Internship Report
ON

Loans and Advances CRM Practices & Restructuring of Eastern Bank Ltd

Supervised to:
Department of Business Administration
Faculty of Business Studies
Sonargoan University (SU)
Green Road, Dhaka-1215

Submitted by:
Md. Salah Uddin
ID: MBA2102023009
Program: MBA (Major: Finance)
Semester: Fall 2022
Department of Finance and Banking
Sonargoan University (SU)
Dhaka-1215



Sonargoan University (SU)
Dhaka-1215

Internship Report
ON

Loans and Advances CRM Practices & Restructuring of Eastern Bank Ltd

Supervised To:

Md. Shahbub Alam
Lecturer
Department of Business Administration
Sonargoan University (SU)
Dhaka-1215

Submitted by:

Md. Salah Uddin
ID: MBA2102023009
Program: MBA (Major: Finance)
Semester: Fall 2022
Department of Finance and Banking
Sonargoan University (SU)
Dhaka-1215

Submitted For the Partial Fulfillment of the Requirements for the Degree of Master of Business Administration

Date of Submission: - 12 May, 2022

Letter of Transmittal

Date: March -,2022

The Supervisor
Md. Shahbub Alam
Department of Business Administration
Sonargoan University (SU)

Subject: **Submission of internship report.**

Dear Sir,

I would like to inform you that I have completed my internship report on the topic "Loans and Advances CRM Practices & Restructuring of Eastern Bank Ltd" of Bangladesh. As per partial accomplishment of the requirements for the MBA degree this internship has been carried out under the supervision of you.

This report is an integral part of our academic courses in completion of the MBA program which has given me the opportunity to have an insight into the core part of topic. I hope this report reflects on the contemporary issues on the finance area that are being practiced by organizations in our country.

In completing the report, I tried my best to blend all my knowledge and imparted every available detail and also attempted to avoid unnecessary amplification of the report.

I humbly request you to accept this report for your kind evaluation.

Thanks and Regards

Yours Truly,

Md. Salah Uddin
ID No: MBA2102023009
Department of Business Administration
Sonargoan University (SU)

Declaration of Student

This is Md. Salah Uddin a student of Master of Business Administration, ID No: MBA2102023009 from Sonargoan University hereby declare that the present Internship Report on "Loans and Advances CRM Practices & Restructuring of Eastern Bank Ltd" Ltd. has been submitted as the requirement for the degree of Master of Business Administration.

I also confirm that this report is only prepared for my academic requirement. The work has not been published in any journal or magazine, any other university or institution for any degree, associate-ship, and studentship fellowship and other similar title of prize.

I hereby declared that this Project report or any part of it has not been submitted elsewhere for the award.

Thanks and Regards

Yours Truly

Md. Salah Uddin
ID No: MBA2102023009
Department of Business Administration
Sonargoan University (SU)

Certificate of Supervisor

12 May, 2022

This is to certify that Md. Salah Uddin, student of MBA, ID No: MBA2102023009, Department of Business Administration, Sonargaon University (SU) Dhaka, has successfully completed his Internship report entitled "Loans and Advances CRM Practices & Restructuring of Eastern Bank Ltd" under my supervision for the partial fulfillment of his MBA Program.

He has done his work according to my supervision and guidance. He has tried his level best to do this report successfully. I think this task will help him in future to create a better career.

I wish him all the best in his future endeavors. I also knowingly certify that the Internship Report is an original one and has not been submitted elsewhere previously for publication in any form.

He is wished all the best in his effort.

……

Md. Shahbub Alam
Lecturer
Department of Business Administration
Sonargoan University (SU)
Dhaka-1215

Acknowledgement

Successful completion of any work needs inspiration, guidance, and financial and logical help from others. My study is not behind this theme. In preparing this report, different persons have extended their helping hands to me. It would have not been possible for me to prepare this report without their help. I am very much fortunate to get the sincere guidance and supervision from experienced persons.

First of all, I would like to thank to the Department of Finance & Banking to give the opportunity of preparing the report about Loans and Advances CRM Practices & Restructuring of Eastern Bank Ltd.

Secondly, I would like to acknowledge my deepest gratitude to my honorable supervisor Md. Shahbub Alam, Lecturer, Department of Business Administration, Sonargaon University. Without his guidance and help I would not have completed my internship report. He gave me enough motivation and time for my report. Whenever I needed any kind of help regarding preparation of my internship paper, I found him as my guardian.

Finally, I express my gratefulness to all those who have been helpful in the preparation of this internship report. It certainly would not have been possible without the help of many people and I would like to acknowledge my pleasure to all those who had helped me during this entire process.

Md. Salah Uddin
ID No: MBA2102023009
Department of Business Administration
Sonargoan University (SU)

Table of Content

	Particulars	Page No.
Chapter One	**Introduction & Background of the Study**	
	Background of the study	10
	Problem Statements	11
	Origin of the Report	11
	Objective of the study	12
	Methodology	12
	Scope of the study	13
	Limitations	13
	Organization of the report	13
Chapter Two	**About Eastern Bank Ltd**	
	About of Eastern Bank Ltd.	14
	History	14
	Current profile of EBL	15
	Corporate Banking Division	15
	Treasury Division	15
	Consumer Banking Division	16
	Other divisions	16
	Credit Risk Management	16
	Brand Management	16
	Finance	17
	Human Resources	17
	Special Asset Management	18
	Operations	18
	Audit and Compliance	18
	Credit Administration	18
	Information Technology	18
	International Division	19
	Vision	19
	Mission	19
	Values	19
	Management and Organizational Structure	20
	Organization chart	21
Chapter Three	**Product Profile of EBL**	
	Commercial Lending	22

	Promotion	23
	Distribution	23
	Marketing aspects	23
	Fund Transfer	23
	Financial Profile of EBL	24
	Investment Function	24
	Broad performance indicators (EBL at a glance)	25
	Growth and Development Profile of EBL	26
	Growth in Sales Volume	26
	Growth in Deposits	26
	Loans & Advances	26
	Import & Export Business	27
	Growth in Assets	27
	Portfolio	28
Chapter Four	**SWOT & Comparative Analysis of EBL**	
	SWOT Analysis of EBL	31
	EBL Market for consumer lending:	33
	EBL Market for consumer deposit:	33
	Strength of Principal Competitors in consumer business area	34
	Product Proposition: DPS:	35
	Point of Difference (POD) For EBL	37
Chapter Five	**Restructuring and Centralization of EBL**	
	Restructuring according to the guidelines	38
	Reasons behind the Restructuring and Centralization	38
	Strategic Change	39
	Determining the Need for Change	39
	Reengineering	39
	Restructuring	40
	Operational Changes	40
	Why Centralization of Operations	41
	Benefits of Centralization	41
	Introduction of Corporate Banking	41
	Call programs for prospective clients	42
	Credit Approval and Monitoring Process	42
	Studying Past Track Record	42
	Borrower analysis	43
	Business analysis	43
	Credit Approval Procedure	43
	Risk Analysis of Corporate and Consumer Banking	44

	Monitoring Process of Corporate Banking	44
	Monitoring Process in Consumer Banking	45
	Monitoring Process in Credit Administration Department	45
	Comparative Scenario	46
	Benefits of Restructuring	47
	Loan Classification	47
	Classification procedure	47
	Legal Framework for Loan Recovery	47
	Reducing the Amount of Bad Asset and also Increase the amount of Good Asset	48
	Portfolio analysis of EBL's classified loans and advances Sector wise Portfolio Analysis:	48
Chapter Six	**Conclusion & Recommendation**	
	Recommendation	53
	Conclusion	53
	References	55

Chapter One

Introduction & Background of the Study

1.1 Background of the study

Bank is the most important financial institution in the economy. It plays vital role in the economy by providing means of payment and in mobilizing resources. The economic development of a country depends on the development of banking sector to a great extent. The dependence of banking sector in modern economy is increasing day by day because this sector ultimately contributes to run the wheel of development in a more dynamic way. Today's modern banks are not only provide traditional banking, rather banks are expanding the menu of financial services, banks are making the untouchable service touchable for their customers. The changing and expanding role of banking has made the banking business more complex and competitive. For survival and growth of this business demands creativity, specialization and knowledge and adoption of new technology are used. But technology, creativity, specialization all these cannot support a bank to survive unless the services are marketed in the right track. For this bank need experts who will able to run the business even in against the wind.

Banks provide important capital in the form of loan and advances which are subject to non-repayment which is termed as credit risk, the chance that a loan will not be repaid timely. Hence the main concern of the banks is credit risk and its management as credit or loans and advances are the main source of income for them.

Eastern Bank Limited is one of the leading banks in this sector which arranges corporate and retail credit. This Bank is very much concerned with the credit risk and its management and has a credit risk management department. The success of the banks is hidden in the proper management of the all the sorts of risk related to the banking business. Hence credit risk and its management has become a vital part of the bank. This report will give us an overall idea about the credit risk and its management as practiced by the Eastern Bank Limited.

1.2 Problem Statements

In today's world, Credit officers skilled in evaluating the credit request of business firms rank among the most experienced and highest paid people in the financial services field along with investment bankers. Well, EBL credit department try their best in maintenance of credit. My internship report basically focuses on Loans and Advance and restructuring of EBL by a practical example.

1.3 Origin of the Report

It is said that without theory, practice is blind and without practice theory is meaningless. An internship is designed to bridge the gap between the theoretical knowledge and real application. The prime reason of this report is to learn about credit risk management and restructuring of a bank. This report has been prepared based on one selected listed Bank in Bangladesh, named Eastern Bank Limited. The report has-been prepared based on the information of this bank. The report titled "Credit Risk Management (CRM) Practices& restructuring of Eastern Bank Ltd.". No knowledge is fully complete unless it is fully supported by events on ground. Whatever may be the quality of theoretical knowledge, it is not complete without practical implication on ground. This realization is more pronounced in the study of Business Administration where experience on ground plays a dominant role. Internship program is essential for MBA students because it helps him/her acquit with real life situation. Bank is a one of the important financial institutions, so I have selected Eastern Bank Limited, which is one of the leading private commercial banks in Bangladesh. For this Reason I have prepared my internship report on Loans and Advance CRM Practices& restructuring of Eastern Bank Ltd. Throughout the last few years Bangladesh has-been experiencing a rapid and significant change in the banking sector. Not only in our country, all over the world the dimension of banking has been changing rapidly due to the technological innovation, globalization and deregulation. Eastern Bank Ltd a private scheduled bank in Bangladesh. It has a vital contribution towards lending and investment in economy because Eastern Bank Ltd. has been participating in all sectors (from industrial sector to microfinance).

1.4 Objective of the study

The basic focus of this study is to give a general outlook about the Loans and Advance CRM Practices& restructuring of EBL. However the specific objectives of this report are:

Project objective:

- To present an overview of the Credit Finance of EBL.
- To provide the yearly consumer loan statistics and overall trend of corporate loan.
- To identify the ways to perk up the retail & SME banking position at EBL.
- To identify the Scenario of Credit Risk Management at EBL.
- To identify how EBL have the lowest NPL ratio rather than others commercial bank in Bangladesh.
- To identify how a bank go for centralization.

1.5 Methodology

The first step of this report work was concerned with problem identification and deciding on the topic. This was achieved through consultation with the faculty advisor. Next the particular objectives of the project were set. Based on these objectives, the necessary data for completion of the project were identified. Next, those internal sources were identified who would be able to provide the necessary information. After this, the data collection process began. Both primary and secondary sources of information were used for the purpose of this report. The primary sources of information were the concerned officials of EBL. Data were collected from them through face-to-face interview. The sources of secondary information were different publications, board memos and other reports of EBL. To compare EBL's position with other banks, data from Bangladesh Bank's publications were used. After data collection was complete, the data was analyzed in a descriptive way to find out their implications. Based on these findings, the final report was completed.

1.6 Scope of the study

This internship report is based on the topic- Loans and Advances CRM Practices& restructuring of EBL. During this period, I have been able to gather practical knowledge about the overall credit financing procedure of EBL. The first part of the report gives a synopsis of Eastern Bank Ltd and its operation. Most of the information of this part is gathered from internal source and web site. Second part will give the overall scenario about the Consumer Banking & Credit Finance Centre (CFC) and different sort of corporate, retail & SME loan offered by EBL with competitive interest rates. Third part of the report will give a detailed static of the Credit Risk Management in the last year. I have collected this information from different department of EBL. I am greatly thankful to the employee in this regard. And the last part of the report gives an analysis of the current condition of Risk Management procedure at EBL.

1.7 Limitations

Because of organizational restriction, no name and details of the status of a classified account could be revealed. As a result, specific reasons behind a particular client's classification could not be revealed. This hampered the fulfillment of the objectives of the report.

The financial statements of EBL for 2021 have not been available yet. As a result, some of the data necessary for financial analysis in the organizational part could not be availed.

1.8 Organization of the report

This report is organized into two broad parts. The first part is an overview of the organization itself. The second part concentrates on the research project. The organization part includes History of Eastern Bank Ltd., its profile, structure, operations, management bodies, products, financial status etc. The next part focuses on the project topic. Guideline of Bangladesh Bank for managing credit risk properly is presented first. Then in the following chapters how EBL manage their credit risk with restructuring process, reason for restructuring and effects of restructuring is described. Finally, a conclusion based on the project findings is drawn.

Chapter Two

About Eastern Bank Ltd

2.1 Profile of Eastern Bank Ltd.

This part takes a glimpse at Eastern Bank Ltd. from different perspectives. History of the bank, current status of the bank, its products, organizational structure and many other things are discussed for the better understanding of the organization.

2.1.1 History

Eastern Bank Limited was incorporated as a public limited company and a scheduled bank on 16 August 1992 to commence business. EBL is the successor of BCCI. In 1991 when BCCI collapsed internationally, the operation of this bank closed down in Bangladesh. After discussions with BCCI employees and taking into consideration the depositors and customers interests, Bangladesh Bank gave permission to form a bank named Eastern Bank Limited by taking all assets and liabilities of erstwhile BCCI (Overseas). It was established under the Bank of Credit and Commerce International (Overseas) Limited (Reconstruction) Scheme formulated by Bangladesh Bank. EBL started business with four branches- Principal Branch, Motijheel Branch, Agrabad Branch and Khulna Branch and had authorized capital of TK.1000 million with 10 million shares of TK. 100 each and of paid-up capital of TK. 310 million. The paid-up capital increased to TK. 600 million in 1994. The first Board of Directors constituted of 7 directors of Bangladesh Government. Mr. Nurul Hossain Khan was the chairman and Mr. Ghiyasuddin Ahmed was Managing Director. In 1993, EBL started its expansion of branches. The bank got its Authorized Dealership License from Bangladesh Bank on 7th July 1993. Six new branches opened in 1994 and three in 1995.

2.2 Current profile of EBL

At present, the bank has 85 branches throughout the country with 4500 employees. The existing Board of Directors has 10 members. Mr. Md. Showkat Ali Chowdhury is the Chairman of Board and Mr. Ali Reza Iftekhar is the Managing Director. EBL has gone through a restructuring stage where the traditional 'Branch Banking System' is gradually discarded and being replaced by a Centralized System. Till 2000, EBL operated in a Geographical Matrix where the business of the bank was concentrated in the twenty- two branches. In 2001, the management of EBL changed it business philosophy into Business Matrix. The main three businesses that the bank is now concentrating on are:

- Corporate
- Consumer
- Treasury

2.2.1 Corporate Banking Division

Corporate Banking Division of EBL caters to the needs of corporate clients. The entire corporate division is divided into three broad areas: Area-1 that comprises of Dhaka, Area-2 that comprises Chittagong and Area-3 that comprises of Outstation Branches. the branches in areas other than Dhaka and Chittagong. There are five units in Area-1, while Area-2 has three units. Also there are Small Business Unit (SBU) in Dhaka and Agrabad (Chittagong). All the units are operated from the Corporate Banking Division at Head Office. In general this division's functions are:

- Targeting corporate clients and building business relationship with them
- Evaluating financial strength of the clients
- Designing customized service for the clients
- Making possible recommendations for further financial expansion

2.2.2 Treasury Division

The Treasury Division of EBL deals with fund management. Money market dealing and LC Payments. They are also responsible for maintaining the statutory requirements with Bangladesh Bank.

2.2.3 Consumer Banking Division

Consumer Banking Division deals with the financial needs of individual customers. The twenty-two branches of EBL, which are now termed as the "Sales & Service Centers" principally focus on retail banking based on relationship with individual customers. This division's principal functions are:

- New Product Development
- Brand Management
- Maintenance of CASA and HP Accounts
- Providing Consumer Loan
- Providing Locker Services

2.2.4 Other divisions

Beside these 3 business units several ancillary units are present which support the business units in day-to-day activities. These are Credit Risk Management Division, Brand Management Division, Finance Division, Human Resources Department, Special Asset Management Division, Operations, Audit and Compliance Division, Credit Administration Division, Information Technology Division and International Division.

2.2.5 Credit Risk Management

This division is responsible for evaluating the credit worthiness and debt payment capability of present loan customers and loan applicants. The department also monitors the risk worthiness regularly. The branches send all proposals from the prospective borrowers to the corporate division, which in turn analyze the financial statements and prepare credit memorandum, application for limit, account profitability and other necessary papers and send them to the Credit Risk Management division for approval. The department keeps track of credit portfolio by obtaining regular information from the branches. It sets price for credits and ensures its implementation at the branches. This department also monitors the various loans.

2.2.6 Brand Management

The Brand Management division is a secondary unit of consumer division and is responsible for all activities related to managing the organization's brand and building brand equity. It designs the logo, greeting cards and official stationary and prepares promotional plan and budget. Accounts of the branches and prepares various statements for Bangladesh Bank.

2.2.7 Finance

Finance division of the bank is responsible for:

- Budgeting and Cost Monitoring
- Planning and Monitoring the bank's liquidity
- Corporate Tax management
- Monthly accrued interest calculation of all interest bearing accounts
- Amortization of all fixed and other assets
- Central bank & other statutory reporting
- Management reporting (MIS)
- Preparation of various financial statements
- Weekly deposit and advance analysis of the bank
- Cost of fund analysis
- Maintenance of accounts
- Preparation of annual report of the bank
- Maintenance of provident fund accounts
- Maintenance of income and expenditure posting.

2.2.8 Human Resources

At present around 4500 people are employed in EBL. All aspects of the employees are looked after by the Human Resources Department. HR Department is responsible for recruitment and development of staff members. HR Department carries out the following functions.

- Identifying the need and recruiting new human resources.
- Taking care of all formalities regarding appointment and joining of the successful candidates.
- Training, Remuneration, Compensation, Promotion, Demotion, Termination, Retirement and Transfer of human resources.
- Maintain personal files of all employees of the bank.

In 2001, 16 in-house training programs were designed and executed. Also EBL employees participate in different external courses offered by BIBM, Bangladesh Bank Training Academy, Chambers, Export Promotion Bureau etc. HR department introduced a voluntary separation scheme to address the overstaffed scenario in 2010. The intended employees were offered severance packages and end service benefits.

2.2.9 Special Asset Management

Special Asset Management Division (SAMD) is responsible for management of all accounts, which are classified in the bank's loan portfolio. The classifications are Substandard, Doubtful and Bad & Loss. SAMD's responsibility covers the areas of monitoring and controlling the classified accounts, actively following up with the borrowers for recovery, negotiating and restructuring rescheduling debts wherever feasible.

2.2.10 Operations

The Operations division consists of Service Delivery, Trade Service, Treasury Support division and IT division. These subdivisions provide support to the front office functionalities.

2.2.11 Audit and Compliance

This division provides legal assistance to the branches and formulates strategy for classified loans and ensures observance of rules and policies by all stakeholders of the bank through routine and surprise inspection and audit.

2.2.12 Credit Administration

Credit Administration Division deals with Credit Administration, Loan Monitoring and Documentation. Credit Administration entails post-approval functions of the division, which are monitoring credit expiry, dues, excess over limit, document deficiency and reporting the deficiencies. Loan monitoring part entails follow-up on approval terms, proper disbursement, monitor interest payments, monitor principal repayment and maintaining balance with general ledger. Documentation function entails ensuring that proper loan documents are present, filing with the Registered Joint Stock Corporation (RJSC) and executing registered mortgage deed.

2.2.13 Information Technology

The Information Technology Division deals with identifying the need and developing software for the bank's operation, its maintenance and purchase of new software rights, maintaining the computers and upgrade them whenever required and training the staff for operation of computers and preparing training materials. Presently the IT Division is carrying out batches of training program to introduce the integrated banking software called Flex Cube. A team from Iflex Solutions India is assisting EBL with this software.

2.2.14 International Division

The International Division is responsible for helping in import and export businesses on account of the customers of the bank. It also deals with all the correspondents of foreign banks, which have account with the bank.

2.3 Vision

To become the most valuable brand in the financial services in Bangladesh creating long-lasting value for our stakeholders and above all for the community we operate in by transforming the way we do business and by delivering sustainable growth.

2.4 Mission

- We will deliver service excellence to all our customers, both internal and external.
- We will ensure to maximize shareholders' value.
- We will constantly challenge our systems, procedures and training to maintain a cohesive and professional team in order to achieve service excellence.
- We will create an enabling environment and embrace a team based culture where people will excel.

2.5 Values

Service Excellence	• We passionately drive customer delight. • We use customer satisfaction to accelerate growth. • We believe in change to bring in timely solution.
Commitment	• We know our roadmap. • We believe in continuous improvement. • We do our task before we are told.
Openness	• We share business plan. • We encourage two-way communications. • We recognize achievements, celebrate results.
Integrity	• We say what we believe in. • We respect every relationship.

	• We are against abuse of information power.
Trust	• We care for each other. • We share knowledge. • We empower our people.
Responsible Corporate Citizen	• We are tax-abiding citizen. • We promote protection of the environment for our progeny. • We conform to all laws, rules, norms, sentiments and values of the land.

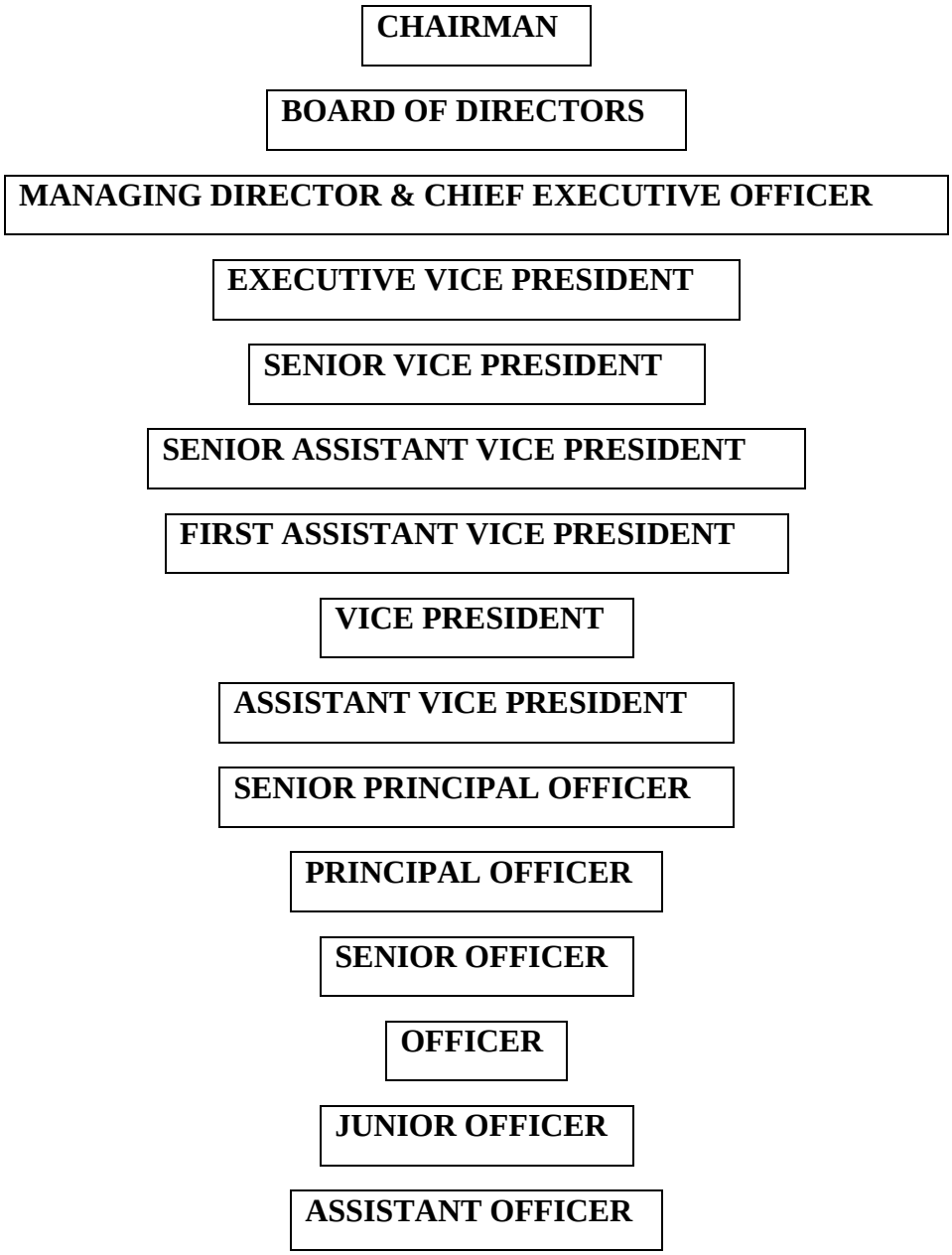
2.6 Management and Organizational Structure

The Board of Directors establishes the objectives and policies of the bank. It has the authority to declare dividend, to approve the balance sheet, etc. The Chairman informs the board of directors on the progress of the bank and implements the policies established. The board is not directly concerned with the day-to-day operation of bank rather it has delegated authority to its management committee. There are three committees of the board for different purposes, which are:

- Executive Committee comprising of seven members of the board
- Committee of the board for Administrative Matters
- Committee to examine Bad Loan Cases

2.7 Organization chart

Following is the present organization chart of EBL:



Chapter three

Product Profile of Eastern Bank Ltd

EBL is in the business of providing banking service and is changing its approaches to become more and more customer focused. At present EBL offers a variety of services/products1 for the retail customers as well as for corporate clients. There are four categories of services in EBL:

- Savings and Current Accounts
- Fund Transfer
- Securities
- Commercial Lending

Savings & Current Accounts

Different savings accounts are: High Performance Account (HPA), Short Term Deposits (STD), Fixed Deposits (FDR), and Current Deposits for Individual, Current Deposits for Partnership, Current Deposits for Joint Account, and Current Deposits for Limited Companies.

3.1.1 Commercial Lending

Commercial lending comes in various forms and names. These are Fast Loan, Fast Cash, Payment against Documents (PAD), Cash Credit (CC/HYPO), Acceptance against (ULC), Own Acceptance Purchase (OAP), Local Bill Purchased-Documentary (LBPD), Foreign Bill Purchased-Documentary (FBPD), Loans against Foreign Bill-Documentary (LAFBD), Sight Letter of Credit (SLC), Usance Letter of Credit (ULC), Letter of Guarantee (LG), Packing Credit against Export L/C & Export Order (PC), etc. The Product Development team of consumer banking division is currently working on designing credit products like EBL Monthly Income Plan (MIP), Savings Insurance Schemes, Monthly Deposit plan, Retail loans, Unsecured Consumer loans, Loans for Professionals. New services like Automated Teller Machine (ATM), Telephone Banking, Online Banking, Credit Card Facility, Sweep in-out Facility etc was introduced in July 2003.

3.1.2 Promotion

Although EBL is in the banking business for quite some time its brand image has not grown strong and in order to succeed in the competitive bank environment it needs enrich its brand equity. So far EBL has shunned any sort of promotional tools except for a few inconspicuous billboard advertisements, signboards and newspaper recruitment ads. However a new department called "Brand Management" has been set up to give a new and enhanced brand identity to EBL. This department supervises the planning of advertisement campaigns for EBL's products and analyzing customer feedbacks. With the aid of a advertising agency the logo and stationary of EBL has been changed and eye-catching brochures, calendars and posters have been prepared which are displayed at the sales & service centers.

3.1.3 Distribution

EBL's 85 branches are now termed as Sales & Centers, which are all connected through the network from mid July 2020. After that the customer can make transactions from any branch they desire.

3.1.4 Marketing aspects

EBL has a highly skilled marketing team which contributes to the growth of the organization continuously by developing new, innovative products, properly campaigning for the products and maintaining a healthy customer relationship.

3.1.5 Fund Transfer

Fund transfer includes the following services:

- Demand Draft (not available under new system)
- Mail Transfer (not available under the new system)
- Telegraphic Transfer (not available under the new system)
- Payment Order
- Sale of Travelers Cheque

3.2 Financial Profile of EBL

3.2.1 Investment Function

The investment portfolio of EBL was as follows in 2019 and 2020. (Note: 2021 data could not be availed from the respective dept.

Table 1: Instrument wise breakup of EBL's Investments

	2019	**% of total investment in 2019**	**2020**	**% of total investment in 2020**
28 Days T-Bills	400,000,000	17.63%	-	0.00%
364 Days T-Bills	100,000,000	4.40%	1,550,000,000	42.92%
2 Years T-Bills	590,000,000	26.01%	720,000,000	19.93%
5 Years T-Bills	880,000,000	38.79%	1,060,000,000	29.35%
Prize Bond	1,259,00	0.005%	1,354,100	.03%
Preference Shares of United	50,000,000	2.2%	50,000,000	1.38%
Cement Ind. Ltd. Shares of Central depository Bangladesh Ltd	1,200,000	0.052%	4,000,000	0.11%
15 Years ICB Debentures	110,000,000	4.84%	100,000,000	2.76%
20 Years HBFC Debentures	135,000,000	5.95%	125,000,000	3.46%
8,566 ICB Shares (TK 100 Each)	856,600	.037%	856,600	0.02%
Total	**2,268,315,600**	**100.00%**	**3,611,210,700**	**100.00%**

From the above data it is seen that EBL prefers to invest in medium-term treasury bills (1 year and 2year maturity). 0 In both 2019 and 2020, 75-80% of its investment was made in 1 year and 2year T-bills. They adopt this policy primarily as a source of liquidity rather than a source of income. The rest 20-25% of investments were made in long-term debentures and shares of some company. It means that EBL is getting higher returns from these high yielding long term investments but the tradeoff is that a large quantity of EBL's money is stuck in those investments for a pretty long time and EBL can't use that money in case of sudden high returning investments.

3.2.2 Broad performance indicators (EBL at a glance)

Eastern Bank has performed well in last few years where there has been significant growth in different segments of the Bank. Here growth for some of the different business of EBL is shown.

Table 2: Broad Performance Indicators of EBL from 2019-2020 (FIGURES IN MILLION TAKA).

Particulars	**2017**	**2018**	**2019**	**2020**
Reserve	2260	2322	2448	2,560
Deposit	12375	13277	13662	11,952
Loans And Advances	8141	9946	10891	11,288
Export	7281	5402	4,358	3,533
Import	12533	11415	12,642	16,256
Guarantee Business	1789	1054	1,183	354
Operating Income	1916	2022	1,986	1,985
Operating Expense	1242	1319	1,255	1,226
Operating Profit (Loss)	674	703	731	759
Net Profit (Loss) before tax	475	553	631	638
Total Assets (Excluding Contingent)	16880	18284	18,445	18,716
Return On Asset %	1.57	1.84	2.04	1.95
Return On Equity % Collected	15.38	16.93	17.44	15.33
Book value per share (TK)	266.07	265.02	295.29	281.87
Earnings per share (TK)	40.91	44.86	51.48	43.21
Dividend per shar	30.00	30.00	35.00	20.00
Classified loans as a % of total loans	8.21	11.52	13.46	13.61
Capital Adequacy ratio %	24.17	22.49	22.32	18.27
Net interest margin %	3.44	3.46	3.44	2.43

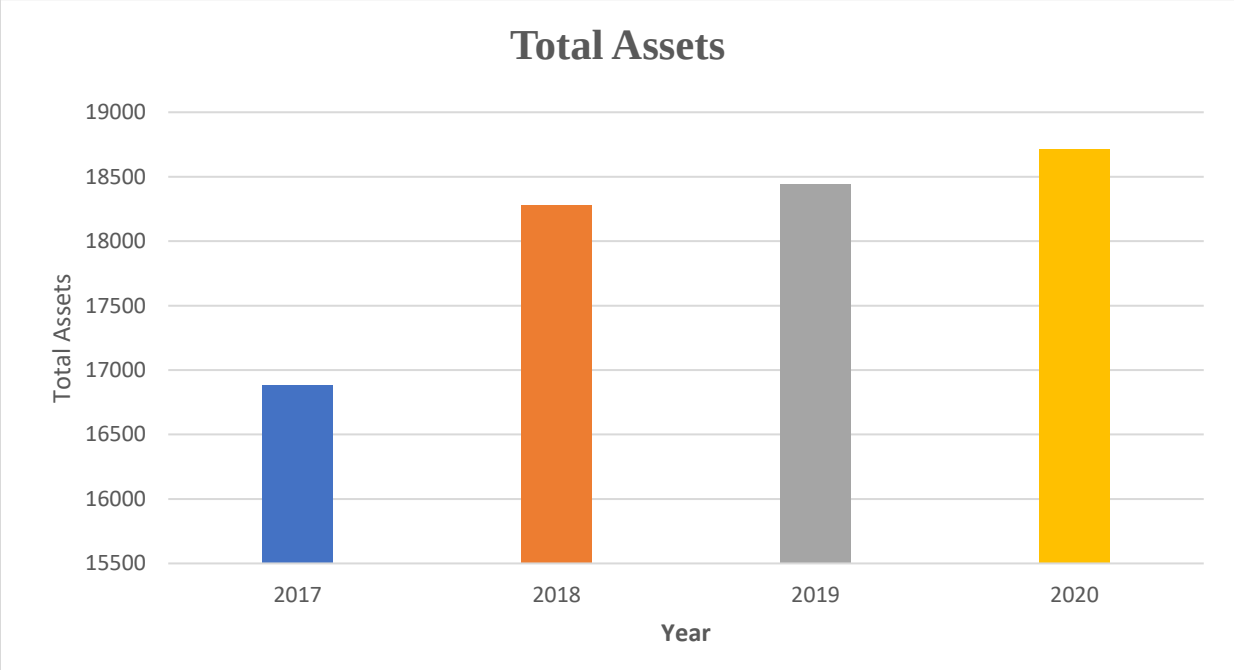
3.2.3 Growth and Development Profile of EBL

3.2.3.1 Growth in Sales Volume

Growth in sales volume comprises of growth in deposits, growth in loans and advances and growth in export and import business.

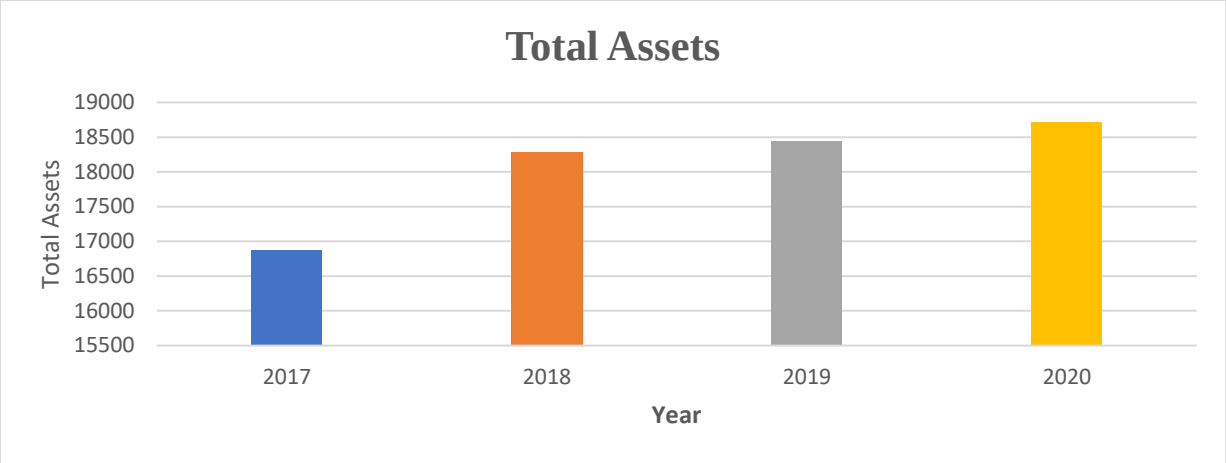
3.2.3.2 Growth in Deposits:

Deposits increased by 7.29% from Tk 12375 million in 2017 to Tk 13277 million in 2018 and in 2019 only by 3.8% to Tk. 13662 million. The bank has focused on reducing cost of funds by increasing transactional deposits and other low-cost deposit. Rates of interest were revised periodically as par market condition.



3.2.3.3 Loans & Advances:

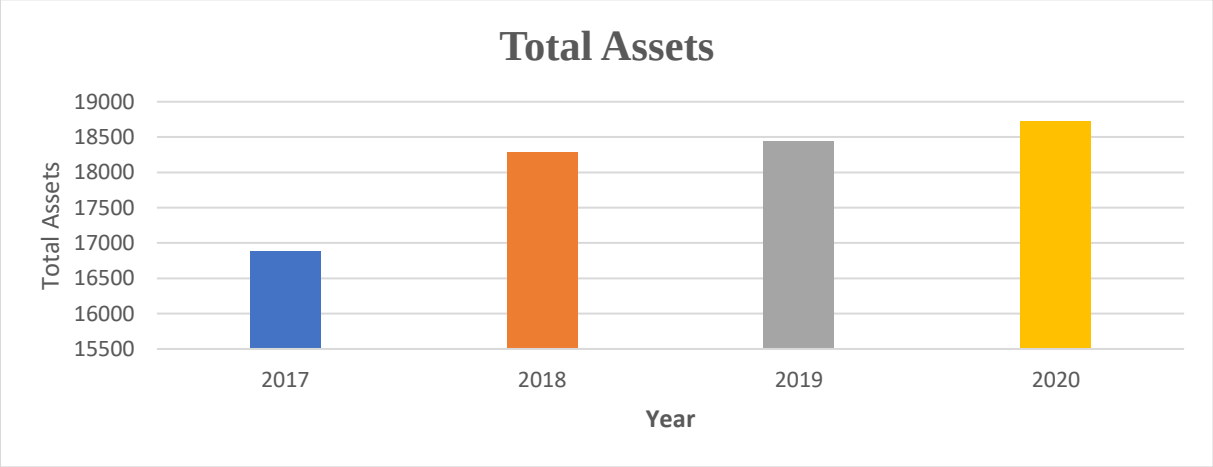
The total loans and advances of the bank were Tk. 10891 million showing an increase of 9.5% only over the year 2019 as against in the year 2018 when the increase was of 22%. The total classified loans of the bank stood at Tk. 1466 million in December 2019 as against Tk. 1146 million at the end of December 2018. Loans increased due to procedural streamlining and establishing transparencies to the credit management system.



3.2.3.4 Import & Export Business:

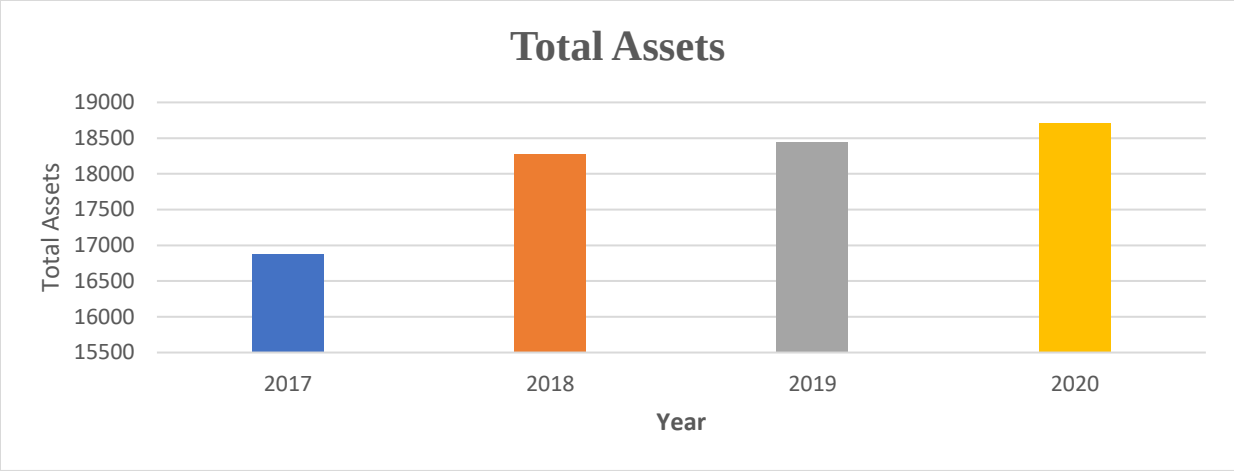
The bank's total foreign exchange business was of Tk. 17272 million, which included Import, Export, and Remittance of Tk. 11415 million, Tk. 5432 million and Tk. 425 million respectively in 2018. Major items of export were readymade garments, shrimps, tea, jute goods, leather goods and non-traditional items. Major import items were consumer goods and old vessels for scrapping, industrial raw materials, fabrics and accessories of garment industries etc.

- Excluding Contingent



3.2.3.5 Growth in Assets

EBL's assets have grown steadily over the years. In the year 2019 it stood at Tk. 17648 million as against Tk. 18284, showing a decrease of 6.4%.



3.3 Portfolio

Table 3: Sector wise investment summary

Sector-wise summary		
Nature of Business	Limit (Taka In lac)	% of total limit
Tea	373	0.16
Agro-based Machinery	2517	1.1
Automobiles	13	0.01
Automobiles & Spare Parts	5371	2.35
Brick manufacturing & Ceramic	211	0.019
Carrying	1056	0.46
Cement	5000	2.18
Chemical, Plastic& Plastic Products	9019	3.94
Civil	11626	5.08

Clearing and Forwarding	109	0.05
Clinic, Hospital & NGO's	77	0.03
Cloth	456	0.2
Commodity Import	22395	9.78
Computer & Electronics	1144	0.5
Consultancy	122	0.05
Cotton, yarn & Dyes	278	0.12
Crockeries	22	0.01
Edible Oil	5651	2.47
Educational Institution	200	0.09
Electronic Goods	6834	2.99
Fertilizer & Medicine	610	0.27
Financial Institution	10400	4.54
Foods & Beverage	8632	3.77
Garment/ Accessories	2168	0.95
Individual	630	0.28
Information Technology	365	0.16
Jute	1059	0.46
Leather	1153	0.5
Media	1020	0.45
Others	11932	5.21
Paper & Stationary	1184	0.52
Pharmaceutical	1306	0.57
Poultry & Hatchery	4024	1.76
Power, Gas & Oil	12064	5.27

Printing & Packaging	2850	1.25
Real State	1071	0.47
RMG	17095	7.47
Road & Bridge	4471	1.95
Rod, Cement & Sheet	1716	0.75
Sanitary & Hardware	583	0.25
Ship Breaking	24138	10.55
Shipping, Airline & Transport	1500	0.66
Shrimp- Export	536	0.23
Shrimp, Fish & Fishfry	593	0.26
Soap & Detergent	275	0.12
Steel Products	14630	6.39
Tea	135	0.06
Telecommunication	2816	1.23
Textile	27101	11.84
Travel Agency	345	0.15
Grand Total	228876	100

By analyzing the above table it is clear that EBL has a much diversified investment in its portfolio. The largest three sectors are Textile, Ship breaking and Commodity import. In the Textile sector EBL has invested 11.84% of its total portfolio. In the Ship breaking sector the proportion is 10.55% and in the Commodity import the proportion is 9.78%. The other major sectors are RMG, Steel products, Power, Gas and Oil and lastly Civil. The percentages of the investments are 7.47%, 6.39%, 5.27%, and 5.08% respectively. By analyzing the overall scenario we can say that EBL is giving preference the RMG and Textile sectors, which is combined 19.31% of the total investment. And it includes the commodity import section, because EBL is providing a lot of facilities for importing raw material and machinery to the textile sector and also the RMG sector. And another good thing is EBL invested above 5% in both the Civil and Power, gas and oil sector, which shows that EBL has the intention of investing for public welfare.

Chapter four

SWOT & Comparative Analysis of EBL

Strengths

Open HR Manual: the HR Manual is open for all the employee of EBL which gives them overall understanding of the terms and conditions of the organization. This HR Manual is uploaded in the internal website of EBL.

Strong Bonding and Belongingness: The employees of EBL have a strong sense of commitment towards organization and also feel proud and a sense of belongingness toward EBL.

Duty Doctor: Recently EBL has appointed a duty doctor to ensure the good fitness for all the employees.

Centralized Banking: Centralized banking means the core functions of business coordinated by the head office give an immense effect for reducing the internal conflicts among the branches and Head Office

Weaknesses

Job Description: Job description in EBL has not been yet organized. HR Accounting: HR Accounting has not yet been established by EBL which is a strong tool for matching the benefits of each new recruitment, calculating turnover, etc.

Compensation and Benefits: Compensation and Benefits is provided by EBL through two different software named EZHR and Flexcube which are rigid to use and have some limitations.

Opportunities

MIS: HRD of EBL has established new MIS and using it in various manpower reporting.

HRIS: Human Resources Information System is going to broaden very soon by EBL. Salary Survey: EBL is going to conduct a salary survey in the year 2016. Learning & Development: EBL is going to utilize its fullest capacity of learning and development program by establishing a library, arranging extensive training module very soon.

Threats

Competitive Salary: The salary package of EBL is not as competitive as the market demands, Frequent Employee Turnover: So the turnover rate of EBL is increasing day by day.

Comparative Product Analysis with Focus on:

- Consumer Deposit and Loan Market Size
- Strength of Principal Competitors
- Comparative Analysis of Consumer Deposit
- Comparative Analysis of Consumer lending
- Consumer Deposits and Loans-Market Size:

Market analysis shows the following viable deposit and loan market size for consumer clients. Only 29% of deposit market size and 33% of total consumer loan market size has been occupied. So still ample share of both consumer deposit and consumer loan market is remaining.

Market analysis – 4 cities (Dhaka, Ctg, Khulna, Sylhet)

Area	Volume
Total target urban household	7.5 lacs
Avg. household size	4.8 persons
Avg. income per household	Tk 175,000 monthly
Total target deposit customers – top end	8 lacs
Total target deposit customers – Salaried	18 lacs
Consumer deposit market size	**Tk 21,000 crore**
Total target consumer loan customers	26 lacs

Consumer loan market size	**Tk 16,000 crore**
Current deposit volume –	Tk 6,436 crore (30.64% of Tk 21,000 crore market)
Current loan outstanding	Tk 5,200 crore (33% of Tk 16,000 crore market)

6.1 EBL Market for consumer lending:

Presently, all banks are trying to introduce new Assets/Loan facilities comprising reducing rates on Home loan, car loan, and personal loan plans. The Asset products growth of EBL for 2019-2020 has been given below: Where we can see the YTD growth for CNB is 242.33 crore. EBL has made a target of crossing 300 crore YTD growth on loan products this year.

Asset Products: Growth					in Crore Tk.
	30-Dec-19	09 Dec, 2020	08 Dec, 2020	Daily Growth	YTD Growth
Total OD	156.15	104.49	107.96	-3.47	-51.66
Personal Loans	391.83	475.15	474.46	0.7	83.33
Auto Loan	1.58	10.26	10.27	-0.01	-1.32
Home Loan	91.42	103.77	103.77	-0.01	12.35
Parse Loan	9.98	4.17	4.18	0	-5.8
Secured EMI Loans	147.68	301.46	299.95	1.51	153.78
Total EMI Loans	652.48	894.81	892.63	2.19	242.33

6.2 EBL Market for consumer deposit:

Presently, all banks are trying to introduce new consumer deposit product comprising current, savings and monthly savings plan. The liability products growth of EBL for 2010-2020 has been given below: Where we can see the YTD growth for CNB is 1023.61 crore.

Liability Products: Growth						in Crore Tk.
	30-Dec-19	09 Dec, 2020	08 Dec, 2020	Daily Growth	Monthly Growth	YTD Growth
Current	72.2	93.23	92.75	0.48	4.05	21.03
Savings	1,987.53	2,634.75	2,622.40	12.35	28.28	647.22
Deposit Scheme	371.21	513.73	513.17	0.56	6.89	142.53
SND	0.83	1.42	1.42	0	0.17	0.6
Fixed/Term Deposit	4,982.65	5,194.89	5,194.89	-7.62	-7.62	212.24
CNB Total Only	7,414.42	8,438.02	8,432.25	5.77	9.62	1,023.61
SME & Corp. Deposit	-	539.06	539.14	-0.08	2.37	539.06
Grand Total (CNB+SME+CORP)	7,414.42	8,977.09	8,971.39	5.69	11.99	1,562.67

6.3 Strength of Principal Competitors in consumer business area

Name of Competitor	Major Strength
Standard Chartered Bank	• Market leader in the credit card business • Global brand equity

	• Large existing customer base • Direct Sales • Good corporate relationship with MNCs
HSBC	• Aggressive retail banking guideline • Global brand equity • Technological superiority
Eastern Bank Ltd	• Aggressive retail banking • Technological superiority • Expanding sales team • Good leadership
BRAC BANK	• Aggressive market participation in retail and SME banking • Expanding sales team

6.4.1 Product Proposition: DPS:

A monthly savings plan to continue for equal installment up to certain period of time which generates a big return after maturity.

Features	HSBC	HSBC	SCB	BRAC Bank	Dhaka Bank	EBL
Name of DPS	My Future	Smart Saver	Monthly Savings	DPS	DPS	DPS & Mill
Initial Deposit	Tk 10,000	Tk 50,000	10,000	No	No	No for DPS Yes for Millionaire
Installment size	5000		1000			

Tenor	1 Year, 2 Year and 3 Year	3 Year	3 year 5 year 10 year	4 Year, 7 Year, 11Year and 14 Year	5 Year and 10 Year	3,5,7, 10, 12 Year
Rate of Interest *	6%	4.75%	6.50%	8 % to 9.75%	9.5% to 10%	7%

*Interest is monthly compounding

Product Proposition:

Monthly Return on Fixed Deposit: A monthly savings plan to continue for equal installment up to certain period of time which generates a big return after maturity.

Parameter	BRAC Bank	Dhaka Bank	Prime Bank	EBL
Name of the product	Abiram	Special Deposit Scheme- Income Unlimited	Monthly Benefit Scheme	DPS & Millionaire
Tenor	1 year, 2 years and 3 years	3 & 5 Year	5 years	3,5,7,10,12, 5 years
Rate of Interest	12.00% (1 Year) 11.50% (2 Year) 11.50% (3 Year)	9%	9%	7%
Customers Monthly	Tk 900 (After Tax Deduction) -1	Tk 900 (After Tax Deduction)	Tk 900 (After Tax Deduction)	Tk496 (after Tax Deduction)
Returns for Tk 1 lac	Year			

Personal loan for salaried executive:

Category	EBL	SCB	HSBC	BRAC
Loan Amount	Minimum Tk 50k and Maximum Tk 10 lac or 12 times of gross monthly income whichever is lower	Minimum Tk 50k and Maximum Tk 10 lac or 12 times of gross monthly income which ever is lower	Minimum Tk 50k and Maximum Tk 10 lac or 10 times of gross monthly income whichever is lower	Minimum Tk 50k and Maximum Tk 10 lac or 15 times of gross monthly income whichever is lower
Minimum Monthly Income	Tk 16,000 (Govt Officials) Tk 22,000 (Private Organizations)	Tk 16,000	Tk 18,000	Tk 15,000
Tenor	12 to 60 months	12 to 60 months	12 to 60 months	12 to 60 months
Rate of Interest	9%	9%	9%	9%
Processing Fee	1%	1%	1%	2%
Guarantee Required	Yes (B & C Category)	Yes	No	No

6.7Point of Difference (POD) For EBL

- **Fully Centralized Banking:** EBL offers fully centralized banking facility for its customers which are very few in other organizations in the banking industry. Centralized banking means all the core activities of the bank will be performed through the Head Office. This helps EBL to control all the branches swiftly and create transparency in all the activities of it.
- **Open Door Environment:** the working environment and the relationship with the colleagues and supervisors in EBL are very friendly, sound and conducive. There is no relationship gap between the entry level employees to the top level management. Everyone has the opportunity to express their opinion frankly to the top level management event to the Managing Director. This has provided EBL an extra advantage to perform the job in a friendly environment.

.

Chapter Five

Restructuring and Centralization of EBL

5.1 Restructuring according to the guidelines

Eastern Bank Limited has been restructured in the year 2002. It has changed the way it used to do its operation. Some new divisions have been introduced. The major restructuring part is the centralization of the overall operation. Now the branches will act as the sales and service center and all the decisions are made by the Head office. The reason behind this centralization and restructuring is to optimize EBL profit and also reduce the amount of bad or classified loans.

Two new divisions named Corporate Banking and Credit administration have been introduced. Both the divisions are responsible for providing the facilities to the corporate clients and also monitor their daily transactions. And all the decisions about providing facilities to the clients are made by the Credit Risk Management Division. Operation of Trade services also changed, now all the import/export businesses are operated from the head office. Corporate Banking was introduced for maintaining good relationship with the Corporate Clients through the Relationship Managers and also for better marketing of the Bank's Products in the Market. Credit Administration was introduced to look after all the transaction made by the corporate clients and their current outstanding.

5.1.1 Reasons behind the Restructuring and Centralization

Before the restructuring, all credit related matters were handled in branch level, which led to lower transparency and possibility of misjudging the clients' capacity to repay. Main objective of this new approach is to increase the centralized control over credit approval and monitoring procedures. Other objectives are:

- Reducing the amount of Bad-Assets and increasing the amount of Good-Assets.
- Minimizing the mistakes and wrong decisions taken at the branch level.
- Increasing amount of deposits.
- Reducing the amount of bad loan through proper selection of the corporate clients.
- Reviewing and scrutinizing the loan repayment process more accurately.
- Optimizing the Profit of the Bank.

5.2 Strategic Change

Strategic change is the movement of a company away from its present state toward some desired future state to increase its competitive advantage.

5.2.1 Determining the Need for Change

As the ROE of EBL was falling, the Board of Directors recognizes that there is a gap between desired company performance and actual performance. The competition in the banking industry has increased over the period and EBL was way behind to introduce new products for the customers. Moreover the loan recovery performance of the banks was not satisfactory and the management had to write off a significant portion of the bad debts. So the Board of directors realizes that EBL needs for a strategic change. In order to initiate the change process, the Board of Directors replaced the Managing Director Mr. M. Khairul Alam with K. Mahmood Sattar who was the Head of corporate of the ANZ Gridlays' Bank (Bangladesh). In Eastern Bank Limited, two major strategic changes occurred – reengineering and restructuring.

5.2.2 Reengineering

EBL has changed some of its business processes. Previously each branch manager used to take all the decisions regarding their branch operation by him or her. There are 22 branches of Eastern Bank Limited operating countrywide. But now all these branches are termed as the "Sales & Services Centers" and they are now totally focusing on retail banking based on individual customers. Respective branches took all the necessary papers from clients and send all advance proposals to the Head office for approval. The head office will process the documents and let the customer know the decisions through the respective branch. Each branch is now involved with general banking (deposit, withdrawal). EBL concentrates on Corporate Banking that deals with business houses including sole proprietorship concerns, Consumer Banking that deals with all individuals, professionals, housewives, doctors, engineers, etc. and high net worth individual, treasury Department dealing in call/placement. Money market (local and foreign) operations, sell treasury products, maintain liquidity including CRR & SLR and responsible for presenting credit line proposals for Banking Financial Institution.

EBL's information Technology (IT) Department have been providing uninterrupted high quality computerized banking services to meet the needs of its clientele which aims at building, operating and maintaining the technology base of the bank to enable error free production of information that ensures ongoing efficiency and profitability of operations. The management of the bank is on the threshold of shifting on the new IT paradigm as a

world class banking software has been selected which will provide Online banking, Internet banking. Automated Teller Machine (ATM's), Point of Sale (POS), Credit Card facility etc to its customer to meet the challenge of the 21st Century. Steps have been taken to select the compatible Computer hardware, Environmental software, Communication link, Local Area Network (LAN) and Wide Area Network (WAN) equipment's to implement the banking software successfully. Moreover, Eastern Bank Limited has changed its vision and mission to face the challenges of the external situation.

5.2.3 Restructuring

The top management realized a need for rightsizing the number of employees of the Bank. After rightsizing the management decided to change the structure of the Bank, and they changed the structure from the geographical matrix to the business matrix. The next step was to place right people in the right place and define their job description. Before the change the responsibility of the employees were not specific, all of them were used o do everything. With this job description the responsibility was also delegated towards the employees. They have also got job title, so there are two hierarchies there in the Bank now: corporate hierarchy and the job hierarchy. The main structural change that needs to be noticed is that the structure among the departments is decentralized whereas the structure within the departments is centralized. As a result, the organogram of the Bank has become more-flat than before.

5.3 Operational Changes

An operation is all about processes, which are considered to be activities performed by several people to accomplish transactions. Operation is important for bank because it is the nerve center of the business without which nothing can materialize. It is like the production unit of the manufacturing concern ad it touches every other function:

i. Consumer
ii. Corporate
iii. Treasury
iv. Support

Operations deal with every transaction and are involved in every affair, which includes:

- Starting an account relationship
- Settlement of account,
- Foreign trade dealing,
- Resolving disputes and claims,
- Shortened of lead-time in every transaction,

- Reconciliation of suspense accounts.
- Reforms recommended by the new management are,
- Capacity planning
- Change in organization structure
- Renationalize human resources
- Centralize processes

5.3.1 Why Centralization of Operations

- To allow front offices to become more customers focused and sales oriented.
- To contain cost of transactions at branch level.
- To optimize the utilization of their resources and premises.
- To bring in control in their activities.
- To eliminate lapses on account of security documentations of risk assets.
- To provide efficient customer services.

5.3.2 Benefits of Centralization

- Consolidate skill sets
- Effective internal control
- Containment of costs
- Enhances business flexibility at branch level
- Data consolidation
- Economies of scale.

5.4 Introduction of Corporate Banking

Eastern Bank has launched Corporate-banking division on the 10th January of 2002. Corporate is responsible for providing all the facilities to the corporate clients. Previously the procedure was different. Branches were responsible for providing all the cash and non-cash facilities to the clients. But now the scenario is changed. The whole corporate division is divided into two broad areas, Area1 that comprises Dhaka and Outstation Branches and Area2 comprising Chittagong branches. Area 1 consists of six units. Four of them are located in the principal branch and one is in the Gulshan branch. Six units in area1 are looking after assets and one unit is responsible for liabilities, while area2 has three asset units and one liabilities unit. Every unit has a unit head, who is in charge of that unit and responsible for all the business activities of that unit. Generally one RM and one ARM work under the unit head. All Unit heads work under the head of Corporate, and they report directly to him. The management hierarchy of the Corporate Banking is given below:

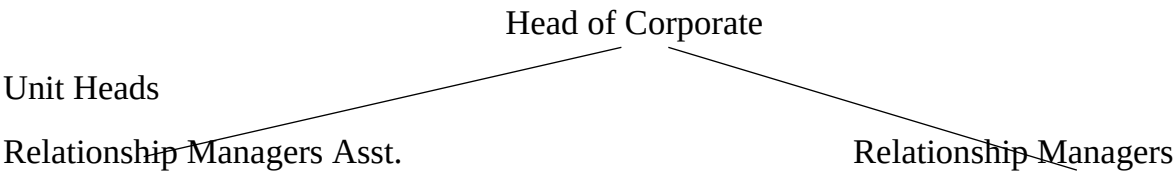


Figure 4: Management Hierarchy of Corporate Banking

The broad functions of this division are as follows:

- Targeting corporate clients and building business relationship with them.
- Designing customized service for the clients.
- Evaluating financial strength of the clients.
- Making possible recommendations for further financial expansion

5.4.1 Call programs for prospective clients

Target Clients: Established with Three years track records or diversification/expansion of business houses with five years success track record, strong financials, good net worth and established market reputation.

Call Objectives: Obtain project details, financials, year to date results, current banking arrangements, independent market opinion of sponsors & company, group business information future requirements, CIB position, opinion on credit worthiness of sponsors, security/rates/facility levels of existing bankers, ascertain how EBL value offer fits in with customer requirement, try to understand customer need in terms of value offer.

5.4.2 Credit Approval and Monitoring Process

Selection of the Borrower

In lending, the most important step is the selection of the borrower. Due to the asymmetric information and moral hazard, banks have to suffer a lot due to the classified loans and advances, which weakens the financial soundness of the bank. If the selection of borrower is correct, that is, the borrower is of good character, capital and capacity or of reliability, resourceful and responsible; the bank can easily get the return from the lending. Consequently, monitoring is made much easier for the banker. From this point of view, EBL follows the following procedures,

5.4.3 Studying Past Track Record

After getting an application for a loan, an EBL Official studies the past track record of the applicant. Generally the study includes,

- Account balances and the past transactions.
- Credit report from other banks.

- Information of the Industry by studying market feasibility.
- Financial statements (balance sheet, cash flow statement, and income statement). If the borrower is a sole- proprietor, then the single-entry accounting treatment is converted to double entry system.
- Report from Credit Information Bureau of Bangladesh Bank if the amount is more than TK.10 lac.

5.4.4 Borrower analysis

Borrower analysis is done from the angle of 3-C (character, capital, capacity) or 3-R (reliability, resourcefulness, responsibility). It follows that the bank forms a rational judgment about the integrity of the borrower, which should be undoubted. The human skill, conceptual skill, operational skill is qualitatively analyzed.

5.4.5 Business analysis

Business analysis is done from two angles-terms and conditions and collateral securities.

5.4.6 Credit Approval Procedure

After receiving the application from the client, EBL official prepares a Credit Line Proposal (CLP) and forwards the same to the Head Office to place before Head Office Credit Committee (HOCC) for approval. It includes,

- Request for credit limit of customer.
- Project profile/ profile of business.
- Copy of trade license duly attested.
- Copy of TIN certificate.
- Certificate copy of Memorandum & Articles of Association, certificate of incorporation, certificate of commencement of business, Resolution of the Board, Partnership Deed. (Where applicable)
- 3 years Balance sheet and profit & loss account.
- Personal net worth Statement of the owner/ directors/ partners etc.
- Valuation certificate of the collateral security in Bank's form with photograph of the security.
- CIB Inquiry form duly filled in (for proposal of above 10lac)
- Credit report from another banks.
- Stock report duly verified (where applicable)
- Indent/ Performa invoice/ Quotation.
- Price verification report.
- Statement of accounts
- Declaration of the name of the sister concern and their liability.

- In case of L/C detailed performance of L/C during last year.

Therefore, the steps in lending can be sum up as follows,

- Entertainment of application for loan proposal.
- Preliminary screening of credit proposal.
- Feasibility study & Appraisal of loan proposal or Credit investigation.
- Sanction of loans or advances.
- Documentation.
- Disbursement of loans or advances.
- Supervision and follow up of loans and advances.

5.4.7 Risk Analysis of Corporate and Consumer Banking

It is observed that the bank is not evaluating the credit risk of its clients Central Bank requires a lending risk to be analyzed with proper rating. Risk rating helps the bank to properly identify the credit strength of its clients and this also helps in focusing on appropriate action plan to be taken for both the good and classified borrowers. This also strengthens of credit discipline in EB. In order to achieve the objectives; risk rating guideline has been introduced which is term as Obligor Risk Rating (ORR) [Appendix II].

Risk rating of client is a continuous process. Therefore, Branch should rates its clients while presenting CLP [New or Renewal] and on a half-yearly basis i,e. 6 months from the date of payment of a credit proposal. During half yearly review this exercise should be done in portfolio review format. Any upgrade or downgrade of risk rating should also be presented through credit portfolio Review format.

5.4.8 Monitoring Process of Corporate Banking

Corporate banking is an integrated specialized area of the bank, which addresses customers' business requirement. Business houses including sole proprietorship concern are considered to be the corporate customers. Corporate Department means a separate line of business. The roles of relationship managers or account managers are to retain and grow share of existing customer base and booking new customer (quality credit) to sustain and increase corporate banking and ‘Eastern Bank Limited’ profitability through superior customer service. Developing and executing customer strategies that identify and maximize the banks earning opportunities, effectively assessing and managing credit risk and costs, managing career development of staff, developing referrals and liaising with Head Office and credit to develop new customers, identify potential process/ service enhancements and escalate to the appropriate person. Account Manager is basically dealing officer, responsible for managing clientele relationship. Alternate Account Manager will take care of client relationship during account manager absence.

5.4.9 Monitoring Process in Consumer Banking

Consumers are all individuals, professionals, housewives, doctors, and engineers, etc and high net worth individuals. Consumer banking is considered to the front officers of the bank, which interfaces with the customers. Monitoring of consumer banking is one by "Sales and Service center." They keep record of all the documents. If there is any exception, they monitor it and send it to the clients and request it to adjust it. Head Office credit risk management finally monitors all branches consumer banking by using Management Information System (MIS). Eastern Bank Limited give maximum emphasis on Consumer Banking.

5.4.10 Monitoring Process in Credit Administration Department

Credit Administration Department will be responsible for monitoring of limits and outstanding as per credit approvals. Ensure proper loan documentation before disbursement. Also ensure that all credit approval conditions are adhered to and to highlight exceptions and obtain approvals for any exceptions.

Steps of Credit Payment and Monitoring Process:

There are some steps in credit payment and monitoring process. For proper credit payments and monitoring these steps are very much important. If these are not properly maintained then very clients face much problem. So, these steps are very much important. These steps are given below:

Step-1: The credit payments and monitoring process starting from review of credit payment.

Step-2: Then obligor risk rating.

Step-3: Payment of credit limits.

Step-4: Disbursement of facilities.

Step-5: Portfolio review and monitoring of credit risk with proper documentation and reporting.

The processes clearly reflect a strong check and balance ensuring superior credit discipline. These processes will eventually be incorporated and highlighted in the EBL's credit policy manual (under process).

The Credit Payments and Monitoring Process will also have the following merits:

- Expedite credit payment process better credit analysis of customer business.
- Banks vision to provide service excellence.
- Ensure superior asset quality with growth in sustainable profit.

5.5 Comparative Scenario

Previously (before 2001) there was no standard loan evaluation, approval and disbursement process and no strict loan monitoring policy. As a result, there were lots of irregularities in loan disbursement and recovery of EBL. This is one of the main reasons why EBL incurred so much classified loans and advances.

- Previously, there was no centralized Corporate Banking Department and therefore the branch manager and the branch credit officer maintained the relationship with the client at the branch level. In this decentralized structure, head office management had poor control over the loan disbursement and monitoring process. They only got involved during the time of loan approval and yearly renewal. On the other hand, the branch employees had significant control over the operations of the credits. Sometimes they used their discretions over head office approval in disbursing loans and collecting repayment. For example, once a client in Chittagong was allowed to draw loans up to TK 28 crore against an approved limit of only TK 5 crore as the branch manager was sure that the client would be able to pay back the extra amount very quickly. However, the client could not pay back the loan completely which resulted in a large classified amount.
- Also, previously the loan applicants' background was not checked on a strict basis. Sometimes the credit officers failed to corroborate the information and documents provided by the client through face-to-face contact, factory/office visit, financial data checking etc. As a result, there have been instances where client took loans through fake documents and never paid back the money.
- In some instances, the credit officials also failed to monitor the loans properly. Since there was no requirement of reports like Account Profitability, Portfolio Review statements etc., there was no strict monitoring of the client's stocks, earnings, etc. on a regular and timely basis. As a result, the concerned credit officials failed to detect deterioration in the client's financial position on time.
- Some Credit Administration Department officials also failed to perform their duties properly. It is their responsibility to ensure that all loan documents are authentic, in proper order, and up-to-date. However, there have been instances where credit administration failed to ensure that valid insurance is held, charges are created on the borrower's asset properly, land assets have been mortgaged properly etc. Because of these deficiencies in loan documentation, EBL failed to recover some classified loans by taking over and selling off the securities held against them.

5.6 Benefits of Restructuring

5.6.1 Loan Classification

Loan classification is a process by which the risk or loss potential associated with the loan accounts of a bank on a particular date is identified and quantified to measure accurately the level of reserves to be maintained by the bank to provide for the probable loss on account those risky loan All types of loans of a bank are fall into following four **scales:**

Unclassified: Repayment is regular.

Substandard: Repayment is stopped or irregular but has reasonable prospect of improvement.

Doubtful debt: Unlikely to be repaid but special collection efforts may result in partial recovery.

Bad/ Loss: Very little chance of recovery.

5.6.2 Classification procedure

The classification procedure is done as per the Central Bank's instructions in B C D circular No.34 of 1989, B C D circular NO. 20 of 1994. The loans are classified on the basis of following criteria.

Classification criteria:

- Overdue (OV)
- Required payment (RP)
- Limit Overdrawn (LD)
- Legal action (LA)
- Qualitative judgment (QJ)

5.6.3 Legal Framework for Loan Recovery

After being classified, if the borrower is disable to adjust the loan then the bank can take the following legal actions by filing suit, -

- Filing certificate cases under Public Demand Recovery Act-1913
- Filing money suit cases under Artha Rin Adalat-1990
- Filing Bankruptcy cases under Bankruptcy Act-1997.
- Filing cases under Negotiable Instrument Act-1881 section 138 to 141 for insufficient fund. (In case of term loan).

5.6.4 Reducing the Amount of Bad Asset and also Increase the amount of Good Asset

EBL had a huge loss in the year 2001, Top Management decided to centralize the whole operation. And they also decided to introduce two new divisions named Corporate Banking and Credit Risk Management. The task of the relationship managers of the corporate banking is to do the marketing for the Bank. They also facilitate the existing clients in their daily transaction. Previously corporate clients can apply and take the loan from their respective Branches and the loan is granted by the Branch manager. But now RMs does the marketing for the bank and deal with the clients. After the loan is granted, credit risk management look after the clients' documents and also the repayments. The major problem behind the decrease in the profitability was the amount of bad assets (Loans and Advances). So, Corporate Relationship Managers have got specific instruction about the selection of the clients and to make them repay the interest and also the principal amount. When EBL is giving loans to a new, small or not very well reputed organization, it usually charges high interest rate to the clients. But when it is giving loan to a well reputed or financially strong organization, charges lower interest rate. So, when it is providing loans to the less reputed organization its income is going down. But the problem is financially weak organizations usually fails to repay the loans in the due time. And there is also a probability of default. When any organization fails to pay the quarterly or annual repayment EBL is conceding a loss.

But the fact is EBL had to face loss in two different ways if any organization fails to repay its loan. Bank is not receiving the money given to the client as loan and also the interest. And the Bank has to make provision for this loss from its annual profit. So, in both ways it is hampering the Bank's profitability. EBL's main concern is to reduce the amount of the bad loans and increase the amount of the good asset. So, EBL is targeting the big and financially strong organizations for doing business with them. By introducing the Corporate Banking and Credit Administration EBL is trying to look for the new clients and monitor its existing clients regularly.

By the end of the year 2019 and 2020 they had a staggering classification rate of 13.46% and 13.61% in the total portfolio of loans and advances. But at the end of September 2020 the classification percentage came down to 8.22% with classified loans and advances totaling Taka 109 crore, which is almost half of the previous two years. So, benefits of restructuring were recognized within a short period of its implementation.

5.6.5 Portfolio analysis of EBL's classified loans and advances Sector wise Portfolio Analysis:

EBL's total loans and advances and classified loans and advances are scattered over 31 different sectors. If we calculate the amount of outstanding corporate loans and classified

loans in these sectors, we get the following portfolios of Total Loans and Advances and Classified Loans and Advances.

Table 4: Sector wise % distribution of total loans & classified loans (March 20)

Sector Name	% Share of Total Loans and Advances	% Share of Classified Loans and Advances
Textile	11.47%	3.25%
Steel Products	4.57%	5.83%
Cement	1.09%	0.00%
Ship Breaking	7.65%	13.25%
Pharmaceutical	1.48%	0.00%
Chemical, Plastic & Plastic Products	2.45%	2.64%
Foods & Beverage	6.33%	0.43%
Edible Oil	6.11%	13.89%
Power, Gas & Oi	4.63%	0.00%
Leather	0.69%	6.39%
Jute	0.31%	0.67%
Poultry & Hatchery	1.53%	0.10%
Electronic Goods	3.16%	0.43%
Brick & Ceramics	0.08%	0.17%
Soap & Detergents	0.11%	0.00%
Paper, Printing & Packaging	2.43%	0.84%
RMG	9.13%	8.98%
Shrimp – Export	0.12%	0.00%
Media	0.29%	0.00%

Information Technology	0.02%	0.00%
Telecommunication	5.27%	0.00%
Shipping, Airline & Transport	0.66%	1.85%
Commodity Import	9.38%	9.31%
Construction	6.51%	6.07%
Trading	5.83%	12.46%
Service	1.13%	1.74%
Clinic, Hospital & NGOs	0.05%	0.38%
Educational Institution	0.14%	0.00%
Financial Institution	4.44%	0.00%
Individual	0.17%	0.24%
Others	2.77%	11.09%
Total	100.00%	100.00%

In the table, the bold-faced sectors represent the sectors which constitutes relatively higher % of classified loans and advances than of total loans and advances. These sectors include steel products, ship breaking, chemical & plastic products, edible oil, leather, jute, brick & ceramics, shipping & transport, trading, service, hospitals & NGOs and others. The relatively higher exposure of these sectors to Classified Loans and Advances implies that these sectors are inherently more risky for investment. The following graphs show the portfolio distributions of total loans and advances and classified loans and advances.

If we calculate the respective amount of classified loans and advances in each of these sectors as % of loans and advances in that sector, we get the following table:

Sector wise analysis of number of accounts:

In terms of number of classified accounts, if we calculate the respective number of classified clients in each of these sectors as % of total clients in that sector, we get the following table:

Table 6: Sector wise % of classified clients to total clients in the sector (March 2020)

Sector Name	Number of Clients	Number of Classified Clients	% of Client Classified
Textile	237	4	17.39%
Steel Products	150	4	26.67%
Cement	39	0	0.00%
Ship Breaking	80	3	27.27%
Pharmaceutical	37	0	0.00%
Chemical & Plastic	90	6	46.15%
Foods & Beverage	136	5	21.74%
Edible Oil	35	2	40.00%
Power, Gas & Oil	25	0	0.00%
Leather	50	1	25.00%
Jute	10	5	35.71%
Poultry & Hatchery	128	1	9.09%
Electronic Goods	150	2	16.67%
Brick & Ceramics	59	2	28.57%
Soap & Detergents	55	0	0.00%
Printing & Packaging	69	2	12.50%
RMG	208	14	33.33%
Shrimp - Export	28	0	0.00%
Media	45	0	0.00%
Information Technology	98	0	0.00%

Telecommunication	4	0	0.00%
Shipping & Transport	56	7	38.89%
Commodity Import	34	5	22.73%
Construction	362	7	9.21%
Trading	455	54	34.62%
Service	57	4	16.67%
Clinic, Hospital & NGOs	66	1	100.00%
Educational Institution	97	0	0.00%
Financial Institution	45	0	0.00%
Individual	287	9	21.43%
Others	782	42	28.77%
Total	3974	180	24.93%

Here, we see that out of total clients of 3974, 180 were classified as on March 31, 2020. This means that 24.93% of all loans and advances clients of EBL were classified.

So we see that in all the 2 types of analysis, we continuously find the following 12 sectors to have higher than usual classification level:

- Steel products
- Ship breaking
- Chemical & plastic products
- Edible oil
- Leather
- Jute
- Brick & ceramics
- Shipping & transport
- Trading
- Service
- Clinics & NGOs
- Other

We can therefore assume the above 12 sectors to be risky for investment for EBL.

Chapter Six

Conclusion & Recommendation

Recommendation

EBL's approach to credit is more conservative than that proposed by Bangladesh Bank. Although this approach might seem more prudent, however in face of increasing competition from new generation banks, EBL needs carry out the following:

- Develop more customized parameters for credit approval process under the general guidelines of Bangladesh Bank to increase its market.
- Data used for assessment of credit proposals should be checked for authenticity and accuracy.
- CRG score depends heavily on the financial data provided by potential borrower. Therefore steps should be taken to make those data more reliable.
- EBL's RM should be more aware of manipulative qualitative data than business development. There should be procedures and parameters to identify and eliminate such manipulation.
- Continuous improvement of the lending procedure would reduce the default risk of the bank and increase its profitability.

Conclusion

Bangladesh's banking system is heavily affected by bad loans. This not only makes bank more conservative, contracts the lending system, it discourages investment. As a result growth of the economy is impeded. One major reason for default loan is banks' ineffectiveness of assessing credit risk of a proposed investment. With time, Bangladesh Bank has set rules and general guidelines to help bank assess risk and mitigate their credit risk. In spite of that many banks fail to attract good credit and run profitably. Thus it is not only the guidelines provided by Bangladesh Bank that a commercial lending institution need to follow but it own lending policies should be in place to ensure maximum effectiveness of credit assessment. With this perspective in mind the report has attempted to analyze the lending procedures of Eastern Bank especially in the SME sector and check whether it complies with that of Bangladesh Bank. In doing so the standard operating procedures of the bank have been delineated in details along with a case study to present a picture of the operation carried out in the field. The report has also discussed banks

procedures for managing its non-performing loans and loan classification procedures and cross checked those with the central bank guidelines. The newly proposed Credit Risk Grading Score sheet by Bangladesh Bank has also been discussed in the report with Eastern bank's very own risk rating system. Above all, the report provides a detailed discussion of some the crucial issues of credit risk management and tries to focus on the practice of Eastern Bank Limited in this regard under the regulatory framework prevailing in the country. The report finds that EBL not maintains its guidelines and procedures in compliance with the Bangladesh bank directives but has a more conservative look to credit risk than that required by Bangladesh Bank. This conservative approach has its pros and cons. Therefore some suggestions has been made at the end to increase the profitability of the bank while still maintaining its appreciative position in credit risk assessment.

EBL is the first local Private Bank in Bangladesh, which has implanted the strategy of Centralization. The ultimate goal of following this strategy is to maximizing the profit and also reduces the amount of bad debts. All the major decisions about providing the facilities to the clients will be taken by the head office. Only head office has the authority of providing the funded and non-funded facilities to the corporate clients. Corporate Banking division is liable to do the marketing of the corporate clients and Credit Administration division is responsible for the monitoring and scrutinizing of the daily transactions of the corporate clients. Head Office credit will decide whether any facility will be provided to the existing clients and also to the new clients. Trade Services division will control all the import/export business of Eastern Bank Limited. Now EBL is concentrating on increasing the portion of good assets so that it can reduce its losses. This decision had an immediate impact on the Bank's profitability, because as the portion of good asset is rising EBL is earning less interest income. To solve this problem EBL is trying to increase the volume of good assets and also increase the volume of the business by providing funded and non-funded facilities to the strong companies and group of companies in the market. Very soon EBL is going to introduce credit card and debit card facilities to its clients, which will be a major feature of the year 2003. EBL already signed a contract with the Banking software giant 'IFLEX' which is a sister concern of the CITI Group. IFLEX will provide all the necessary banking software to the EBL and all the branches will be connected by the networking facility. So, it can be said that with its new and improved features and unique Banking system EBL is going to increase its competitiveness in the industry and satisfy its customers more than before.

References

1.https://www. Eastern Bank Ltd.com.bd/document/ebl_annual_report_ebl_2020.pdf

2.https://www. Eastern Bank Ltd.com.bd/document/ebl annual report ebl financial statements as on-December_2020.pdf

3. https://www. Eastern Bank Ltd.com.bd/document/ebl %20bank%20annual20%report eastern bank _2020.pdf

4. https://www. Eastern Bank Ltd.com.bd/document/ebl_annual_report_ebl_2019.pdf

5. Bernstein A L. (2016), "Financial Statement Analysis" (5th Edition), New Delhi, India: McGraw Hill Education.

6. https://www.ebl/financial Report

7. https://www.financialexpress.com.bd

8. https://wwwwikipedia.org