



Sonargaon University (SU)

Faculty of Business

Bachelor of Business Administration

Internship Report

on

Small & Medium Enterprise Loan of Bank Asia Limited.

Submitted to :

Md. Rasel Hawlader

Lecturer

Department of Business Administration

Sonargaon University (SU)

Submitted by :

Khadija Akter Nupur

ID-BBA1902017014

Bachelor of Business Administration (BBA)

(Major –Finance)

Sonargaon University (SU)

Date of Submission: 28-09-21

Letter of Transmittal

Date: 28-09-21

To

Md. Rasel Hawlader
Lecturer
Department of Business Administration
Sonargaon University (SU)

Subject: Submission of the Internship Report.

Dear Sir,

Here I present my internship report titled “ Small and Medium Enterprise Loan of Bank Asia Limited” with due gratitude and appreciation. As per fulfillment of the requirements of the BBA program, I have completed the internship from Bank Asia .

The internship report has given me the opportunity to learn about different aspects of this well reputed organization. Before facing the corporate world, I have gathered general idea about the organization culture & activities.

However, I gathered all the facts that I could within this short period and have tried my level best to exert all the things as much presentable as possible.

Your faithfully,
Khadija Akter Nupur
ID-BBA1902017014
Department of Business Administration
Sonargaon University (SU)

Student's Declaration

I am Khadija Akter Nupur here by state that presented report of internship titled “ Small and Medium Enterprise loan of Bank Asia Limited” is exclusively prepared.

I solemnly confirm that the report is entirely prepared for my academic requirement not for any other purpose.

Khadija Akter Nupur
ID-BBA1902017014
Department of Business Administration
Sonargaon University (SU)

Letter of Authorization

The report titled “Small and Medium Enterprise Loan of Bank Asia Limited,” is submitted as partial requirement of BBA program. This report has been prepared by, Khadija Akter Nupur, ID-BBA1902017014, major in Finance.

This report is approved and accepted. I am pleased to state that Khadija Akter Nupur, worked hard preparing this report and she has been able to present a good report. The data and findings presented in seem to be authentic.

I wish her every successful in her life.

Best regards,

Md. Rasel Hawlader

Lecturer

Department of Business Administration

Sonargaon University (SU)

Acknowledgement

Preparing such a report is always beneficial to a student like me who is near to accomplish his graduation. First of all, I would like to show my gratitude to Almighty Allah for His mercy to give me courage and patience to complete this report.

As a part of my completion of Bachelor of Business Administration program, our department assigned me to prepare an internship report, My report is on the topic “Small & Medium Enterprise Loan of Bank Asia Limited”

Then my sincerest gratitude goes to my guide lecture Md. Rasel Hawlader for his constant guidance and help, which made things easier to me. His assistance and encouragement made it possible to accomplish this report within time.

Executive Summary

This report is based on SME loan by Bank Asia Limited. This report has been prepared for the partial fulfillment of the requirement for the awarded of Bachelors' of Business Administration . The topic of my report is SME loan by Bank Asia Limited. . In this report I have explained my best in respect of my real life experience gathered from different departments. In order to provide a student with job exposure and an opportunity of the transition of theoretical knowledge into real life experience, an internship is a must. A better balance between theory & practice can be gained through this program. The main purpose of this report becomes very clear from the topic of the report. To prepare this report I had to thoroughly understand what an actually SME loan by Bank Asia Limited . Bank Asia Limited is a third generation bank which start its operation as a schedule Bank. Over the years Bank Asia Limited has expand the financing exposure all over Bangladesh. SME sector is one of them. Although all over the world, the importance of SME financing is highly appreciated and entertained, this sector less proper boost from the government and attention of financial organizations. There are many reason that financial organization especially banks are unwilling in financing to the small and medium enterprises. Bank Asia Limited is currently motivated hard to enhance the SME exposure of the Bank. This report mainly divided into three parts. First Part deals with my practical experience as an internee in Bank Asia Limited my own observations on Management and Organizational Pattern of the Bank Asia Limited. And final part deals with Small and Medium Enterprise Loan of the Bank Asia Ltd. And this report is broadly categorized in six different chapters. This report is starts with chapter one, which is the introduction of the report. This chapter includes overall overview of the report that includes objectives of the report. Then I have also included in this chapter the scope of the SME division. Then I include methodology and source of data collection and what are the limitations of this report. The second chapter of this report contains about the theoretical overview of the bank and facilities provided by bank. Then third chapter includes theoretical Aspects of the SME Loan. The forth chapter is performance analysis and previous year SME report. The last chapter is findings of the report and recommendation of the report. Last topic is conclusion of the report.

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Chapter 01

Introduction

1.1 Introduction

Bank is a financial institution that collects society's surplus cash and provides a part of that as loan with a view to earning profit. So we can simply say that Bank is financial organization that deals with money. According to section-5 of the Bank Company Act-1991, a company transacting the business of banking is called a banking company. A manufacturing or trading company will not be deemed to be a bank company even if does accept deposits from the public for financing its manufacturing and trading activities.

Modern banking is a result of evolutions driven by changing economic activities and lifestyles. Entering a new millennium, banking needs have become more diverse and exotic than ever before. Bank Asia Ltd is a new entrant in the private banking scenario of Bangladesh with a promise to fulfill every possible customer need with high efficiency and satisfaction. Bank Asia Ltd started its business operation

through the corporate branch at Rangs Bhaban, Dhaka, from 27 th November 1999.

Small and medium sized enterprises (SMEs) are playing increasingly important role as engines of economic growth in many countries including ours. SMEs provide low cost employment opportunities and render flexibility to the economy. Many of the SMEs are engaged in export activities suggesting that they are internationally competitive. Considering the importance of SME sector in the economy of Bangladesh and understanding the constraints under which such enterprises operate, it is evident that policies to support the development and growth of SMEs are necessary.

SME Banking of Bank Asia Limited is assuming a new and modern dimension. It is entering into a wider horizon. The philosophy of extending banking services to SME's of the country is to meaningfully push every one of them up to the next level of respective business operations. The upward push would be meaningful as they would be business wise competitive for a sustainable future. It is therefore would be turning in to an abode of SME's to grow to the next level.

1.2 Objectives of the Study

The objectives of the study are as follows:

- ✓ To evaluate the Small and Medium Enterprise Loan activities of Bank Asia .
- ✓ To analysis the performance of SME Loan.
- ✓ To mind out the problem faces by the bank and provide some probable solutions for improving the situation.

1.3 Methodology of the Study

1.3.1 Sources of data

There are various types of data that can be collected in different ways, but appropriate data is vital for appropriate research. Primary data and Secondary data have been used to make the report more rich and informative.

Primary Sources of Data

1. Consultation with different levels of executives and officers of Bank Asia Ltd.
2. By interacting with customers, which was assigned by the Bank Asia Ltd.

Secondary Sources of Data

The secondary data are collected from Internet, different article published in the journals and magazines. Secondary sources are,

- ✓ Annual Report of Bank Asia Limited.
- ✓ Business Conference Report of the Bank.
- ✓ Prior Research Report on various Banks
- ✓ Official website of Bank Asia Limited.
- ✓ Product or service brochure.
- ✓ Relevant books, journals, Periodicals, Research Paper & others

1.4 Limitations of the Study

The main problem faced in preparing the paper was the inadequacy and lack of availability of required data. This report is an overall view of Credit Operations of the Bank Asia Limited. Due to some limitation; the report might be not up to the standard. The problems that were faced while preparing the report are as follows:

1. The data and information related to topic on this organization was not easily available.
2. In three month of short period it is insufficient to get all kind of information about SME.
3. Some information was withheld to retain the confidentiality of the bank.

Chapter 02

Profile of the Organization

2.1 History & Background of Bank Asia Limited

With a vision to make a poverty free Bangladesh, some distinguished entrepreneurs of the country decided to establish a commercial bank. The result was Bank Asia Limited. It was the 27th day of November, 1999 when the bank started to function. The entrepreneurs also foresaw that future Bangladesh would uphold human dignity and rights above all.

Bank Asia has been launched by a group of successful entrepreneurs with recognized standing in the society. The management of the Bank consists of a team led by senior bankers with decades of experience in national and international markets. The senior management team is ably supported by a group of professionals many of whom have exposure in the international market.

It set milestone by acquiring the business operations of the Bank of Nova Scotia in Dhaka, first in the banking history of Bangladesh. It again repeated the performance by acquiring the Bangladesh operations of Muslim Commercial Bank Ltd. (MCB), a Pakistani bank.

In the year 2003 the Bank again came to the limelight with oversubscription of the Initial Public Offering of the shares of the Bank, which was a record (55 times) in our capital market's history and its shares commands respectable premium.

The asset and liability growth has been remarkable. Bank Asia has been actively participating in the local money market as well as foreign currency market without exposing the Bank to vulnerable positions. The Bank's investment in Treasury Bills and other securities went up noticeably opening up opportunities for enhancing income in the context of a regime of gradual interest rate decline.

2.2 Bank Asia Limited At a Glance

Legal Form

The company was incorporated on November 27, 1999 under the Companies Act 1994 as a public company limited by shares for carrying out all kinds banking activities. The authorized and paid-up capitals of the bank are TK. 80,00,00,000 and TK. 21,8,00,000 respectively. The paid up capital represent the face value of 2,180,000 ordinary shares maintained satisfactory capital adequacy ratio during the period under review.

Company Registration No.

C38707 (665)/99 on November 27, 1999.

Date of IPO subscription

23/09/2003, 24/09/2003

SWIFT Code
ALARBDDH

Registered Office
Rangs Tower,68 Puran Paltan, Dhaka-1000

Corporate WebsiteAuditors
S.F. Ahmed & Co. (SFACO) Chartered Accountants
Tel: 8123975, 8124321, 8127496 Telex: 642536 BASIA BJ
Fax: (880-2) 8127568

Tax Advisor
A. Hossain & Co.
Chartered Accountants
7th Floor, House 65/2/1, Box Culvert Road
Purana paltan, Dhaka-1000

SME centers
10
Branches
130

ATMs
Own-182, Shared-8,523(ATM), Cash Link (125+)

2.3 Vision

Bank Asia is to have a poverty free Bangladesh in course of a generation in the new millennium, reflecting the national dream. Our vision is to build a society where human dignity Bank Asia's vision is to have a poverty free Bangladesh in course of a generation in the new and human rights receive the highest consideration along with reduction of poverty.

2.4 Mission

To assist in bringing high quality service to our customers and to participate in the growth and expansion of our national economy.

To see high standards of integrity and bring total satisfaction to our clients, shareholders and employees. To become the most sought after bank in the country, rendering technology driven innovative services by our dedicated team of professionals.

2.5 Slogan

The slogan of Bank Asia Limited is “FOR A BETTER TOMORROW”

2.6 Core Values of Bank Asia Limited

1. Place customer interest and satisfaction as first priority and provide customized banking products and services.
2. Value addition to the stake holders through attaining excellence in banking operation.
3. Maintain high ethical standard and transparency in dealings.
4. Be a compliant institution through adhering to all regulatory requirements.
5. Contribute significantly for the betterment of society.
6. Ensure higher degree of motivation and dignified working environment for our human capital and respect optimal work-life balance.
7. Committed to protect the environment and go green.

2.7 Strategies of Bank Asia Limited

The strategies that Bank Asia Limited follows are as below:

- To Manage and operate the Bank in the most efficient manner to enhance financial performance and to control cost of fund.
- To strive for customer satisfaction through quality control and delivery of timely services.
- To identify customer’s credit other banking needs and monitor their perception towards our performance in meeting those requirements.
- To review and update policies, procedures and practices to enhance the ability to extend better services.
- To trail and develop all employees and provide them adequate resources so that customers needs can be responsibly addressed.
- To promote organizational effectiveness by openly communication company plans, policies, practices and procedures to all employees in a timely fashion.

2.8 Services of Bank Asia Limited

ATM Services, Remittance Service, Locker Service, Internet Banking, Phone Banking, Mobile Banking, SWIFT, Centralize Trade Services, Student File, Traveler’s Cheque, E-Commerce, E-Procurement, Debit Card, Contact Center, Remote Banking (EBEK), Agent Banking, Electronic Fund Transfer (EFT), Utility fees payment School, College & University fees collection, Credit Card.

Products

Business Banking

Overdraft

Secured Overdraft

Working capital finance

Loan against Trust Receipt

Loan against Cash Incentives

Bill discounting

Packing Credit

Demand Loan

Demand Loan (work order)

Time Loan

Transport Loan

House Building Loan (Commercial)

Term loan

Lease Finance

Letter of Guarantee

Letter of Credit

Back to back L/C

Agriculture Financing

Staff Loan

Export Cash Credit

SME Banking

Term Loan

Subidha -Unsecured Trading

Sondhi -Secured Trading

Sristi – Unsecured Manufacturing

Shombridhi- Secured Manufacturing

Shofol – Unsecured Service

Sheba- Secured Service

Probaho- Unsecured Trading/ Manufacturing

Over Draft

Somadhan – Secured

Special Products

Utshob- Seasonal Business

Subarno- Women Entrepreneur

Card Products

VISA Platinum Card (with Priority Pass)

VISA Classic Local Card

VISA Classic Dual Card

Visa Butterfly Card

VISA Gold Local Card
VISA Gold Dual Card Hajj Card Virtual Card
Treasury

Money Market
Overnight Lending and Borrowing
Repo and Reverse Repo
Swap
Sale and Purchase of Treasury Bill & Bond
Placement of Fund
Term Borrowing
Investment

Foreign Exchange
Spot
Forward
Currency Swap

Islamic Banking
Deposit Products
Al-Wadiah Current Account(AWCA)
Mudaraba Savings Account(MSA)
Mudaraba Special Notice Deposit
Account(MSNDA)
Mudaraba Term Deposit Account(MTDA) of different Tenure
Mudaraba Hajj Savings Scheme(MHSS)
Mudaraba Deposit Pension Scheme(MDPS)
Mudaraba Monthly Profit Paying Deposit
Scheme(MMPPDS)
Smart Junior Saver(SJS)
Cash Waqf

Investment Products
Bai Murabaha Muajjal
Hire Purchase Shirkatul Melk(HPSM)
Musharaka

Chapter 03

Literature Review

3.1 Definition of Small Enterprise

Enterprise may be segmented based on its capital investment, size, and production volume and so on. The World Bank defines SMEs as those enterprises with a maximum of 300 employees, \$15 million in annual revenue, and \$15 million in assets.

Under Bangladesh Bank's regulations Small Enterprise refers to the firm/business which is not a public limited company and complies the following criteria:

Serial No:	Sector	Fixed Asset other than Land and Building (Tk.)	Employed Manpower (not above)
1	Service	50,000-50,00,000	25
2	Business	50000-50,00,000	25
3	Industry	50,000-1,50,00,000	50

3.2 Definition of Medium Enterprise

Medium Enterprise refers to the establishment/firm which is not a public limited company and complies the following criteria:

Medium Enterprise

Serial No.	Sector	Fixed Asset other than Land and Building (Tk.)	Employed Manpower (not above)
1	Service	50,00,000 -10,00,00,000	50
2	Business	50,00,000-10,00,00,000	50
3	Industrial	1,50,00,000-20,00,00,000	150

3.3 SME Banking of Bank Asia Limited

SME Banking as a whole is named *Sachondo* Products by Bank Asia. The products are designed for Trading, Manufacturing, and Services. Some of the schemes are unsecured loan and some are secured. If you own a prospective SME, you'll not have to sit idle for lack of fund. Bank Asia provides finance under the guide lines of Bangladesh Bank. The process of getting a loan is simple and client friendly. Bank Asia provides loan at still easier terms to women entrepreneurs.

Bank Asia has taken up another program of funding rural people under Poverty Alleviation head. In reality this is also a sort of SME Banking. The bank provides loan for Fish cultivation.

Bank Asia has a plan to get in the field of micro credit through some NGOs. The loan would be disbursed to groups of land less people and selected NGO would work on behalf of the bank.

Small and Medium Enterprises (SME) in Bangladesh contributed 25% of gross domestic product (GDP) and 80% of the industrial jobs of the country in 2004. According to ADB, the country's estimated 6 million SMEs and micro enterprises firms of less than 100 employees have a significant role in generating growth and jobs. This is a sector that has its own distinct needs and requires specialized focus. Bank Asia Ltd. (BA) has launched SME Banking in early 2007 with the view in mind to-

Provide SMEs with easy access to financing.

Deliver products that ensure superior returns to our customers.

Orient customers with industry trends, regulatory issues etc, for their success.

3.4 Asia SME products of Bank Limited

For a small and medium business, well-timed finance is the key to making the most of business opportunities. At Bank Asia we understand this. We have a host of innovative loan and overdraft products that can make all the difference to your dealing wants. Our SME loan segment offers you innovative products and flexible services which are customized to congregate your evolving financial needs through our extensive branch network.

3.5 Loan Products of Bank Asia Ltd.

For a small and medium business, well-timed finance is the key to making the most of business opportunities. At Bank Asia we understand this. We have a host of innovative loan and overdraft products that can make all the difference to your dealing wants. Our SME loan segment offers you innovative products and flexible services which are customized to congregate your evolving financial needs through our extensive branch network.

3.6 Term loan Products

Subidha -Unsecured Trading Eligibility

1. Minimum two years business operation.
2. Valid Trade License.
3. Relevant pre-requisites as desired by the bank from time to time.

Loan Limit Term loan Tk. 2.00 to Tk. 8.00lac for trading concerns.

Rate of interest

Rate of interest is 9%

Key Features

1. Designed financing need for business expansion and for purchase of fixed asset.
2. Three personal guarantors acceptable to the Bank and society.
3. Eligible entities
Sole Proprietorship Firms
Partnership Firms ,Private limited Companies

2.Sondhi- Secured Trading Eligibility:

Minimum two years business operation.

1. Valid Trade License.
2. Relevant pre-requisites as desired by the bank from time to time.

Loans Limit Term loan Tk. 8.50 to Tk. 50.00lac for trading concerns.

Rate of interest

Rate of interest is 9%.

Key Features

1. Designed o meet financing need for business expansion and for purchase of fixed asset.
2. Resident/commercial/industrial property/en-cashable securities are accepted collaterals.
3. Eligible entities:
Sole Proprietorship Firms
Partnership Firms
Private limited Companies

3 . Sristi -Unsecured Manufacturing Eligibility:

1. Minimum two years business operation.
2. Valid Trade License.
3. Relevant pre-requisites as desired by the bank from time to time

Loan Limit Term loan Tk. 2.00 to Tk. 8.00lac for trading concerns

Rate of interest

Rate of interest is 9%.

Key Features

1. Designed o meet financing need for business expansion and for purchase of fixed asset.
2. Resident/commercial/industrial property/en-cashable securities are accepted collaterals.
3. Eligible entities:
Sole Proprietorship Firms
Partnership Firms
Private limited Companies

4. Shombridhi- Secured Manufacturing:

Eligibility

1. Minimum two years business operation.
 2. Valid Trade License.
 3. Relevant pre-requisites as desired by the bank from time to time.
- Loan Limit Term loan Tk. 8.50 to Tk. 50.00lac for trading concerns.

Rate of interest

Rate of interest is 9%

Key Features

1. Designed o meet financing need for business expansion and for purchase of fixed asset.
2. Resident/commercial/industrial property/en-cashable securities are accepted collaterals.
3. Eligible entities:
Sole Proprietorship Firms
Partnership Firms
Private limited Companies

4 Shofol – Unsecured Service

Eligibility

1. Minimum two years business operation.
2. Valid Trade License.
3. Relevant pre-requisites as desired by the bank from time to time.

Loan Limit Term loan Tk. 2.00 to Tk. 8.00lac for trading concerns.

Rate of interest

Rate of interest is 9%

Key Features

1. Designed o meet financing need for business expansion and for purchase of fixed asset.
2. Resident/commercial/industrial property/en-cashable securities are accepted collaterals.
3. Eligible entities:
 - Sole Proprietorship Firms
 - Partnership Firms
 - Private limited Companies

5. Sheba- Secured Service

Eligibility

1. Minimum two years business operation.
2. Valid Trade License. Relevant pre-requisites as desired by the bank from time to time.

Loan Limit Term loan Tk. 8.50 to Tk. 50.00lac for trading concerns.

Rate of interest

Rate of interest is 9%

Key Features

1. Designed o meet financing need for business expansion and for purchase of fixed asset.
2. Resident/commercial/industrial property/en-cashable securities are accepted collaterals.
3. Eligible entities
 - Sole Proprietorship Firms
 - Partnership Firms
 - Private limited Companies

Over Draft

Somadhan – Secured Eligibility

1. Valid Trade License.
2. Relevant pre-requisites as desired by the bank from time to time.

Loan Limit Over Draft facility Tk. 5.00lac to Tk. 50.00lac for Trading/ Manufacturing & Service concerns.

Key Features

1. Designed to meet financing need for business expansion and for purchase of fixed asset.
2. Resident/commercial/industrial property/en-cashable securities are accepted collaterals.
3. Eligible entities:
 - Sole Proprietorship Firms
 - Partnership Firms
 - Private limited Companies

3.7 Special Products

Utshob- Seasonal Business Eligibility

1. Minimum two years business operation.
2. Valid Trade License.
3. Relevant pre-requisites as desired by the bank from time to time.

Loan Limit Term loan Tk. 2.00 to Tk. 8.00lac for trading concerns.

Rate of interest

Rate of interest is 9%

Key Features

1. Designed to meet financing need for business expansion during the festival/season.
2. Single Installment loan (monthly interest payable).
3. Eligible entities

2. Subarno- Women Entrepreneur Eligibility

1. Minimum two years business operation.
2. Valid Trade License.
3. Relevant pre-requisites as desired by the bank from time to time.

Loan Limit

1. Term loan Tk. 2.00 to Tk. 8.00lac for trading concerns.
2. Term loan with collateral above Tk. 8lac to 50lac all Women Entrepreneurs from any sector.

Rate of interest

Rate of interest is 9%

Key Feature

1. Designed to meet financing need for business expansion during the festival / season.
2. For unsecured three (3) personal guarantors acceptable to the Bank and society.
3. For secured limit resident / commercial / industrial property/ en-cashable securities are accepted collaterals

4. Eligible entities

Sole Proprietorship Firms

Partnership Firms

Private limited Companies

3.8 Credit Policies of SME Financing

- To enter into new customer segment with structured and terminating risk lending products.
- The main objectives of lending operations with SMEs are
- Quick response to customers funding requirements.
- To increase the overall interest margin earned by the bank.
- To avail the benefits of special SME funds / refinance from Bangladesh Bank..
- Bank Asia Limited credit product for small & medium enterprises are designed so as to reach a wide array of these customers by offering truly accessible but standardized credit facilities. Key factor for market competitiveness are the speedy service delivery, the capacity to analysis a business's effective market and financial positions and the intention to build a relation of mutual trust with the clients.

3.8.1 Demand Creation

The SME division of BAL basically provides micro credit loans to small and medium enterprises. The process flow of demand creation is as follows:

The Loan Officers play a vital role in all the stages of demand creation apart from market identification and product development. They provide door-to-door services for the clients and at the same time are always in search for potential new clients. Because clients are ignorant about banking products that may satisfy their needs, the Loan Officers identify their needs, evaluate their requirements and determine which products are most suitable for them.

The major security of the SME products is building relationship between clients and banks. Demand basically comes from two groups: new customers and repeat customers. Because banks are facing new marketing realities like changing demographics, slow growth economy, more sophisticated competitors etc., BAL cannot afford to lose clients. The key to customer

retention is superior value and satisfaction. As BAL recognizes this fact, repeat borrowers of SME products enjoy lots of extra benefits.

3.8.2 Market Segmentation

Within SME, the market is further segmented on the basis of the nature of the business as follows:

3.8.3 Target Customers

To succeed in today's competitive marketplace, organizations must be able to hold on to its customers by delivering greater value. In order to do this, an organization must be able to identify the customers who would be benefited from their products. Bank Asia has targeted the small and medium enterprises that have small loan requirements as the target consumers of their SME products. However, BAL does not finance business startups. The business has to be at least two years old to avail the SME loan facilities offered by Bank Asia. Most of such businesses are sole proprietorships. There are some partnerships as well, but limited companies are rarely seen in this category. The survey that I had conducted brought up the following results as common characteristics of the respondents.

3.8.4 Place (Distribution)

Bank Asia L offers loans to SME clients all over the country. However, loans are processed centrally in the SME Division of the Asset Operations Department. The base unit of the distribution channel of the SME Department is the Unit Office. There are 2-7 CROs in each unit office based on the market potential of that particular unit. The CROs are responsible for the grass-root level distribution of SME loans. At present, there are almost 1050 corers operating in the country.

The country is divided into 7 territories. There are 65 Zonal Offices and 91 Unit Offices in the country. Zonal Officers have the authority to approve loans up to Tk. 5 laces.

3.9 Governing Principles

The Bank does not yet favor particular sectors in the SME market but aims at segregating sub- sectors with adequate profitability and risk profiles at a later date, based on client and market evaluations. For the time being, eligible SMEs are across all sectors provided that their activities are legal and that they have obtained the necessary authorizations for their respective trade. However, with the aim of cost effective delivery of services, these enterprises should be located in the vicinity of the Bank Asia Limited premises (traveling time for loan officers not exceeding two hours) or be in more far out places where clusters of potential customers are found or can be found.

Bank Asia Limited aim is to attract durably these customers by building relations of mutual trust with them based on clear policies and rules and by offering a range of products and services geared to their specific needs and truly accessible at reasonable cost. Bank Asia

Limited offers its credit to these enterprises based on nothing else, but nothing less, than the applicant's merit and notably strict compliance with the specified eligibility criteria. The applicant's merit shall be principally measured with indicators related to the stability of the businesses, the quality of the management, the payment capacity and risk consideration. These criteria are analyzed in the SME credit memorandum (CM) using the method specified in Bank Asia Limited credit procedures for SME lending and in the SE credit appraisal manual.

Bank Asia Limited credit-granting and credit administration processes are governed by the principal of swiftness as well as by strict and clear rules, which are explained to and be accepted by the customers. An important principle is that, in the opinion of Bank Asia Limited relevant Decision Authority, the credit applicants generates a sufficient cash-flow, have a sound financial structure as well as the organization, management, staff and other resources required for the efficient carrying out of the projects and operations to be financed by a loan and timely payment of principal and interest of this loan without undue hardship.

The SME banking unit strives to attract SME customers by offering a standard installment loan to finance working capital requirements as well as fixed assets, based on an assessment of the enterprises payment capacity and specific aspects of its creditworthiness. Equal monthly installments are convenient for most SME owners-managers who are interested to know, and to remember, a fixed amount to be paid back regularly. Nonetheless, attention is being paid at the seasonality affecting many businesses in Bangladesh. Complementary cash credit facility shall be considered after having sufficient experience with the clients having seasonality nature in business.

The probation principle is applicable, which is the fixed time period from availing the first CBL loan to granting the second loan. The probationary principle consists in testing the new customers financial discipline in repaying loans on time before larger amounts can be granted for longer tenors. 12 months of probation period is compulsory for following 2 categories of applicants:

- No borrowing history with any financial institutions.

- No previous banking transaction records.

However, if the first loan from Bank Asia Limited is repaid in full before 12 months, same loan amount can be granted to the applicant. In the case of new clients, loans with shorter durations to finance working capital are preferred, whereby the rules regarding the relation between payment capacity and installment are observed.

All types of loans, except fully cash collateralized loans, are granted on the condition that a prospective borrower meets the defined eligibility criteria as defined in respective product program guideline (PPG). Moreover, in all cases, there should have been no default (meaning substandard / doubtful / bad & loss as defined by Bangladesh Bank) on previous loans (as evidenced by CIB or Bank Asia Limited record). Subsequent loans are granted on the condition that payment performances have been satisfactory and that the client's situation and risk profile have not deteriorated

3.10 Selection criteria of a borrower

➤ Character

Character refers to the borrower's honesty and trustworthiness. A banker must assess the borrower's integrity and subsequent intent to repay. If there are any serious doubts, the loan should be rejected.

➤ Capital

Capital refers to the borrower's wealth position measured by financial soundness and market standing. It helps cushion losses and reduces the likelihood of bankruptcy.

➤ Capacity

Capacity involves both borrower's legal standing and management's expertise in maintaining operations so the firm or individual can repay its debt obligations. Under capacity an individual must be able to generate income to repay the cash.

➤ Condition

A condition refers to the economic environment or industry specific supply, production and distribution factors influencing a firm's operations. Repayment sources of cash often vary with the business cycle or consumer demand

➤ Collateral

Collateral is the lender's secondary source of repayment or security in the case of default. Having an asset that the bank can seize and liquidate when a borrower defaults reduces loss, but does not justify lending proceeds when the credit decision is originally made.

3.11 Documents to be submitted along with SME loan proposal

For SME loan Bank takes some documents. These are discussed below:

1. Valid trade license.
2. NID card.
3. Photo copy of TIN certificate.
4. Projection.
5. Up-to-date electricity bill/ Telephone bill
6. Three photos of the client.
7. Six months Bank statement.
8. Six photo copies of PAD.
9. Guarantor's two copies photo, NID card.
10. Third party guarantor one copy photo, visiting card, Trade license, NID card.

3.12 Securities Taken For SME Financing

The following modes of charging securities are applied in Bank Asia Limited.

3.12.1 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 gives banker the right to retain the property not the right to sell.

3.12.2 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.

3.12.3 Hypothecation

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

3.12.4 Mortgage

Mortgage is transfer of interest in specific immovable property. Mortgage is created on the immovable property like land, building, plant etc. 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.

3.12.5 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.

3.12.6 Advance against Work-Order

Advances can be made to a client to perform work order. The following points are to be taken in to consideration. The client's management capability, equity strength, nature of scheduled work and feasibility study should be judiciously made to arrive at logical decision.

3.12.7 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.

3.12.8 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. Mutual Trust Bank Limited usually sanctions credit limit up to 80% of the FDR value. Scrutinize the Fixed Deposit Receipts with regard to the following point

- a) The Fixed Deposit Receipt is not in the name of minor.
- b) It is discharged by the deposit or on revenue stamp of adequate value & his signature is verified.
- c) Creation of liability on Fixed Deposit is sued 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.

3.13 Classification of loan Status

3.13.1 Unclassified

These are the loans with which the bank satisfied about repayment. No doubt exists up till now about their recovery.

3.13.2 Classified

These are the loans which the bank finds over due after the due date. The bank applies its predefined policy and procedures, after a loan becomes classified.

Identity

- *Relevant types of risk: Market risks, Credit risks, Operational risks*

Measure

- *Measurement instruments: Forecasts, Stress tests*

Aggregate

- *Assessment of overall risk: Correlations, Portfolio models*

Planning and controlling

- *Control instruments: Limiting, Risk adjusted prices, derivatives*

Monitoring

- *Risk control: Limit monitoring, align with risk-bearing*

3.13.3 Special Mention Account

When a loan installment is first missed by the borrower, the loan account is classified as a Special Mention Account (SMA). The tenure of SMA varies with the category of loans.

3.13.4 Sub-Standard

If a loan is not repaid or reschedule within the SMA period, it becomes sub-standard loan. From this stage the loan is treated as defaulted. Interest is treated the same way as in SMA.

3.13.5 Doubtful

If a loan is not repaid or reschedule within the sub-standard period, it becomes a doubt full loan Interest will be treated as before in this stage.

3.13.6 Bad & Loss

If a loan is not repaid or reschedule within the doubtful stage, it is termed as bad & loss. Serious doubts exist as to the recovery of such loans.

3.14 Recovery Process of Loan

The recovery process for personal loans starts when the account holder has failed to meet one or more contractual payment. It therefore becomes the duty of the recovery department to minimize the outstanding delinquent receivable and credit losses.

The recovery team responsibility will commence from the time an account becomes delinquent until it is regularized by means of payment or closed with full payment amount collected. Recovery protects the assets of bank. This can be achieved by identifying early signals of delinquency thus minimizing losses.

The customers who do not respond to collection efforts represent a financial risk to the institution. The collector's role is to collect so that the institution can keep the loan on its books and does not have to write off.

3.15 Recovery Process

General Steps

1. Preparation of list of borrowers categorically.
2. Maintain of diary
3. Follow up to personal approach, through letters reminders, notice, etc.
4. Some special techniques- moral persuasion, social persuasion, political persuasion, Through guarantors, etc.

Steps from Head Office

- Letter from Head office.
- Formation of recovery team i.e. supervisory/physical visit
- Issuance of circular, notice allowing some incentives.
- Negotiation with borrowers or guarantors

Legal Steps

- Serving notices.
- Serving legal notices.
- Serving notice to the guarantor. Assessment & identifications of securities in respect of nature, quality and valuation etc.
- Attachment of other properties, etc. Along with the other properties of guaranty.

Chapter 04

Analysis of the study

4.1 SME Loan

In order to encourage the small and medium entrepreneurs the bank provides credit facilities to the SMS through its product: “Small & medium enterprise credit scheme”

The following criteria have to be met by the applicant to qualify for a loan under SME credit scheme.

- ✓ The entrepreneur should be skilled in managing his business and has experience of successfully managing the business for at least 2 years.
- ✓ The literate entrepreneur will be given preference.
- ✓ The age of the entrepreneur must be within the range of 25-65.
- ✓ The entrepreneur must be socially acceptable.

Purpose

- Fixed assets.
- Delivery van/Transport business purpose.
- Shop/office/ business premises.

Mode of Finance

- Overdraft
- Hire purchase
- Term loan
- Lease Finance

Period of loan

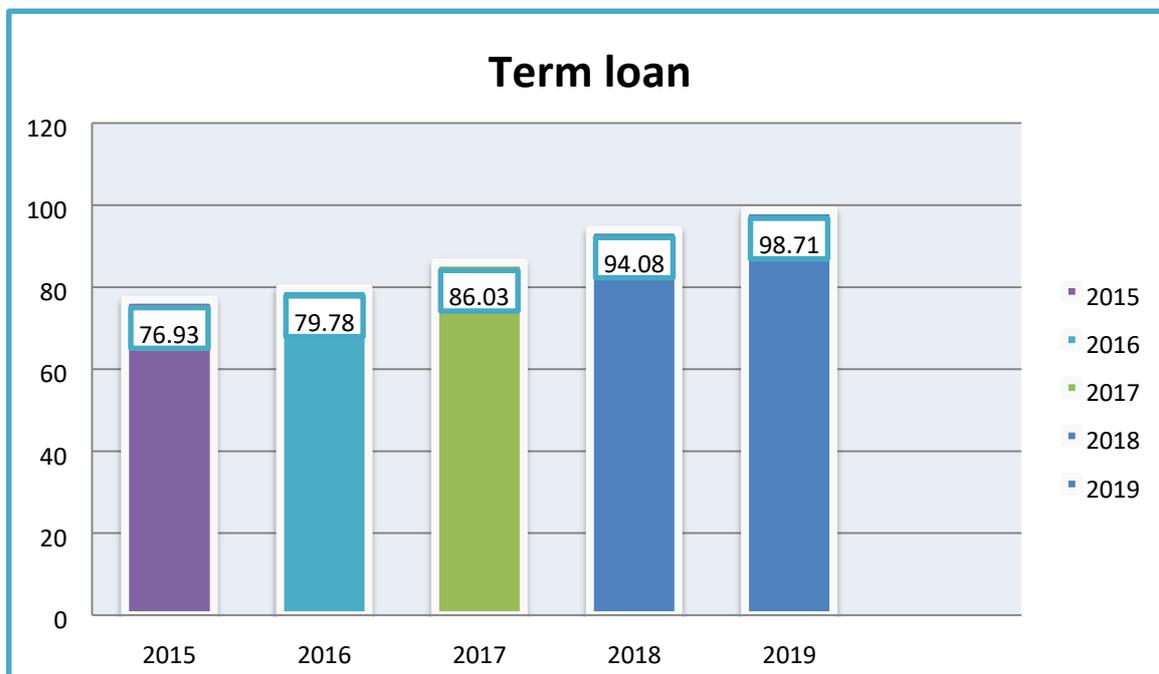
- In case of term loan: Maximum 6 years.
- In case of conditions loan: 1 tears.

4.2 Growth Rate of SME Loan over last five years

Table: Year wise SME Loan growth rate

(Tk. In Million)

Year	Term Loan	Overdraft
2015	76.93	67.55
2016	79.78	71.61
2017	86.03	75.80
2018	94.08	80.74
2019	98.71	84.11



FIG; Year wise Term Loan

Analysis: From the above graph it is seen that the SME Term loan of The Bank Asia is increasing every year. In 2019 the term loan was 98.71 million in, 2018 it was 94.08, in 2017 it was 86.03 & in 2016 it was 79.78, and it was 76.93 in 2015.

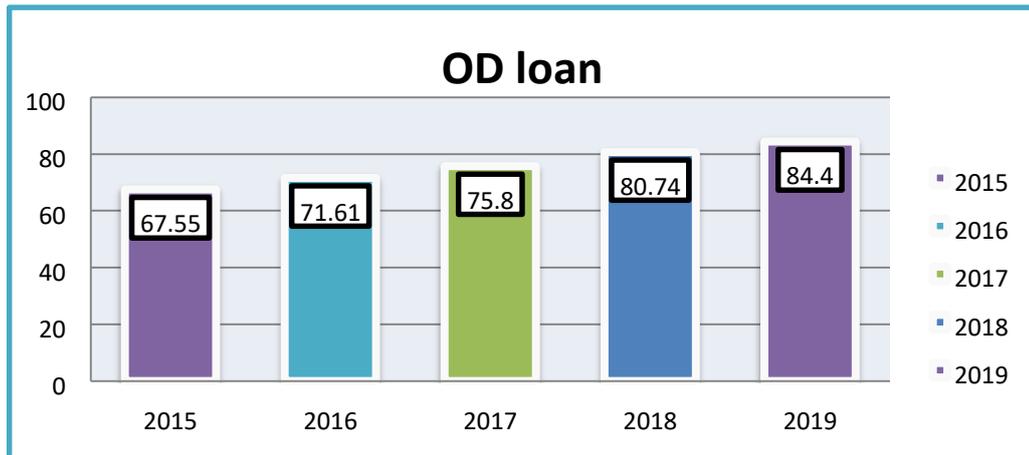


Fig: Year wise OD Loan

Analysis: From the above graph it is seen that the SME OD loan of The Bank Asia is increasing every year. In 2019 the OD loan was 84.4 million, in 2018 it was 80.74, in 2017 it was 75.80 & in 2016 it was 71.61 & it was 67.55 in 2015.

4.3 SME Loan Disbursement & Recovery Analysis

Table: Year wise SME Loan disbursement & recovery position

(BDT tk in million)

Year	Disbursement	Recovery	Recovery in %
2015	12	4.015	33.45%
2016	13.2	5.135	38.90%
2017	15.1	7.32	48.48%
2018	16.5	8.31	50.36%
2019	17.2	8.965	52.12%

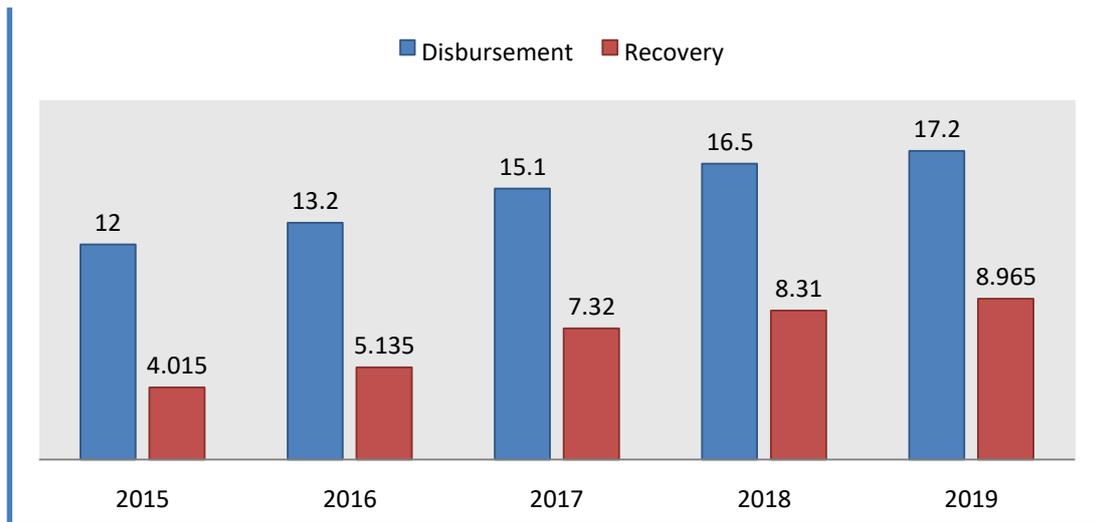


Fig: Year wise SME Loan disbursement & recovery position

Analysis: From the above graph it is seen that the disbursement amount of The Bank Asia increases every year. In 2015 disbursement amount was tk.12 million and recovery amount was tk. 4.015 million. So 33.45% of the loan was recovered. In 2016 disbursement amount was tk.13.2 million and recovery amount was tk. 5.135 million, i.e. recovery rate is 38.90%. In 2017 disbursement amount was tk. 15.1 million and recovery amount was tk. 7.32 million, 48.48% of the loan was recovered. In 2018 disbursement amount was tk. 16.5 million and recovery amount was tk. 8.31 million, 50.36% of the loan was recovered. In 2019

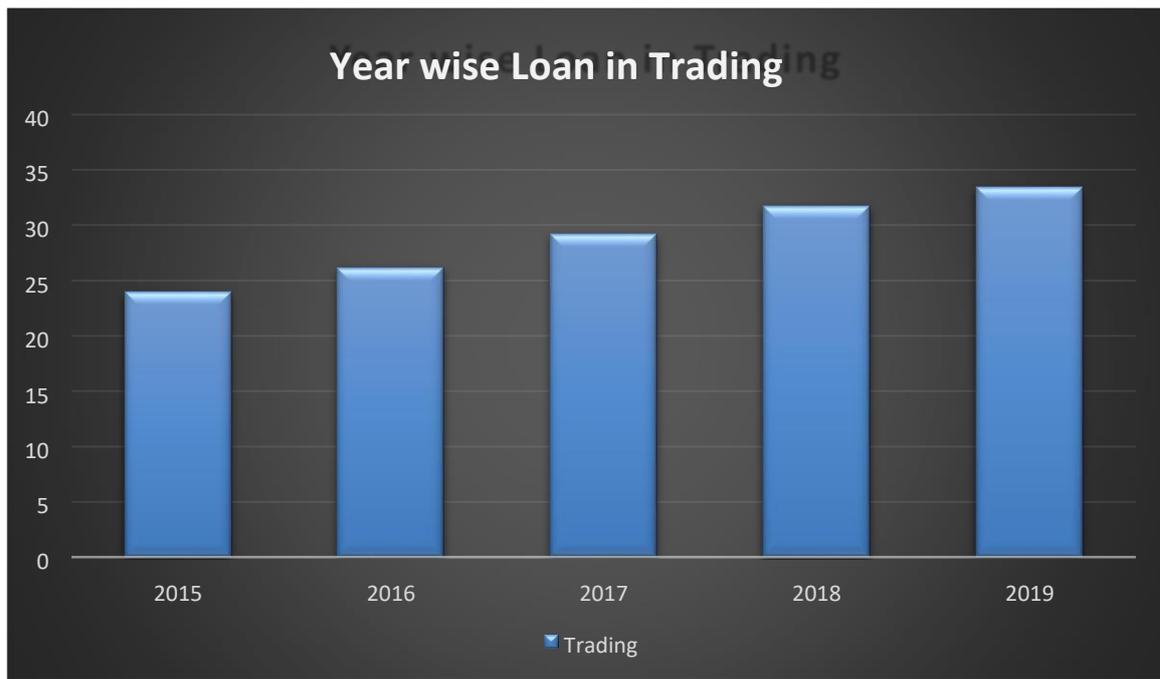
disbursement amount was tk. 17.2 million and recovery amount was tk. 8.965 million. i.e, recovery rate is 52.12%.

4.4 Sector wise SME portfolio position

Table. Year wise SME Loan position in Trading

(Tk. In Million)

Year	2015	2016	2017	2018	2019
Trading	23.97	26.13	29.15	31.73	33.41



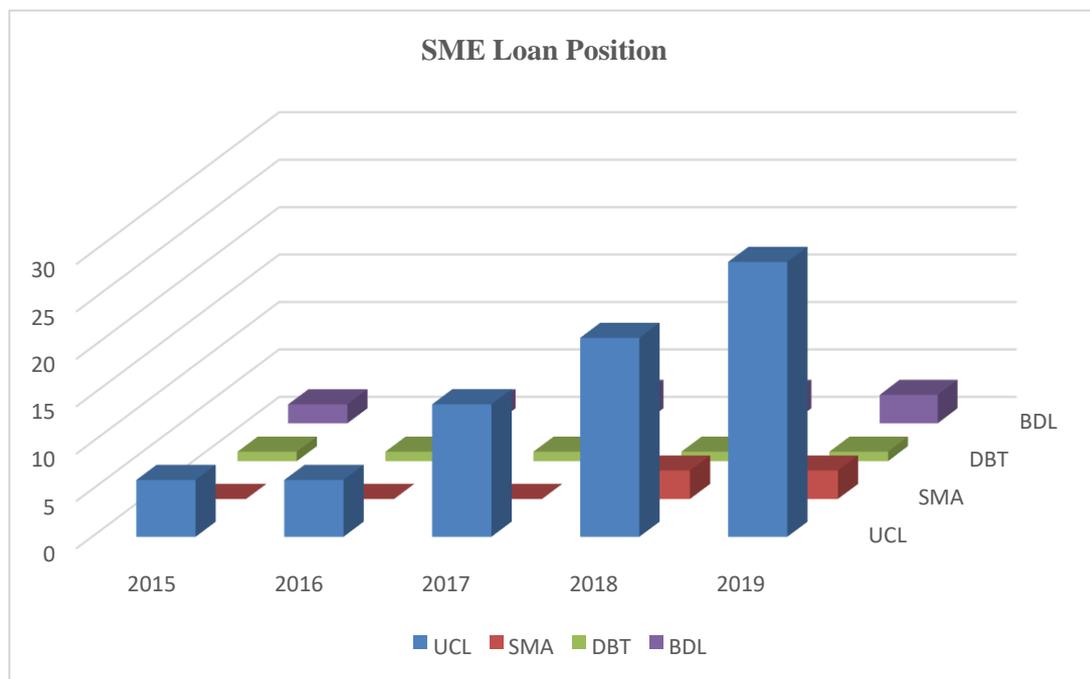
Fig; SME Loan position in Trading

Analysis: From the above graph it is seen that in trading sector total SME loan amount in 2015 was tk. 23.71 million. In 2016 it was tk. 26.13 million, in 2017 it was tk. 29.15 million, in 2018 it was tk. 31.73 million, and in 2019 Loan in Trading was increased to tk. 33.41 million.

4.5 Status of SME Loan

Table: Year wise SME Loan position

Stage name	2015	2016	2017	2018	2019
UCL	6	8	14	21	29
SMA	0	0	0	3	4
DBT	1	1	1	1	1
BDL	2	2	3	3	3
Total	9	11	18	28	37



Analysis: In 2019, the Unclassified Loan was 29 which was more than last four years. Special mention account was 4 in 2019, which was more than 2018. The doubtful loan was 1 in 2019 and it was 1 in last four years too. The bad & loss was 3 in 2019, was 3 in 2018, was 3 in 2017 and was 2 in 2016 and was 2 in 2015.

4.6 Loan in Small enterprise

Year	2015	2016	2017	2018	2019
Amount in Crore	19050	23035	25856	37828	44312

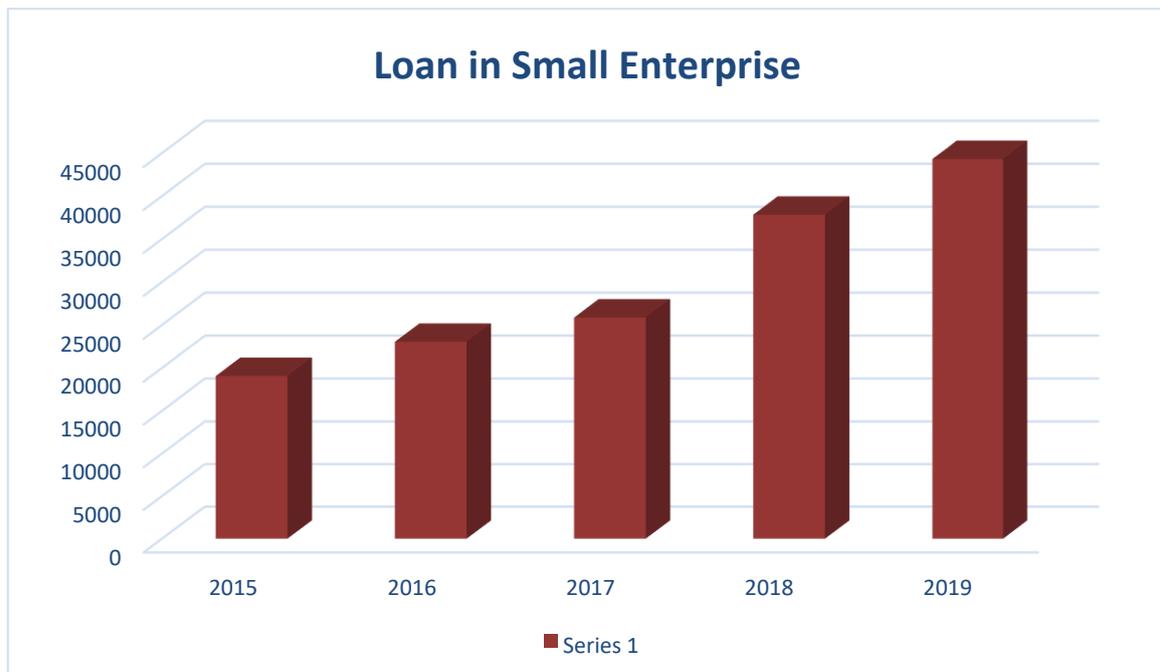


Fig: Loan in Small Enterprise

Analysis: In 2019, the given loan amount was 44312 crore taka which was 6,483 crore taka more than the given amount in 2018 which was 37828 crore taka and in 2017 it was 25856 crore taka & it was 23035 crore taka in 2016 & was 19050 crore taka in 2015.

Chapter 05

Findings

5.1 Findings

1. The growth rate Term loan in every year growth are excellent. So the performance of Term Loan products are outstanding.
2. The growth rate OD Loan in every year are satisfactory. So the performance of OD Loan are good.
3. Performance of Term Loan are best among the others.
4. The rate of recovery is gradually fluctuating year to year due to political situation, Business, & Economic situation.
5. Most of the client take loan to procure equipment from international market and to store inventory.
6. They are being charged high interest rate on SME loan in Bank Asia Ltd.
7. The period between loan application and sanction process of Bank Asia Ltd. is lengthy. It almost takes 1-2 months as it requires various steps.
8. Loan repayment procedure of Bank Asia Ltd. is not flexible. Most of the clients repay the loan with a low no. of installments which is not helpful for both clients. Sometimes bank can not avail the opportunity of high interest earnings from profitable projects.
9. Most of the clients give partial collateral to Bank Asia against their SME loan which is more risky for bank. If clients are unable to repay the loan then bank realize only partial amount by selling the partial security
10. Bank Asia Ltd. gives 90% loan to their clients against FDR.
11. New products and existing products are not being modified in Bank Asia Ltd. As a result, it is constantly being failed to meet the market challenges and customer demand.

Chapter 06

Recommendations & conclusion

6.1 Recommendations

The following suggestions are recommended for the development of SME:

1. There should be appointed loan recovery officer in Oxygen Moor Branch.
2. Bank Asia Ltd. should work with enlisted third party for loan recovery.
3. Bank Asia Ltd. should increase the performance of OD Loan.
4. Bank Asia Ltd. should be stricter in their recovery unit so that it can ensure 100% recovery.
5. Bank Asia Ltd. should reduce the interest rate on SME loan so that they can attract more customers and become the market leader in SME financing.
6. As SME loan application and disbursement procedure is complex Bank Asia Ltd. should take necessary steps for reducing the complexity of loan application and disbursement procedure.
7. Bank Asia Ltd. should focus on market sensitivity in financing SME loan against partial collateral.
8. Bank Asia Ltd. should also judge the ultimate user, repayment capability and strength of the company before financing loan against the partial security.

6.2 Conclusion

It is interesting to observe that the conditions for small industry development find today, being at the threshold of total globalization, are very much the same as observed several-decades ago. In spite of the criticism and neglect of the SME sector on the grounds of inefficiency and nonoptimal use of productive factors compared to larger industries, SMEs are beginning to be extolled for their greater dependence on labor-intensive production techniques, lower requirements of imported inputs and better geographical dispersion. In both developed and under developed economies commercial banks play a very useful and dynamic role. Capital is the main factor of modern production and entrepreneurs are helpless without adequate funds. Banks should help them and mobilize the capital of the country for productive purposes responsible for economic development and government also should come forward to patronize the entrepreneurs.

The challenges that SMEs of Bangladesh are currently facing and the challenges that are coming in future, government budgetary support should be increased in these activities. However, there are administrative, infrastructural and other constraints, which should be addressed more and more in the budget and more fund should be allocated for the improvement of these aspects, which will enhance productivity and efficiency of the SMEs. Finally a holistic approach will much be needed to eliminate these bottlenecks for the battle of Internationalization.

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