non-missing values of all the predictors are available or at the end date of the requested forecast period, whichever is earlier.

This output shows the forecasted total and consumer loan from 2021 to 2025 with upper control limit (UCL) and lower limit(LCL) on every year . This forecasting gives us a predicted range of total and consumer loan from 2021 to 2025 based the last 10 years(2010-2010) trends on these loans. We can see here the forecasted amount of total loan and consumer loan is increasing over years.

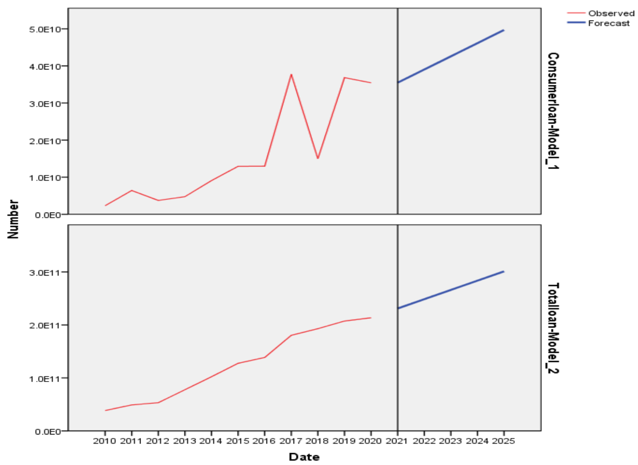


Figure 7 : Time series forecasting of total and consumer loan (2021-2025).

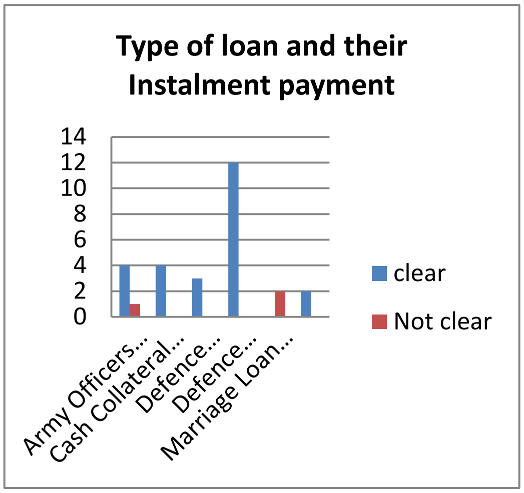
This graph shows the visual representation of our forecasting. Here, the red line indicates the historical data and blue line indicates the forecasted values. As shown in the graph, the historical total amount of loan curve is upward sloping and the consumer loan curve is also moving upward though there was a big ups and down in year 2017and 2018 but in next 2 years it adjusted with the previous trend. Thereby, in the forecasted outcome both of the curves are upward sloping which indicates in the next 5 years the total and consumers loan amount will be increasing as in the historical data there were upward trends.

So, from this time series forecasting we can predict that in next 5 years the total amount of loan and the amount of loan given to the consumer will increase for TBL

5.3 Demographic analysis of term Loan TBL cantt branch (2015, 2016):

Selected 30 sample data has been taken for this analysis. Here, we can see among these new issued loan in 2015 & 2016 most of the borrowers were male, service holder (BD Army) and their age group lies in between 27-57 years .The income range also same since most of them are service holder(BD Army). In terms of credit classification majority of the loan are ‘unclassified’ although 3 of them are listed as ‘bad loan’. The monthly installment payments of the unclassified loan are clear every month. Among the

Bad loans monthly installment were not clear as missing 12 payments makes a loan as a non performing loan or bad loan.



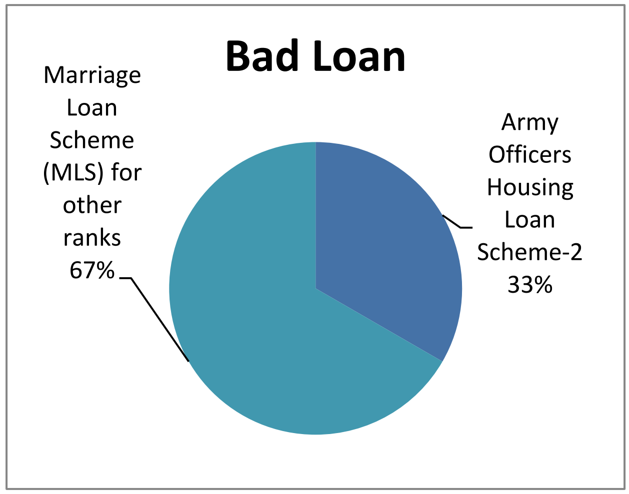


Figure 80: Type of loan and their installment payment

Figure 91: Bad loan percentage

Among the 5 different category of loan, marriage loan and one army officer's loan payment are found as not clear and the maximum time of missed payment is 12 months. Over the period 67% of BL is from marriage loan scheme (MLS) for other ranks and 33% is from Army officers housing loan scheme-2.

CHAPTER VI: CONCLUSIONS AND KEY FACTS

6.1 Key Understanding:

This report is largely focused on consumer loans, non-performing loans, demographic and time series analysis of total and consumer loan of TBL.

- From Our first analysis it can be stated- Trust bank consumer loan has a significant portion of their total loan and the average growth rate of this customer loan is also significant. So, TBL can set consumer loan as their niche marketing sector. This strategy may also help them to avoid financial down turn and widen their market segment.
- The next study was regarding demographic analysis of consumer loans of TBL cantt branch. Findings from this analysis are, TBL most of consumer borrowers are BD army service holder and hence by conducting demographic analysis not much variations have found. Also, their age group, income, gender and payment pattern is almost same.
- Lastly, by analyzing past 10 years consumer loan it’s been found that in next 5 years TBL’s consumer loan will be increasing over years.

6.2: Recommendations for improving departmental operations:

To remain competent in the competitive baking environment like other Financial Institution Trust bank should follow the best possible strategy in their overall operations otherwise they could become backdated. Following recommendation I would like to suggest for Trust bank-

- It has been found that Trust bank provides its service mostly to defense person and different army funds. They should expand more their service to the general public and other business organization as well.
- Since, its consumer credit sections have significant portion as well as growing it should work on this segment. They could make this segment as a niche marketing segment and thereby could minimize the risk of downturn.

- During internship, I found many customers dissatisfied with their ATM card service so TBL should take is seriously to ensure their customers better ATM facilities.
- Lastly, as TBL cantt is a busy branch so to handle the huge workload they should place more employees to provide better customer service.

6.3 Conclusion:

Trust Bank Limited has a significant contribution to the economic growth of our country. With their general banking, Loan-advance, foreign exchange activities, they are mobilizing the money as well as doing well for the economy. For developing the socio economic structure of the country TBL is doing various welfare projects and activities instead of focusing profit only. It also promotes the foreign currency transfer of our country as it is linked with many foreign banks. Therefore, by developing their image, goodwill and by offering excellent services to customers they doing their business successfully throughout the country .The success is also resulted from their dedication, commitment, and dynamic leadership of their management as a result during the short span of time, they successfully grabbed a position as 'a highly progressive and dynamic financial institution' in the country. The current position of TBL is satisfactory but they provide their service mostly on defense persons. Although it is one of their strength since the bank was founded and sponsored by The Army Welfare Trust. The chairperson of this bank is Chief of Army Staff and directors are also appointed by the Trust, that's why the sponsor does not have any problem for the fund. However, in the age of competition if the bank does not provide extraordinarily then it will be difficult to continue because everyone wants a better service. So, though they have some limitations, they are doing an enormous job for the economy. If they can reduce their limitations and introduce new ideas, they can do better in future.

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