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A Working repor on the CRM Department At BRAC Bank Limited

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At
BRAC Bank Limited

by

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ID: 0710061

An Internship Report Presented in Partial Fulfillment
Of the Requirements for the Degree
Bachelor of Business Administration

Independent University, Bangladesh
December, 2011

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Has been approved
December 2011

MD. Rajib Rahman
Lecturer (Marketing)
School of Business
Independent University, Bangladesh.

Letter of Transmittal

MD. Rajib Rahman

Lecturer

School of Business

Independent University, Bangladesh

Subject: Submission of Internship Report

Dear Sir,

Here is my internship report on "**The CRM (Credit Risk Management) department of BRAC Bank Limited".** It was a great opportunity for me to acquire practical knowledge and learned different baking system of BRAC Bank.

I have concentrated my best effort to achieve the objectives of the report and hope that my endeavor will serve the purpose.

I believe that the knowledge and experiences I have gathered during my report preparation will massively help me in my professional life. I will be obliged if you kindly approve this effort.

Yours faithfully,

Marzuk Hussain
ID-0710061

Acknowledgement

First of all I would like to thank the supreme authority of the universe. Internship was an exclusive instance of my professional life that I passed and enjoyed. A single individual can achieve little if acting on their own. Completion of anything requires supports from various sources. I am very much fortunate to get the sincere guidance and supervision from a number of people.

I am deeply indebted to my internship supervisor MD. Rajib Rahman for his whole-hearted guidance and supervision. His suggestions and comments on the report provided me with the right path to follow. His encouragement has served as a great motivation behind this report.

I am very grateful to the colleagues of BRAC Bank Limted, who extended their whole-hearted co-operation during my internship period**.** I would like to extend my gratitude to Nabilah Raihan Manager, Business Equity Loan and the whole team of the CRM Department. Without their enormous support writing this report wouldn't have been possible.

A heartfelt round of thanks goes out to all the instructors in IUB who have over the course of the last four ways provided me with the knowledge required for me to function in the corporate world.

Executive Summary

This is the internship report based on the three month long Internship Program that I successfully completed in BRAC Bank Limited under The Credit Risk Management Department (CRM) as a requirement of the BBA Program of Independent University, Bangladesh. As a fresh starter of the whole new corporate world this experience has given me a wide range of knowledge about the world that I am about to step in.

The report is about how the CRM department is divided, how it functions and how the work of this particular department is carried forward. As this is a Working Report, the report also gives an idea about the work I had to do in this three month period and the responsibilities that I had to perform as a team player.

With careful supervision of the department my job was even made easier as I always had some personnel's to help me out or train me in whichever step I got stuck. I also had the opportunity to work with every side of the department and gained huge experience. Some accounting courses in the BBA program was very helpful as I had to work on the balance sheet and income statement of certain companies.

Working on the loan Product 'Shompod' was also very challenging as it's a big responsibility to figure out which client should be permitted to avail the loan. Checking out the details of the clients and making sure that it's a genuine client by looking at their past records and legal documents were also a part of the job.

With very limited knowledge I tried my level best to make the report as understandable as possible and tried to put everything that I have done and experienced on this document.

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Chapter 1: Introduction

I started my intern on 18th October 2011. This internship report is titled “A working report on the CRM Department at BRAC Bank Limited”. The purpose of this report was basically to learn about the activities and functions carried out by this particular department the bank. I was assigned to work with a small team of 10 executives who are highly efficient and equally helpful. I never realized that it was a training period as I was treated as an employee and got immense support from the team. All my questions and inquiry was attended and the team made sure I get answers to every single question that I ask.

1.1 Objectives of the study:

The main objectives of the study are:

- Giving a brief idea about the functions of Credit Risk Management department of Brac Bank.
- Explaining my duties and responsibilities in the bank and focusing mainly on the departments that I worked in.

1.2 Data Collection:

Data were collected from both primary and secondary sources. Primary data were collected from personal observation and informal discussion with the employees of Brac Bank. Secondary data were collected from relevant books, newspapers etc. Some major portion of the information is based on the records of Brac Bank which were gathered from Brac Bank Limited.

1.3 Limitations:

Some of the obstacles that were faced while doing the report were:

- A huge range of information that was needed for this report was confidential. So only the general information was available for working.
- Employees are usually very busy in the working hours. This became a huge challenge as it was very tough to convince employees for some valuable time to discuss stuffs.
- Time limitation. Time was a big factor as it was not possible to cover the whole of CRM in this short span of time. As a result, only the basic things were covered.

Chapter 2: Company Overview

BRAC Bank Limited is an established commercial bank under the Banking Company Act, 1991 and got incorporated as a public company limited on May 20, 1999 under the Companies Act 1994 in Bangladesh.

The Bank is owned by the largest NGO in Bangladesh – BRAC. It is the most recent bank to get its license from Bangladesh Bank but with its fast growing network, efficient teamwork and other factors of the policy it has already secured its place amongst one of the top banks of Bangladesh. In order to support the planned growth of its distribution, network and its various business segments, BRAC Bank is currently looking for impressive goal oriented, enthusiastic, individuals for various business operations. With its corporate vision of "Building profitable and socially responsible financial institution focused on Market and Business with Growth potential, thereby assisting BRAC and stakeholders to build a just, enlightened, healthy democratic and poverty free Bangladesh" BRAC Bank has a huge contribution in the economy of Bangladesh.

BRAC Bank is country's largest SME financier. With its concentration on Small Medium Enterprise (SME) BRAC Bank helps many small businesses in the country and makes sure it's possible for every sector of people. It had already invested an enormous amount of 10,000crores of loans disbursement till date and is slowly moving towards their goals.

The bank is a socially responsive organization. Corporate Social responsibility (CSR) is a fundamental part of the way BRAC Bank does business. With reduction in the usage of paper usage by insisting on double-sided printouts and photocopies wherever relevant BRAC Bank Limited is very much active in CSR.

2.1 Departments of BRAC Bank Limited:

To make sure the job is done effectively and efficiently breaking down of work is necessary. Therefore to avoid haphazard situation Brac Bank has divided their work to the list of departments mentioned below:

- Human Resource Department
- Financial Administration department
- Asset Operations Department
- Credit Division
- SME divisions
- Inter Control and Compliance Department
- Impaired Asset Management
- Probashi Banking Operations
- Treasury Front
- Treasury Back
- General Infrastructure Services
- IT
- Customer Service Delivery
- Cards Division
- Phone Banking

2.2 Major Business Division of BRAC Bank Limited:

Some of the major business divisions of BRAC Bank Limited are as follows:

- Corporate Banking Division
- Retail Banking Division
- Small and Medium Enterprise
- Foreign Trade & Treasury

2.3 Corporate Credit:

To understand Corporate Credit, first understand, who will be considered as corporate client? Other than individual, like proprietorship concern, partnership concern, co-operative society, club, Non-Government Organization (NGO) and limited company both public and private.

Corporate Credit means- a Contractual agreement in which a corporate client receives something of value now and agrees to repay the lender the principle with interest at some later date.

2.3.1 Objectives of Corporate Credit Team:

The objectives of Corporate Credit Team are as follows:

- Managing credit risk
- Managing credit risk exposure
- Compliance with the rules/guidelines of Bangladesh Bank
- Compliance with the rules/policies of BRAC Bank

-

2.4 The policies we are following:

- Credit Policy for Corporate Credit
- Environmental Policy
- Product Program Guide (PPG) for Commercial Banking i.e. CommerZ Loan, Supplier Loan.
- Bangladesh Bank’s guidelines, circulars etc.

Chapter 3: Credit Risk Management (Organogram)

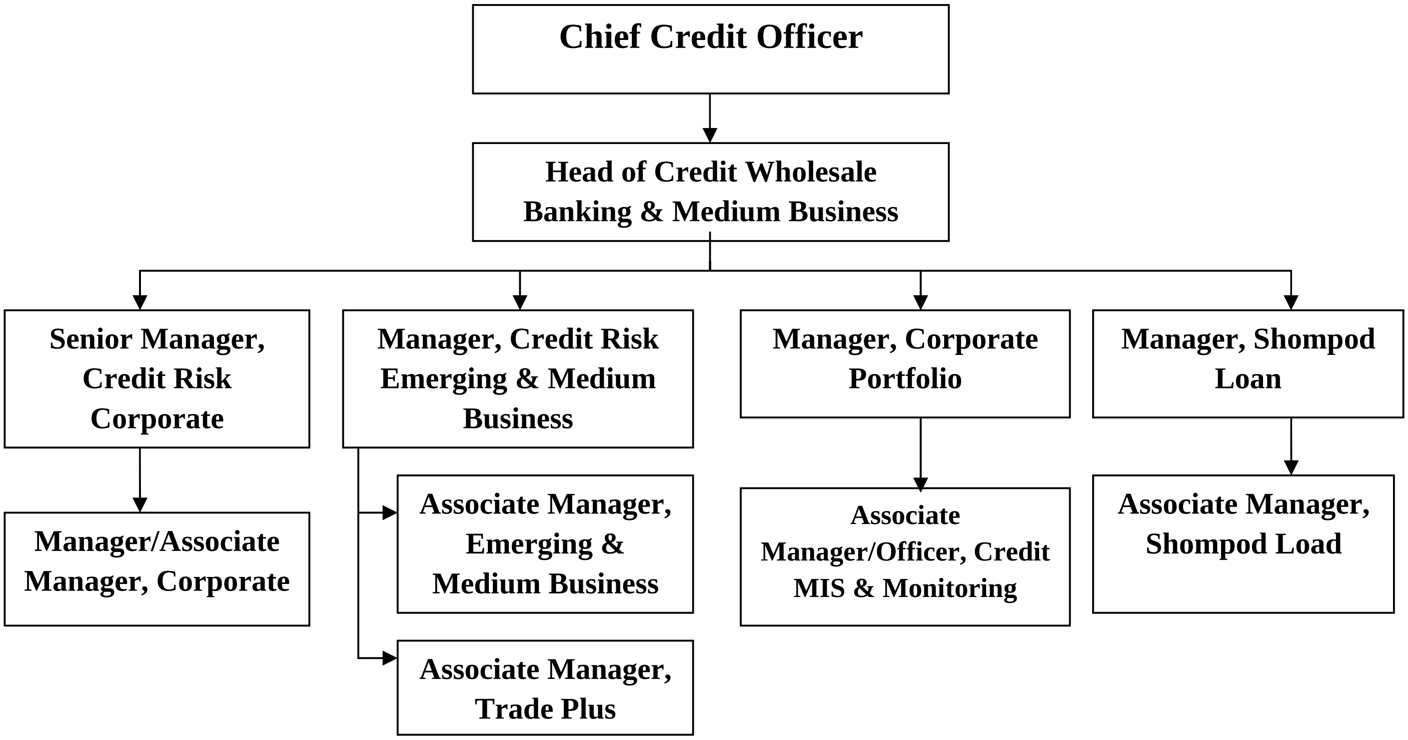

Figure 1: Credit Risk Management (Organogram)

3.1 Credit Risk Management of BRAC Bank Limited:

The main duties and responsibilities of this particular department is to give a thorough check on the client files and decide whether the asking amount of the loan should be cover or not. By using certain software the work of this department has been made easier as they can do this whole calculation in a short period of time. However, one of the major findings of this department is known as the Debt Burden Ratio (DBR) calculation that gives an idea whether it's worth taking the risk. For transparency in the operations during the entire credit period the units mentioned below has been set up:

- Credit Approval Committee

  This department is responsible for the final check where the loan is approved and sent for disbursement.
- Loan Administration Department

  This is the department where all the calculations are done and financial transactions are considered.

- Recovery Unit

  This is also one of the most important departments with CRM that is responsible for collecting back the loan once it has been disbursed.

With the help of these separate units the bank is successfully giving loans to its clients and very effectively monitoring their businesses. In case of problem customers Brac Bank has a very effective Collection Unit which performs its task to recover money from clients by performing certain process which helps them to still maintain a decent relationship with their customers.

The risk assessment includes borrower risk assessment analysis i.e. checking whether the customer is genuine and has a legal business, financial analysis i.e. looking in the previous financial transaction of the customer and looking for any defaults, industrial analysis i.e. checking out whether the industry he/she is investing in has a solid and stable future and historical performance of the customer. Loan Administration Department ensures compliance with all legal formalities, completion of all documentation security of the proposed credit facility and finally disburses the amount. The sales team reports to the Deputy Managing Director (DMD) through their line, the credit division reports to the Managing Director (MD), while the Loan Admin reports to the CCO (Chief Credit Officer). The above arrangement has not only ensured division of duties and accountability but also helps minimize the risk while ensuring the quality of the credit portfolio.

In determining the credit limit, the instructions of Bangladesh Bank is strictly followed. Class of Loans is made as per Bangladesh Bank guidelines (PBL, 2005 November Credit Risk Management Policy).

3.2 Credit Policy of BRAC Bank Limited:

In order to minimize credit risk, BBL has formed its credit policy according to Bangladesh Bank Core Management guidelines. Credit policy of the Bank provided for the separation of the credit approval function from business, marketing and loan administration function. The credit policy is strictly followed in the bank while credit assessment and risk grading of all clients at the time of approval and portfolio review.

3.3 Credit Risk Assessment:

Before extending credit facilities we should be satisfied that the applicant qualifies the following five essentials, which may be termed as 5C's namely:

- Character- Intention to pay the Loan
- Capacity- Borrower's competence in the field of employ to fund profitability and ability to generate income
- Capital- Financial strength to cover a risk
- Conditions- It is general business condition
- Collateral- Implies additional securities

3.4 Credit Risk Grading:

Credit Risk Grading system is a dynamic process and technique are followed in different banks for measuring credit risk.

Definition of Credit Risk Grading (CRG):

- The Credit Risk Grading (CRG) is a collective definition based on the pre-specified scale and reflects the underlying credit-risk for a given exposure.
- A Credit Risk Grading deploys a number/ alphabet/ symbol as a primary summary indicator of risks associated with a credit exposure.
- Credit Risk Grading is the basic module for developing a Credit Risk Management system.

3.5 Eight grading of CRG:

- Superior
- Good
- Acceptable
- Marginal / Watch List
- Special Mention Account
- Substandard
- Doubtful
- Bad & Loss

3.6 The Process Flow of Files that comes to CRM:

Approve: When all the documents found ok and income expense is reasonable, all the information found good as per PPG, usually a file is approved. Approved file sent to Retail Banking Operations department.

Query: This is the 2nd option of taking decision regarding any file. It means that the submitted file has any lacking in its document and information. It follows that the files send back to the Branches or Sales Team for fill up the lacking. Branches/Sales teams re-submit the files after fulfillment of the information.

Decline: Credit analyst has to proof his decision by clarifying the reason i.e. why the applicant is not eligible to get a loan. A decline may be sent back after the approval given by Head of Credit (HOC).

All the file other than query files and approved file is declined due to various reasons. The followings are reasons for decline:

- Does not comply with PPG
- Any fake information submitted (Businessmen for Salary loan etc).
- Fake Bank Statement
- Income expense mismatch
- Customer Profile
- Company Profile

- Fake Salary Slip
- Black listed organization
- If the file previously declined
- Any 3rd party information about the person or his organization.
- Current loan performance of other employee of the organization
- Negative data verification report regarding customer and organization or Guarantor.

Retail Credit sends two mails through lotus to the concern people regarding the status of each file at the end of every shift.

3.7 Types of credit offered by BRAC Bank:

- Over Draft
- Term Loan
- Lease Finance
- Loan Against Trust Receipt (LATR)
- Revolving Loan
- Trade Finance
- Letter Of Credit (LC) / Letter Of Guarantee (LG)
- Back to Back LC (B2B LC)

Chapter 4: Collection

4.1 Collection Processes:

Customers are provided with an offer letter or banking arrangement letter during BEL disbursement where the total payment mode is described. When a customer fails to fulfill the agreed terms or misses the required payment, the account then enters to Collections. Collections Department is responsible for collecting the overdue amount from the delinquent customers. There are different stages involved in collections after an account enters delinquency till regularization of the account by recovering the overdue. The aging of an account in collections is with reference to the days since missed payment.

Basically collection can be broadly divided into four stages:

- Servicing
- Locating
- Collecting
- Cancellation and Write-Off

Servicing

The collector informs the defaulting customer about the status of his/her account and the balance owing. The customer has to be requested to settle his outstanding as soon as possible.

Locating

This process is followed when the collector is unable to establish contact with the customer. It involves acquiring information from different sources to establish contact with the customer. This literally means to document all possible string of events, which could eventually lead to the customer.

Collecting

The collector attempts to convince the customer by selling the benefits / consequences so that the customer makes payment of the arrears.

Cancellation and Write-Off

This is a final step where the account is flagged as highly delinquent and 100% charge off at this point and the facility to be cancelled. Attempts are made to recover the amount from the customer at one go or in installments. If payment is not received for more than 12 months after the charge off the account may be written off. This could be deferred if there is any hope for recovery. However, we are also following the write off policy of central bank.

4. 2 Collection Techniques:

- Tele call Report
- Dunning Letters
- Access Levels

4.3 Delinquency Category, Classifications and Account Aging:

No	Particulars	DPD	Reporting
1	The sum past due is equivalent to one month's payment	X DPD(0-29)	Delinquent
2	The sum past due is equivalent to two month's payment	30 DPD(30-59)	Delinquent
3	The sum past due is equivalent to three month's payment	60 DPD(60-89)	Delinquent
4	The sum past due is equivalent to four month's payment. Interest to be suspended at this point.	90 DPD(90-119)	Delinquent
5	The sum past due is equivalent to five month's payment	120 DPD(120-149)	Delinquent
6	The sum past due is equivalent to six month's payment. 50% charge off at this point.	150 DPD(150-179)	Provision/Charge off 50%
7	The sum past due is equivalent to six month's payment. 50% charge off at this point.	180 DPD(180-209)	50% Provided Delinquent customer
8	The sum past due is equivalent to seven month's payment. 50% charge off at this point.	210 DPD(210-239)	50% Provided Delinquent customer
9	The sum past due is equivalent to six month's payment. 75% charge off at this point.	240 DPD(240-269)	Provision/Charge off 75%
10	The sum past due is equivalent to six month's payment. 75% charge off at this point.	270 DPD(270-299)	75% Provided Delinquent Customer
11	The sum past due is equivalent to six month's payment. 75% charge off at this point.	300 DPD(300-329)	75% Provided Delinquent Customer
12	The sum past due is equivalent to six month's payment. 100% charge off at this point.	330 DPD(330-364)	Provision/Charge off 100%

Table 1: Delinquency Category, Classifications and Account Aging

Chapter 5: Working Experience

The internship Program is a big challenge for the students as they get the opportunity to link what they learned in this four long years with the practical world. This course is designed with a brilliant combination of theoretical and practical aspects. It helps the student to link up their theoretical knowledge into the practical fields. I was assigned to work for the newest bank in the business, Brac Bank Limited. It was a great experience working with the bank as the department I worked with shared a huge amount of info which helped me to complete the report with a positive thought about the corporate world in my mind. Some of the work which I was involved in are discussed below in details.

5.1 Selection of clients applying for "Shompod" a loan product of BBL:

Regularly a huge number of clients turn up to avail loan from the bank. But due to the policies followed by the bank it is not possible to fulfill the demand of each and every client. There is a specification of what the client needs to have in order to avail certain loan. My job was to check whether the client who applied for the loan "Shompod" is actually eligible to avail it or not. To do this I had to follow certain structure that were provided to me by the superiors and after checking every details thoroughly I had to pass on the file to my manager who decides whether the respective file will be approved or not. However the things which I had to make sure that a client has before passing on the file were:

- Application of Term Loan and OD Facility.
- Loan amount between 1million to 35million.
- Minimum age if the business should be 3years.
- The client must have an account with BBL for Loan Disbursement and Repayment.
- The client must be from the metropolitan area of Dhaka or Chittagong City.
- Minimum Turnover – Minimum deposit of BDT 70 Lakh in the last one year.
- Minimum Monthly Income – BDT 55000.
- Up to date CIB report.

After all these criteria are fulfilled the clients had to be informed about the Loan Tenor. For the loan "Shompod" the loan tenor were:

- ✓ 1million – 10 million (12 to 84months)
- ✓ 10million – 35 million (12 to 120months)

The file is then sent to the Head of SME for the final approval and disbursed.

5.2 Work Experience with the Collection Department:

Since the last few years Collection of BRAC Bank Limited has been one of the most active departments. With a team of around 200 executive the bank has collected a record breaking number of loan returns in the recent years. The team has been very effective and efficient and is continuing their good work till date. With technological advancement i.e. by implementing new software the work of the collection team has been made easier as they can now figure out the details of their client's payment in just a click. This has helped the team to call up clients or send them letters on time using the process that they are trained to follow.

Once the collection team starts monitoring a client they have to follow different steps to categorize their respective clients. Some basic techniques that are followed are telephoning a client, sending letters and the most extreme measurement is to send a team of one or two executive to meet up with the client. The clients are categorized as X DPD (Days per Due), 30 DPD, 60 DPD and so on. However after 180 DPD the file is sent to a different department called SAM (Special Asset Management) where a case is filed in the court and necessary legal actions are taken.

I was tagged with this department for a couple of days where my job was to inform executives about clients who has failed to hold their position in certain DPD. I was given the authority to check on the client's performance and send a team to pay a visit to the specific clients. However, clients in the early stages where also informed about their defaults by letter or phone calls. Necessary steps were taken by the higher authority and my work was always monitored by a supervisor.

5.3 General Work:

In this 3month of internship program I also did a vast number of scanning and data entry. I had the opportunity to work on software called FSS that was done to prepare the income statement and Balance Sheet of certain companies. I was assigned to prepare checklist for companies on software and find out whether there are any missing documents. I had to give entry of bank statements and also find out whether any amount in the statement is going out for EMI (Equated Monthly Installments). Helping the MIS of CRM was also a part, where I had to look for certain information in the bunch of files and give certain entry in the system.

Chapter 6: Conclusion

BRAC Bank Limited has the target to set its standard as the market leader. With their effective and efficient departments the bank has already set their name as one of the leading banks of Bangladesh. It has been observed that BRAC Bank Limited started its banking service with a view to minimize the customer's needs by offering different products and services.

Credit Risk Management of BRAC Bank is one of the most active departments as it has huge duties and responsibilities. As the work done is this department is very sensitive and mainly focused on decision making, the executives are highly trained and are very efficient in the job they do.

Loan disbursement of a bank is a major step as this generates a huge amount of the banks profit. As CRM plays a vital role in receiving a loan application till the loan is disbursed, therefore its role is considered as one of the major factor of the banking system.

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