Thesis Report
On

"Credit Management Practice of Private Commercial Banks -A Case Study on Mercantile Bank Limited and National Credit and Commerce Bank Ltd."

Submitted To

Department of Business Administration
Sonargaon University

Submitted By

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ID: MBA2202026015
Program: MBA
Major: Finance
Session: 2022-2023
Sonargaon University

Date of Submission: 12 May 2023

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Submitted To

Nowshin Mahmood Tahiya
Lecturer
Department of Business Administration
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Letter of Transmittal

12 May, 2023

To

Nowshin Mahmood Tahiya

Lecturer

Department of Business Administration

Sonargaon University

Subject: Submission of Thesis report on Credit Management Practice of Private Commercial Banks -A Case Study on Mercantile Bank Limited & NCC Bank Ltd.".

Dear Madam,

I am pleased to submit my thesis report on **"Credit Management Practice of Private Commercial Banks -A Case Study on Mercantile Bank Limited & NCC Bank Ltd."** which was assigned to me as a requirement of MBA program.

I have prepared my report on the basis of annual report of Private Banks in Bangladesh. It is great pleasure for me to present you this report under the title of "Credit Management Practice of Private commercial Banks"

I will be very glad if the report can serve its actual purpose and I am ready to explain anything to you if necessary. If you have any further enquiry concerning any additional information I would be very pleased to clarify that.

I shall be highly encouraged if you are kind enough to accept this report.

Sincerely yours

Binita Dhar
MBA2202026015
Program: MBA
Major: Finance
Session: 2022-2023

Declaration

I am **Binita dhar** hereby declare that the report of thesis namely "Credit Management Practice of Private Commercial Banks -A Case Study on Mercantile Bank Limited and NCC Bank Ltd."I also declare that the paper is prepared for only academic purpose. Masters of Business Administration from Sonargaon University. It is my original work and not put forward for The award of any other degree / diploma / fellowship Or other similar term or honor.

……..…..……..

Binita Dhar
MBA2202026015
Program: MBA
Major: Finance
Session: 2022-2023

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To Whom It may Concern

This is to certify that the thesis report on **"Credit Management Practice of Private Commercial Banks -A Case Study on Mercantile Bank Limited NCC Bank Ltd".** For the degree Masters of Business Administration (MBA) major in Finance from Sonargaon University Bangladesh carried out by Binita Dhar, Student-ID MBA2202026015 under my supervision. No part of the Thesis report has been submitted for any degree diploma, title, or recognition before.

…….....

Nowshin Mahmood Tahiya
Lecturer
Department of Business Administration
Sonargaon University

ACKNOWLEDGEMENT

At first I present my due rewards to Almighty, who has provided me with the valuable opportunity to build and complete this report successfully with Sincere and sound mind.

I would like to express my gratitude to my supervisor Nowshin Mahmood Tahiya, Lecturer, Department of Business Administration, Sonargaon University**,** for her guidance during the survey. Her suggestions and guidelines were really a great source of spirit to make the report a good one.

Finally, I like to give thanks especially to my friends & many individuals, for their enthusiastic encouragements and assistance during the preparation of this report.

Executive Summary

Banking sector of Bangladesh is one of the major sectors, which contributes significantly to the national economy. The sector comprises a number of banks in various categories. Considering ownership the sector can be classified in to four major categories - such as Nationalized Commercial Banks (NCBs), Specialized Banks (SPBs), Private Commercial Banks (PCBs), and Trans-National Banks (TNBs).

Mercantile Bank ltd and National Credit and Commerce Bank are the modern private commercial bank operating in Bangladesh. It has over the years created one of the largest networks among all the other banks in Bangladesh. Although a trendsetter in offering a various ranges of products in the market, the product offers by they are quickly imitated by competitors.

In this report I tried to analyze the credit risk management process of MBL & NCCBL. Behind the success of the bank they efficiently analyze the credit risk and the other risk and handle the risk in such a way that brings them the success.

The First part of the report I discuss about the background of the study, the literature review and the research methodology of the report. In the background of the study there is statement of the problem, rationale of the study, scope of the project and the objective of the project.

Second part of the report I discuss about the organization overview, mission and vision of the organization, goals and objectives, its operations and performance of the bank at a glance etc.

The Third part of the report I have analyzed the topic as a hole about the credit risk, different types of credit risk and the credit risk management process of the bank.

At the Fourth part I discussed about ratio analysis with the comparison between two banks of the last five years and SWOT analysis on them.

The Fifth part of the report I discuss about the major findings of the report and the literature review with analysis.

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CHAPTER - 01

INTRODUCTION

1.1 Introduction

The word “Bank” refers to the financial institution deals with money. Commercial banks are the primary contributors to the economy of the country. On the other hand they are borrowing money from the locals and lending the same to the business as loans and advances. So the people and the government are very much dependent on these banks as the financial intermediary. Moreover, banks are profit – earning concern, as they collect deposit at the lowest possible cost and provide loans and advances at higher cost. The differences between two are the profit for the bank. Involvement of the banking sector in different financial events is increasing day by day. At the same time the banking process is becoming faster, easier and the banking arena is becoming wider. As the demand for better service increases, the banking organizations are coming with innovative ideas. In order to survive in the competitive field of the banking sector, all banking organizations are looking for better service opportunities to provide to their clients. As a result, it has become essential for every person to have some idea on the bank and banking procedure. A student takes the internship program when he or she is at the last leg of the bachelor’s degree; internship program brings a student closer to the real life situation and thereby helps to launch a career with some experience.

1.2 Rational of the Study

Now a day’s credit management is a major thing for all banking institutions. Profitability of banks’ depends on this sector. credit management another major issue for selecting this topic, because each and every bank are now facing credit management if they are not efficient enough to handle credit risk, they are also facing more liquidity crisis. Most of the shares of the total revenue of the bank come from credit operation and the existence of the bank depends on quality of assets portfolio. So, efficient management of credit risk is a paramount importance. Credit risk is the loss associated with degradation in the credit quality of borrowers of counter parties. In a bank’s portfolio, losses stems from outright default due to the inability or unwillingness of the customer or counter party to meet commitments in relation to leading, trading, settlement and other financial transaction. Alternatively, losses result from reduction in portfolio value arising from actual or perceived determination in credit quality. As the credit department plays a vital role in all these issues I have chosen this topic for my report as well as it will help me to take different credit related decisions in different stages of my future career.

1.3 Objective of the Report

GENERAL OBJECTIVE

The general objective of the study is evaluate the credit management system of Mercantile Bank Limited & NCC bank's as well as view the current status of credit management.

SPECIFIC OBJECTIVES

The specific focuses of the study are:

- To find out the activities of credit management system.
- To depict the procedures they follow for lending credit to the customers.
- To describe the detailed operational procedure of credit management along with their associated benefits.
- To identify customers' level of satisfaction
- To explore the opportunities and competitive advantages that has been ignored by MBL & NCC bank Ltd.
- To present my suggestion to the bank from my observation.
- To understand Credit Risk Management Policy MBL.

1.4 Scope of the Report

This report has been prepared on the basis of experience gathered during the period of Thesis. This study is limited with function of credit management system of MBL and NCC bank Ltd. Most of the data used in the reporting of the study are from secondary sources. All the data related to the reporting requirements are not available due to confidential reservation practice for the benefit of the organization.

However, scope of the study is limited within a specific area of an organization that is Mercantile Bank Limited

1.5 Methodology

The repost is based on secondary data which were collected form Annual report some circular, various brochures, MBL and NCC bank's web site and such. Some information is taken from some of my friends.

1.6 Limitation of the Study

i. Since the report has to be made parallel to office work within my thesis period, time might be a major constraint in accumulating all sorts of information.

ii. Due to time limitation many aspects could not be discussed in the present study because credit management is a vast subject.

iii. Confidentiality of data might be another important barrier that might be faced during the conduct of this study.

iv. Every organization has their own secrecy that is not revealed to others.

v. While collecting data on Mercantile Bank and NCCBL, it is obvious that employees would not disclose enough information for the sake of confidentiality of the organization.

Though it is a competitive market, the company was quite liberal in disclosing the confidential information to me for my report but it was expected to me to keep the confidential things at my discretion and as at the same time, render as much information in the report as required.

Chapter - 02

Background of the Organization

2.1 An overview of the Organization

Mercantile Bank Limited was incorporated in Bangladesh as a public limited company under the Bank Company Act, 1991, on May 20, 1999. After obtaining license from Bangladesh Bank to carry on banking business, the bank commenced its operation on June 2, 1999 with an authorized capital of Tk 800 million divided into 8 million ordinary shares of Tk 100 each. On 31 December 2001, its paid up capital was Tk 596.5 million.

Mercantile Bank Limited went for public issue of shares on October 21, 2003. Mercantile Bank Limited has been incorporated on May 20th, 1999 in Dhaka, Bangladesh as a public limited company with the permission of the Bangladesh Bank; MBL commenced formal commercial banking operation from the June 02, 1999. The bank stood 195 branches all over the country up to 2023.

National Credit and Commerce Bank Ltd. bears a unique history of its own. The organization started its journey in the financial sector of the country as an investment company back in 1985. The aim of the company was to mobilize resources from within and invest them in such way so as to develop country's Industrial and Trade Sector and playing a catalyst role in the formation of capital market as well. Its membership with the browse helped the company to a great extent in these regard. The company operated up to 1992 with 16 branches and thereafter with the permission of the Central Bank converted into a fully fledged private commercial Bank in 1993 with paid up capital of Tk. 139.00 corer to serve the nation from a broader platform.

Since its inception NCC Bank Ltd. has acquired commendable reputation by providing sincere personalized service to its customers in a technology based environment.

The Bank has set up a new standard in financing in the Industrial, Trade and Foreign exchange business. Its various deposit & credit products have also attracted the clients-both corporate and individuals who feel comfort in doing business with the Bank.

2.2. Mission and Vision of MBL

2.2.1 Mission

Mission will become most caring, focused for equitable growth based on diversified deployment of resources and nevertheless would remain healthy and gainfully profitable bank.

2.2.2 Vision

"Would make finest corporate citizen"

2.3 Mission and Vision of NCC bank Ltd

2.3.1 Mission

To mobilize financial resources from within and abroad to contribute in Agriculture's, Industry & Socio-economic development of the country and to play a catalytic role in the formation of capital market.

2.3.2 Vision

To become the Bank of choice in serving the Nation as a progressive and Socially Responsible financial institution by bringing credit & commerce together for profit and sustainable growth.

2.4. Ownership Stature

Banks are a sensitive breed of financial institutions that take people's money and Invest in productive sectors. Depositors do not oversee their investment practices and banks practically enjoy a trust and fellowship from the society. Therefore, Regulators, economists as well as market community are disproportionately sensitive towards banks performance. There is an enormous volume of literature available on banks' performance, though majority of those are empirical focusing performance of a particular group of banks. Theoretical discussion is particularly lean on this topic. Nevertheless, those apparently disconnected studies make an organization when studied deeply. In this deliberation, we would like to investigate relationship between Bangladeshi private banks' ownership structure and their performance.

Bangladeshi banks are mostly public limited companies like banks of the rest of the world. However, for one reason or other during initial public offering only a portion (sometimes the biggest portion) of share is made available for public bidding the rest is kept reserved for different classes of privileged investors. Therefore, we see a heterogeneous mix in the ownership cohort of Bangladeshi banks. Bangladeshi private banks, we find five types of ownership classes. The first one is the director/sponsor owners, investors who initiated the bank and stayed with the bank, sometimes holding majority portion of shares. Oftentimes institutions invest in banks as a profitable

alternative and they comprise the second group of investors. Apart from these two classes, government can purchase shares of private banks to encourage them. Sometimes, being a developing country government reserves a portion of banks' ownership for foreign investor creating foreign owners as an ownership class. Lastly, general public may hold a sizable portion of banks' shares in process of return optimization of their portfolio.

2.4.1 Ownership stricter of MBL:

However, there are 27 shareholders share existing in the MBL with their ownership. They are Md. Abdul Jalil, M.P (Deceased), Md. Anwarul Haque, Dr. Toufique Rahman Chowdhury, Golam Faruk Ahmed (Deceased), Engr. Mohd. Monsuruzzaman, Md. Mizanur RahmanChowdhury, Alhaj S.M. Shakil Akhter, Alhaj Tara Meah Khan (Deceased), Subrota Narayan Roy, M. S. Ahsan Jamshed R Khan (Deceased) Alhaj Akram Hussain (Humayun), Bilkis Begum Md. Tabibul Huq, A. S. M. Feroz Alam, M. Amanullah Md. Abdul Hannan, Mohd. Selim, Nargis Anwar Md. Nasiruddin Choudhury, Jalaluddin Ahmed Yeamin, Morshed Alam, Morzina Khan Monzu ,Md. Shahabuddin Alam.A. K. M. Shaheed Reza, Feroza Begum, S. M. Shafiqul Islam (Mamun) "Whose dreams, aspirations and Efforts came into reality"

2.4.2 Ownership Structure of NCCBL

1. Alhaj Md. Nurun Newaz Chairman Mr. Md. Mostafizur Rahman Vice-Chairman
2. Mr. A.S.M Main Uddin Monem Director
3. Mr. Nurul Islam Director
4. Mr. Md. Abdul Awal Director
5. Mr. Amjadul Ferdous Chowdhury Director
6. Mr. S.M. Abu Mohsin Director
7. Late Mrs. Masuda Begum Director
8. Mrs. Lutfun Nahar Begum Director
9. Mr.Abdus Salam Director
10. Mr. Mahbubul Alam Tara Director
11. Mrs. Sohela Hossain Director
12. Mr. Ainul Kabir Director
13. Mr. Khondkar Zakaria Mahmud Director

14. Mr. Md. Shahjahan Director
15. Mrs. Sultana Yasmen Director
16. Mr. Yakub Ali Director
17. 18 Mr Mohammad Ali Director
18. Mr. Ali Imam Director
19. Mr. Tofazzal Hossain Director
20. Mr. Fakhrul Anwar Director
21. Mr. Md. Humayun Kabir Director
22. Mr. Din M. Rana Director
23. Mr.Md. Abul Bashar Director
24. Mr.Md. Harunur Rashid Director
25. Mr. Khairul Alam Chaklader Director
26. Mr. Md. Moinuddin Director

2.5 Capital and Reserves of MBL and NCCBL

2.5.1 Capital

MBL is maintaining strong capital adequacy ratio as per new risk based capital adequacy framework i.e. Basel II. Capital adequacy ratio of the Bank remained far above compared to minimum requirement as on December 31, 2022. The Bank has taken numerous initiatives including issuance of bonus shares, right shares, retention of profit, corporate clients rating etc in a bid to attain strong capital adequacy ratio.

December 2022	**Capital Adequacy 2022 Ratio (CAR)**	**Minimum Requirement**
Solo	10.83%	10.00%
Consolidated	10.87%	10.00%

2.5.2 Shareholding Composition

Total 611,075,316 ordinary shares of the Bank were outstanding as on December 31, 2022. Share holding position as on same date is as under:

Composition	**Ownership**	
	Number of Shares	**% of Total Shares**
Sponsors /Directors	243,862169	39.91
Government	-	-
Financial Institution	64,908,856	10.62
Foreign	-	-
General Public	302,304,301	49.47
Total	611,075,316	100.00

Source- Annual Report of 2022 of MBL.

2.5.3 Reserve

During the period under review the Bank transferred BDT 476.29 million to Statutory Reserve as 20% of the profit after provisions before tax as per section 24 of the Bank Companies Act, 1991. The total amount of Statutory Reserve stood at BDT 32,119.68 million at the end of 2022.

2. 5.4 Capital and Reserves of NCCBL

As on December 31, 2022 the authorized capital of NCC Bank Limited amounted Required Reserve 24,462,300,000 to Actual Reserve held 45,723,517,331. The total equity (capital & reserve) of the bank as on December Stood at Tk. 261,217,331. Bank maintained Cash Reserve Requirement (CRR) @ 5.50% of average time and December 31, 2022which exceed the stipulated requirements for banks in Bangladesh.

December 2022	**Capital Adequacy 2022 Ratio (CAR)**	**Minimum Requirement**
Solo	11.47%	11.42%
Consolidated	10.47%	10.43%

2.5.5 Shareholding Composition

Total 695173558 ordinary shares of the Bank were outstanding as on December 31, 2022. Share holding position as on same date is as under:

Composition	**Ownership**	
	Number of Shares	**% of Total Shares**
Sponsors /Directors	209,237,864	30.10
Government	-	-
Financial Institution	98,161,909	14.12
Foreign	1,658,206-	0.24
General Public	386,115,579	55.54
Total	695,173,558	100.00

Source- Annual Report of 2022 of NCCBL.

2.5.6 Milestones in the development of the organization

- MBL achieved 'Certificate of Merit' in 19th ICAB National Awards for Best Presented Annual Reports 2018 November 30, 2019
- Opening of 148th Branch December 29, 2019
- Inauguration of Agent Banking Outlets June 21, 2020
- Inauguration of Islamic Banking Window Operation 'Taqwa' June 29, 2020
- Achieved 20th ICAB National Award for Best Presented Annual Report-2019 (3rd Prize) under Private Commercial Bank Category and 'Certificate of Merit' under the Corporate Governance Disclosure. November 26, 2020
- Inauguration of 150th Branch December 24, 2020
- Inauguration of "MBL Rainbow" Mobile App-Based Banking Service June 02, 2021
- Published First Volume Online Monthly Bulletin "MBL Spectrum" June 07, 2021
- Started "Automated Challan System (ACS)" service July 07, 2021
- Achieved "U.S. Dollar Clearing MT202 Elite Quality Recognition Award" from J.P. Morgan Chase Bank October 03, 2021
- Received "AmCham CSR Excellence Award" December 04, 2021
- Secure Industry wise 1st position in National Cyber Drill. December 12, 2021
- 162th Agent Banking Outlets December 30, 2021
- There we see MBL achieve their millstone gradually and day by day increase their development.

2.6 Risk Management of MBL and NCCBL

"MBL adopted strong and integrated Risk Management strategies for the long-term sustainability of the banks business. Managing material risks has been treated as a normal job as other business functions, embedding strong and proactive risk culture within the Bank which adds high values to the effective Risk Management."

For better risk management, MBL has formed a separate Risk Management Division (RMD). RMD identify measures and manages risks efficiently. The division undertakes Stress Tests as per Bangladesh Bank's guidelines. Core objectives of Stress Test are to measure the survival capacity of the Bank under some exceptional but plausible shocking events.

The presence of accurate measures of bank-wide risk management practice increase shareholder's returns and allow the risk-taking behavior of bank to be more closely aligned with strategic objectives. Bank-wide risk management practice should aim to enhance the drivers of shareholder's value such as: -

• Growth;
• Risk adjusted performance measurement;
• Consistency of earnings; and
• Quality and Transparency of Management

2.6.1 Risk Management of NCCBL

The risk of NCCBL is defined as the possibility of losses, financial of otherwise. The risk management of the bank covers core risk areas of banking viz, credit risk, liquidity risk, operational risk and reputation risk arising from money laundering incidences. The prime objective of the risk management is that the bank evaluates and takes well calculative business risks and there by safeguarding the banks capitals, its financial resources and profitability from various business risks through its own measures and through implementing Bangladesh Bank guidelines.

2.6.2 MBL'S RISK MANAGEMENT STRATEGIES

MBL adopted strong and integrated Risk Management strategies for the long-term sustainability of the Bank's business. Managing material risks has been treated as a normal job as other business functions, embedding strong and proactive risk culture within the Bank which adds high values to the effective Risk Management.

Comprehensive risk management policies and sophisticated risk process are required for systematic identification, measurement, monitoring and control of all business risks. Risk Management Approach is emphasized strongly believing that Bank's overall financial soundness can be ensured only Bank-wide risk management process communicating concise risk management standards to all concerned officials through adequate policies, directives, operating procedures and training programs.

2.6.3 Managing Credit Risk MBL

Risk of loss arising from a borrower who does not make payments as promised is credit risk. For most banks, loans are the largest and most obvious source of Credit Risk; however, Credit Risk could stem from activities both on and off balance sheet. MBL has prepared its Credit Policy in May 2000 and circulated the same to the branches/divisions rapid for compliance. In order to cope with the fast changing scenario of dynamic global economy, liberalization and globalization and in the light of the directives/ suggestions of the Focus Group of Bangladesh Bank, the Credit Policy of MBL is used to revised from time to time. All Executives/Officers of the branches as well as Head Office especially, entrusted with the responsibility of credit marketing, approval processing, credit monitoring, recovery and compliance are thoroughly conversant with the contents of the Credit Policy for meticulous compliance and any willful deviation.

2.6.4 Managing Credit Risk of NCCBL

It arises mainly from lending, trade finance, and leasing and treasury business. This can be described as potential loss arises from the failure of a counter party to perform as per contractual agreement with the bank. The failure may result from unwillingness of the counter party of decline in his or her financial condition there for the banks credit risk management activities have been designed to address all these issues.

The Bank has segregated duties of the officers / executives involved in credit related activities a separate corporate division has been formed at Head office which is entrusted with the duties of maintaining effective relationship with the customers, marketing of credit products, exploring now business.

Opportunities etc. moreover, credit approval, administration; monitoring and recovery functions have been segregated. For this purpose, three separate units have been formed within the credit division these are a) Credit risk Management Unit b) Credit

Administration Unit and c) Credit monitoring and recovery Unit. Credit risk management Unit is entrusted with the duties of maintaining assets quality, assessing risk in lending to a particular customer, sanctioning credit, formulating policy / strategy for lending operation, etc.

2.6.5 Joint Venture abroad

The Bank has established Joint Venture across the world with a number of foreign banks. The number of correspondent banks stood at 1638 as on December 31, 2022 across 79 countries. Through its correspondent relationship network, MBL continues to follow needs and business opportunities of its clients.

The bank maintains 52 Nostrum accounts in 12 major international currencies with reputed international banks in all the major financial centers around the world, for Settlement of trade finance and all other customer driven transactions denominated in foreign currency. MBL also enjoys sufficient credit lines from correspondent banks for add confirmation to LC to facilitate international trade. We continuously emphasizing and trying to develop and improve the relationship with correspondent banks.

With permission from Bangladesh Bank and registration of Financial Services Authority, UK, MBL opened its first own Exchange House in Birmingham, UK in the name and style, 'Mercantile Exchange House (UK) Limited', a fully owned subsidiary of MBL, started its operation from December 06, 2011. Very soon, MBL will open the second branch of 'Mercantile Exchange House (UK) Limited' in London, UK. Within a very short span of time, the company has been able to create satisfactory customer base through efficient and professional service to Bangladeshi expatriates living in the UK. Opening of the fully owned subsidiary in UK has added a new dimension to the bank's remittance operation widening its global reach for remittance services.

2.6.6 Key Figures

- Providing with caring services by being innovative in the development of new banking products and services
- Increase shareholders' value
- Respecting worth and dignity of individual employees devoting their Energies for the progress of the bank

- Strengthening the corporate values and taking environment and social risks and reward into account.

2.7 Human Resources Development (HRD)

In MBL, we consider our employees as a resource, an asset, that provides competitive advantage to the organization, and on whom organizational success is leveraged. To establish the perfect strategic HR, MBL has developed the linking human resources to strategic goals and objectives in order to improve business performance and develop organizational culture that foster innovation, flexibility and competitive advantage. Employees of the Bank play a significant role in providing better customer service. MBL always emphasizes to satisfy both the customers and employees offering better facilities than other commercial banks, such as attractive compensation package, training facilities at home and abroad and other fringe benefits. Each year, MBL recruits new employees, fresh an experienced to meet the Customers' ever-increasing demand and support the ever changing business scenario. The employees of the Bank are given on job training and are sent to different training programs/seminars, workshops home and abroad. The Training Institute of the Bank continuously arranges various courses, Workshops, and seminars on different aspects of banking. A brilliant and well-organized officer can win the heart of a customer by delivering on time services and which, eventually create a strong, encouraging and everlasting. Business relationship with him. "Efficiency is our Strength"- is the MBL's theme against Human Capital. MBL expects that they will ensure their efficiency in delivering customer service. The efficient work force of Mercantile Bank acts as the fundamental pillar to reach the Bank at today's height of success. MBL always emphasizes to satisfy both the customers and employees offering better facilities than other commercial banks, such as viable remuneration package, training facilities at home and abroad, and other fringe benefits. MBL has formulated its Human Resources Policy calibrating with recruitment procedures, pay and benefits, training and development, disciplinary and grievance etc.

Chapter- 03

Credit Management Practice of MBL and NCCBL

Credit Management Practice of MBL and NCCBL:

Credit is a contractual Agreement, in which a borrower receives something of value now, with the agreement to repay the lender at some date in the future. One of the basic functions of the bank is to deposit extraction and credit extension. And managing credit operations is the crying need for any bank. The objective of the credit management is to maximize the performing asset and the minimization of the non-performing asset as well as ensuring the optimal point of loans and advances and their efficient management.

The loan and credit department is one of the most important departments of any bank. The money mobilized from ultimate surplus units are allocated through this department to the ultimate deficit unit (borrower). Success of this department keeps a great influence on the overall profit of a bank. Again, Failure of this department may lead the bank to huge losses or even to bankruptcy. Like any other bank Mercantile bank's and NCCBL credit division also tries to do their job perfectly.

3.1 Credit Policy of MBL

Mercantile Bank Ltd. is committed to provide high quality services to its constituents through different financial products and profitable utilization of fund and contribute to the growth of GDP of the country by financing trade and commerce, helping industrialization, boosting export, creating employment opportunities for the educated youth and encouraging micro-credit leading to poverty alleviation and improving the quality of life of the people and thereby contributing to the overall socio-economic development of the country.

With a view to achieving the aforesaid objectives of the bank, Credit operation is of paramount importance as the greatest share of the total revenue of the bank is generated from it. The success of a bank, therefore, depends on how efficiently and judiciously it makes use of its available resources. In other words, prudent and efficient management of its credit portfolio is very essential for the success of a bank. The Credit Policy of any banking institution is a combination of certain accepted, time tested standards and other dynamic factors dictated by the realities of changing situations in different market places.

In formulating a credit judgment and making QUALITY Credit Decision, the lending officer must be equipped with all information needed to evaluate a borrower's character, management competence, capacity, ability to provide collaterals and external conditions which may affect his ability in meeting financial obligations.

The Credit Policy guidelines of the Bank describes details fundamental Credit management policies, outlines general principles that are designed to govern the implementation of more detailed lending procedures and Credit management analysis/risk grading system.

3.2 Credit Policy of NCCBL

One of the most important ways, a bank can make sure that its loan meet organizational and regulatory standards and they are profitable is to establish a loan Policy. Such a policy gives loan management a specific guideline in making. Individual loans decisions and in shaping the bank's overall loan portfolio. In NCC Bank Limited there is perhaps a credit policy but there is no credit written policy.

In the feature, credit principles include the general guidelines of providing credit by branch manager or credit officer. In NCC Bank Limited they follow the following guideline while giving loan and advance to the client.

Credit advancement shall focus on the development and enhancement of customer relationship. All credit extension must comply with the requirements of Bank's Memorandum and Article of Association, Banking Company's Act, Bangladesh Bank's instructions, other rules and regulation as amended from time to time .Loans and advances shall normally be financed from customer's deposit and not out of temporary funds or borrowing from other banks. The bank shall provide suitable credit services for the markets in which it operates. It should be provided to those customers who can make best use of them.

The conduct and administration of the loan portfolio should contribute with in defined risk limitation for achievement of profitable growth and superior return on bank capital. Interest rate of various lending categories will depend on the level of risk and types of security offered.

3.3 Functions of Credit Division

Money lending is one of the main functions of a commercial bank. In the lending process, selection of borrower is the most crucial and vital job for a banker. Before customer enjoys credit facilities it is important that the applicant should qualify for five Cs. The five Cs are:

• Character – Intention to pay back the loan

• Capacity – Borrower's competence in terms of utilizing the fund profitably and generate income

• Capital –Financial strength to Lending cover the risk

• Conditions – General business condition between two parties

• Collateral – Implies additional securities

In addition, objectives of the credit department are managing credit exposure of the bank, maintaining credit risk, compliance of Central Bank Ltd, recovering or collecting dues of retail loans or advances. At present credit division performs following activities:

• Dealing with Corporate & Retail Credit

• Perform Collection and Monitoring Activity

• Support Recovery & Risk Management

Besides this, the activities of this department include managing the financial books of the bank, checking all entries of the book are according to standards, preparing daily reports for Bangladesh Bank, revenue appropriation and calculations, setting the internal.

3.4 Target Customer Segment

- Micro Enterprise
- Small Enterprise/Business
- Medium

3.4.1 Extent of Facilities

- Will be determined depending upon the experience of the entrepreneur and the size of the project.
- Small Enterprise: Project value up to Tk10.00 lac.
- Medium Enterprise: Project value above Tk10.00 lac but or/within Tk50.00 lac
- Nationality: Must be Bangladeshi citizen or company/firm must be registered in Bangladesh and shares owned by Bangladeshis.

3.4.2 Product Forms

- Working Capital Loan-Overdraft/Cash Credit (Hypothecation)
- Project Loan/Term Loan- Hire Purchase

3.4.3 Tenor of Loan:

- Up to 1 (one) for Working Capital Loan
- More than 1 (one) for Project Loan/Term Loan

3.4.4 Bank Charges/Pricing

- Rate of Interest: 13%p.a.
- Service Charge: 1% on the outstanding balance on monthly basis.
- Risk Fund: 1% one time to be realized at the time of sanction the loan.
- No charges will be realized for processing the loan proposal.

3.4.5 Equity of the Borrower

- New entrepreneur: 10%
- Experienced entrepreneur: 15%.

Equity must be deposited to the bank before availing the facility.

3.4.6 Repayment Method

It is done by making payment of specific number of installments.

Security/ Collateral:

- Hypothecation on the inventory, receivables, advance payments, plant & machineries.
- Equitable mortgage over immovable properties with registered Power of Attorney.
- Personal Guarantees of Spouse/Parents/other family members.
- One third party personal guarantee,
- Post dated cheques for each installment.
- Collateral Securities viz. Financial Instruments, Land and Building.

3.4.7 Specialized Loan

In order to cope with the changes in the economy and society, the Bank's policy is to develop and introduce new products for different customers group.

3.4.8 Small Loan Scheme

With a view to provide financial assistance to the shopkeepers of different shopping center / market situated at various cities of the country, the Bank has launched an especial program under Small Loan Scheme. The salient feature and terms and conditions has been circulated to all concerns vide Instruction Circular # 09/99 dated September 30, 1999.

3.4.9 Earnest Money Financing Scheme

With a view to encourage the Contractor financing against Works, an Earnest Money Financing Scheme has been introduced. The modus operandi and terms and conditions under the Scheme has been circulated to all concerns vide Instruction circular # 50 dated August 26, 2000.

3.4.10 Doctors Credit Scheme

In order to provide modern Medicare facility to the mass people of the country, a Scheme namely "Doctors Credit Scheme" has been introduced for newly passed MBBS Doctors, Specialist Doctors and Owner(s) of Clinic / Hospital / Diagnostic Centre. The detailed guidelines under the scheme has been circulated to all concerns vide Instruction circular # 51 of August 2000.

3.4.11 Personal Loan Scheme

With a view to cater the Credit needs of Government / Semi Government Officials / Employees of Autonomous Bodies / Banks and financial Institutions / Multinational Companies / reputed private organization and Teachers of Public / private School /

Colleges / Universities, a personal loan Scheme has been introduced. The detailed guidelines and terms and conditions has been circulated vide Instruction circular # 240 dated July 7, 2004.

3.4.12 Consumer Credit Scheme

In order to provide financial assistance for purchasing household consumable items, the Bank has launched an especial credit program under Consumer Credit Scheme to upgrade the living standard of the people who happens to be the main driving force of the economy. A brief outline on the terms and conditions of the CCS has been circulated to all concerns vide Instruction circular # 05/99 dated September 09, 1999.

3.4.13 Women Entrepreneurship Development Project

With a view to encourage women to take active role in Socio-economic activities, an especial project in the name of "Women Entrepreneurship Development Project" has been introduced for extending credit facility for establishment / Expansion of Small Cottage Industry and also as working capital to the project. The detail guidelines, terms and conditions and modus operandi of the Project has been circulated vide Head Office, Credit Division Instruction Circular # 139/2002 dated September 23, 2002.

3.4.14 Lease Finance Scheme

Lease Financing is one of the most convenient sources of acquiring capital machinery and equipment whereby a client is given the opportunity to have an exclusive right to use an asset usually for an agreed period of time against payment of rent. It is a term financing repayable by installment. With a view to encourage the genuine and capable entrepreneurs for acquiring Capital machinery, medical equipment, Computers and various items, the bank has introduced Lease Finance Scheme. Interest rate fluctuates between 15-15.5%. Other terms and condition are applicable like term loan.

3.5.1 Training:

Borrowers can also get training from their selected institutions, which must be recognized by the Bank. BIM, BSCIC, MIDAS are preferred training institutions.

3.5.2 Export Finance:

The Bank extended different types of credit facilities to the Export oriented Industries / Exporter from the very inception of the Bank. Recently the Bank has reviewed the position and revised its policy to increase the volume of export business by extending finance to well reputed export oriented industries having a track record. This will bring the Bank a substantial profit as well as foreign currency to meet the obligation against import. The Bank extends facilities in both pre-shipment stage and port-shipment stage for working capital like procurement and procuring of Raw materials, Packing and Transporting of goods, insurance premiums, freight charges, inspection fees etc. Pre-shipment finance will be allowed either against Irrevocable Letter of Credit of a reputed foreign Bank or against finance contract from reputed foreign buyers acceptable to the Bank.

The Bank does not grant any Packing Credit facility against (i) Restricted L/C and (ii) Revocable L/C. Before negotiation, the dealing officer must check and scrutinize the documents thoroughly to ensure that they have been drawn in exact conformity with the terms and conditions mentioned in the Letter of Credit.

3.5.3 Finance in Garments Sector

The Bank's policy is to increase the volume of Export business substantially. In view of this the Bank has established a separate unit under Head Office Credit Division for handling the Garments Business. In order to take necessary precautions during opening of Back to Back L/C for the import of fabrics and accessories, the Bank has strengthen its monitoring / supervisory functions for protecting the Bank's interest.

3.6 Types of Credit Activities

Depending on the various nature of financing, all the lending activities have been brought under the following major heads:

3.6.1 Loan (General)

Short term, Medium term & Long term loans allowed to individual/firm/industries for a specific purpose but for a definite period and generally repayable by installments fall under this head. These types of lending are mainly allowed to accommodate financing

under the categories (I) Large & Medium Scale Industry and (ii) Small & Cottage Industry. Very often term financing for (I) Agriculture & (ii) Other lending's are also included here.

3.6.2 House Building Loan (General)

Loans allowed to individual/enterprises for construction of house (residential or commercial) fall under this type of advance. The amount is repayable by monthly installment within a specified period. Such advances are known as House Building Loan (General).

3.6.3 House Building Loan (Staff):

The Board of Directors of the Bank introduced a well- timed and pragmatic revised House Building Loan Scheme for the employees of the Bank in view of increase of price of land, cost of construction materials, purchasing price of ready-made flat/house in the major cities of the country as also to improve welfare of Executives/ Officers of the Bank. The scheme is called the "Employees House Building Loan Scheme of Mercantile Bank" The loan under the scheme is not claimed as a matter of right but is extended on first come first served basis subject to availability of Annual Budgetary allocation of fund for the Scheme approved by the Board.

3.6.4 Loan Ceiling

Sl. No.	Category of Employees	Amount of Loan
01.	Senior Vice President and Above	Tk.32.00 lac
02.	Asstt. Vice President to Vice President	Tk.27.00 lac
03.	Senior Officer to Senior Principal Officer	Tk.17.00 lac
04.	Asstt. Officer to Officer	Tk.12.00 lac
05.	Employees other than Officer	Tk.5.00 lac

SOURCE: Adapted from the MBL database

3.6.5 Car Loan Schemes

The Transport Policy of MBL for providing Cars to the Executives against loan was approved by the Board of Directors. In the light of increase of value of car, fuel, motor parts, maintenance cost and the cost of living index (Driver purpose), it has been observed that existing monthly Car allowance allowed to the Executives do not commensurate with the real operating cost of the vehicle. As such, the existing Car Loan Scheme may be re-designed in a way that the loan facility does not become a burden for the concerned executives.

It is also observed from the Car Loan Schemes of some Banks that they are providing Car loan to their Executives without any interest. Moreover, their Car allowances are higher than MBL.

The ceiling of loan, monthly loan installment and monthly car allowance, have been fixed by making a comparison the same with new generation Banks (copy enclosed) are as follows

3.6.6 Car Loan Scheme statement

Sl. No.	**Designation of the Executives**	**Loan Limit (New Car)**	**Loan Limit (Recondition Car)**	**Monthly Allowance**
01.	AVP/FVP	1500000/1800000	Tk.8,290.00	Tk.30,000.00
02.	SVP/VP	1800000/2000000	Tk. 9,200.00	Tk.32,500.00
04.	EVP	2000000	Tk.11,700.00	Tk.35,000.00
05.	SEVP/DMD/AMD	At Actual		

SOURCE: Adapted from the MBL database

3.6.7 Approval Process

The concerned Executive at Zonal Office on receipt of the proposal will prepare a credit appraisal memo as per the prescribed format and within the purview of the set policy and then place it to Zonal Head who will make Judgment (qualitative and quantitative) and if found viable then he will approve the facility, if it is within his business delegated power otherwise he may reject it or forward it to the Head of Corporate / Commercial Banking at Head Office along with his recommendations.

3.6.8 Delegation of Power

Delegation of approval of Credit facilities shall be as per policy guidelines that all proposals where credit facility/facilities are up to 15% of the Bank's Capital shall be approved by CRM level, facilities up to 25% of the Capital shall be approved by the Managing Director and CEO subject to the limit approved by the Board of Directors. Credit facilities in excess of 25% of the Bank's Capital shall be approved by the Executive Committee of the Board of Director or Board of Directors on recommendation of CRM, Corporate Banking and Managing Director & CEO. While exercising the business delegation powers, the following general guidelines shall be followed meticulously:

- The Managing Director can exercise all the powers vested in other Executives/Officers of the Bank.
- Other than the Managing Director, the Delegation of Powers shall be exercised by the Additional Managing Director / Deputy Managing Director / Executives/Officers only to whom such schedule of powers is issued by a separate letter by or under the order of the Managing Director as approved by the Board/Committee.
- The Managing Director may suspend exercise of delegated Powers of any Executive/Officer or any category of Executive/Officer through specific or general order with the prior approval of the Board/Committee.
- Delegated Powers may be reduced, suspended or withdrawn at the discretion of the Board of Directors /Committee.

3.6.9 Sanctioning Authority

The business powers can be exercised by the following when posted as under:

Additional Managing Director/Deputy Managing Director shall exercise business power delegated to them. Senior Executive Vice President / Executive Vice President / Senior Vice President whenever posted as In-charge of Credit Division shall exercise business power delegated to them. The Managing Director is however, authorized to allow composite credit facilities within the delegation as per delegation allowed for individual

nature of loan. But Composite limit (funded and non-funded) so allowed shall not exceed Tk 10 crore, out of which under no circumstances funded facility shall exceed Tk. 5 crore.

3.7 Disbursement

Disbursements under loan facilities are made when all security documentation is in place. CIB report should reflect/include the name of all the lenders with facility, limit and outstanding. All formalities regarding large loans and loans to Directors are guided by Bangladesh Bank circulars and related section of Banking Companies Act. All Credit Approval terms must be met. The check list certificate is to be signed by Credit In-charge and Head of Branch. In order to cope with the revised policy, the disbursement authority will be vested to the Head of Credit Administration Division up to Tk. 5.00 Core above which will be vested to the Deputy Managing Director. In the absence of the Deputy Managing Director, the power may be exercised by the Senior Executive Vice President.

3.7.1 Legal Action

Legal proceeding are lengthy and time consuming as well as having an element of negative publicity and as such effort must made to settle a defaulter's outstanding out of court. However, if situation compels the Bank to take legal action for recovery of stuck up loans and advances; the same shall be done with prior approval of Head Office.

3.7.2 Write Off Of Loans / Advances

Loans / advances which are recommended for write-off must be accompanied by a memo summarizing the circumstances necessitating the current write-off as well as recovery efforts to date. Under no circumstances should the fact that all or any portion of a loan / advances that has been written-off be revealed to the borrower, nor should the borrower be informed that the loan / advances is on a non-accrual basis. Despite, the loans and advances being written-off, the recovery process will be continued for those loan and advances.

3.8 Approval Process NCCBL:

Credit decisions are heart of all credit works. Generally branch manager and the credit in-charge of a branch are held responsible for appraising of a loan proposal. The customer request for credit limit and the credit officer prepares a credit memo and send it to the head office, credit division. After taking all the relevant information from the branch the head office credit division sent the credit memo to the credit committee. Credit committee of NCCBL is comprised of Managing Director and other top-level executives, that is, DMDs and EVPs. If credit committee is convinced about the merit of the proposal then it is sent the broad of directors. The board is final authority to approve or decline a proposal. The whole process takes a month or more. In NCCBL broad meeting occurs once in every week.

3.8.1 Credit Evaluation Principles

Some principles or standards of lending are maintained in approving loans in order to keep credit risk to a minimum level as well as for successful banking business. The main principles of lending are given below:

3.8.2 Liquidity:

Liquidity means the availability of bank funds on short notice. The liquidity of an advance means it repayment on demand on due date or after a short notice. Therefore, the banks must have to maintain sufficient liquidity to repay its depositors and trade off between the liquidity and profitability is must.

3.8.3 Safety:

Safety means the assurance of repayment of distributed loans. Bank is in business to make money but safety should never be sacrificed for profitability, To ensure the safety of loan. The borrower should be chosen carefully. He should be a person of good character & capacity as well as bank must have to maintain eligible number of security from borrower.

3.8.4 Profitability:

Banking is a business aiming at earning a good profit. The difference between the interest received on advances and the interest paid on deposit constitutes a major portion of the bank income, Besides, foreign exchange business is also highly remunerative. The bank will not enter into a transaction unless a fair return from it is assured.

3.8.5 Intent:

Banks sanction loans for productive purpose. No advances will be made by bank for unproductive purposes though the borrower may be free from all risks.

3.8.6 Security:

The security offered for an advance is an insurance to fall bank upon in cases of need. Security serves as a safety value for an unexpected emergency. Since risk factors are involved, security coverage has to be taken before a lending.

3.8.7 Documentation of the Loan:

Documentation is obtaining such agreement where all the terms and condition and securities are written and signed by the borrower. It specifies rights and liabilities of both the banker and the borrower. In documentation each type of advances requires a different set of documents. It also differs with the nature of securities. The documents should be stamped according to the stamp Act. There are no hard and fast rules of documentation and it varies from bank to bank. Generally, the documents are taken in the case of a secured advance by NCCBL:

i. Demand promissory note: Here the borrower promises to pay the loan as and when demand by bank to repay the loan.

ii. Letter of arrangement.

iii. Letter of continuity.

iv. Letter of hypothecation of goods and capital machinery's. Stock report: This report is used for OD and CC. In this report, information about the quality and quantity of goods hypothecated is furnished.

vi. Memorandum of deposit of title deed of property duly signed by the owners of the property with resolution of Board of Directors of the company owning the landed.

vii. Personal guarantee of the owners of the property.

viii. Guarantee of all the directors of the company.

ix. Resolution of the board of directors to borrow fund to execute documents and completes other formalities

x. Form no. XVII/XIX for filling charges with the register of joint stock companies under relevant section.

xi. Letter of Revival

xii. Letter of lien for advance against FDR.

3.8.8 Advance

Security against Advances:

The different types of securities that may be offered to a banker are as follows:

(a) Immovable property

(b) Movable property

i. Pratiraksha Sanchaya Patra, Bangladesh Sanchaya Patra, unit certificate, wage earner development bond.

ii. Fixed Deposit Receipt

iii. Shares quoted in the Dhaka Stock Exchange and Chittagong Stock Exchange.

iv. Pledge of goods

v. Hypothecation of goods, produce and machinery

vi. Fixed assets of manufacturing unit.

vii. Shipping documents.

3.9 Types of advance

3.9.1 Securities

Loans Lien or various kinds of Sanchaya patras, Govt. Securities, FDR, Collateral of immovable property, shares quoted in stock exchange Overdraft, Pledge or hypothecation of machinery, land and building on which machinery are installed, stock in trade, goods products and merchandise. Bills purchased, Bills itself.

3.9.2 Modes of Charging Security:

A wide range of securities is offered to banks as coverage for loan. In order to make the securities available to banker, in case of default of customer, a charge should be created on the security. Creating charge means making it available as a cover for advance. The following modes of charging securities are applied in the NCC Bank Limited.

3.9.3 Lien

A lien is right of banker to hold the debtor's property until the debt is discharged. Bank generally retains the assets in his own custody but sometimes these goods are in the hands of third party with lien marked. When it is in the hand of third party, the third party cannot discharge it without the permission of bank. Lien gives banker the right to retain the property not the right to sell. Permission from the appropriate court is necessary. Lien can be made on moveable goods only such as raw materials, finished goods, shares debentures etc.

3.9.4 Pledge

Pledge is also like lien but here bank enjoys more right. Bank can sell the property without the intervention of any court, in case of default on loan, But for such selling proper notice must be given to the debtor. To create pledge, physical transfer of goods to the bank is must.

3.9.5 Hypothecation

In this charge creation method physically the goods remained in the hand of debtor. But documents of title to goods are handed over to the banker. This method is also called equitable charge. Since the goods are in the hand of the borrower, bank inspects the goods regularly to judge it s quality and quantity for the maximum safety of loan.

3.9.6 Mortgage:

Mortgage is transfer of interest in specific immovable property. Mortgage is created on the immovable property like land, building, plant etc. Most common type of mortgage is legal mortgage in which ownership is transferred to the bank by registration of the mortgage deed. Another method called equitable mortgage is also used in bank for

creation of charge. Here mere deposit of title to goods is sufficient for creation of charge. Registration is not required. In both the cases, the mortgage property is retained in the hank of borrower.

3.9.7 Trust Receipt

Generally goods imported or bought by bank's financial assistance are held by bank as security. Bank may release this lien / pledge these goods against trust receipt. This means that the borrower holds goods in trust of the bank; trust receipt arrangement is needed when the borrower is going to sell these goods or process it further but borrower has no sufficient fund to pay off the bank loan. Here proceeds from any part of these goods are deposited to this bank.

3.9.8Advance against Work-Order

Advances can be made to a client to perform work order. The following points are to be taken into consideration. The client's management capability, equity strength, nature of scheduled work and feasibility study should be judiciously made to arrive at logical decision. If there is a provision for running bills for the work, appropriate amount to be deducted from each bill to ensure complete adjustment of the liability within the payment period of the final bill besides assigning bills receivable, additional collateral security may be insisted upon. Disbursement should be made only after completion of documentation formalities and fulfillment of arrangements by the client to undertake the contract. The progress of work under contract is reviewed periodically.

3.9.9 Advance against Approved Shares:

Credit facilities to extend against shares will be called "Investment Scheme against Shares". Advance may be allowed against shares of companies listed with the Stock Exchange Ltd. Subject to margin or may other restrictions imposed by Bangladesh Bank/Head Office of the bank from time to time. Value of shares & margin should be worked out as per guidelines issued from time to time by Bangladesh Bank / Head Office of the bank.

3.9.10 Advance against Fixed Deposit Receipts:

Advance against Fixed Deposit Receipt will be subject to credit Restrictions imposed from time to time by Head Office / Bangladesh Bank. Scrutinize the Fixed Deposit Receipts with regard to the following points.

a) The Fixed Deposit Receipt is not in the name of minor.

b) It is discharged by the depositor on revenue stamp of adequate value & his signature is verified.

c) Creation of liability on Fixed Deposit issued in joint names by any one of the depositors is regular.

d) If the Deposit Receipt is offered as a security for allowing advances, a letter of lien shall be obtained from the depositors, on the appropriate form.

e) If the Deposit Receipt has been issued by the branch-allowing advance, lien against that specific Deposit Receipt to be marked in the fixed Deposit Register of the branch.

f) The discharged receipt, the letter of lien duly verified by the issuing branch & the letter confirming registration of the lien on the deposit receipts shall be kept along with other documents under safe custody of the bank.

3.10 Project Finance:

A separate unit for Project Finance has been established in the Head Office Credit Division. The functions of the unit are to appraise / analyze the Feasibility of the project, conduct due diligence, address the risk factors and to be placed before the Head Office Credit Committee / Executive Committee / Board of Directors based on the lending authority.

3.10.1 SME Lending

The Bank intends to encourage the small and medium entrepreneurs and hence structured its SME financing activities. The Bank has set the definition of small enterprise in line with Bangladesh Bank guidelines. A special credit scheme under the name and style “Small and Medium Enterprise (SME) Scheme” has been introduced to extend credit facilities to the small and medium entrepreneurs of the country.

3.10.2 Purpose:

- Contribute to the socio-economic development of the country.
- Encourage small and medium industry especially agro-based industry of the country.
- Participate in reduction of poverty through employment generation and income generating projects.
- Provide financial assistance to small and medium enterprise, which have limited access to the formal financial markets.

Chapter-04

Financial statement & Ratio analysis of MBL and NCCBL

4.1 CREDIT PRACTICES OF MBL

Mercantile Bank Ltd. At A Glance BDT in million

Years	2018	2019	2020	2021	2022
Particulars	Tk In Million	Tk In Million	Tk In Million	Tk In Million	Tk In Million
Paid up capital	11,798.68	18,158.42	25,072.21	34,968.10	46,110.75
Total Loans & Advances	403,419.36	148,295.55	126,377.70	179,999.80	153,610.87
Price earnings ratio	12.81 times	12.88 times	14.18 times	9..99 times	8.45 times
Earnings per Share	2.85	3.07	4.10	3.49	2.26
Export	43,108.50	46,298.60	59,404.20	81,311.80	81,477.10
Import	56,528.80	60,592.50	89,524.10	95,008.70	113,434.10
Profit after Tax	615.88	807.52	1,425.34	1,734.17	1,381.45
Total Deposit	49,538.35	58,033.47	75,629.14	102,262.02	132,093.64
Total Asset	595,928.72	366,166.52	287,140.11	216,553.01	454,040.18

Source- Annual report of MBL, 2022

4.1.2 Deposits

The Bank mobilized total deposits of BDT of Deposit 632,093.64 at 2022 and 602,262.02 at 2021 million. Competitive interest rates, attractive deposit products, deposit mobilization efforts of the Bank and confidence reposed by the customers in this bank contributed to the notable growth in deposits. The Bank evolved a number of attractive deposit schemes to cater to the requirement of small and medium savers. This improved not only the quantum of deposits; it also brought about qualitative changes in the deposits structure.

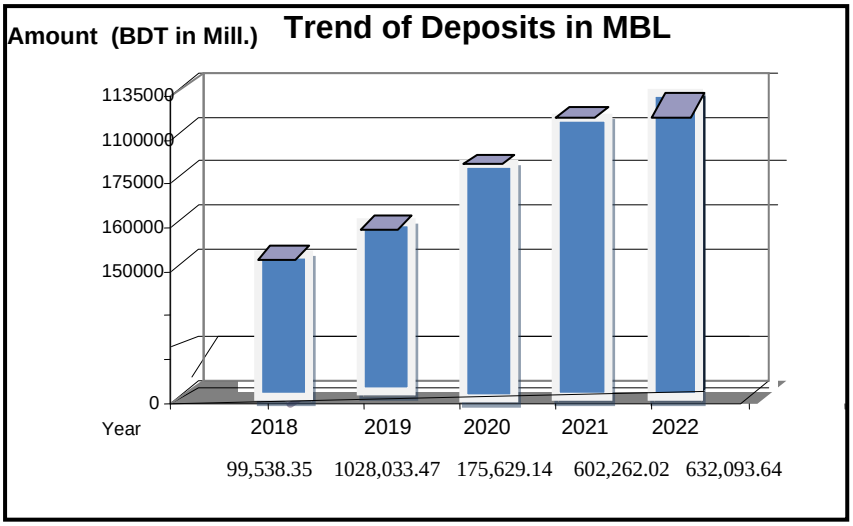


Fig : Trend of Deposits in MBL Source: Mercantile Bank, Annual report,2022

4.1.3 Loans and Advances

The Bank has formulated its policy to give priority to small and medium businessmen while financing large-scale enterprises through consortium of banks. Total loans and advances of the Bank stood at BDT 193,384,291,546 million as of December 31, 2022 as compared to BDT 179,728,024,718 million in 2021. Trade and commerce, garments industry, large and medium scale industries and construction are major sectors in which the Bank extended credit.

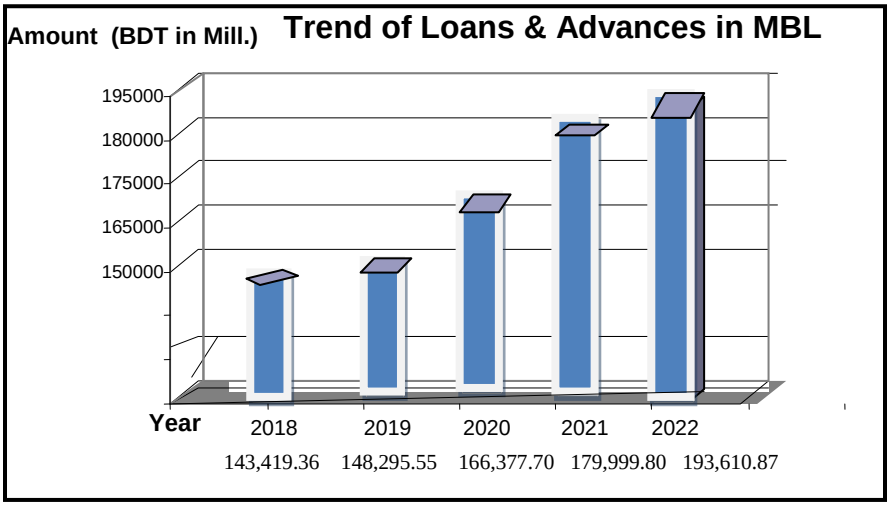


Fig : Trend of Loans & Advances in MBL Source: Mercantile Bank, Annual Report (2022)

4.1.4 Import Trade

Mercantile Bank Ltd. opted quality financing while facilitating import trade in 2022 in a changed scenario. In this year (2022) bank executed a total of amounting BDT

613,434.10 Million. The principal items were capital machineries, garments & accessories, rice wheat, sugar, raw cotton etc. and the previous import trade was 156,528.80, 160,592.50, 189,524.10, and 195,008.70 respectively 2018-21

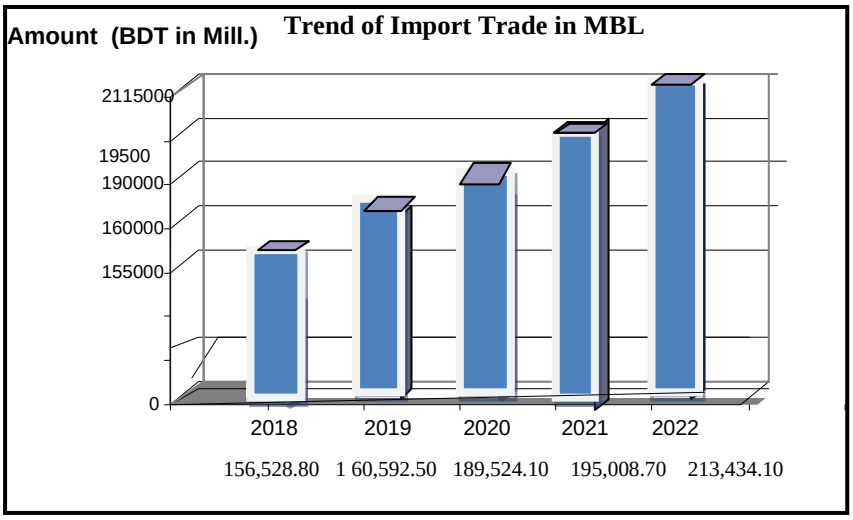


Fig : Trend of Import Trade in MBL Source: Mercantile Bank, Annual report, 2022

4.1.5 Export Trade

The bank remained selective in Export trade financing in 2022. A total businesses were handled worth BDT 143,108.50 at2018, 146298.60 at 2019, 159404.20 at 2020, 181311.80 at2021 , and 201132,670.10 Million in 2022. The main focal point of the bank in export financing was garments industry, the lone driving force of the economy of Bangladesh. Other notable items were jute & jute goods, leather, handicrafts, tea, frozen food & fish products.

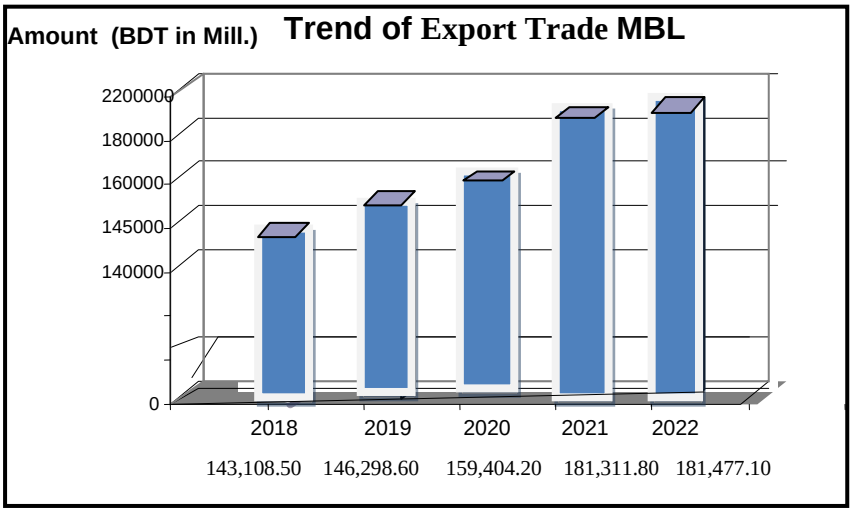


Fig: Trend of Export Trade in MBL Source: Mercantile Bank, Annual report, 2022

4.1.6 Disbursement of Loan

The information provided by the applicant is verified by the supervisory agency assigned by the bank. If the agency's report stands out to be a positive one, bank will grant the loan. Then the bank will directly provide money to the client through his/her account to purchase the product. The loan amount is disbursed through Pay Order directly to the supplier of the products except for Intangibles, Home Repair, Redecoration and Renovation, for which loan amount is directly credited to client's A/C.

4.1.7 Repayment Procedure

The borrower needs to submit post-dated A/C payee cheques (one for each installment) in favor of the Mercantile Bank Limited prior to the disbursement of the loan. The borrower has to keep sufficient fund in his account for the purpose. The rest outstanding, if any, is adjusted by the borrower along with the last installment. Repayment Procedure.

This loan is repaid on a monthly basis including interest. The installment is payable within the first week of every month starting from the following month of disbursement of loan. For each and every installment; the client has to issue an advance cheque in favor of MBL and this cheque must be directed by MBL account.

4.1.8 CREDIT PRACTICES OF NCCBL

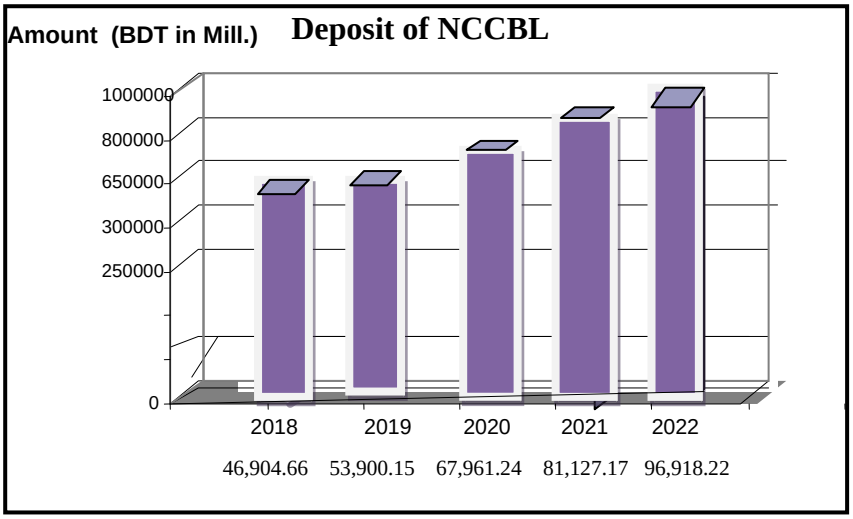
NCC Bank Ltd. At A Glance

Years	2018	2019	2020	2021	2022
Particulars	Tk In Million	Tk In Million	Tk In Million	Tk In Million	Tk In Million
Paid up capita	1,757.52	2,284.90	4,501.25	5,941.65	6,951.74
Total Loans & Advances	46,332.69	50,387.68	63,230.14	72,733.54	79,948.22
Price earnings ratio	7.29 times	15.73 times	12.91 times	8.07 times	8.71 times

Earnings per Share(EPS)	5.02	7.53	5.33	3.28	2.06
Import	38,796.88	33,078,44	41,245,21	55,044,49	45,283,46
Export	12,522,04	11,903,72	16,125,52	20,982,00	13,346,66
Profit after Tax	882.28	1,719.50	2,371.68	1,946.11	1433.76
Total Deposit	46,904.66	53,900.15	67,961.24	81,127.17	96,918.22
Total Asset	68,306.45	77,103.29	101,046.73	124,278.93	149,973.98

4.1.9 Deposits

Deposits by customers and banks are recognized when the bank enters into contractual provisions of the arrangements with the counterparties, which is generally on trade date, and initially measured at the consideration received.



Annual Report (2022). Bangladesh: NCC Bank Ltd.

Classification on the basis of time:

On the basis of elements of time, bank credit may be classified into three heads.

4.2. Continuous loans:

These are the advances having no fixed repayment schedule but have an date at which it is renewable on satisfactory performance of the clients. Continuous loan mainly includes "Cash credit both hypothecation and pledge" and "Overdraft".

4.2.1 Demand loan:

In opening letter of credit (L/C), the clients have to provide the full L/C amount in foreign exchange to the bank. To purchase this foreign exchange, bank extends demand loan to the clients at stipulated margin. No specific repayment date is fixed. However, as soon as the L/C documents arrive, the bank requests the clients to adjust their loan and to retire the L/C documents. Demand loans mainly include “Payment against Documents,” "Loan against imported merchandise (LIM)" and Later of Trust Receipt".

4.2.2 Term loans:

These are the advances made by the bank with a fixed repayment schedule. Terms loans mainly include "Consumer credit scheme", "Lease finance"," Hire purchase", and "Staff loan". The term loans are defined as follows:

• Short term loan: Up to 12 months.

• Medium term loan: More than 12 months & up to 36 months

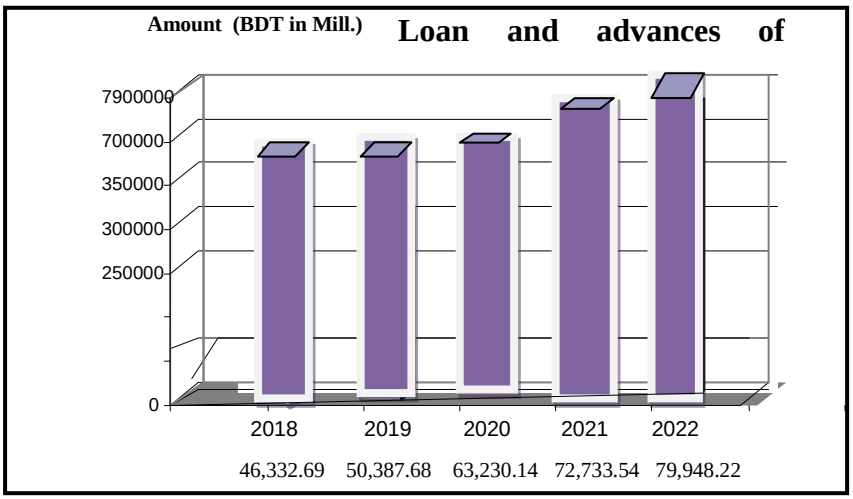
• Long term loan: More than 36 months.

Classification on characteristics of financing

4.2.3 Loan

In case of loan the banker advances a lump sum for a certain period at an agreed rate of interest. The entire amount is paid on an occasion either in cash or by crediting in his current account, which he can draw at any time. The interest is charged for the full amount sanctioned whether he withdraws the money from his account or not. The loan may be repaid in installments or at expiry of a certain period. Loan may be demand loan or a term loan. Eligibility: loans are normally allowed to those parties who have either

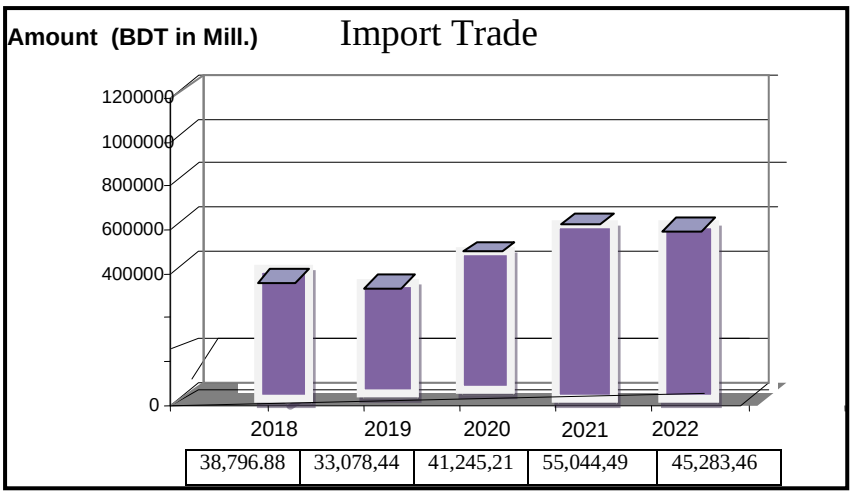
fixed source of income or who desire to pay it in lum sum. Interest Rate: 12%-15% per annum (Quarterly paid).



Annual Report (2022) NCC Bank Ltd.

3.2.4 Import Trade

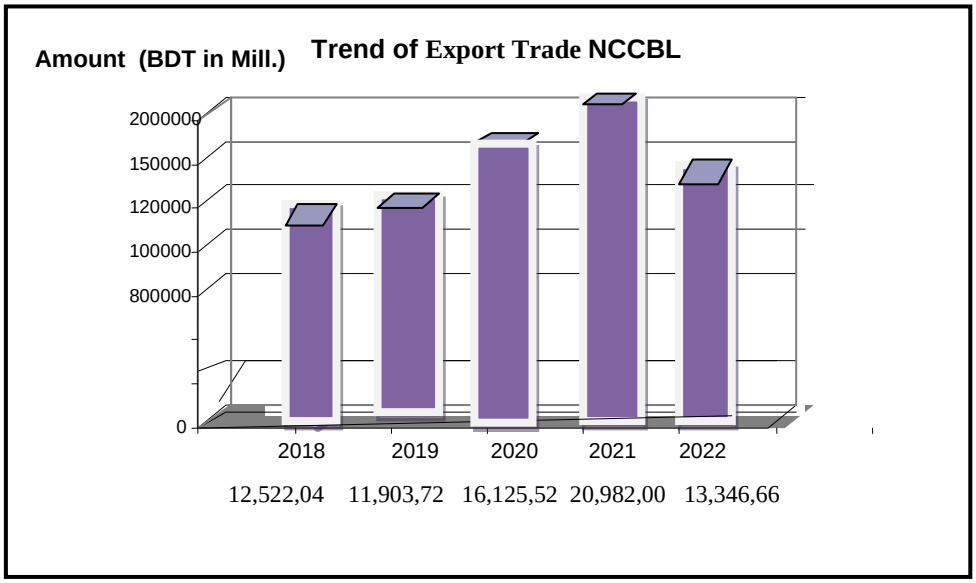
NCC Bank Ltd. opted quality financing while facilitating import trade in 2022 in a changed scenario. In this year (2022) bank executed a total of amounting BDT 45,283,46 Million. The principal items were capital machineries, garments & accessories, rice wheat, sugar, raw cotton etc. and the previous import trade was 38,796.88, 33,078,44 . 41,245,21 55,044,49 45,283,46 respectively 2008-12



Annual Report (2021-2022) NCC Bank Ltd.

3.2.5 Export Trade

The bank remained selective in Export trade financing in 2022. A total businesses were handled worth BDT 12,522,04 11,903,72 16,125,52 20,982,00 13,346,66 Million in2018- 2022. The main focal point of the bank in export financing was garments industry, the lone driving force of the economy of Bangladesh. Other notable items were jute & jute goods, leather, handicrafts, tea, frozen food & fish products.



Annual Report. (2022) NCC Bank Ltd.

3.2.6 Personal Loan (Consumer Credit Scheme)

Objectives :

The objectives of this loan are to provide essential household durable to the fixed income group (Service Holders) and other eligible borrowers. Car loan, loan for house renovation, vacation loan, marriage loan and loan for household equipment well as entertainment products are governed by personal loan program. The Total amount of loans along with the duration in which these loans taken, need to be repaid is given below:

Table 6: Personal loan

Type of Product Loan Amount	(Tk) Lac	Tenure
1. Vehicle	Up to 7.00	4 to 5 years
2. Household items		
2. Household items For Businessman	1.00	2 Years

3.Household items for Service holders	Up to 3.00	2 to 3 Years
4. Others	Special Considerations	Special Considerations

Financial statement & Ratio analysis of MBL and NCCBL

Financial statement Analysis involves a comparison of a Bank's performance with that of other Banks in the same line of business, which usually is identified by the Banks industry Classification. Generally speaking the analysis is used to determine the Banks financial position so as to identify its current strengths and weakness and to suggest action the firm might pursue to take advantage of the strength and correct any weakness.

4.2.7. Importance of Financial Ratio

Ratio analysis is very important for every business, because by calculating ratio analysis we can understand the business position, business strength and weakness. By knowing this information, management can takes its necessary steps to organize their goal. Now we will analysis Mercantile Bank Limited ratio according to 'Du Point Analysis'.

Tools of financial statement analysis

Ratio Analysis.
Trend Analysis.

Ratio analysis:

Ratio analysis is a diagnostic tool that helps to identify problem areas and opportunities within a company. The most frequently used ratios by financial analysts provide insights into a Banks

- Liquidity
- Degree of financial leverage or debt
- Profitability
- Efficiency
- Value

4.2.8 Financial Analysis and ratio analysis of MBL and NCCBL

Financial Highlights of MBL and NCCBL (Tk in Million where applicable)

Years	2018	2019	2020	2021	2022
Particulars	**Tk In Million**	**Tk In Million**	**Tk In Million**	**Tk In Million**	**Tk In Million**
Paid up capital of MBL	1,798.68	2,158.42	4,072.21	4,968.10	6,110.75
Paid up capital of NCCBL	1,757.52	2,284.90	4,501.25	5,941.65	6,951.74
Total Loans & Advances of MBL	43,419.36	48,295.55	66,377.70	79,999.80	93,610.87
Total Loans & Advances Of NCCBL	46,332.69	50,387.68	63,230.14	72,733.54	79,948.22
Price earnings ratio of MBL	12.21 times	12.88 times	14.14 times	9..97 times	8.45 times
Price earnings ratio NCCBL	7.29 times	15.73 times	12.91 times	8.07 times	8.71 times
Earnings per Share of MBL	2.85	3.07	4.10	3.49	2.26
Earnings per Share of NCCBL	5.02	7.53	5.33	3.28	2.06
Export of MBL	43,108.50	46,298.60	59,404.20	81,311.80	81,477.10
Export of NCCBL	12,522,04	11,903,72	16,125,52	20,982,00	13,346,66
Import of MBL	56,528.80	60,592.50	89,524.10	95,008.70	113,434.10
Import of NCCBL	38,796.88	33,078,44	41,245,21	55,044,49	45,283,46
Profit after Tax of MBL	615.88	807.52	1,425.34	1,734.17	1,381.45
Profit after Tax o NCCBL	882.28	1,719.50	2,371.68	1,946.11	1433.76
Total Deposit of MBL	49,538.35	58,033.47	75,629.14	102,262.02	132,093.64
Total Deposit of NCCBL	46,904.66	53,900.15	67,961.24	81,127.17	96,918.22
Total Asset of MBL	55,928.72	66,166.52	87,140.11	116,553.01	154,040.18
Total Asset of NCCBL	68,306.45	77,103.29	101,046.73	124,278.93	149,973.98

4.3Trend Analysis

A Banks present ratio is compared with its past and expected future ratio to determine whether the company's financial condition is improving or deteriorating over time. After completing the financial statement analysis, the Banks financial analyst will consult with management to discuss their plans and prospect, any problem.

4.3.1Bank Profitability Ratio:

Profitability refers to the ability of a firm to generate revenues in excess of expenses. When making compression across firms it is useful to control for different in their resource base. There are some basic formulas for profitability ratio:

4.3.2 Return on Assets (ROA): A measure of a company's profitability, equal to a fiscal year's earnings divided by its total assets, expressed as a percentage.

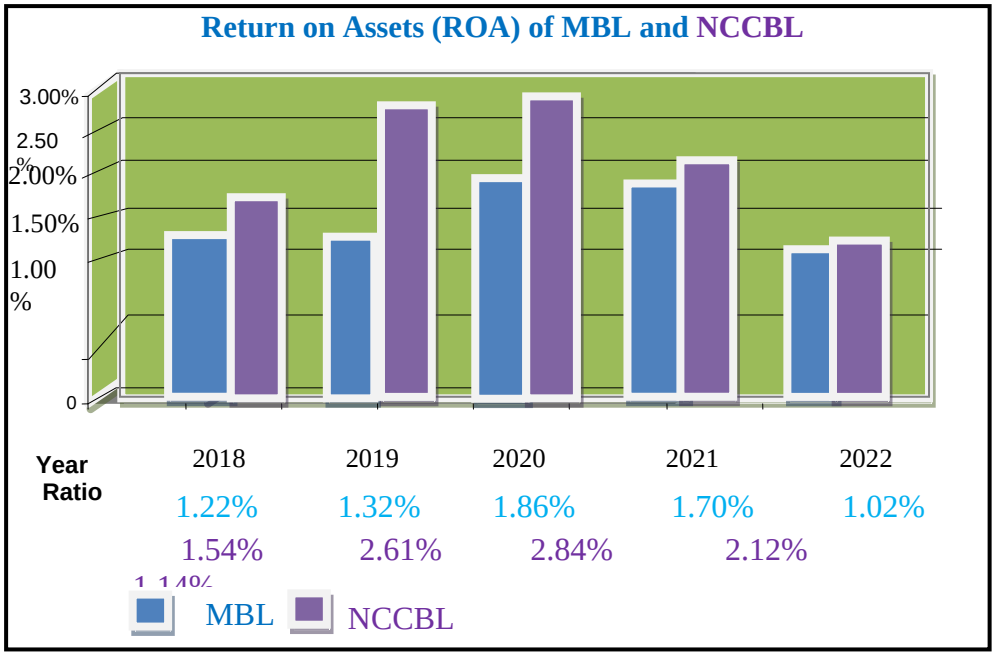
Return on Assets (ROA): Net Income/Total Assets

Year	Net income	Total Assets	% of Ratio
2018	49422.33	37159.65	1.22%
2019	53928.64	44940.54	1.32%
2020	61521.01	55928.27	1.86%
2021	80723.16	66166.52	1.70%
2022	142909.78	87140.11	1.02%

1 Year wise Return on Assets value
Return on Assets (ROA) of NCCBL

Year	2018	2019	2020	2021	2022
Return on Assets	1.54%	2.61%	2.84%	2.12%	1.14%

Graphical Presentation



4.3.3 Interpretation:

The above figure represents the Return on Assets (ROA) Ratio of Mercantile Bank Limited & NCCBL. We see that in the year 2020 Mercantile Bank Limited was in highest profitable position. In 2022 the Bank was in lowest profitable position more than NCCBL's ROE. And the same year of NCCBL's was highest ratio as well as both banks ratio was fall after 2020! That is very bad for both banks. On the other hand starting year 2018 of both banks ratio was increasing gradually at the end of the year 2020.

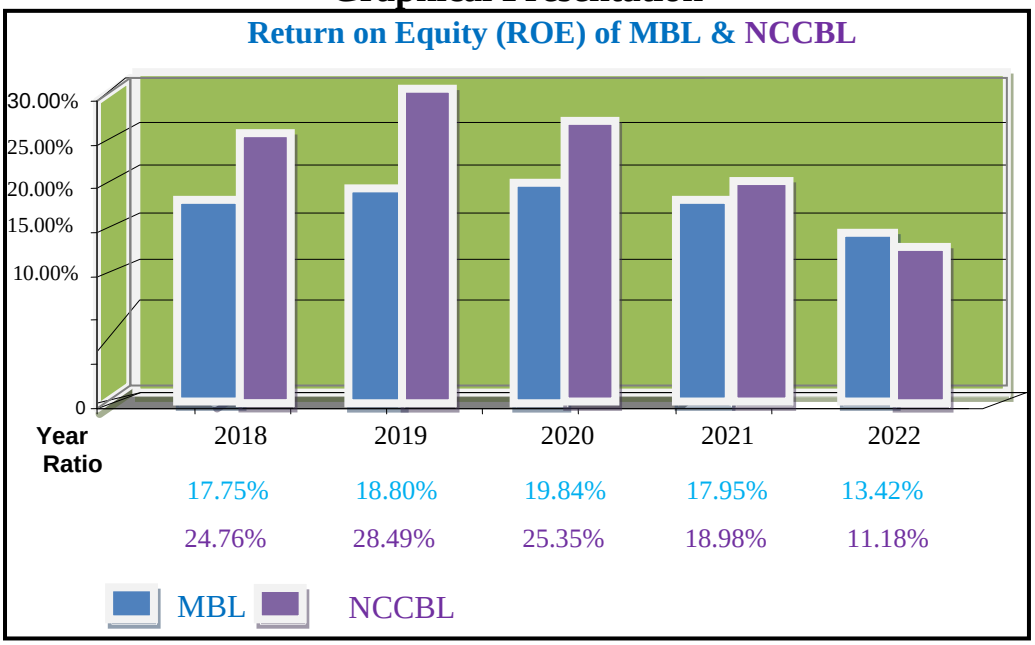
Return on assets is an indicator of how profitable a company is. This ratio is used annually to compare the business performance to its norms. The banks return on asset was increasing from 1.22 to 1.86 and 1.54 to 2.84 respectively in the preceding 5 years. It can be said that MBL and NCCBL earning capacity is increasing first three years. But next two years was fluctuated a big. So, overall situation it can say without last year this is good sign for these Banks.

4.3.4 Return on Equity (ROE)

Return on Equity (ROE) = Net Income/ Total shareholders' Equity

Year	2018	2019	2020	2021	2022
Return on Equity of MBL	17.75%	18.80%	19.84%	17.95%	13.42%
Return on Equity NCCBL	24.76%	28.49%	25.35%	18.98%	11.18%

Graphical Presentation



4.3.5 Interpretation:

The return on equity ratio was decreasing from 2020 to 2022. That was decreased from 19.84% to 13.42%. This is not desirable. So, the management should work hard to increase the return associated with equity. Though return on equity was very good 2018 to 2020 steadily increased of MBL's ratio! At the same five year of NCCBL's ratio says 2018-19 was very good of this bank but after 2019 ratio was falling gradually. But comparing of both banks NCCBL's highest ratio in 2019 (28.49%) and MBL's highest ratio is 19.84% in 2020.

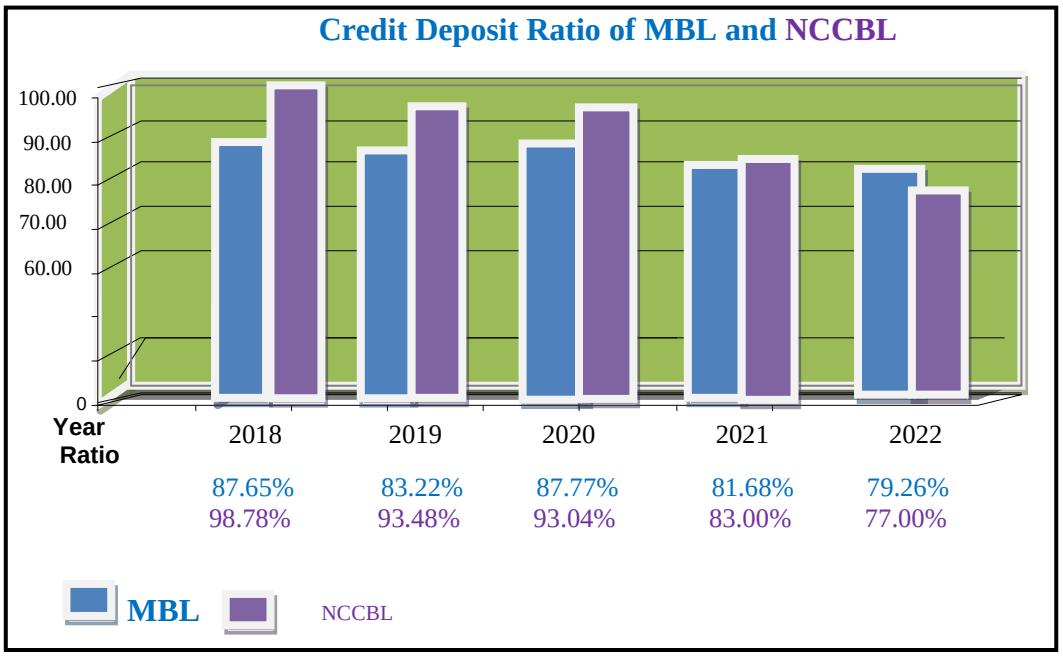
4.3.6 Credit Deposit Ratio

Credit Deposit Ratio is the ratio of how much a bank lends out of the deposits it has mobilized. It indicates how much of a bank's core funds are being used for lending, the main banking activity. A higher ratio indicates more reliance on deposits for lending and vice-versa.

Credit Deposit Ratio = Total Advances/Total Deposits

Year	2018	2019	2020	2021	2022
Credit Deposit Ratio of MBL	87.65%	83.22%	87.77%	81.68%	79.26%
CDR of NCCBL	98.78%	93.48%	93.04%	83.00%	77.00%

Graphical Presentation



4.4 Interpretation:

The graph shows that both banks ratio are going to fall to 2018-2022 without MBL's ratio of 2019, but their position was not same! Here we see NCCBL's ratio is always ahead comparing of MBL's ratio as well as two banks highest ratio was in 2018 87.65%, 98.78% respectively. As I say both banks ratio of five are almost average. Credit Deposit Ratio is highest in 2020 and there is a downward trend in Credit Deposit Ratio from year 2020 to 2022. That is very important thought to need and avoid both banks downward trend for the next future.

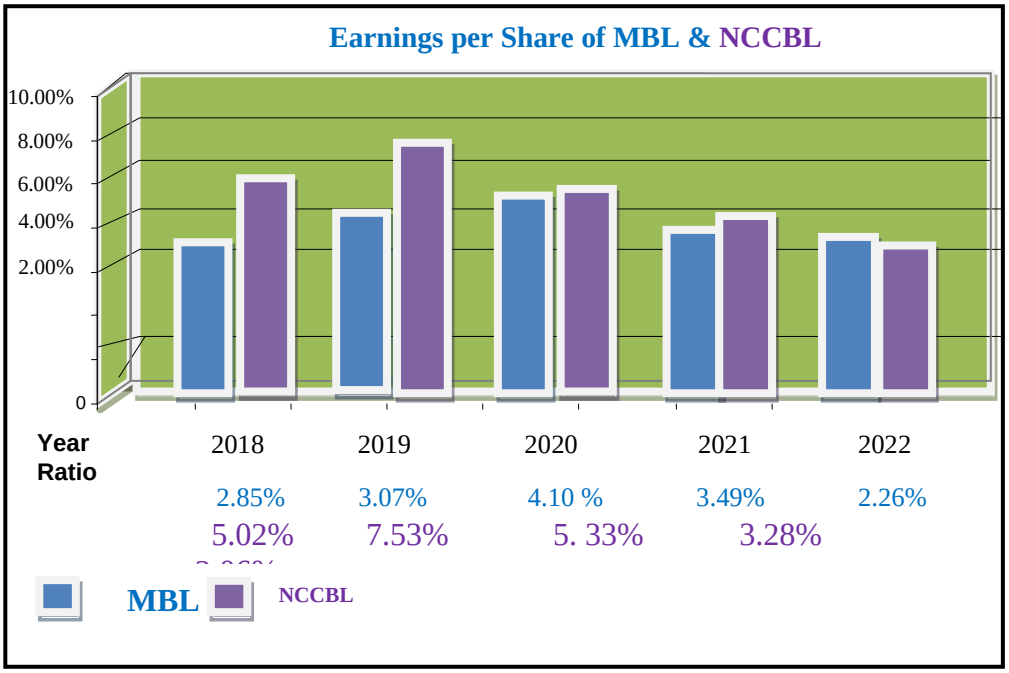
4.4.1Earnings per Share

The firm's Earning per share (EPS) are generally of interest to present or prospective stockholders and management. The Earning per share represent the number of dollars

earned on behalf of each outstanding share of common stock. The earnings per share is calculated as follows.

Earnings per Share =Earnings available for common stock holder/No of shares of common stock outstanding.

Year	2018	2019	2020	2021	2022
EPS of MBL	2.85 %	3.07 %	4.10 %	3.49 %	2.26%
EPS of NCCBL	5.02%	7.53%	5. 33%	3.28%	2.06%



4.4.2 Interpretation:

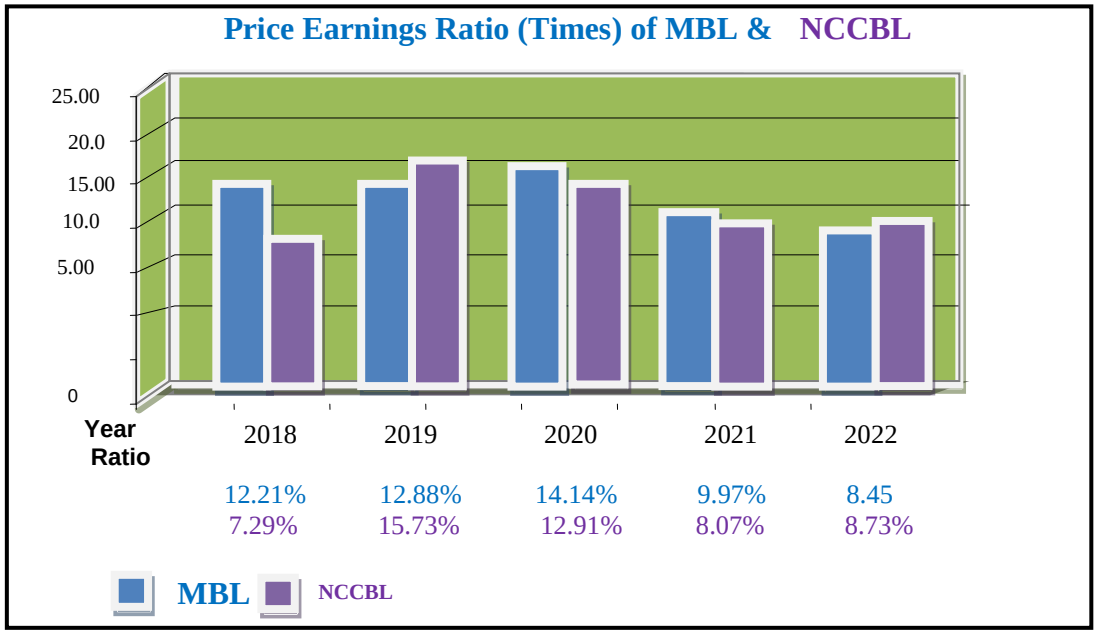
Earnings per Share (EPS) say both banks ratio trend are just about up staring and down staring from 2018 to 2022. And graphs highest ratio is 7.53% in 2019 of NCCBL behind MBL's highest is 3.07% in 2019 which huge gap between MBL and NCCBL. Both have to try to increase their ratio for the future as because they are gradually falling.

4.4.3 Price Earnings Ratio

The price or earning (P/E) ratio is commonly used to assess the investor appraisal of share value. The P/E represents the amount investors are willing to pay for each dollar of the firm's earnings. The higher the P/E ratio, is the greater the investor confidence in the firm's future. The price Earning (P/E) ratio is calculated as follows

Price Earnings Ratio=Market price per share of common stock/Earning per share

Year	2018	2019	2020	2021	2022
Price Earnings Ratio(Times) Of MBL	12.21	12.88	14.14	9.97	8.45
PER of NCCBL	7.29%	15.73%	12.91%	8.07%	8.73%



4.4.4 Interpretation:

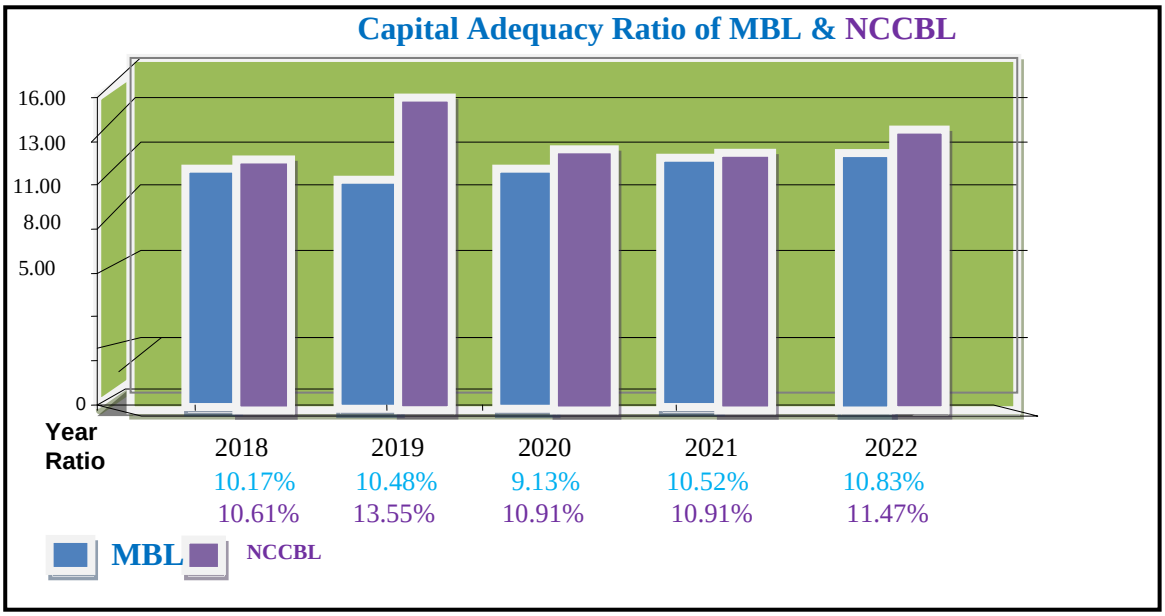
It measures the level of price that the investors are paying for per taka of earnings offered by the bank. From the graph I have seen that in year 2020 the investors has paid maximum amount of price for per unit of earnings in which the bank issued its share in the market. This indicates the investors are paying more and willing to invest in MBL. On the other hand NCCBL's maximum amount of price for per unit of earnings 15.73% in 2019. And again NCCBL's PER is highest than MBL but first three years was very good of MBL's trend as well as NCCBL's trend is not good without 2019 although NCCBL was highest.

4.4.5 Capital Adequacy Ratio

A measure of a bank's ability to meet its obligations relative to its exposure to risk. The capital adequacy ratio exists to ensure that a bank is able to handle losses and fulfill its obligations to account holders without ceasing operations.

Capital Adequacy Ratio (CAR) = (Tier 1 Capital + Tier 2 Capital) / Risk-weighted assets.

Year	2018	2019	2020	2021	2022
Capital Adequacy Ratio(CAR)of MBL	10.17%	10.48%	9.13%	10.52%	10.83%
CAR of NCCBL	10.61%	13.55%	10.91%	10.91%	11.47%



4.4.6 Interpretation:

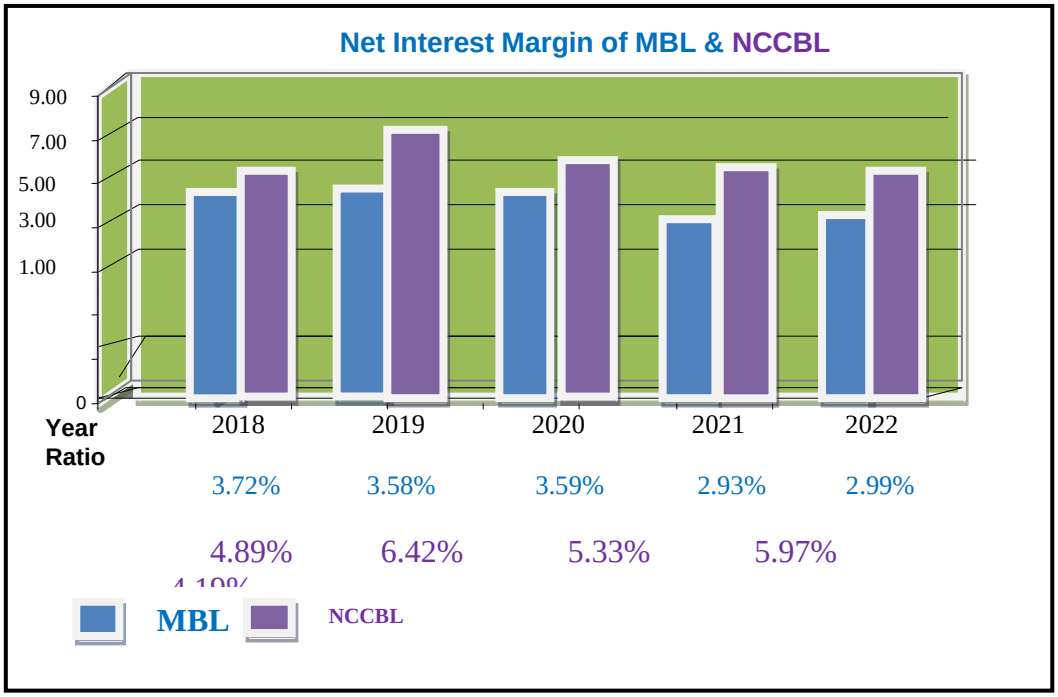
Comparing of the two banks graphs has been shown their trends are going on almost same without little bit fluctuation. Though they are not in the same ratio in the different year. But here I see NCCBL's highest position in 2019 than MBL and MBL's highest movement was 2022. That is good sign for this bank. NCCBL also improving in 2022 after falling of 2019. CAR was highest in 2022. CAR trend was almost same on the last five years and final year was highest, that is good for MBL. Though CAR was very poor in 2020.

4.4.7 Net interest margin

Net interest margin (NIM) is a measure of the difference between the interest income generated by banks or other financial institutions and the amount of interest paid out to their lenders (for example, deposits), relative to the amount of their (interest-earning) assets. It is similar to the gross margin of non-financial companies.

Net interest margin = (Investment returns - interest expenses) / Average earning assets.

Year	2018	2019	2020	2021	2022
Net Interest Margin of MBL	3.72%	3.58%	3.59%	2.93%	2.99%
NIM of NCCBL	4.89%	6.42%	5.33%	5.97%	4.19%



4.4.8 Interpretation

From the graph I have seen that the MBL Net interest Margin is raising position in 2018. And next four years NIM was gradually downward trend like 2019 to 2022. 2021 was very poor as well as 2022 was little bit better than 2021. On the other hand NCCBL's NIM was almost double than MBL. And highest NIM is in NCCBL like 6.42% in 2019 comparing MBL highest NIM is 3.72% in 2018.

Here I see all of the ratio comparing this two banks NCCBL was the highest ratio and MBL was lowest but MBL was going almost same trend than NCCBL that is very important part of MBL where NCCBL did not continue to go smoothly.

4.4.9 SOWT Analysis of MBL

SOWT analysis is used to measure views of a single issue from different patterns. From historical data and practical observation, I found the following Strength opportunity, weakness and threat under SOWT analysis of Mercantile Bank Limited.

Strength:

- Not engaged in unfair business practice.
- Well-known reputed bank in the market.
- Concentrated market.
- Officers are highly educated and experienced.
- Deposit is larger than advance.
- Attractive credit and deposit schemes than competitive markets.
- Well-furnished and Air-conditioned Bank.
- Strictly complies of government banking rules, regulations and acts.

Weakness:

- Small market shares in Banking-business.
- Short time experience in the banking sector.
- Growth is slower than other competitive banks.
- Training programs to officers are not so effective and adequate.
- Lack of advance technology utilization in all aspects.

Opportunities:

- Can provide more attractive and deposit facilities and credit facilities.
- Take incentives to provide high quality service.
- Can increase the advertising of the Bank to highlight latest services of MBL.
- Can adopt high technology based inter-branch networking system.

Threat:

- The number competitors in banking sectors are increasing.
- Governments increasing rules and regulations are not so inspiring.
- Competitive performance is in high positive flow.
- Competitors are using more advance technological system.
- Government tendency of imposing tax and VAT is becoming stricter.

4.5 SWOT analysis of NCC Bank Ltd.

Both manufacturing and service oriented business organizations start to possess some weakness as time elapse. The weaknesses of an organization can be turned into opportunities if recognized on time. Moreover, overlooking any threat may result in loosing valuable business opportunities. For this reason, an assessment of every business organization is required to judge the performance from the aspects of its Strength, Weaknesses, Opportunities and Threat (SWOT).

Strength:

- The bank provides quality service to the clients compared to its other contemporary Competitors.
- Experienced bankers and corporate personnel have formed the management.
- Some services of the bank are automated which attract large number of clients. For instance, the bank provides Automated Teller machine (ATM) service s in several locations.
- The bank will very recently introduce on line banking which will enable it to automate all of its operations .At present, several banking functions are performed by computers.
- The bank is also a member of SWIFT (Society for Worldwide Interbank Financial Telecommunication) alliance Access which enables the bank to exchange critical financial messages swiftly and cost effectively.
- NCC Bank has already achieved a goodwill among the clients that helps it retain the valuable clients.

Weaknesses:

- Delegation of authority is centralized which makes the employee to realize less responsibility. Thus, the employee morale is deteriorated.
- The credit proposal evaluation process is lengthy. Therefore, sometimes valuable clients are lost and the bank becomes unable to meet targets.
- No substantive use of Annual Confidential Report (performance evaluation form of the employee) to reward or to punish the employee. Hence the employee becomes ineffective.
- The bank lacks aggressive advertising and promotional activities to get a broad geographical coverage.
- The bank has only a few ATM booths and not in proper places. So, the scope of using ATM card is limited.
- Computer facility for all the officers is not available. Moreover, all the officers have no computer knowledge.
- The bank has no any research and development division.

Opportunities:

- The bank can introduce more innovative and modern products and services for then customers.
- The bank can offer micro credit business for individuals and small businesses .It can diversify its portfolio by taking new sector.
- Many branches can be opened to reach the bank's services to the remote areas. It can recruit more efficient and experienced persons to give fast and efficient service to the customers.
- The Bank can recruit experienced, efficient and knowledgeable workforce as it offers attractive compensation package and good working environment.

Threats:

- The common attitude of Bangladeshi clients is default.
- Multinational as well as the fast growing local banks with modern products and services are capturing huge market within a short period and resulting to switch over the existing customers of the bank.

- Bangladesh Bank sometimes requires Private Commercial Banks to be abided by such rules and regulations which are not suitable for every commercial bank.
- The most thinking threats of the bank come from the competitors. The bank has a chance to lose its market share to the competitors if it does not take necessary action.
- Local competitors can also capture a huge market share by offering similar products and services provided by the Bank.

Recommendations

It has a large portfolio with huge asset to meet up its liabilities and the management of this bank is accomplished with the expert bankers and managers in all level of management and with a little knowledge about banking, it is not an easy job to find out the difficulties of this branch. Rather than recommending I would like to give my opinion to improve the banking service and make the customer more satisfied.

4.6 Comparison between Mercantile Bank Ltd and National Credit and Commerce Bank Limited on ratio analysis of the last five years

The banking sector in Bangladesh is now quite competitive. The private commercial banks that are currently operating in Bangladesh offering different products but there are few basic differences among them in terms of structure and performance. Thus, the competitions among them are increasing day by day. So, based on my experience & knowledge to progress in future, MBL & NCC bank must adopt some policy, which will help them to capture a large number of clients in the market.

In comparison between two banks I have got various part of their financial differentiation. And overall observation that MBL's position is not better than NCCBL which I am describing below:

Return on Assets of MBL at 2018 is 1.22% on the other hand NCCBL's ROE is 1.54% at 2018 as we seeing or compare for the next years, then we got huge differences between them like 2019 NCCBLs got 2.61% and MBL shows only 1.32% on that year. But MBL was good on 2020 at highest ratio 1.86% ! and NCCBL's highest was2.84% at the same year. So MBL must try to improve their ratio for the next year and NCCBL should try to continue. Though NCCBL's last year was not good.

If I explain or compare their (MBL & NCCBL) Return on Equity then here also MBL was in backward position comparing NCCBL ROE. Here we see MBL at 2018 was 17.75% and NCCBL 24.76%! And last five years of MBL's highest ROE is 19.84% and NCCBL's 28.49% at the year 2020 and 2019 respectively. As well as downward trend for the next two years both banks!

At next part is Credit Deposit Ratio how mach total advances lend from others divided how much total deposit has got by the customers. Here we see MBL's average trend was good but not more than the NCCBL. Though NCCBL's only first three years was so good but after 2020 to 2022 downward trend that not good for NCCBL. So, NCCBL should make a good strategy to improve next years. As Credit Deposit Ratio analysis says.

Earnings per Share (EPS) here EPS of MBL was almost average and highest earning per share is 4.10% in 2020 on the other hand NCCBL's highest EPS was 7.33% comparatively much better than MBL. But NCCBL's next three years was not good. They huge fall 2019-22. Behind MBL EPS was not so good but their trend average. And end of 2022 both are fall.

Price Earnings Ratio (Times) MBL's price earnings ratio highest 14.14% times in a years and 2018 to 2022 was very good like gradually improving but after 2021 and 2022 very poor trend. on the other hand NCCBL's at 2019 was the highest time in a year after next year to 2022 was very poor times in a year.

Capital Adequacy Ratio (CAR) of MBL and NCCBL was almost average between them but highest CAR was 10.83% at 2022 and 11.47% at the same year MBL and NCCBL respectively. Here I see their trend was going average which needs a bank.

Net Interest Margin -a measure of interest received for income paid out on liabilities! Here MBL's NIM was little bit fluctuated from 2018 to 2022 as like 3.72% ,3.58%,359%,2.93%,2.99% respectively. And interest margin was 2008 which 3.72%. on the other hand NCCBL NIM was very good and an average mode as well as highest NIM is 6.42% at the year of 2019.

At the end of the comparison between two banks financial ratio analysis says MBL almost downward trend to comparing on NCCBL. But if I compare averagely then I will appreciate MBL to comparing NCCBL. Because average is always better!

Chapter- 05

Findings and Recommendation

5.1 Findings

Mercantile Bank Ltd and NCCBL actively participate in the growth and expansion of the national economy by providing SME Loan to viable borrowers. While analyzing the SME Loan policies and procedures of the Bank, the following areas were mostly viewable.

• Lack of sufficient Executives or Officers especially in the Credit Division hampers the Loan Sanctioning Process in time.

• MBL and NCCBL take relatively more times in granting loans advances to different parties. It seriously discourages the persons who are inclined to get loan for their urgent purpose. Mode of disbursement, charge documents etc. creates bottleneck in Loan approval process. Head Office takes so longer time in processing and approval of Credit Loan. Sometimes the total Sanctioning Process event takes month after month to give the final decision.

• MBL and NCCBL does not sanction loan to all sectors equally as they require, rather it concentrates its loan and advances within some limited fields and category.

• In Credit Loan Service MBL and NCCBL don't comply with the requirements of its policy and Bangladesh bank guidelines exactly.

• There is discrimination in sanctioning sector wise breakup of loans and advances. Small and Medium enterprise (SME) are more popular and require things among the people of various classes but MBL and NCCBL don't have any customized schemes targeting various classes of people. Even the effective rate of interest is very high. And the terms and conditions of Credit loan are also very inconvenient and discourage people.

• Lack of information on loan application requirement among the Credit loan seekers.

5.2 Recommendations

Here as I say there is almost same terms and conditions for credit management practice of this two banks which they are followed by Bangladesh Bank's rules and regulations. They have different types of credit practices in their bank. But they are not properly use or utilization of Bangladesh banks rules and regulations for the credit management practices. People! we have lake of information for getting the credit loan !!

That is why here I say Banks miss guiding is taking us to wrong way or we have to pay more interest than the Bangladesh Banks fixing interest for the credit loans.

- MBL and NCCBL should disburse their loans in various sector rather than specific scheme.
- Loan sanctioning and disbursement procedure should be easy and flexible being consider the requirements of different classes of people.
- Amount of loan can be raised in proportion with the existing demand of people in SME loan, CCS and Personal loan. SME loan can be popular among the small trader and lower income group people like MBL and NCCBL DPS.
- MBL and NCCBL credit Policies can be revised being considered with the increase demand of telecom, transportation, Knit and packaging and plastic industry.
- Sector wised loan in agro based industries and firms, lather technology can be convenient and flexible for the receiver.
- Banks follow the same old process to save their data and they do their whole operation manually where other banks are doing with their computer.

Chapter-06
Conclusion

6. Conclusion

Lots of new commercial bank has been established in last few years and these banks have made this banking sector very competitive. So, now banks have to organize their operation and do their operations according to the need of the market. Banking sectors no more depends on a traditional method of banking. In this competitive world this sector has trenched its wings wide enough to cover any kind of financial services anywhere in this world. The major task for banks, to survive in this competitive environment is by managing its assets and liabilities in an efficient way.

As a student in Mercantile Bank Limited and National credit and commerce bank I have truly enjoyed my thesis from the learning and experience viewpoint. I am confident that the thesis program on Mercantile Bank Limited & NCCBL will definitely help me to realize career in the job market specially in banking sector.

During this thesis I have tried to learn banking to realize my theoretical knowledge, what I have gathered and going to acquire from various courses. It is great pleasure for me to have theoretical exposure on Mercantile Bank Limited and NCCBL.

Only the credit department has been covered in the thesis program, it is not possible to go to the depth of each activities of branch because of time limitation. So objectives of the Thesis program have not been fulfilled with complete satisfaction. However, highest effort has been given to achieve the objectives of the Thesis program.

So in conclusion I would like to say that every organization has its positive as well as negatives and in case of Mercantile Bank Limited and NCCBL existence of the later one is less than the earlier one and as the management is determined to reach the pick of success it seems that in near future the negatives will be eliminated. Five years is a very short span of time and the organization, which can establish itself as one of the most reputed private commercial Bank in the country within this short period deserves special credit and with their able leaders Mercantile Bank and NCCBL will reach the highest level of success very shortly. I wish the bank all success prosperity in their field.

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