

INTERNSHIP REPORT

ON

“Credit Management of Rajshahi Krishi Unnayan Bank, Birganj Branch, Dinajpur”



SUPERVISED BY

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M.B.A. (Evening), 4th Batch

(Major in Marketing)

Session-2014

HSTU, Dinajpur

This internship report is submitted to the faculty of Postgraduate Studies, Hajee Mohammad Danesh Science and Technology University, Dinajpur, in partial fulfillment of the requirements for the degree of M.B.A. (Evening)

Faculty of Postgraduate Studies

**HAJEE MOHAMMAD DANESH SCIENCE AND TECHNOLOGY
UNIVERSITY, DINAJPUR-5200**

OCTOBER, 2016

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ON

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Branch, Dinajpur”**



An Internship Report

By

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Session-2014

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**Hajee Mohammad Danesh Science and Technology University,
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OCTOBER, 2016

LETTER OF TRANSMITTAL

24 October, 2016

To
Md. Abdur Rouf
Lecturer
Department of Marketing
Faculty of Business Studies
HSTU, Dinajpur

Subject: Submission of Internship Report.

Dear Sir,

I am very pleased to submit my internship report on “**Credit Management of Rajshahi Krishi Unnayan Bank, Birganj Branch, Dinajpur**” which is essential requirement for the completion of M.B.A. (Evening) degree. All the information presented in this report is done with utmost sincerity and honesty. I have tried my best to make this report holistic and informative.

Apart from the academic knowledge gained, this internship program and preparation of this report have given me the opportunity to know about the marketing strategies and marketing mix of banking products in Bangladesh. I believe that, the experience I have acquired from this Internship program will be valuable asset in my life. Working with such an interesting program has given me the opportunity to achieve experience, which will be helpful in my future professional career.

However, there may be some mistakes or lacking due to some limitations. Therefore, I would be highly be obliged if you would kindly consider my limitations.

Sincerely Yours,

.....
Shamima Nasrin Akter
Student ID: E-140504021
M.B.A. (Evening), 4th Batch (Major in Marketing)
Faculty of Business Studies
HSTU, Dinajpur

STUDENT’S DECLARATION

The discussing report is the terminal formalities of the internship program for the degree of Bachelor of Business Administration (BBA), Faculty of Business Studies at Hajee Mohammad Danesh Science and Technology University, Dinajpur which is compact professional progress rather than specialized. This report has prepared as per academic requirement after the successfully completion of 45 days internship program under the supervision of my honorable supervisor **Md. Abdur Rouf**, Lecturer, Department of Marketing. It is my pleasure and great privilege to submit my report titled “**Credit Management of Rajshahi Krishi Unnayan Bank, Birganj Branch, Dinajpur**”, as the presenter of this report; I have tried my level best to get together as much information as possible to enrich the report I believe that it was a fascinating experience and it has enriched both my knowledge and experience.

However, after all this, as a human being, I believe everyone is not beyond of limitation. There might have problems regarding lack and limitation in some aspects and also some minor mistake such as syntax error or typing mistake or lack of information. Please pardon me for that mistake and clarify these at my further information on those matters.

.....
Shamima Nasrin Akter
Student ID: E-140504021
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Faculty of Business Studies
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SUPERVISOR’S DECLEARATION

I hereby declare that the concerned internship report entitled “**Credit Management of Rajshahi Krishi Unnayan Bank, Birganj Branch, Dinajpur**” is submitted by **Shamima Nasrin Akter**, Student ID: E-140504021, M.B.A. (Evening), 4th Batch (Major in Marketing), Session: 2014, Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200, completed her internship under my supervision and submitted for the partial fulfillment of the requirement of the degree of Master of Business Administration (M.B.A.) at HSTU, Dinajpur.

I wish her every success in life.

.....
Md. Abdur Rouf
Lecturer
Department of Marketing
Faculty of Business Studies
HSTU, Dinajpur

CO-SUPERVISOR’S DECLEARATION

I hereby declare that the concerned internship report entitled “**Credit Management of Rajshahi Krishi Unnayan Bank, Birganj Branch, Dinajpur**” is submitted by **Shamima Nasrin Akter**, Student ID: E-140504021, M.B.A. (Evening), 4th Batch (Major in Marketing), Session: 2014, Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200, completed her internship under my supervision and submitted for the partial fulfillment of the requirement of the degree of Master of Business Administration (M.B.A.) at HSTU, Dinajpur.

I wish her every success in life.

.....
Md. Main Uddin Ahammed
Lecturer
Department of Finance and Banking
Faculty of Business Studies
HSTU, Dinajpur

ACKNOWLEDGEMENT

All praises are due to Almighty Allah who enabled me to complete this report. The report titled as “**Credit Management of Rajshahi Krishi Unnayan Bank, Birganj Branch, Dinajpur**” has been prepared to fulfill the requirement of M.B.A. (Evening) degree. I am very much fortunate that I have received sincere guidance, supervision and co-operation from various respected people while preparing this report.

Many people helped me to prepare this report. First of all, I would like to thanks to my academic supervisor and co-supervisor of the internship program-**Md. Abdur Rouf**, Lecturer, Department of Marketing and **Md. Main Uddin Ahammed**, Lecturer, Department of Finance and Banking, for giving me the opportunity to prepare this report. Without their assistance, this report would not be a comprehensive one. Secondly, I would like to thank Dean Office of Business Studies Faculty of **HSTU**, where I received support of requirements of finishing the internship program and daily updates of university.

Then I would profusely like to express my gratitude to all the people from RAKUB, Birganj Branch, Dinajpur Zone (North) who has always been kind enough to answer my queries despite their extremely demanding work, I specially want to acknowledge **Ramanath Chandra Adhikari**, Manager, RAKUB, Birganj Branch, Dinajpur Zone (North), for his tremendous support, guidance and patience. Without his kind supervision, preparing this report would have been very difficult. I am also thankful to him for providing me all the relevant and available information to have a clear concept on the subject.

Finally, I thank all of my friends and my family members for their cordial attitude towards the preparation of this report.

ABSTRACT

This study of credit management of RAKUB, Birganj Branch, Dinajpur is an attempt to indicate the importance of credit management in financial institutions such as commercial banks, micro finances and others. Thus, the rationale behind for undertaking this study is to deeply investigate the causes of credit management problems and to suggest the possible solutions that enable the bank to run its operation in a safest way as credit is known to be the main stay of all banks.

The ability of banks to formulate and adhere to policies and procedures that promote credit quality and curtail non-performing loans is the means to survive in the stiff competition. Inability to create and build up quality loans and credit worthy customers leads to default risk and bankruptcy as well as hampers economic growth of a country. However, little work is done to search the ways and means that enable to quality loan creation and growth as well as to determine the relationship between the theories, concepts and credit policies both at country or regional level.

For the purpose of the study both primary and secondary data are used. Primary data is collected using semi structured questionnaires. The secondary data is collected from annual reports, directives, and bulletins of the bank. Descriptive statistical tools are used in analyzing the data collected. Hence, the nature of the Study is descriptive.

Finally, based on the findings possible recommendations are given. These include the issues impeding loan growth and rising loan clients complaint on the bank regarding the valuing of properties offered for collateral, lengthy of loan processing, amount of loan processed and approved, loan period, and discretionary limits affecting the performance of credit management.

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MY
BELOVED PARENTS

CHAPTER 1

INTRODUCTION

1.1 Introduction

Credit management is a term used to identify accounting functions usually conducted under the umbrella of Accounts Receivables. Essentially, this collection of processes involves qualifying the extension of credit to a customer, monitors the reception and logging of payments on outstanding invoices, the initiation of collection procedures, and the resolution of disputes or queries regarding charges on a customer invoice. When functioning efficiently, credit management serves as an excellent way for the business to remain financially stable.

The process of credit management begins with accurately assessing the credit-worthiness of the customer base. This is particularly important if the company chooses to extend some type of credit line or revolving credit to certain customers. Proper credit management calls for setting specific criteria that a customer must meet before receiving this type of credit arrangement. As part of the evaluation process, credit management also calls for determining the total credit line that will be extended to a given customer.

Several factors are used as part of the credit management process to evaluate and qualify a customer for the receipt of some form of commercial credit. This includes gathering data on the potential customer's current financial condition, including the current credit score. The current ratio between income and outstanding financial obligations will also be taken into consideration. Competent credit management seeks to not only protect the vendor from possible losses, but also protect the customer from creating more debt obligations that cannot be settled in a timely manner.

Loans have become increasingly packaged for resale, meaning that an investor buys the loan (debt) from a bank or directly from a corporation. Bonds are debt instruments sold to investors for organizations such as companies, governments or charities. The investor can then hold the debt and collect the interest or sell the debt on a secondary market. Banks are the main facilitators of funding through the provision of credit, although private equity, mutual funds, hedge funds, and other organizations have become important as they invest in various forms of debt. Financial assets, known as investments, are financially managed with careful attention to financial risk management

to control financial risk. Financial instruments allow many forms of securitized assets to be traded on securities exchanges such as stock exchanges, including debt such as bonds as well as equity in publicly traded corporations.

Central banks, such as the Federal Reserve System banks in the United States and Bank of England in the United Kingdom, are strong players in public finance, acting as lenders of last resort as well as strong influences on monetary and credit conditions in the economy.

Finance for a business can't be undervalued and can be said that it's the lifeline of a business and is required for its wellbeing. It can be said to be a lubricant which keeps the business running. Whether you have a small, medium or large business, you will always need finance, right from the beginning to promoting and establishing your product, acquiring assets, employ people, encouraging them to work for the development of your product and create a brand name. In addition to that, a current business may need finance for expansion or making changes to its products as per the market requirements.

Credit Management analysis is the process of determining the operating and financial characteristics of the firm from accounting data, profit and loss account and Balance Sheet. The goal of financial analysis is to determine the efficiency and performance of the firm's management as reflected in the financial records and reports. The financial analysis is a starting point for making plans before using any sophisticated, forecasting and planning procedure. Hence the main objective of financial analysis is to make a detailed study about the cause and effect of the profitability and financial condition of the firm. Financial statements generally refer to four basic statements the Income statements (i.e., Trading and Profit & Loss Account), the Balance Sheet, the Statement of Retained Earnings and the Sources and Uses of Funds Statements. The Financial Statements, taken together, give the accounting picture of the firms operations and financial position. Sound financial health of a bank is the guarantee not only to its depositors but is equally significant for the shareholders, employees and whole economy as well. As a sequel to this maxim, efforts have been made from time to time, to measure the financial position of each bank and manage it efficiently and effectively. With the integration of Indian financial sector with the rest of the world, the concept of banks and banking has undergone a paradigm shift. Before financial reforms, Indian Banks were

enjoying, in a protected environment with a strong cushion of the government and their banks.

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Financial performance analysis is used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. It refers to an assessment of the viability, stability and profitability of a business, sub-business or project.

Financial performance analyses assess the bank's profitability, solvency, liquidity and stability. Profitability is its ability to earn income and sustain growth in both short-term and long-term. A company's degree of profitability is usually based on the income statement. Solvency is its ability to pay its obligation to creditors and third parties in the long term. Liquidity is its ability to maintain positive cash flow, while satisfying immediate obligations. Stability is the firm's ability to remain in business in the long run, without having to sustain significant losses in the conduct of its business. Assessing a company's stability requires the use of both the income statement and the balance sheet.

1.2 Objective of the study:

1. To assess the condition of credit management system of Rajshahi Krishi Unnayan Bank, Birganj branch, Dinajpur.
2. To assess the loan disbursement position of Rajshahi Krishi Unnayan Bank, Birganj branch during 2011 to 2015.
3. To assess the loan recovery position of Rajshahi Krishi Unnayan Bank, Birganj branch during 2011 to 2015.

1.3 Methodology of my study:

The present study is concerned with the analysis of Credit Management system of the RAKUB, Birganj Branch. The approach adopted is basically analytical and interpretation in nature considering the objectives of the study.

This study uses primary and secondary sources of data.

1. *Direct interview;*
2. *Personal communication;*

To prepare this report I used the following methods of data collection.

1. Direct interview methods.

I have collected information and data by direct interviewing of the executives and officers of the RAKUB, Birganj Branch. For the purpose of interview I had prepared a set of questionnaire as the direction of my supervisor.

2. Personal communication.

I have gathered data through personal discussion with the officers of different level employees of the Birganj Branch. They provide information about banking operations. Other information have been collected by personal discussion the coordinating officer, accounts officer

1. **Time lags:** There was very short time to complete this study program properly. So, I had to conduct with all functions within short time.
2. So, I could not able to interview with more respondent and covering survey area.

CHAPTER-2

RAKUB AT A GLANCE

2.1 Introduction

The Name of the institution is Rajshahi Krishi Unnayan Bank (RAKUB): As the largest development partner in the northwest region Rajshahi Krishi Unnayan Bank aims at overall development of the farmers and all the sectors and sub-sectors of agriculture in this region. Besides catering to agricultural credit, financing agri-business and agro-based industries and poverty alleviation programs the bank performs commercial banking functions.

2.2 RAKUB

Bangladesh is agriculture based country from the very beginning. Most of the people depend on agriculture. From British period to date farmers of this country were dominated in various ways. To save the farmers from village money lenders British Govt. took step in special program in order to disburse the agri-loan to the farmers in 1905.

Therefore, in 1932 India-British Govt. took a step for the socio-economic development of the small and marginal farmers of Bengal to disburse agri-loan.

The Government of Pakistan period (1952) established a financial institution named "Agricultural development finance corporation" (ADFC) on account of disbursement of loan in agricultural sector. Feeling the importance of agri-production and agri-loan the Pakistani Govt. established another bank namely "Pakistan Krishi Bank" in 1957. After liberation Bangladesh Govt. denoted the Pakistan Krishi Bank as Bangladesh Krishi Bank (BKB) in 1973 according to the Presidential order 27. As Bangladesh is an agro-based country, the demand for the agri-loan of Krishi Bank has been increased highly. To manage agri-loan it became very difficult for Dhaka based head office of Krishi Bank in the remote areas of the country. For this reason the government wanted to decentralize the Krishi Bank in the divisional areas. The people of the northern areas of Bangladesh are lagging behind in all respects than the other parts of the country. That is why in 1986 according to the president's ordinance no 58 Rajshahi Krishi Unnayan Bank (RAKUB) was established. From March 15, 1987 RAKUB started its functioning.

2.3 Objectives of RAKUB

The main goals of RAKUB are as follows:

- a) To provide credit facilities for all kinds of agricultural and agro- based economic activities keeping in view the needs of small and marginal farmers.
- b) To earn a normal profit for meeting the operational expenses, building of reserve and expansion of activities to cover wider geographical area.
- c) To extend counseling and advisory services to the borrowers/ entrepreneurs etc. in utilizing credit facilities of the Bank.

2.4 Functions of RAKUB

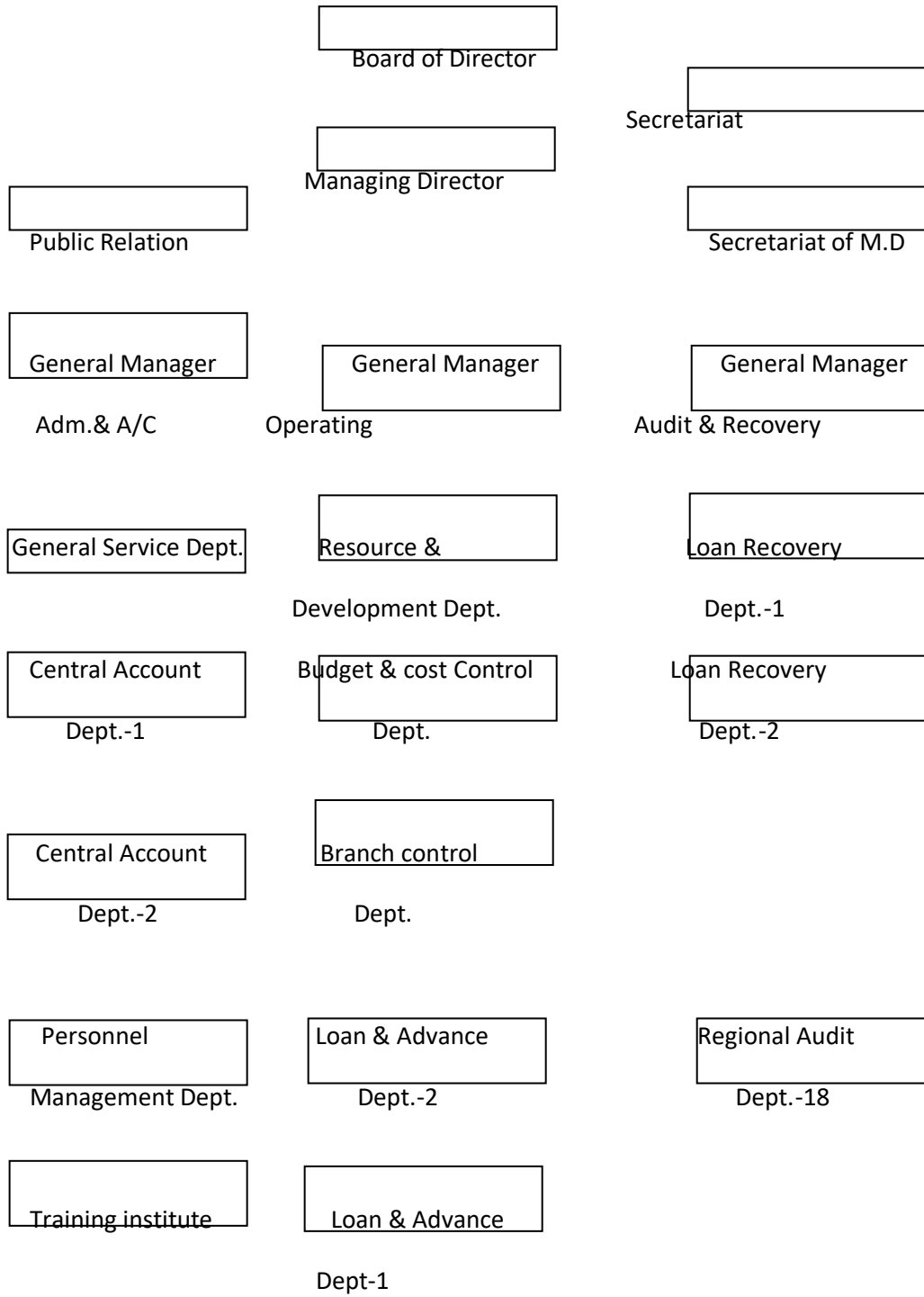
As the largest development partner in the Northwest region, RAKUB aims at overall development of farmers and all the sectors and sub-sectors of agriculture in this region. Besides, catering to agricultural credit financing, agro-business and agro-based industries and poverty alleviation programs the bank performs ancillary banking functions.

A seven-member Board of Directors is entrusted with the responsibility of policy formulation for promotion of growth in agriculture leading to economic development of the country through agricultural credit support. The government appoints all the directors of the board. Also an executive committee constituted by the Chairman and two other directors including the Managing Director is there for taking emergency decisions. The Managing Director is the chief executive of the Bank.

2.5 Organizational Structure

The Head Office of the bank is stationed at Rajshahi. The branch-network comprises 349 branches including one in Dhaka. Five zonal and thirteen offices. The bank has a training institute located at Rajshahi. Total workforce of 4117 as on 30-04-2015 was composed of 2008 officers and 2109 other staffs. Regional offices stationed in district headquarters control branches under them. There are independent regional audit offices for conducting regular audit in branches as well as in regional and zonal office.

ORGANIZATIONAL STRUCTURE



LPO	Dhaka	Zonal	Regional	Regional	Regional	Zonal	Regional
	Zona	office	office	office	office	office	office
	Branch	Rajshahi	Naugan	Nawabgong	Natore	Pabna	Sirajganj

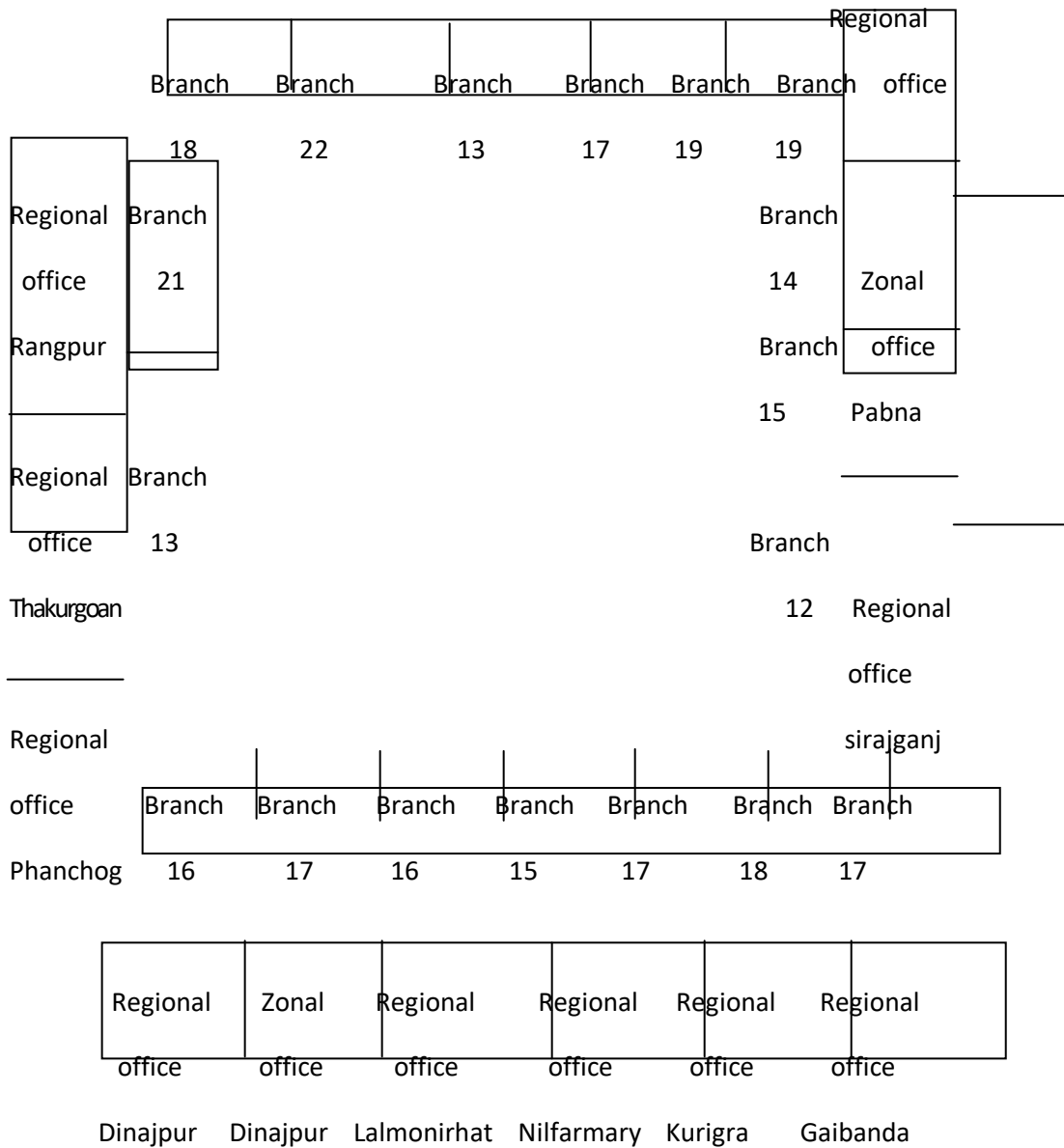


Fig. 1: Organizational Structure

2.6 Organizational set-up

The affairs of business of the bank are managed through three functional tiers:

- The Head office

- The zonal/Regional offices
- The Branches.

A) HEAD OFFICE:

The head office of RAKUB is located at 280 km far from capital city Dhaka, North-west divisional city Rajshahi. All operation is control by head office. The managing Director is assisted by the three following functional divisions. Each headed by a General Manager:

- ◇ Administration and Accounts Division.
- ◇ Operation Division.

The three divisions further divided into 12 departments are as follows:

Administration and Accounts Department

- ◇ Personnel Department
- ◇ Common Services Department
- ◇ Central Accounts Department-I
- ◇ Central Accounts Department-II

Operation Division:

- ◇ Branches control Department.
- ◇ Loans and Advances Department-I
- ◇ Loans and Advances Department-II
- ◇ Research and Development Department.
- ◇ Budget and Expenditure Control Department.

Audit and Recovery Division:

- ◇ Loan Recovery Department-I
- ◇ Loan Recovery Department-II
- ◇ Audit and Inspection Department

For each division there is a general. Who is the head of that division?

B) Branch Network:

Table 1: Region wise total branches (Up to June 2015)

Rajshahi	20
Naogaon	26
Natore	20
Chapai Nawabgonj	16
Bogra (North)	18
Pabna	22
Jaipurhat	15
Rangpur	25
Gaibandha	23
Nilphamari	20
Kurrigram	17
Lalmonirhat	17
Dinajpur (North)	18
Dinajpur (South)	17
Thakurgoan	18
Panchagarh	1
Dhaka	1
L.P.O (Rajshahi)	349

C) Supervision and control:

The zonal offices are headed by Deputy General Managers while Regional offices by Assistant General Managers.

D) Vigilance:

The functions of the Audit offices are to keep the branches regular. The Audit offices accomplish auditing of the branches on half-yearly basis Regional Audit offices are directly controlled by the audit and Inspection Department of the head office and by no way influenced by the local Regional on zonal offices.

E) Training Institute:

The only training Institute at Rajshahi Imparts training to the junior and mid-level officers and other staff according to the annual training program designed on such subjects of professional interest as management of credit and accounts. Commercial banking, audit and inspection etc.

2.7 Capital and its sources:

RAKUB is a governmental banking institute. So the main sources of Capital are government fund, Details are as follows-

- 1) Authorized capita : Tk.150 core.
- 2) Paid up capital : Tk.150 core (up to 30 June-2015)
- 3) Reserve capital : Tk.208.80 (In million, As at June-2015)
- 4) Deposit from customers : Tk.1088.50 core (up to 30 June-2015)
- 5) Loan disbursement : Tk.676.73 core.
- 6) Recovered loan : Tk.626.02 Core.

2.8 Employee summary (Up to May- 2015):

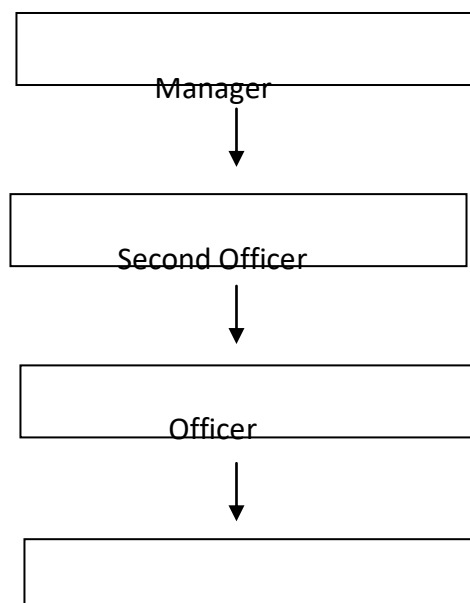
Table 2: Employee summary

Designation	Authorized	Exist
1.Managing Directors (MD)	01	01

2.Deputy Managing Directors (DMD)	01	01
3.General Manager (GM)	03	03
4. Deputy General Manager(DGM)	25	16
5.Assistant general Manager(AGM)	48	32
6.Senior Principal officer(SPO)	120	90
7.Principal officer(PO)	319	235
8.Senior officer(SO)	594	469
9.Officer	897	770
Total Officer →	2008	1617
10.Other Employee	2163	1970
Total →	4171	3587

Source: Personnel Department of RAKUB.

2.9 Organizational structure of RAKUB in Birganj Branch:



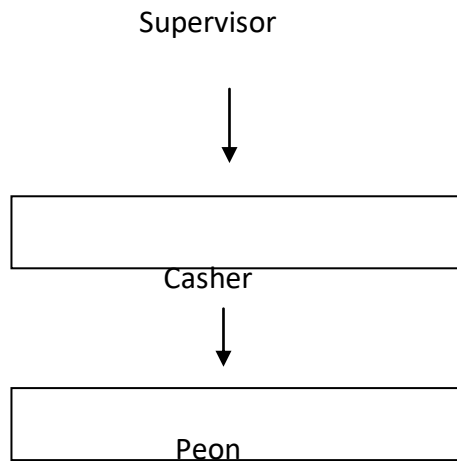


Fig. 2: Organizational structure of RAKUB in Birganj Branch

2.9.1 Accounting procedure:

The main objectives of maintaining the accounting procedure of RAKUB Birganj Branch are to achieve the following goals.

1. To record day-to-day transaction
2. To reflect the financial position periodically
3. To supply necessary information for monitoring the bank activities

In this cash transaction, other transaction are recorded in the books of accounts under the double entry system. In this bank, generally two types of books are used.

A. Control Books:

It represents the immediate accounting picture of the bank at any time and it includes-

1. Cash Scroll Book
2. Clean Cash Book
3. General Ledger Abstract
4. Supplementary ledger Book

B. Subsidiary Books:

Subsidiary Books are used to affianc the total particulars in General ledger and it includes

1. Saving account ledger
2. Fixed deposit ledger
3. Income ledger
4. Expenses ledger
5. The general ledger of RAKUB,

2.10 Financial Statement



রাজশাহী কৃষি উন্নয়ন ব্যাংক RAJSHAHI KRISHI UNNAYAN BANK

The largest development partner in agriculture of the north-west Bangladesh
(An Organization of People's Republic of Bangladesh)

FINANCIAL STATEMENT 2014-2015

BALANCE SHEET AS ON 30 JUNE 2015			PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 30 JUNE 2015			HIGHLIGHTS ON THE OVERALL ACTIVITIES OF THE BANK FOR THE YEAR 2014-2015 & 2013-2014		
PARTICULARS	30-06-2015 (TAKA)	30-06-2014 (TAKA)	PARTICULARS	30-06-2015 (TAKA)	30-06-2014 (TAKA)	PARTICULARS	30-06-2015 (TAKA)	30-06-2014 (TAKA)
Assets & Properties:			Interest Income	4,747,592,064	4,158,928,185	1. Paid-up-Capital	6,450,000,000	5,700,000,000
Cash in Hand:	2,339,597,023	2,111,641,060	Less: Interest paid on Deposit and Borrowing	2,958,395,955	2,534,721,514	2. Total Capital	(3,616,900,000)	(4,849,763,240)
Cash in Hand (Including Foreign Curr.)	139,811,442	121,896,599	Net Interest Income	1,789,196,109	1,624,206,671	3. Capital Surplus/ (Deficit)	(7,616,900,000)	(8,849,800,000)
Balance with Bangladesh Bank & Sonali Bank	2,199,785,581	1,989,744,461	Income from investment	-	249,582	4. Total Assets	63,395,259,624	57,245,526,942
Balance with Other Bank & Financial Institution	7,985,883,567	7,478,241,434	Commission, Exchange & Brokerage	21,520,413	22,184,805	5. Total Deposit	36,287,070,371	30,501,300,965
Investment	1,413,451,300	1,412,938,700	Other Operational Income	177,155,030	162,245,536	6. Total Loans & Advances	47,577,154,381	44,557,802,949
Receivable from Government	454,636,410	-	Total Operational Income	1,987,871,553	1,808,886,594	7. Total Contingent Liability	-	-
Loans and Advances	47,577,154,381	44,557,802,949	Salary and Allowances	1,706,842,601	1,640,932,087	8. Loan Deposit Ratio	1:1	1:1.01
Land, Building & other fixed Assets	338,950,477	308,709,663	Rent, Taxes, Insurance, Lighting etc.	70,557,785	67,972,923	9. Ratio of Classified Loan against Total Loan & Advances	1:0.22	1:0.33
Other Assets	3,285,586,466	1,376,193,136	Law charges	490,655	374,674	0. Profit/ (Loss) after Tax	33,592,428	(5,131,591,921)
Total Assets	63,395,259,624	57,245,526,942	Postage, Telegram, Telephone and Stamp	5,012,580	5,402,142	1. Amount of Classified Loan	10,122,220,220	14,694,701,244
Liabilities & Capital:			Stationary, Printing and Advertisement	26,978,568	25,765,559	2. Provision against Classified Loan	6,000,579,454	6,233,886,949
Liabilities:			Pay and Allowances of Managing Director	769,620	889,620	3. Provision Surplus/ Deficit	-	-
Borrowing from other Banks and Agents	14,262,365,756	16,926,843,986	Directors Fee	811,597	842,536	4. Cost of Fund	9.94%	10.55%
Deposits and other Accounts	36,287,070,371	30,501,300,965	Audit Fee	950,000	950,000	Interest Earning Assets	50,955,161,553	47,127,714,019
Other Liabilities	16,911,994,309	14,667,145,231	Expenditure for Interest Remission	6,048,106	21,705,651	Non Performing Assets	12,440,098,071	12,506,432,553
Total Liabilities	67,461,430,436	62,095,290,182	Depreciation and Repairs of Bank Property	46,442,712	49,194,666	Return on Investment (ROI)	0%	0%
Capital			Other Expenses	68,318,401	65,678,658	Return on Assets (ROA)	10.20%	9.76%
Paid-up Capital	6,450,000,000	5,700,000,000	Total Operational Expenses	1,933,222,625	1,879,708,516	Interest on Investment	5,700,000,000	5,700,000,000
Other Reserves	208,490,150	208,490,150	Profit/ (Loss) before Provision	54,648,928	(70,821,922)	Income per Share	(3,616,900,000)	(4,849,763,240)
Profit & Loss Account	(10,724,660,962)	(10,758,253,390)	Provision for Loan	43,000	5,060,769,999	Income per Share	(7,616,900,000)	(8,849,800,000)
Total Shareholders Equity	(4,066,170,812)	(4,849,763,240)	Provision for Loss from Investment	6,013,500	-	Income Price Ratio	63,395,259,624	57,245,526,942
Total Liabilities & Shareholders Equity	63,395,259,624	57,245,526,942	Profit/ (Loss) before Tax	48,592,427	(5,131,591,921)		36,287,070,371	30,501,300,965
Total Off Balance Sheet Items	-	-	Profit/ (Loss) after Tax	33,592,428	(5,131,591,921)			
Contingent Liabilities	-	-	Surplus	33,592,428	(5,131,591,921)			

Sd/-
(ATA KHAN & Co.)
Chartered Accountants

Sd/-
(MALEK SIDDIQUI WALI)
Chartered Accountants

Sd/-
(Md. Younus Ali)
Deputy General Manager

Sd/-
Md. Saiful Islam
Director

Sd/-
Mohammad Fazlur Rahman
Director

Ab
(Dr. Md. Shahidul Islam)
Director

Sd/-
(Md. Mahubul Alam)
Director

Sd/-
(Prof. Md. Abaydur Rahman Pramanik)
Director

Sd/-
(Prof. Dr. Madan Mohan Dey)
Director

Sd/-
(Saifuddin Ahmed)
Director

Ab
(Md. Diwar Bakht)
Director

Sd/-
(Helaiddin Ahmed)
Director

Sd/-
(Marjuz Ahmed)
Managing Director

Sd/-
(Prof. Dr. M. Shah Nowaz Ali)
Chairman

Cash flow statement for the year ended on June 30, 2015		
Particulars	2014-2015 Taka	2013-2014 (Taka)
Cash flow from operating Activities:		
Interest receipts in cash	4,747,592,064	4,158,928,185
Interest paid in cash	(2,958,395,955)	(2,534,721,514)
Interest received in cash	1,789,196,109	1,624,206,671
Fees & commission receipts in cash	73,842,268	74,801,405
Cash receipts against loans previously written-off	-	-
Cash payment to employees	(1,708,423,818)	(1,642,664,243)
Cash payment to suppliers	(97,536,353)	(93,738,482)
Cash payment of income tax	(15,000,000)	-
Cash received from other operational activities (Sector wise)	124,833,176	109,878,518
Cash repayment against other operational activities (Sector wise)	(133,318,954)	(5,204,075,790)
	33,592,428	(5,131,591,921)
Cash flow before changes in operating assets and liabilities	33,592,428	(5,131,591,921)
Changes in operating assets and liabilities		
Increase/(Decrease) due to sale-purchase of trading Security	-	-
Increase/(Decrease) due to change in loans and advances to Banks	-	-
Increase/(Decrease) due to change in loans and advances to customers	(3,019,351,432)	(2,837,510,035)
Increase/(Decrease) due to change in other assets (Sector wise)	(1,909,393,330)	1,657,279,621
Increase/(Decrease) due to change in deposits from other Banks	-	-
Increase/(Decrease) due to change in deposits from customers	5,785,769,406	8,215,485,674
Increase/(Decrease) due to change in other liabilities paid to customers	-	-
Increase/(Decrease) due to change in trading liabilities	-	-
Increase/(Decrease) due to change in other liabilities	2,244,849,078	6,302,558,159
Net received from operating activities	3,101,873,722	13,337,813,419
Cash flow from investment activities		
Cash received from sale of Securities	-	-
Cash payment for purchase of Securities	-	-
Increase/(Decrease) due to sale of property, plant and equipment	88,445,476	(66,784,226)
Increase/(Decrease) due to subsidiary sale-purchase	(118,688,290)	108,893,992
Net cash in investment activities	(30,240,814)	42,109,766
Cash received from financial activities		
Cash received from borrowings and debt security issues	6,976,981,056	11,534,964,833
Cash payment for release of borrowings and debt securities	(9,841,459,286)	(14,828,916,121)
Cash securities from general share issues	750,000,000	-
Received from Govt. against provision for 1 st classification	-	-
Net cash received from financial activities	(1,914,478,230)	(3,293,951,288)
Net cash increase/ (Decrease)	1,190,747,107	4,954,379,976
Effect of change in exchange rates of cash & cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	10,548,184,786	5,593,804,810
Cash and cash equivalents at the end of the year	11,738,931,893	10,548,184,786

Statement of Changes in equity for the year ended on 30 June 2015					
Particulars	Paid up capital	Statutory reserve	Other reserve	Profit/Loss	Total Taka
Balance as on 1 July, 2014	5,700,000,000	-	208,490,150	(10,758,253,390)	(4,849,763,240)
Changes accounting procedure restated balance	-	-	-	-	-
Surplus/deficit due to revaluation of properties	-	-	-	-	-
Deficit/surplus due to revaluation of investments	-	-	-	-	-
Deficit/ surplus due to change in Currency exchange rates	-	-	-	-	-
Receipt/loss not included in income statements	-	-	-	-	-
Net profit during the period	-	-	-	33,592,428	33,592,428
Issue of Share Capital	750,000,000	-	-	-	750,000,000
Balance at June 30, 2015	6,450,000,000	-	208,490,150	(10,724,660,962)	(4,066,170,812)
Other Reserves					
General Reserve					77,106,905
Special Reserve					59,862,867
Reserve for Bank Building and staff quarter					70,049,500
Reserve for unforeseen losses					1,470,878
Total other Reserve					208,490,150

Statement of Liquidity Status as on 30 June 2015						
(Maturity details of assets and liabilities)						
(Fig in TK)						
Particulars	Below 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Assets						
Cash in hand	577,597,023	-	-	1,762,000,000	-	2,339,597,023
Cash with other banks and financial Institutes	1,005,883,567	6,980,000,000	-	-	-	7,985,883,567
Cash payable at short notice	-	-	-	-	-	-
Investments	-	-	1,801,300	486,286,410	1,380,000,000	1,868,087,710
Loans and Advance	2,200,000,000	3,500,000,000	7,500,000,000	8,000,000,000	26,377,154,381	47,577,154,381
Land, building, furniture, equipments and fixed assets	-	-	-	200,000,000	138,950,477	338,950,477
Other assets	-	100,000,000	600,000,000	650,000,000	1,935,586,466	3,285,586,466
None-Banking assets	-	-	-	-	-	-
Total assets	3,783,480,590	10,580,000,000	8,101,801,300	11,098,286,410	29,831,691,324	63,395,259,624
Liabilities						
Borrowings from Bangladesh bank, other banks, financial institution and agents	100,000,000	2,302,000,000	3,500,000,000	5,000,000,000	3,360,365,756	14,262,365,756
Deposit other accounts	2,500,000,000	2,500,000,000	3,800,000,000	4,000,000,000	23,487,070,371	36,287,070,371
Provision and other liabilities	-	-	300,000,000	800,000,000	15,811,994,309	16,911,994,309
Total liabilities	2,600,000,000	4,802,000,000	7,600,000,000	9,800,000,000	42,659,430,436	67,461,430,436
Net liquidity difference	1,183,480,590	5,778,000,000	501,801,300	1,298,286,410	(12,827,739,112)	(4,066,170,812)

Sd/- (ATA KHAN & Co.) Chartered Accountants
 Sd/- (MALEK SIDDIQUI WALI) Chartered Accountants
 Sd/- (Md. Younus Ali) Deputy General Manager
 Sd/- Md. Saiful Islam Director
 Sd/- Mohammad Fazlur Rahman Director
 Ab (Dr. Md. Shahidul Islam) Director
 Sd/- (Md. Mahubul Alam) Director
 Sd/- (Prof. Md. Abaydur Rahman Pramanik) Director
 Sd/- (Prof. Dr. Madan Mohan Dey) Director
 Sd/- (Safuddin Ahmed) Director
 Ab (Md. Dilwar Bakhsh) Director
 Sd/- (Helaluddin Ahmed) Director
 Sd/- (Manjur Ahmed) Managing Director
 Sd/- (Prof. Dr. M. Shah Nowaz Ali) Chairman

CHAPTER-3

ACTIVITIES OF RAKUB

3.1 Introduction:

RAKUB is the largest source of agricultural credit in Rajshahi division. Besides supplying agricultural credit, the bank extends its credit facilities to employment and income-generating agro based industrial and commercial activities, diversified of farm rural economic activities and poverty alleviating programs, a part from these, the bank. RAKUB has been playing an active role in the rural economy for serving the purpose of achieving cherished goal of national economic development through agriculture development.

3.2 The main activities of RAKUB:

a) Disbursement of Loans:

◆ Major item of loan disbursement:

- A. Crops loan
- B. Live stock
- C. Agro based industrial loan
- D. Fishery
- E. Continuous
- F. Poverty alleviation
- G. Irrigation equipment & Firm machinery
- H. Cottage Industry

◆ **Interest on credit:**

Table 3: Interest on credit

Particular's	Rates (in %)
Crops	8%
Exports	9%
Working Capital	10%
Commercial	14%
Others of Firm	14%
Cottage industry	12%

b) Recovery of Loan:

When a bank or other financial institutions distribute a loan to other organization or people, then after regaining from lonee it is called loan recovery, RAKUB, Birganj Branch, Distributed loan to loanee and recovers this money. RAKUB, Birganj Branch, recover's loan under two basis-

- a. Unclassified loan, and
- b. Classified loan

c) Deposit mobilization:

Deposit is the most important source of ready to invest fund. The Bank initiated a special drive for collecting low cost deposit. A significant number of people in northwestern Region are under employed with near

To zero marginal income. Out of total 349 branches 208 are located at union level. As such, the bank continued small savings schemes suitable for this section of people and tried hard for hunting institutional deposits.

3.3 Like other banks, the general banking activities of RAKUB are given below:

3.3.1 Opening an account:

To its customers RAKUB gives opportunity to open an account like other banks.

The following things are considered to open an account:

- ↳ Observing whether the application form is properly filled in.
- ↳ Getting an preserving specimen signature of a customer
- ↳ Taking initial deposit in cash.

Special types of account: Basically a person whose age is 18 years or more can be competent to open an account with the bank. But there are some special types of account holder like joint account, minor account illiterate person account, blind person account, Deaf and dumb account etc.

Who cannot open an account: The following parties can never open an account with the bank-

- ↳ The person who is still bankrupt.
- ↳ The person whose mind is unsound.
- ↳ The person who is totally mad.

3.3.2 Different Types of Accounts:

The other accounts that RAKUB allows opening for its customer are given below:

- 1. Current account:** From this account any amount is deposited and drawn in any time of office hours. There is no interest on current account. Loan is sanctioned based on it. This account is opened with a recommendation Tk.1000. Total amount of current A/C in Birganj Branch of RAKUB is Tk 7050000 (27.02.15)
- 2. Savings Account:** Savings accounts opened for the customers except companies or firm and co-operative society. Money is withdrawn 2 times a week and deposited any time of office hours from this accounts Tk.50 is Required to open this account. There is 4% interest on saving account. Total amount of saving A/C in Birganj branch of RAKUB is Tk.9388000 (27.02.15)
- 3. Short Term Deposit Account:** Short- term deposit account is opened for company/firm/government administrative body. This account is operated like current account. If 7 days written notice is placed to the bank in every withdraw, then the bank gives 2.5% interest on S.T.D. In the present time the total amount of STD A/C in Birganj branch of RAKUB is Tk.3680000 (27.02.15)
- 4. Deposit Pension Scheme (DPS):** In this Savings Scheme a person is given an opportunity for getting an attractive amount at the end of the specified term.

The size of monthly installments is Tk.100, Tk.200, Tk.300, Tk.400 and Tk.500 which is to be deposited within 1st week of a month. This scheme is not operating in RAKUB rather the old account is continuing. There is 15% interest of D.P.S.

5. **RAKUB pension saving Scheme (RPS):** RPS is a special produce of this bank. This Scheme is same as D.P.S but its interest rate is lower than D.P.S.

In present time the total amount under this Scheme is Tk.3866000

6. **Fixed Deposit Receipt (FDR):** This is a deposit Scheme where an instrument is issued for the full amount payable after a specified period against deposit of a certain amount.

Duration of various FDR & rates of interest against them are as follows:

Table 4: Fixed Deposit Receipt (FDR)

Duration	Rate of Interest
3 months & above but below 6 months	6.00%
6 months & above but below 1 year	6.25%
1 year & above but below 2 years	6.50%
2 years & above	7.00%

Total amount of FDR in Birganj Branch of RAKUB is Tk.3372000 (27.02.15)

3.3.3 Remittance:

The Birganj Branch of RAKUB transfers money from one branch to another in following ways-

Demand Draft (DD):

DD is the most popular instrument of remitting fund. It is an order to pay money drawn by one branch Payable to another branch on demand. DD is issued in against at Tk.15

commission up to Tk.1000. When the limit exceed commission amount increased in a certain rate.

Mail Transfer (MT):

This branch transfers money another branch of this bank in another place in against of commission money of this security paper has to be transferred to an account of another branch. Here the bank commission is Tk.1.5 per Tk.1000 and the postal charge is Tk.10.

Telegraphic Transfer (TT):

It is the quickest method of remitting fund from one place to another. In this procedure no instrument is sent to the paying branch. Only message is sent over telephone or telex and the paying branch makes payment after getting message. Due to lack of technology this branch cannot operate TT.

Payment order (PO):

It is a written document. This PO can be encased on that branch from where it is issued. Several supplier organizations use this PO and here no account is needed to open with bank. It is issued locally.

RAKUB becomes popular by following ways above.

3.3.4 Pure or Clean Cash Book.

When the vouchers are closed the accounts are written in the pure cashbooks. It may be either deposit or expense. The transactions of each bead, which have been occurred, are written in the specific age of the cashbook under a specific head and debit and credit total are determine. Thereafter, total of the each head is written in the right page of the clean pass book. But in the cash book the closing balance of the previous day is shown as initial balance for the next day. Then the closing balance is determined for that day.

3.3.5 General Ledger:

The transaction is carried out to the general ledger to find out the mistake of the clean cashbook. General ledger is not carried out in different name but come in main head. Ledger credit and debit balance must be equal.

3.3.6 General Ledger Abstract:

The debit and credit balance of various accounts makes general ledger abstract. The debit and credit balance of the accounts are maintained in the abstract in the debit and credit side respectively. Since the double entry system is maintained therefore its debit and credit balance are equal.

3.3.7 Voucher:

Voucher is a kind of document, which as a proof of accuracy Birganj Branch of RAKUB treats it as a journal. The following vouchers are used in RAKUB-

- ☞ Debit Voucher: It's used for expenditure. Its color is white.
- ☞ Credit Voucher: It's used for received. Its color is green.
- ☞ Transfer Voucher: This voucher is used to transfer taka. from one Account to another in case of inter banking, its color is yellow.
- ☞ Debit and credit voucher is used to file or in books.
- ☞ Transfer voucher is used in the bank.

3.3.8 Cash scroll:

At first those transactions are maintained in this cash scroll by the authorized officer, which occurred every day. Thereafter the cashier maintained those transactions in daily transaction register. For this official member are followed.

3.3.9 Loan and advance:

RAKUB was established mainly on the objective of the development of agriculture. But RAKUB not only delivers agricultural loan but also disburses different loan, such as:

A) Agriculture credit:

RAKUB is a specialized bank and its main objective is to improve the agricultural production. For this reason it provides basically agricultural credit.

B) Cash Credit:

It is a common lending with this arrangement the borrower is allowed to borrow money up to a certain limit. But the borrower is not required to withdraw the sanctioned amount at once.

He can draw money when he requires and also can put back money onetime. Interest is charged only the amount withdrawn not on the total amount sanctioned.

C) Advance against deposit:

This bank provides credit to the depositors under the following program-

- ✦ Advance against fixed deposit
- ✦ Deposit pension scheme
- ✦ Short term over draft

The bank imposes some conditions in giving those loans. The required conditions are:

- ✦ Land ownership
- ✦ Fixed margin
- ✦ Necessary deposit etc.

3.4 Special Programs:

Some special programs introduced in the previous years continued in 2014-2015. Those programs and some area based special programs undertaken by the bank cited below.

- Expanded Maize Cultivation

- Nursery for Medicinal plant and orchid
- RAKUB Milk village
- Small scale poultry

3.4.1 Poverty Alleviation Program:

- RAKUB self help credit program (RSCP)
- Potato seeds production program
- Cotton Production program
- Fresh water Shrimp culture
- Fisheries & Live stock Department RAKUB joint program
- Poverty alleviation Through Goat rearing program
- Credit for small scale Tea plantation project

3.4.2 Foreign Aided Projects:

Two foreign aided credit programs namely SECP (Small Enterprises Development Credit Project) & NCDP (North- West Crop Diversification Project) were introduced during the year 2014-2015.

3.5 Some other activities are:

- ◊ Long-term fund management.
- ◊ Human Resource Development Program.
 - Main objectives of HRD program were-
 - Enhancing self-motivation of the bank employees.
 - Creating congenial working atmosphere
 - Increasing professional skill through effective training programs
 - Introducing need-based and output oriented training.

3.6 RAKUB perspective plan (2006 through 2015)

The bank has been earning profit after introduction of RAKUB reform program in 1999. The bank under took a mid-term evaluation of the Reform program and on the basis of its recommendations launched a long-term perspective plan to mitigate the total outstanding loss of Tk 1750 million within nine years (2006 through 2015). The program envisions to offset the aforesaid amount of loss and turn the bank to be a profit making enterprise in real terms by the year 2015. To start with (2006) RAKUB introduced PARL (Participation of All for Recovery of a Total Loan) and achieved desired success.

◊ Goals of the perspective plan

- Develop socio-economic condition of the Northwest region of the country by providing financial assistance to the farmers and enterprises.

- Achieve self-dependence within nine years by practicing profit oriented banking business.

3.7 Management information system (MIS):

Information is a powerful weapon by which management process can be accomplished. Management information is for development banks and so also RAKUB for effective monitoring, supervision and control. Branch is the hub of all activities and operations such as: loan disbursement, loan supervision. Loan recoveries and deposit mobilization. The activities and operations of the branches are most important indicators for management of the bank. Besides, data are required for reporting to Bangladesh bank, assister organizations, Government and international banks / Agencies.

Data are usually collected from the source data registers and books of accounts maintained in the branches. In General data are transmitted by the branches through the reporting formats for summation to regional office, Head Office and Bangladesh Bank. The sources of data in the brunches are:

- (a) Loan ledgers, (b) General ledger, (c) Subsidiary ledger, (d) Statistical Registers, (e) Loan Sanction Register, (f) Loan Payment Resister, (g) Loan Recovery Register, etc.

CHAPTER-4

CREDIT MANAGEMENT

4.1 Introduction:

The management of specialized banks assets must be conducted in a profitable and safe manner. Safety is essential to commercial banking since banks hold billions of Taka of deposits of individuals, business, and governments. Profit is also necessary for the successful operation of a bank. Lending is the most profitable as well as the most risky function performed by specialized banks. Therefore, it must be done efficiently and with a minimum of loss so credit management is essential for the bank.

4.2 Definition of credit:

"A credit may be defined as money lent at interest or on profit. It is nothing but temporary parting with one's [an individual or an institution] resources in order to augment the purchasing power of the receiver of such facility with a promise to return the same with interest profit or otherwise as mutually agreed upon."

"Formal agreement between a bank and borrower to provide a fixed amount of credit for a specified period." Timothy W Koch.

4.3 Importance of bank credit:

Banks lending is very important to the economy. It makes possible for the financing of the agricultural, commercial and industrial activities of the nation:

- To produce capital goods which are used later in the production of consumable goods
- Banks loan also make possible production for inventory
- Availability of bank loans the farmer is able to purchase seed, feed, fertilizer

Some additional causes: -

- 1) Crop credit
- 2) Cash crop credit
- 3) Horticulture credit
- 4) Warehouse credit
- 5) Rural housing credit
- 6) Poultry & Fisheries
- 7) Small & Cottage industries credit
- 8) Agri Mechaanisation credit
- 9) Improved seed Credit
- 10) Other Tools Machines credit.

4.4 Types of credit:

RAKUB generally deals with credit business. Credit is the main source to earn income.

RAKUB Birganj branch provides three types of loan

- a) Short term loan: A short-term loan is the loan, which is fully repaid within one year or below one year.
- b) Medium term loan: Medium term loan is the loan, which is fully repaid within more than one year to five years.
- c) Long term loan: Long-term loan is the loan, which is fully repaid more than five years.

4.5 Overdrafts:

In the case of advances sanctioned by way of overdrafts, the customer is sanctioned a limit up to which he can over draw his current account within a stipulated period. In case where the customer can not offer any kind of security except his personal security the facility is termed as a clean overdraft, on the other hand, where the customer offers a security acceptable to the bank facility is treated as a secured overdraft.

4.6 Doubtful loans:

Doubtful loans are those that are considered by bank examiners to be doubtful of repayment, such loans are considered to contain some loss but the amount cannot be ascertained.

4.7 Credit management:

Lending is the one function of specialized banking. The successful banker is a successful lender. The tools used to manage lending are credit analysis, budgeting and supervision. Lending also has to be enlightened by a competitive but reasonable policy for interest charges on loans.

Banks are major financial institutions, which coordinate between borrowers and lender. They mobilize funds from one group of people at low rate and lend the same to another group of people at the highest rate of return to maximize profit. Unless the fund functions are efficiently planned and executed the bank can not achieve its maximum potential profit, the specific objectives of credit management as well as the bank management in a specialized bank are:

- To provide service in special sector
- To maximize earnings
- To provide adequate liquidity and cash
- To manage the loan and investment portfolios in the best possible manner so as to ensure profitability
- To maintain reserve for contingencies

Credit management in banking is mainly liable to its concerned authority. At any cost they have to bind to keep its funds in safety and returnable with maximum profit from the investment.

4.8 Main credit portfolio of RAKUB Birganj Branch:

Table 5: Main credit portfolio of RAKUB Birganj Branch

a) Food Crops	:	Paddy, Wheat, Potato, Sugarcane, Master seed, Sunflower seed, Ginger, Onion, Water motor, Winter/ Summer vegetables, Banana, Mango etc.
b) Cash Crops	:	Jute, cotton, Tobacco, Betel leaf etc.
c) Processing and Marketing	:	Small and cottage industries, Marketing capital etc.
d) Agro-based industries project	:	Rice/has king mills, flour mills, Dall (pulses) Mills, Fruit processing industries, Light earning work shops, Ice plants etc.
e) Commercial loan	:	Loan against fertilizer and pesticide, cash credit loan for agro- products and small enterprise etc.
f) Live stock	:	Draft animals, dairy, Poultry, Goatery, Beef fattening etc.
g) Transport	:	Rickshaw-Van, Rickshaw, Bullock cart, Country boat etc.e
h) Farm machineries	:	Power tiller, Tractor and other machineries.
i) Micro credit	:	RSCP, SECP.
j) Special agricultural activities	:	Fishery, Orchard, Nursery etc.
k) Others	:	Loan against fixed deposits.

4.9 Rate of interest on credit:

Bank usually determines various rates of interest in different sectors. The rate of interest changes overtime and becomes effective from prescribed date. But rate of interest can not be changed when the

Disbursed loan is funded from the foreign aids. The variation of interest rate hinge upon credit program and tenure of the loan.

The rate of interest, which exists at present, is as follows:

Table 6: Rate of interest on credit

Loan heads	Rate of interest
Crop (Without security)	8%
Continuous	10%
Poverty alleviation	12%&8%
Fishery	10%
Live stock	10%
Irrigation equipment &firm machinery	10%
Agro-based industry	10%

CHAPTER-5

LOAN DISBURSEMENT

5.1 Introduction:

It is known to all that the strong base of RAKUB Birganj Branch is totally dependent on sound investment. As because interest on loan is the main source of income. That is why qualitative loan disbursement is so much important as well as quality to increase total income of the bank.

5.2 Loan Sanction Procedure:

Based on information available in the appraisal report, credit report, leg mate credit, Needs of the farmer client should be carefully analyzed by the sanctioning authority. Before according section analysis of status of application, credit worthiness liabilities, project viability from technical, financial, economic, Marketing and management point of view. As soon and the security is finalized and the sanctioning authority is satisfied he should proceed for sanction of loan advance.

5.3 Loan handling diagram:

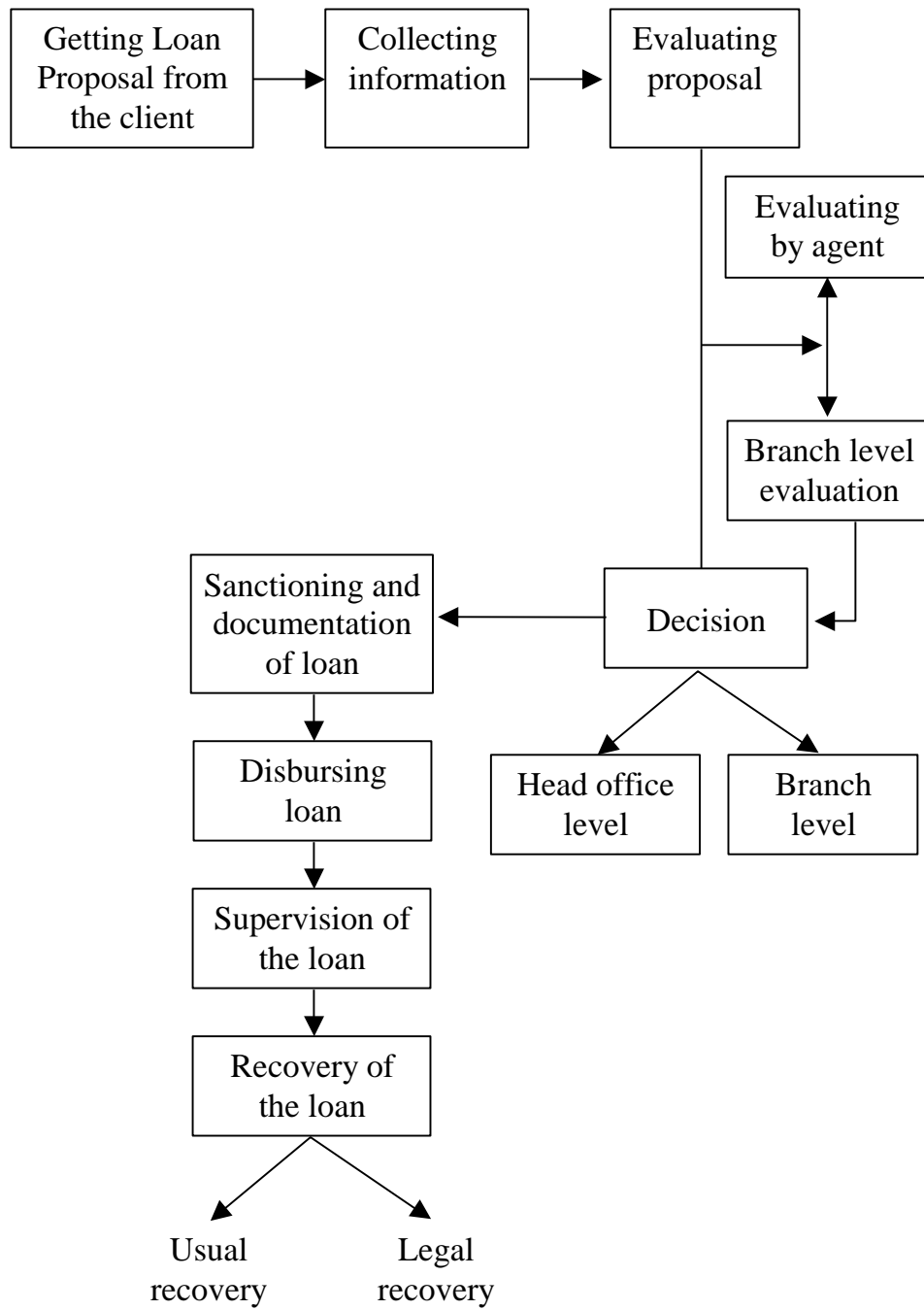


Fig. 3: Loan handling diagram

5.4 Features of loanee:

Some important are considered for loan disbursement by the bank. These are as follows:

1. Loanee must be Bangladeshi
2. They must be matured
3. They will not loan defaulter
4. For ltd co. the join stock company register must be needed
5. For co-operative society it must be registered.
6. They have ability to proper use and payable capacity and goodwill
7. They will not mad and mental disorder. For the process of selecting loanee, bank considers “4 p’s”
 - a) Person
 - b) Purpose
 - c) Profitability
 - d) Proper or Security

5.5 Documentation:

After the loan or advance become effective, the manager should ask the borrowers promptly to comply with the loan covenants stipulations and execute the documents. Correct documentation is essential securing safe repayment of loan and advances.

5.6 Security:

RAKUB maintain the security listed below in recovering the loans without risk.

1. **Lien:** It’s a right to retain the property / goods of the borrower as security until the debit is adjusted. In this case the banker can only hold the possession of the goods he cannot sell them. A banker’s lien is a general hen. He can sell the securities under lien after giving reasonable notice to the borrower.
2. **Pledge:** Pledge is created only for movable property like goods document etc. In case of pledge the ownership of the goods remains with pledge but the possession of the goods vests with pledge until the loan is recovered. Pledge does not occur until the goods are transferred. The pledged goods are returned to the owner after the loan is adjusted. If the borrower fails to repay the loan the banker can sell the pledged goods after giving reasonable notice to him.

3. **Mortgage:** Only the immovable properties are kept under mortgage. It is a method of creating charge on immovable properties.
4. **Hypothecation:** Hypothecation is nothing but the mortgage of movable property. It is an extended idea of pledge. In this case both possession and ownership remains with the borrower but by the hypothecation agreement he undertaken to transfer possession whenever required. Here the lender possesses the right of a pledge. Hypothecation is very much risky and RAKUB does not want utilize this method for creating charges.

5.7 Disbursement of loan:

Before release of sanctioned loan or advance, all terms and conditions as laid down in the sanction letter are to be fully complied with. To that effect, the following basic requirements:

- a) Loan affectivity terms and conditions as to collateral security and equity of the borrower shall be fully met.
- b) Specified documentations as specified in the sanction letter must be completed.
- c) Verification of encumbrances of security properties.
 - i. Non-encumbrances certificate.
 - ii. Execution of Halapnama.
- d) Creation of charge on the collateral security: In case of limited company, the charges on the company assets should be limited
- e) With in 21 days from the date of creation of charge, by registered post to the register, joint stock company.
- f) Insurance for:
 - i. Security properties, as applicable.
 - ii. Assets creates or to be created out of a loan fund or with two equity.
 - iii. Stock of goods pledged with the bank as collateral shall be taken with appropriate risk cover.
- g) Any other stipulations as per sanction letter.

5.8 Loan Supervision and Monitory:

Under its charter, the bank is required, as far as possible, to ensure that a loan is spent on the purpose for which it is made, and if this requirement is not complied with by the borrower, the bank may require the repayment of the loan forthwith.

1. Primary responsibility of the manager is to supervise and monitor the cash loan/WCL project and term loan stage by stage, ensure project construction work, acquiring kind items and project goods as per approved arrangement specified in the sanction letter.
2. Bank finance project should be inspected by the regional manager and manager periodically, to assess physical conditions of the projects facilities and the level of the project's capacity utilization.
3. Cash loans are liable to misuse for non-productive process. Special attention must, Therefore, be given on borrowers past antecedents. When releasing cash loans. When substantial cash amount is required to be drawing by a borrower for civil works of a project, WCL for requiring goods the managers must be particularly. Vigilant on the usage of loan. Total responsibility for credit supervision of cash credit/WCL lies with the manager.
4. The manager should deploy a project supervision officer after documentation are release of first loan installment with the assignment of over all project supervision the duties of the PSO has been laid down in Ch: 25.07. The PSO should be stationed in the project site or nearby and see for himself the project developmental work and inform the progress to the manager through progress report predictably.
5. After inspection, the manager/authorized officer should countersign the Borrower's acknowledgement receipt under his signature and seal. Only after such counter-signature in the Borrower's acknowledgment receipt, supplier's bill can be processed for payment the branch should complete the verification of goods supplied by a supplier with a week and process payment of supplier's bill promptly when the same is in order.

(WCL= Working capital loan)

5.9 Loan disbursement Scenario Birganj branch of RAKUB

a) Position of Loan disbursement last four year.

Table 7: Position of Loan disbursement last four year (Amount in Lakh TK)

Financial year	Loan Disbursement target	Total Loan Achievement	Achievement rate
2011-2012	103.50	116.37	112.43%
2012-2013	141.00	141.19	100.13%
2013-2014	761.77	167.39	22%
2014-2015	365.00	167.25	45.82%

Source: RAKUB, Birganj Branch

$$* \text{ Achievement rate} = \frac{\text{Achievement}}{\text{Target}} \times 100$$

Comment: It is evident, from the Above table that 2011-2012 to 2012-2013 Loan disbursement target are increased gradually on the other hand Loan achievement is also increase gradually. But in the financial year 2014-2015 Loan disbursement target decreased from the previous year but in this year Loan disbursement is not Satisfactory. Here highest achievement rate in the year (2011-2012) is 112.43% and lowest achievement rate in the year (2013-2014) is 22%

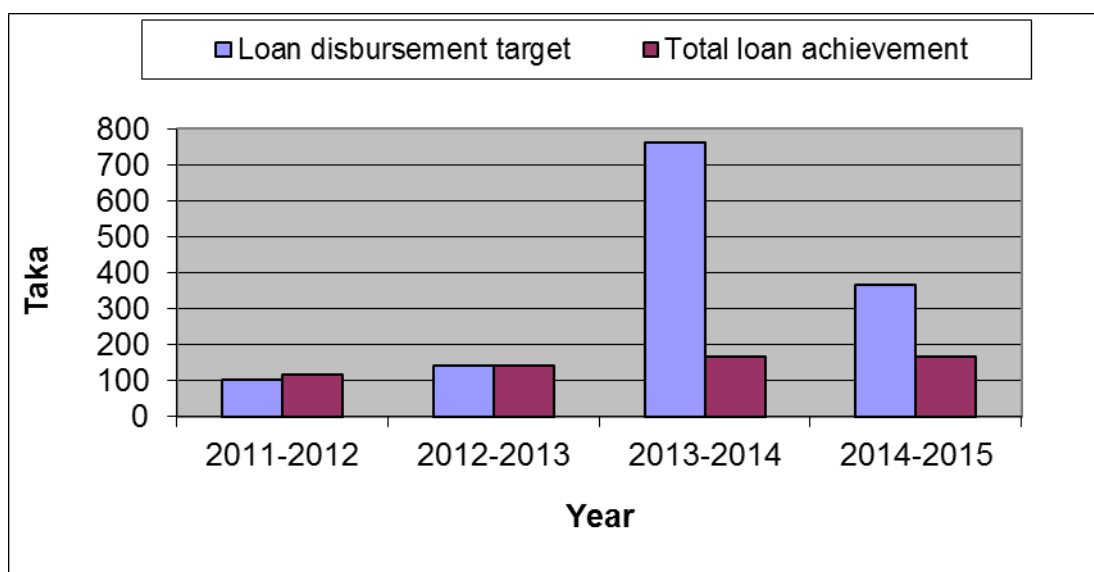


Fig. 4: Bar Diagram Presentation Last four years disbursement (amount in lakh Tk.)

b) Loan disbursement for 2011-2012.

RAKUB, Birganj Branch projected lending target of TK 103.50 Lakh. Disbursement of loan during the year amounted to TK 116.37 Lakh (112.43% percent of the target). For a reform expansion of the loan portfolio the following seven sectors were given priority in investment planning.

•Crops •Continuous • Poverty alleviation. •Fishery • Livestock •Irrigation equipment and farm machinery • Agro-based industries

The highest amount of TK 38.52Lakh was disbursed for Poverty alleviation. The next highest amount at TK 36.19 Lakh was disbursed for Crops such as rich, potato, sugarcane etc. Loan disbursement at livestock, Irrigation equipment and farm machinery and Continuous more than the target, there was no Loan disbursement at Agro-based industries sector.

Table 8: Position of Loan disbursement for the financial year 2011-2012

(Amount in Lakh TK)

Items	2011-2012		
	Target	Achievement	Achievement rate
Crops	35.00	36.19	103.40%
Continuous loans	4.00	4.70	117.50%
Poverty Alleviation	37.00	38.52	103.38%
Fishery	1.00	2.00	200.00%
Live stock	12.00	20.69	172.42%
Irrigation equipment and farm	1.00	2.93	293.00%

machinery			
Agro-based industries			
Others	13.50	11.34	84.00%
Total	103.50	116.37	112.43%

Source: RAKUB, Birganj Branch

$$* \text{ Achievement rate} = \frac{\text{Achievement}}{\text{Target}} \times 100$$

Comment: It is evident. From the Above table that irrigation equipment and firm machinery is the highest achievement percentage that is 293% and poverty alleviation is the lowest achievement percentage, which is 103.38%. Others disbursement item is not considered here.

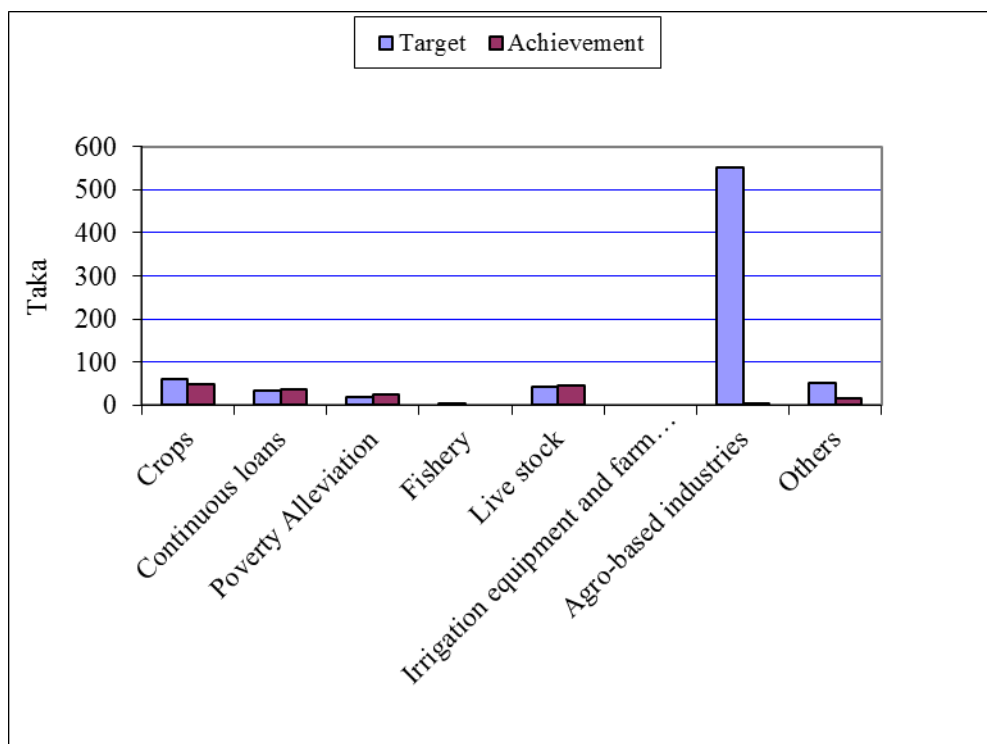


Fig. 5: Sector wise disbursement: 2011-2012

c) Loan disbursement of 2012-2013

RAKUB, Birganj Branch projected a lending target of TK 141 Lakh for the financial year 2012-2013. Disbursement of loan during the year amounted to TK 141.19 Lakh (100.13 percent of the target). For a reform expansion of the loan portfolio the following seven sectors were given priority in investment planning.

•Crops •Continuous • Poverty alleviation. •Fishery • Livestock •Irrigation equipment and farm machinery • Agro-based industries

The highest amount of TK 45 Lakh was disbursed for crops as rice, potato Sugarcane etc. The next highest amount of TK 44 Lakh was poverty alleviation. Total disbursement was TK 37.50 Lakh higher than that of the previous year.

Table 9: Loan disbursement of 2012-2013

Items	2012-2013		
	Target	Achievement	Achievement rate
Crops	45	40.36	90%
Continuous loans	5	25.55	511%
Poverty Alleviation	44	30.92	70.27%
Fishery	3		
Live stock	18	25.32	140.66%
Irrigation equipment and farm machinery	2		
Agro-based industries	6	3.30	55%
Others	18	15.74	87.44%
Total	141	141.19	100.13%

Position of Loan disbursement for the financial year 2012-2013. (Amount in Lakh TK).

Source: RAKUB, Birganj Branch

$$* \text{ Achievement rate} = \frac{\text{Achievement}}{\text{Target}} \times 100$$

Comment: It is evident, from the above table that Live stock is the highest achievement percentage which is 140.66% and Agro based industry is the lowest achievement percentage which is 55% Others disbursement items is not considered here

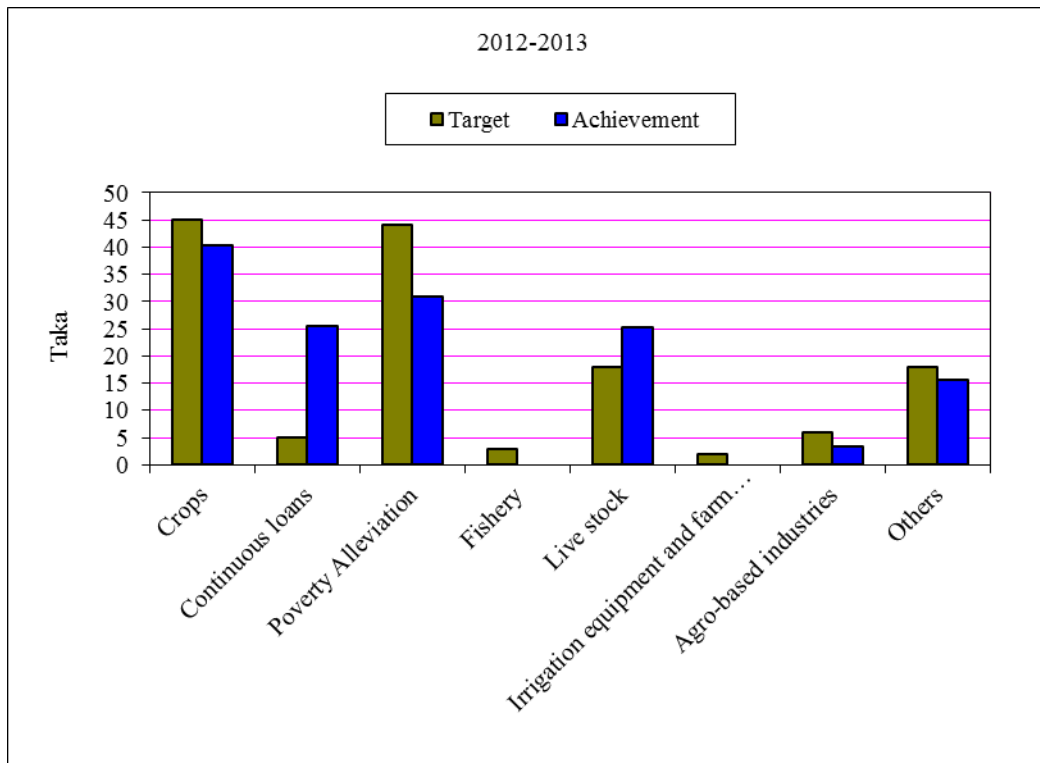


Fig. 6: Sector wise disbursement-2012-2013

d) Loan disbursement for 2013-2014

RAKUB Birganj Branch projected a lending target of TK 761.77 Lakh for the financial year 2013-2014. Disbursement of Loan during the year amounted to TK 167.39 Lakh (22 percent of the target). For a Reform expansion the Loan portfolio the following seven sections were given priority in investment planning.

- Crops •Continuous • Poverty alleviation. •Fishery • Livestock •Irrigation equipment and farm machinery • Agro-based industries

The highest amount at TK 47.39 Lakh was disbursed for Crops, the next highest amount of TK 44.95 Live stock. Total Disbursement was TK 26.20 Lakh higher than that of the previous year.

Table 10: Position of disbursement of the financial year 2013-2014. (Amount in Lakh TK).

Items	2013-2014		
	Target	Achievement	Achievement rate
Crops	60	47.39	79%
Continuous loans	35	36.50	104.28%
Poverty Alleviation	20	23.49	117.45%
Fishery	2	-	-
Live stock	44	44.95	102.15%
Irrigation equipment and farm machinery	-	-	-
Agro-based industries	550	0.42	0.08%
Others	50.77	14.64	28.29%
Total	761.77	167.39	22%

Source: RAKUB, Birganj Branch

$$* \text{ Achievement rate} = \frac{\text{Achievement}}{\text{Target}} \times 100$$

Comment: It is evident, from the above table that Poverty alleviation is the highest achievement percentage which is 117.45% and Agro based industry is the lowest achievement percentage which is 0.08% Others disbursement items is not considered here and fishery achievement is Nill.

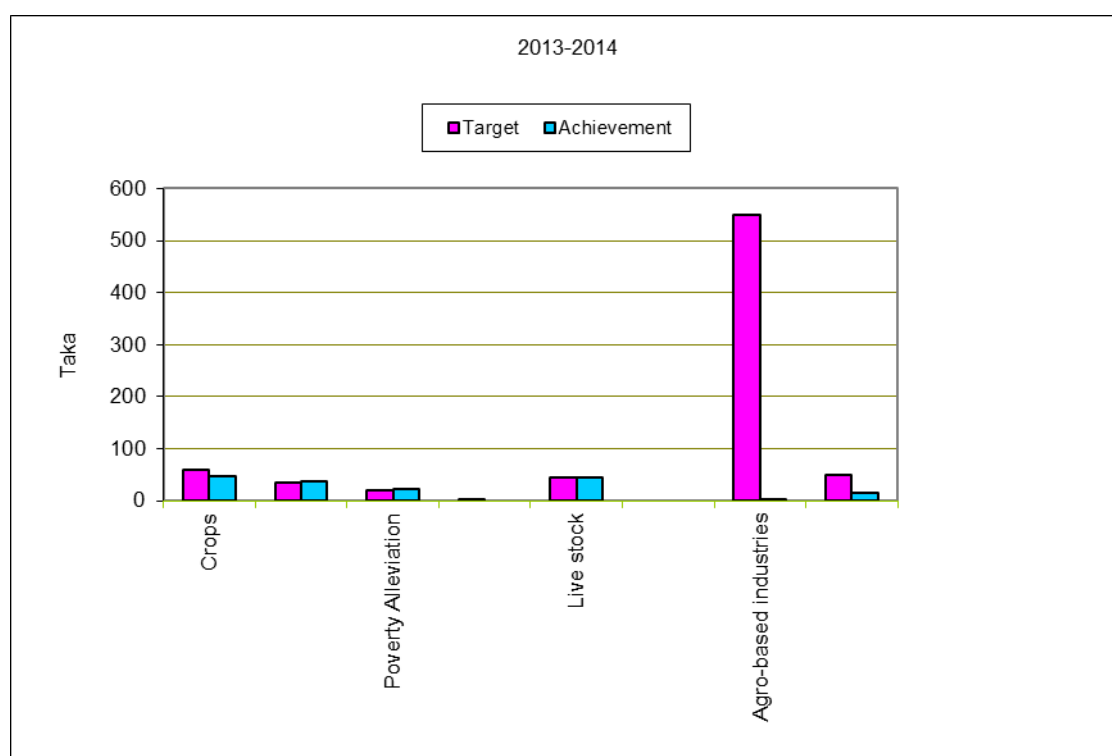


Fig. 7: Sector wise disbursement-2013-2014

e) Loan disbursement for 2014-2015

RAKUB, Birganj Branch Projected a lending target of TK 365 Lakh for the financial year 2014-2015. Disbursement of Loan during the year amounted to TK 167.25 Lakh (46 percent of the target). For a Reform expansion the Loan portfolio the following seven sections were given priority in investment planning.

- Crops
- Continuous
- Poverty alleviation.
- Fishery
- Livestock
- Irrigation equipment and farm machinery
- Agro-based industries

The highest amount of TK 45.70 Lakh was disbursed for Live stock. The next higher amount of TK 41.65 Lakh as disbursement of cash credit. Total disbursement was TK 0.2 Lakh lower than that of the previous year.

Table 11: Position of disbursement of the financial year 2014-2015. (Amount in Lakh TK).

Items	2014-2015		
	Target	Achievement	Achievement rate
Crops	80	40.73	51%
Continuous loans	43	41.65	97%
Poverty Alleviation	19.90	14.40	72.36%
Fishery	-	-	-
Live stock	39	45.70	117.18%
Irrigation equipment and farm machinery	13	3.08	23.69%
Agro-based industries	1.53	2.12	138.56%
Others	168.57	19.57	11.60%
Total	365	167.25	46%

Source: RAKUB, Birganj Branch

$$* \text{ Achievement rate} = \frac{\text{Achievement}}{\text{Target}} \times 100$$

Comment: It is evident. From the above table that agro based industries Loan in the highest achievement percentage which is 138.56 % and

Irrigation equipment farm machinery is the lowest achievement percentage which 23.69%. Other disbursement item is not considered here.

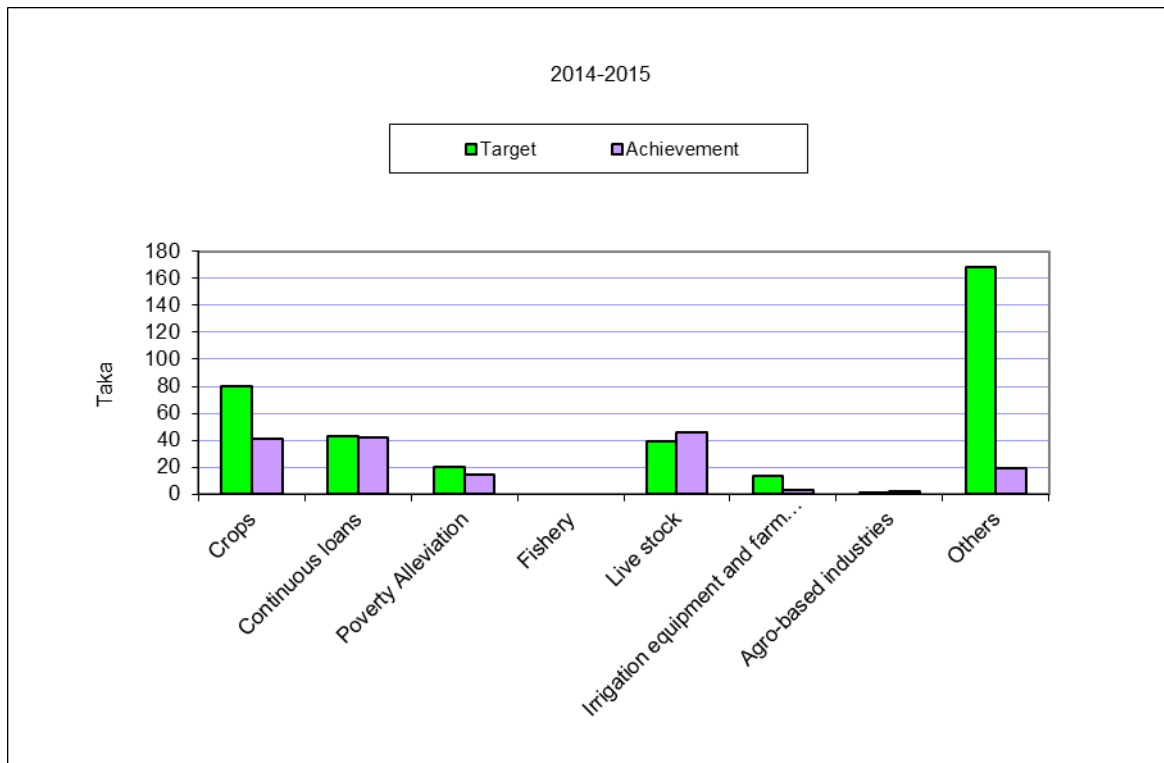


Fig. 8: Sector wise disbursement-2014-2015

CHAPTER-6

LOAN RECOVERY

6.1 Introduction:

When a bank or other financial institutions distribute a loan to other organization or people, then after regaining from loanee it is called loan recovery, RAKUB, Birganj Brach, Distributed loan to loanee and recovers this money. RAKUB, Birganj Branch, recover's loan under two basis-

- a. Unclassified loan, and
- b. Classified loan.

a. Unclassified loan: When half or more than half of the total loan is repaid within the due dates by the borrowers then that is called unclassified loan. The duration of time in which the loan will be treated as unclassified is less than 12 months from sanctioning loan.

b. Classified loan: When more than half of the total loan or total is unpaid / due over the due date then that loan is called classified loan. Classified loans can be sub standard, Doubtful and bad. The criteria of these classification of classified loans are as follows:

1. For short term loan: Short term loan are classified by RAKUB, Birganj branch in three categories-

i) Crop loan and micro credit:

Age of over due, 12 months Irregular.

Age of over due 13-36 months Substandard

Age of over due 36-60 months Doubtful.

Age of over due: Above 60 months Bad.

ii) Cash credit-and working capital

From 6 months but less than 9 months- Substandard.

From 9 mouths but less than 12 months-Doubtful.

From 12 mouths above Bad.

iii) Demand Loan

From 6 months but less than 9 months- Substandard.

From 9 months but less than 12 months- Doubtful.

From 12 months above- Bad.

2. Medium loan (Up to 5 years):

From 0 months but less than 6 months- Substandard.

From 6 months but less than 12 months- Doubtful.

From 12 months but less than 18 months - Bad.

3. Long term loan (Above 5 years)

From 0 months but less than 12 months-Substandard.

From 12 months but less than 18 months - Doubtful.

From 18 months but less than 24 months-Bad.

6.2 Procedure of loan recovery:

The main responsibility of bank manager and loan officer is to recovery the outstanding loan in RAKUB, Birganj Branch. Two-recovery procedures are-

a) Usual procedure.

b) Legal procedure.

a) Usual procedure: The usual loan recovery procedure is divided into several steps. They are as follows:

1. Issue of demand notice: Demand notice is issue before on month being due of out standing loan or installment. It is sent to the borrower.
2. Legal notice: If the borrower does not repay their respective loans and interest after maturity being received the demeaned notice under registered with acknowledgement by post to the borrowers the bank should send lower notice to him.
3. Special notice: Beside the above to notice a special notice signature by DC, TNO is sent to the respective borrower to keep mental pressure on him for repaying the loan.
4. Field recovery: Loan officer recover the recovered loan through I.O. receipt by visiting the spot and source of the borrower.

5. Personal Communication: If the borrower fails to repay his loan installment, the loan officer communicates with the respected persons of that area to give mental pressure to the borrower so that he repays his respective loan.
 6. Loan Recovery Camp: RAKUB, Birganj branch made camp in various areas for the recovery of his loan, in this issue, the manager and other officer were present in the camp and communicated with borrowers. They gave them moral persuasion and tried to encourage them, so that they could repay their loan.
 7. Loan recovery with the help of interest exemption the loan amount which becomes more than double in principle and interest and which is not possible to recover with the help of legal action then those loan can be recovered by exempting interest. By this way bad loan can be recovered.
- b) Legal procedure:** When legal action for recovering loan becomes failed a case is filed against the borrowers. The case is generally filed in the following ways:
- i. Unwilling to repay loan although he is financially solvent.
 - ii. Every effort of loan recovery becomes failure.

6.3 Rules of Recovery

RAKUB, Birganj branch, loan recovery from loanee in installment system are as follows:

- i) Weekly
- ii) Fortnightly
- iii) Monthly.

6.4 Causes of defaulter:

The loanee can not loan payment in due time in various causes:

- i) Natural calamity destroy the crops, for this reason the loanee unable to pay loan in due time.
- ii) RAKUB, Birganj branch cannot take proper step against the loanee for influential man.
- iii) The loanee cannot use the loan in proper.
- iv) The loanee do not pay loan in more time.
- v) Lack of loan supervision.

6.5 Causes of low recovery:

- i) **Negative attitudes of the local elites to repay loan-** In most of the cases, the influential persons due to their political and social power are not interested to repay the loan. Because to their political influence, credit officers cannot take any effective measure for loan recovery from them. Sometimes, loan received by them for a specific purpose is also diverted to other purposes.
- ii) **Damage of crops due to flood-** Sometimes, the farmers have some valid reasons for non-repayment of loan in spite of their willingness of repayment of loan. In the case of crop failure due to natural disaster like flood, drought, etc., it becomes really difficult for the farmers to repay loan in time.
- iii) **Unproductive use of loan-** The time involved in processing loan is such that the farmers usually receive credit at the end of the specific crop season even after harvesting of the crop. For that matter, credit does not help in increasing production rather it is actually spent for non-farm expenses.
- iv) **Shortage of credit personnel-** The branch has shortage of manpower to evaluate credit worthiness of the borrowers, identification of real borrowers, and supervision and recovery of loan.
- v) **Lack of legal action by the banks against defaulters-** Neither the Bank Manager nor the supervisors has any authority and power to take effective measures or administrative action against defaulters. For that reason, the defaulters do not bother for requests of loan repayment by them. Moreover, legal action against defaulters has rarely been taken.
- vi) **Corruption of the bank employees-** In some cases, the bank officers take bribe from the defaulters and avoid responsibilities of realization of loan from the borrowers.
- vii) **Inability of the farmers to repay loan-** Farmers need credit not only for agricultural production but also for consumption for their survival, particularly by marginal farmers. This sometimes compels them to divert agricultural credit to consumption and other unproductive purposes which ultimately lead to their low repayment capacity.
- viii) **'Benami' loan received particularly by U.P. chairman/Member-** Sometimes the rural influential, particularly Union Parishad Chairman and Members receive 'Benami' loan. It happens particularly due to shortage of credit personnel who have to disburse credit in a short notice and do not have enough time to identify genuine borrowers.
- ix) **Accessibility to alternative credit institutions-** There are a number of credit institutions which are working independently. So non-repayment of loan to one institution does not affect in receiving loan from another institution.

- x) **Evaluation of bankers efficiency-** Performance of a bank personnel is judged on the basis of amount deposited by him, not on the amount of loan recovered. Further, there is practically no incentive for him to increase recovery amount.
- xi) **Inadequate training facilities for credit officers and their qualifications-** The persons involved in agricultural credit operations in rural bank branches have poor educational background with inadequate training. Banking training programme has hardly anything regarding agricultural credit operations which affects loan recovery performances of the Banks.

6.6 Loan Recovery scenario Birganj Brach of RAKUB:

a) Last four years Loan Recovery.

Table 12: Last four years Loan Recovery. (Amount in Lakh Taka)

Financial year	Target	Achievement	Recovery rate
2011-2012	59.57	104.37	175%
2012-2013	90.28	108.76	120.46%
2013-2014	102.50	134.89	131.60%
2014-2015	135.00	150.88	112%

Source: Birganj Brach of RAKUB

$$* \text{Recovery rate} = \frac{\text{Achievement}}{\text{Target}} \times 100$$

Comment: It is evident from the above table that 2011-2012 to 2014-2015 Loan Recovery Target and achievement are increased by amount gradually. But its Achievement performance is fluctuated. Highest Achievement in 2011-2012 financial year which is 175% and lowest in 2014-2015 Loan financial year which is 112%

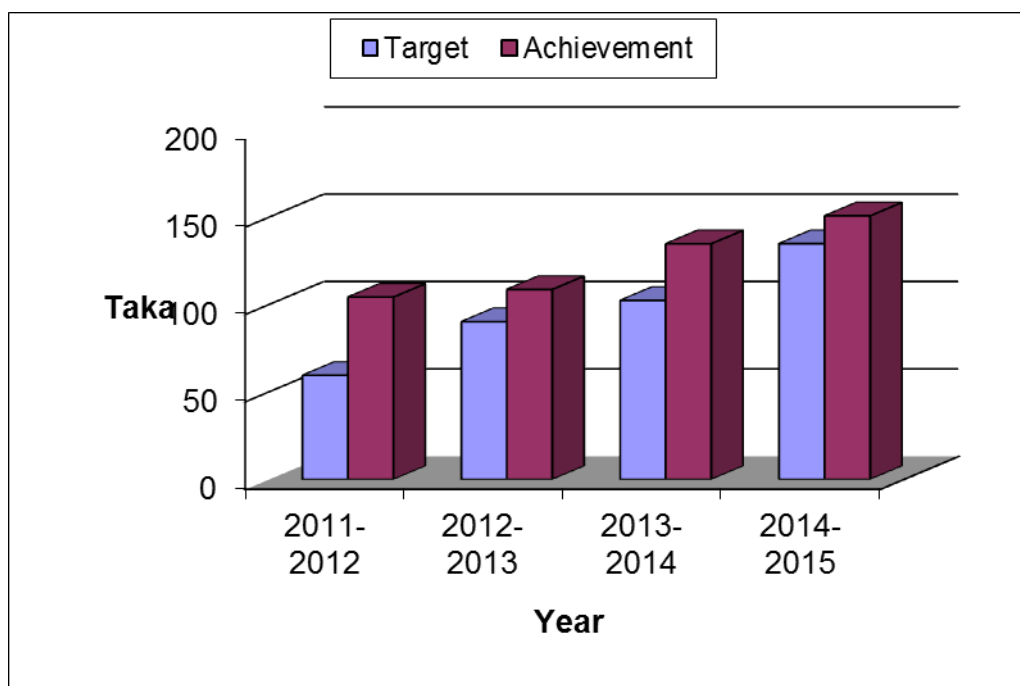


Fig. 9: Last four years Loan recovery

b) Loan Recovery for 2011-2012

Loan Recovery target was TK 59.57Lakh and Loan recovery achievement was TK 104.37 Lakh (175 percent of target)

Table 13: Major items wise loan recovery position 01-07-2011 to 30-06-2012

Items	Achievement (Amount in Lakh TK)	Percentage of Total achievement (%)
Crops	28.52	27.32
Continuous loans	7.7	7.38
Poverty Alleviation	45.68	43.76
Fishery	0.28	0.26
Live stock	15.59	14.93
Irrigation equipment and farm machinery	0.37	0.35
Agro-based industries	0.65	0.62

Others	10.58	10.13
Total	104.37	100

Source: RAKUB, Birganj branch

Comment: From the above table it is shown that Poverty alleviation loans is the highest achievement amount of TK 45.68 lakh which is 43.76% of the total achievement and fishery is the lowest achievement which is 0.26% of the total achievement. Others recovery items is not considered here.

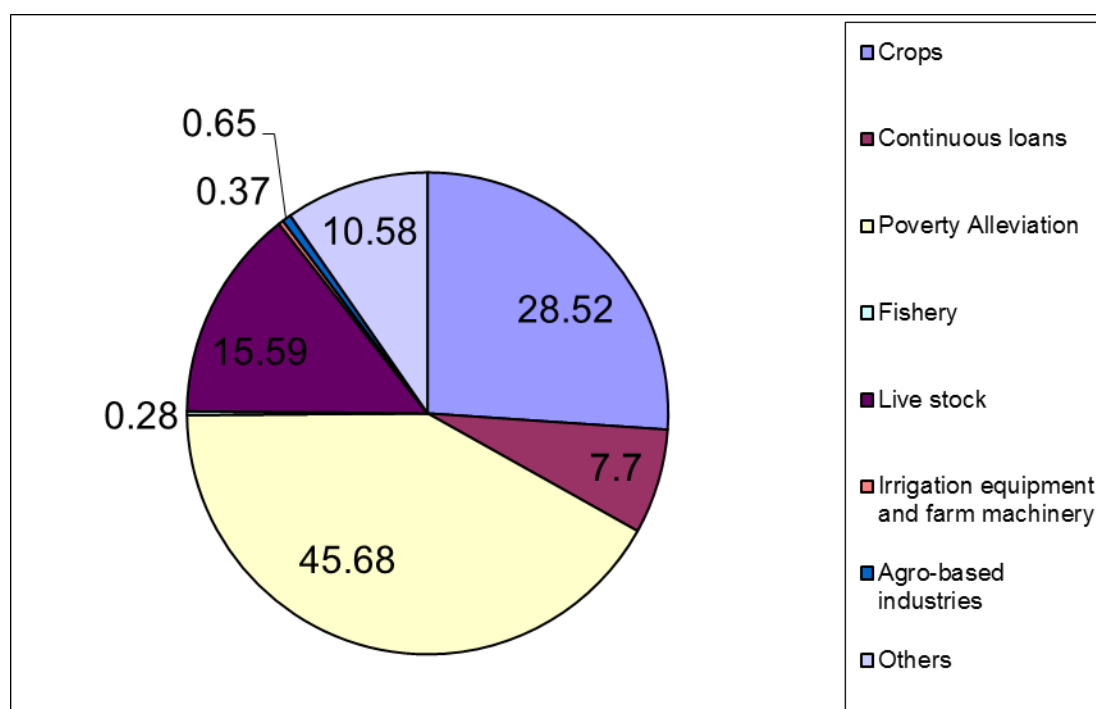


Fig. 10: Pie diagram Presentation of loan Recovery 2011-2012 financial year (Sector wise)

c) Loan Recovery for 2012-2013

Loan recovery target was TK 90.28 Lakh and Achievement was 108.76 Lakh (120.46 percent of the target)

Table 14: Major items wise position of Loan Recovery 01-07-2012 to 30-6.2013

Items	Achievement (Amount in Lakh TK)	Percentage of Total achievement (%)
Crops	38.42	35.32

Continuous loans	3.68	3.38
Poverty Alleviation	31.11	28.60
Fishery	1.36	1.25
Live stock	12.97	11.92
Irrigation equipment and farm machinery	2.45	2.25
Agro-based industries	2.34	2.15
Others	16.43	15.10
Total	108.76	

Source: RAKUB, Birganj branch

Comment: From the above table it is shown that Crop loans recovery is the highest achievement amount of TK 38.42 Lakh which 35.52% of total achievement and Fishery is the lowest achievement, which is 1.25% of the total achievement. Others recovery items is not consider here

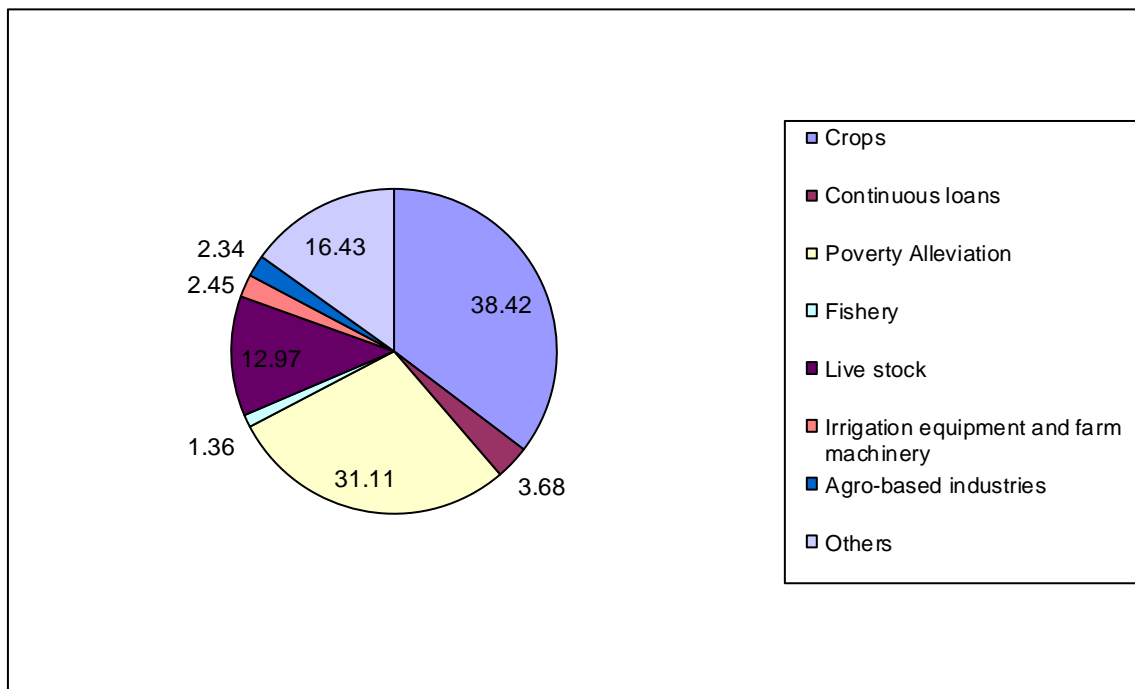


Fig. 11: Pie diagram Presentation of loan Recovery 2012-2013 financial year (Sector wise)

d) Loan Recovery for 2013-2014

Loan recovery target was TK 102.50 Lakh and Achievement was 134.89 Lakh (131.60 percent of the target)

Table 15: Major items wise position of Loan Recovery 01-07-2013 to 30-6.2014

Items	Achievement (Amount in Lakh TK)	Percentage of Total achievement (%)
Crops	45.94	34
Continuous loans	17.21	13
Poverty Alleviation	18	13
Fishery	0.48	0.36
Live stock	25.03	18
Irrigation equipment and farm machinery	-	-
Agro-based industries	2.32	1.27
Others	25.91	19.20
Total	134.89	100

Source: RAKUB, Birganj branch

Comment: From the above table it is shown that Crops loans recovery is the highest achievement amount of TK 45.94 Lakh which 34% of total achievement and Fishery is the lowest achievement which is 0.36% of the total achievement and there is no target and achievement in the irrigation equipment and firm machinery sector. Others recovery items is not consider here.

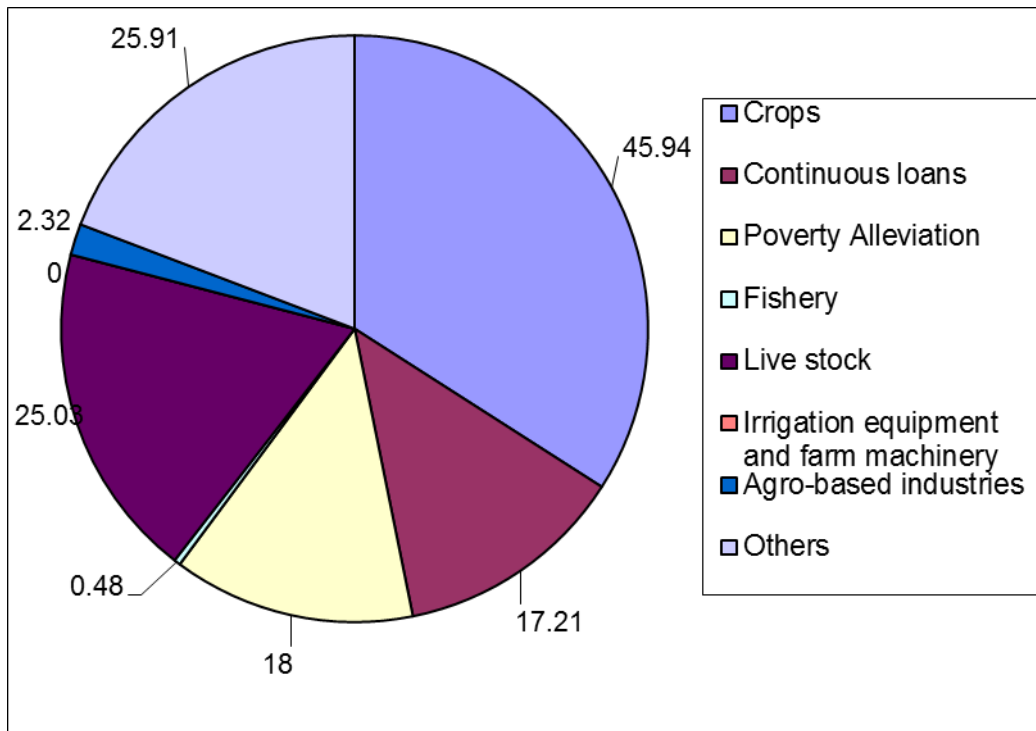


Fig. 12: Pie diagram Presentation of loan Recovery 2013-2014 financial year (Sector wise)

e) Loan Recovery for 2014-2015

Loan recovery target was TK 135 Lakh and Achievement was 150.88 Lakh (112 percent of the target)

Table 16: Major items wise position of Loan Recovery 01-07-2014 to 30-6.2015

Items	Achievement (Amount in Lakh TK)	Percentage of Total achievement (%)
Crops	41.36	27.41
Continuous loans	35.31	23.40
Poverty Alleviation	19.48	13
Fishery	-	-
Live stock	32.86	21.78
Irrigation equipment and farm machinery	3.33	2.20
Agro-based industries	2.42	1.60
Others	16.12	10.68
Total	150.88	

Source: RAKUB, Birganj branch

Comment: From the above table it is shown that Crops loans recovery is the highest achievement amount of TK 41.36 Lakh, which 27.41% of total achievement and Agro based industry is the lowest achievement, which is 1.60% of the total achievement, and there is no target and achievement in the Fishery sector. Others recovery items are not consider here.

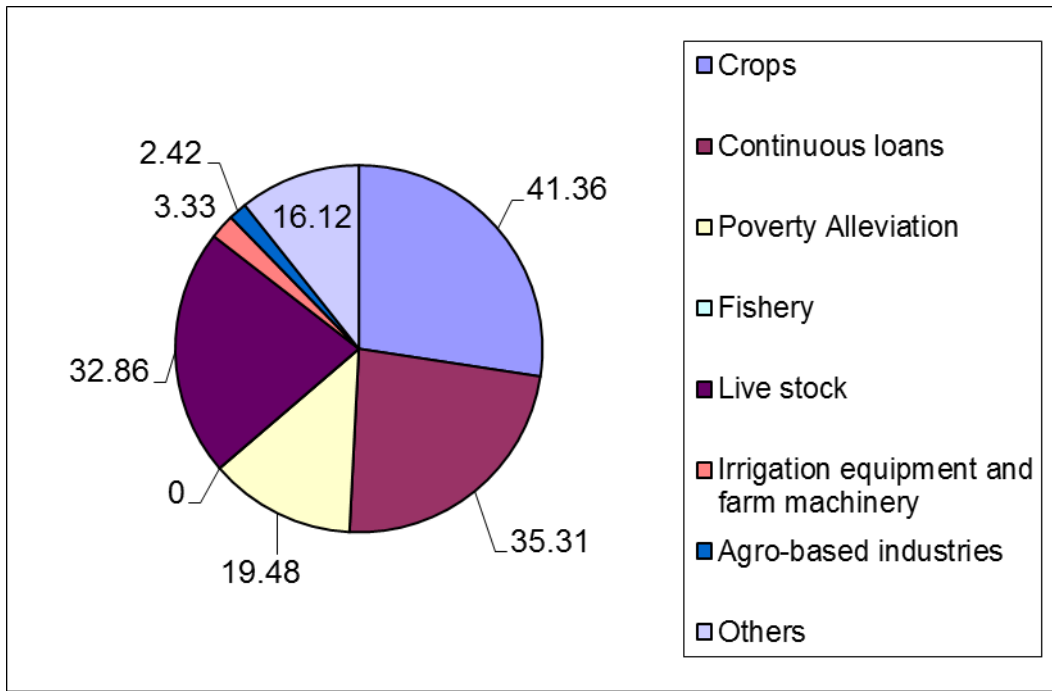


Fig. 13: Pie diagram Presentation of loan recover 2014-2015 financial year (Sector wise)

CHAPTER-7

MAJOR FINDING AND RECOMMENDATION

7.1 Finding:

From the analysis of qualitative and quantitative data I can conclude that Credit Management of RAKUB Birganj Branch is satisfactory .How ever the bank is facing several problems that are mention in below very briefly

1. Fund diversion
2. Shortage of efficient credit personnel
3. Lack of transportation facilities of the credit personnel
4. Inadequate training facilities for credit officers and their qualifications
5. Lack of proper mortgage against loan.
6. Lack of real loanee.
7. Insufficient fund of the bank.
8. Loans are not disbursed properly as a result of the dishonesty of the officers.
9. Lack of sound guarantor.
10. Sector wise loan disbursement performance scenario are very fluctuated.
11. The loan recovery is hindered due to Flood, thunderstorm etc.
12. Some time the loan-less recover show their unwillingness to pay the loan in order to have various advantages form the government.
13. If loan disbursement is not in accurate time, borrowers will not be able to use that loan in particular sector, As a result loan recovery will be impossible.
14. The notice are not issued just time, for this reason some time the recovery of loan is disturbed.
15. Lack of proper planning and inefficient -fund management.

16. Lack of proper supervision.

17. Loan is not paid through proper assessment.

7.2 Recommendation

Since RAKUB, Birganj branch is the nationalized bank of Bangladesh. It must have to remove its limitation in banking service. In my study, I have recognized several weakness in Banking services and my recommendation are given below:

- i) Process and procedures of lending should be liberalized keeping in view the problems and constraints faced by the borrower.
- ii) Better publicity, Seminar and workshop on loan and advance may brighten the situation highlighting the needs, and problems of the borrowers.
- iii) Virtually for the interest of the borrower and intending borrower, more funds should be shifted to this branch considering the needs and requirement of that branch.
- iv) Steps should be taken to solve the problems of the borrower.
- v) Efficient and motivated man power for sanctioning loan
- vi) Selection of genuine borrower through fair investigation
- vii) Spot investigation for loan allotment
- viii) Prompt services are given to the borrower
- ix) Strong monitoring should be ensured for proper utilization of Loan
- x) To remove the limitation of managerial activities.
- xi) To take proper legal action against defaulter loanee.
- xii) To reduce political pressure
- xiii) To increase awareness of loanee about refunds the loan.

7.3 Conclusion

Credit Management is the principal function of a bank and large portion of bank income generated from loan disbursement and recovery. Bank should always remember that his dealing loan by money collected from others bank and depositors should always not only be attractive to higher yielding loan proposal but also bank should seriously think about whether the granted loan will be recovered timely or not. If bank once fail to recover loan will fail to meet depositors demand.

This branch has not yet produced better performance in recovering those loans given to small borrowers. The major causes behind this low recovery are poor implementation of loan procedures and policy by the bank. The branch should take care of this very important aspect to banking for its smooth survival in the coming days.

So, we can say, that the overall efficiency of credit management system is not highly satisfactory position. But another hopeful news is to us that the RAKUB, Birganj branch has begun to earn profit.

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APPENDIX
QUESTIONNAIRE

1. What is the Background of RAKUB?
2. What is the Objective of RAKUB?
3. What is the Name of the Branch?
4. When it was established?
5. What is the Number of Manpower?
6. What is the glance of the branch?
7. What is the Major activities of branch?
8. What are the problems of loan disbursement?
9. What are the policies of loan recovery?
10. What are the Causes of defaulter?
11. What are the Causes of low recovery?
12. What are the Steps taken for high recovery?
13. Which sector has highest recovery?
14. What incentives are given for early payment of advances?
15. How the project appraisal is done before giving loan?
16. How the supervision is made after giving loan?
17. How do you fixed-up the installment of the loan?
18. How to over come the disbursement and recovery problem?