Credit Operations and Management (COM)
For AIBB

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Table of Content

SL	Details	Page No.
1	Module A: ***Introduction of Loans and Advances***	**5-15**
2	Module B: ***Principles of Sound Lending and Credit Process & Investigation***	**16-31**
3	Module C: ***Term Loan and Working Capital Financing***	**32-50**
4	Module D: ***Credit Risk Management***	**51-58**
5	Module E: ***Credit Documentation and Administration***	**57-768**
6	Module F: ***Supervision and Follow-up of Loans and NPL Management***	**69-79**
7	Module G: ***Leasing and Hire Purchase***	**80-85**
8	***Short Note***	**86-102**
9	***Previous year Question***	**103-112**

Suggestion:

- ***Read 4 star and 5 star marked chapter if you have time shortage to read all chapter.***
- ***Must read short notes from all chapter.***
- ***MetaMentor Center suggest to read whole note to find 100% common in exam. We cover everything in our note.***

Important	Details	Number of Question common in previous years
*****	Module A: ***Introduction of Loans and Advances***	**13**
*****	Module B: ***Principles of Sound Lending and Credit Process & Investigation***	**16**
*****	Module C: ***Term Loan and Working Capital Financing***	**29**
****	Module D: ***Credit Risk Management***	**09**
**	Module E: ***Credit Documentation and Administration***	**09**
*****	Module F: ***Supervision and Follow-up of Loans and NPL Management***	**18**
**	Module G: ***Leasing and Hire Purchase***	**07**
*****All short note and difference from all chapter and end of note *****		

Syllabus

Module A: Introduction of Loans and Advances

- Credit / Loans and Advances, Type of Borrowers and Loans & Advances, Customer-Banker Relationship, Loan/Credit facility Application Process. Credit Planning, Policy and Procedures, Credit Cycle (Investigation to Exit out), Features of a Good Credit Policy, features of a centralized credit model and Branch Based Banking Model- Differences, Pros and cons of the models, Qualities of a Good borrower, Features of a Good credit proposal.
- Features of Consumer credit, CMSME financing and Agricultural credit, Corporate Finance, Refinancing Scheme, Funded and Non-funded Commitment, Trade financing, Offshore Financing, Syndicated Financing, Project Financing.

Module B: Principles of Sound Lending and Credit Process & Investigation

- Principles of Sound Lending, Client Induction and Selection, Five Cs/Five Rs/CAMPARI etc.
- Importance of Understanding of Borrower's Business and its operations, Loan Interviewing, Justification of financing requirements, Importance of Site visit of Borrower and collateral, Sources of Investigation, CIB Analysis, Credit Rating of Borrowers from ECAIs, Identifying the credit risk and its mitigations, valuation of security and its procedure.
- Analysis of Financial statements and Financial Ratios.
- Internal Credit Risk Rating System (ICRRS) - Concept and Techniques- Quantitative and Qualitative Criterion of Rating.
- Single Borrower Exposure, Loan Pricing and Risk Premium, Loan Structuring, Industry analysis, Analysis of Priority and Discourage sectors.

Module C: Term Loan and Working Capital Financing

- Appraisal of Term Lending Cases: Technical Aspect, Marketing Aspect, Organizational Aspect, Financial Aspect, Economic Aspect and Social & Environmental Aspect - Cost of the Project and Means of Financing - Capital Structure and WACC - Capital Budgeting Techniques: Payback Period, ARR, NPV, Internal Rate of Return (IRR), Sensitivity Analysis etc.
- Cost-Volume-Profit (CVP) Analysis - Margin of Safety and Break-Even Point Analysis – Graphical and Arithmetical Approach.
- Concept of Working Capital, Working Capital Assessment - Components of WC Requirements and Operating Cycle – Assessment Techniques as per Bangladesh Bank Circular and Allowable Bank Financing Limit.

Module D: Credit Risk Management

- Bangladesh Bank Guidelines and Regulations for CRM, Quantitative and Qualitative Analysis, Symmetric and Asymmetric Information analysis, Management Actions Triggers, Risk Matrix, Decision Making, Covenants and Conditions, Loan Sanctioning.

Module E: Credit Documentation and Administration

- Primary Security, Collateral Security, Basic Charge Documents, Personal Guarantee and Corporate Guarantee, Single and Joint Insurance coverage and Policy-Importance and Impacts of defective coverage.
- Methods Creation of Charges on Securities - Pledge, Hypothecation, Lien, Mortgage, Assignment and Set Off, Further Charge, Second Charge and Pari-Passu Charge – Negative Lien.
- Documents and Documentation - Charge and Mortgage Documents - Impact of Defective Documents, Legal Aspects of Security and Documentation.

<u>Module F:</u> Supervision and Follow-up of Loans and NPL Management

• Supervision, Follow-up and Monitoring Techniques of Loans, Monitoring borrower's account, security, stocks, Periodical Inspection, Uses of Loan Fund, Ensuring timely repayment of loans.

• Identifying Non-Performing Loans, Causes and Management, Early Alert Process, Exit strategy, Basis for loan classification, Interest suspense and base for provision.

• Classification and Provisioning of Loans as per Bangladesh Bank Circulars – Rescheduling and Restructuring of Classified Loans and write off.

• Call back procedures of Loans, Steps for recovery against different type of securities.

• Recovery Strategies of Loans: Legal and Non-legal Aspects - Legal Aspects Relating to Filling of Suits, Process and Procedures for filling of Law Suits and execution of decrees, Types of Law suits for recovery.

• Process and Procedures of Written off for defaulted loans and its recovery strategy.

<u>Module G:</u> Leasing and Hire Purchase

• Financing Against Lease Forms of Lease Financing – Economics of Leasing-Financing against Hire Purchase Agreements – Relative Merits of Leasing Finance and Hire Purchase Finance from Customer's and Lending Bank's Point of View.

MODULE A:
Introduction of Loans and Advances

Q-01. What is Bank Credit? BPE-99th.

Bank credit refers to the process by which banks provide financial resources to individuals, businesses, or organizations, enabling them to meet their financial needs with a promise of repayment over a set period. It includes various forms such as loans, overdrafts, and cash credits. Bank credit promotes economic growth by financing productive activities, increasing employment opportunities, and supporting business expansion.

Key Characteristics:

- It is a significant source of income for banks.
- Credit is based on the confidence of the lender in the borrower's ability and willingness to repay.
- Types of credit facilities include secured and unsecured loans, short-term, and long-term loans, tailored to specific needs like working capital or investment purposes.

By following sound credit practices and ensuring prudent risk management, banks sustain their financial stability and contribute to broader economic development.

Q-02. What are the types of borrowers of a bank?

Borrowers can be categorized into several types:

1. **Individuals**: Includes retail traders, micro, small and medium enterprises (MSMEs), farmers, and consumers. They often seek home loans, agricultural loans, credit cards, and other consumer financing.
2. **Proprietorship Firms**: Single-owned businesses engaged in various commercial activities.
3. **Partnership Firms**: Businesses owned by two or more individuals sharing profits, liabilities, and management responsibilities.
4. **Private Limited Companies**: Small to medium-sized companies with limited liability and restricted share transfer.
5. **Public Limited Companies**: Larger companies with shares traded on the stock exchange, subject to stringent regulatory requirements.
6. **Large Corporates**: Big businesses with significant revenue and operations, requiring substantial financing.
7. **Government Entities (SOEs)**: State-owned enterprises involved in public sector projects and services.

Banks evaluate each borrower's creditworthiness based on their financial history, income, and collateral, ensuring responsible lending and contributing to economic growth in Bangladesh.

Q-03. What is meant by funded and non-funded credit facilities? BPE-99th.

1. **Funded Credit Facilities**:
   These are financial arrangements where a bank provides direct funds to the borrower. Examples include loans, overdrafts, cash credit, and bill discounting. Borrowers can use these funds for specific purposes like working capital, investments, or asset acquisition. Interest is charged on the amount disbursed by the bank. Funded facilities create a direct financial outflow from the bank.
   Example: A company takes a loan of $500,000 for factory expansion, repaid in monthly installments. Similarly, a business uses cash credit to cover short-term working capital needs.
2. **Non-Funded Credit Facilities**:
   These do not involve direct fund disbursement but create a contingent liability for the bank. Common examples include letters of credit, bank guarantees, and deferred payment guarantees. Banks provide these facilities to support trade and ensure payment obligations are met. Non-funded facilities reduce immediate liquidity requirements but maintain financial assurance.
   Example: A bank issues a letter of credit ensuring a seller is paid upon delivery of goods. Another business secures a bank guarantee for a government contract to fulfill financial obligations in case of default.

Q-04. What are the different types of credit that are currently extended by Bangladeshi commercial banks? Discuss briefly. BPE-96th.
Or, Describe different types of funded and non-funded credit facilities with examples.BPE-99th.

Funded Credit: Involves direct outflow of bank funds and includes:

1. **Loan**: Granted for short, medium, and long periods, repayable in installments or lump sum.
2. **Cash Credit**: Provided for working capital; can be against pledge or hypothecation of goods.
3. **Overdraft**: Allows withdrawals beyond the deposited amount within a limit.
4. **Bill Purchase and Discount**: Advances by purchasing or discounting export bills.

Other funded facilities include Consumer Credit, SME Credit, Syndicated Loan, and Lease Financing.
Non-funded Credit: Does not involve direct fund outflow but can turn into funded facilities. Includes:

1. **Letter of Credit**: Bank guarantees payment to the seller on behalf of the buyer.
2. **Bank Guarantee (Bid Bond)**: Ensures the client can submit bids in tenders.
3. **Bank Guarantee (Performance Bond)**: Guarantees client performance or compensates losses.
4. **Deferred Payment Guarantee**: Extends deferred payment terms for capital goods.
5. **Custom and Excise Guarantee**: Covers payment of duties on imported/exported goods.

Q-05. What are the different types of funded credit?
Funded credit facilities involve the direct outflow of funds from a bank to the borrower. According to the IBB curriculum, the main types include:

1. **Loan:** A lump sum disbursed for a specific purpose, repayable in fixed installments or a lump sum. Examples: Home loans for purchasing property or loans for business expansion.
2. **Cash Credit (Pledge or Hypothecation):** Working capital provided against pledged goods or hypothecated stock. Example: Financing a trader's inventory.
3. **Overdraft:** A customer is allowed to withdraw more than their account balance within an agreed limit. Example: Overdraft for managing short-term business expenses.
4. **Bill Purchase and Discount:** Advances provided by discounting trade bills before maturity. Example: A bank purchasing export bills from a client.
5. **Consumer Credit and SME Loans:** Loans for personal consumption or small business needs.
6. **Lease Financing:** Long-term credit for acquiring fixed assets like machinery

Q-06. What do you mean by banker? What are the Features of Banking?
Definition of Banker: A banker is an individual or institution involved in banking activities, such as accepting deposits and providing loans for investment purposes. According to the Negotiable Instruments Act, a banker accepts deposits repayable on demand or otherwise through instruments like cheques or fractures of Banking.
Feature of Banking:

1. **Accepting Deposits**: The primary function of a bank is to accept money deposits from the public.
2. **Lending or Investment**: Banks lend or invest the deposited funds to generate income.
3. **Public Involvement**: Banks serve the public by accepting deposits from any eligible individual or entity.
4. **Repayment on Demand**: Deposits are repayable either on demand or as agreed between the depositor and the bank.
5. **Legal Compliance**: Banks must comply with regulations to ensure the security and availability of funds.

Q-07. What do you mean by Customer? To constitute a customer, what are the requirements that must be fulfilled? IBB Book Page-11.

Definition of Customer: A customer is an individual or entity that maintains a financial relationship with a bank, primarily through deposits or other banking transactions. The relationship begins when a person opens an account or avails banking services.
An example of a customer is a person who opens a savings account in a bank to deposit and withdraw money regularly.

Requirements to Constitute a Customer:

1. **Banking Relationship**: The individual or entity must establish a formal relationship with the bank, such as opening an account or taking a loan.
2. **Voluntary Transactions**: The engagement must be voluntary and based on mutual consent between the bank and the customer.
3. **Legal Identity**: The customer must have a valid identity and be legally eligible to engage in banking activities.
4. **Regular Interaction**: The customer engages with the bank for deposits, withdrawals, or other services.

These elements define and establish a formal customer-bank relationship

Q-08. Explain the categories of the relationship between banker and customer.
Or, Briefly discuss some relationships between banker and customer. BPE-97th. BPE-98th.
Or, Briefly discuss the Relationship between Customer and Bank

General Relationship between Banker and Customer:

1. **Debtor and Creditor relationship:** When he deposits money in his bank account, he becomes a creditor to the bank. The bank becomes the debtor.
2. **Principal and Agent relationship:** It is an arrangement in which one entity legally appoints another to act on its behalf.
3. **Trustee and Beneficiary relationship:** A trustee holds property for the beneficiary, and the profit earned from this property belongs to the beneficiary.
4. **Bailor and Bailee Relationship:** If a person already in possession of the goods of another contract to hold them as a bailee, and the owner becomes the bailor of such goods.
5. **Lessor-Lessee Relationship**: When a customer hires a safe deposit locker from the bank, the relation between the bank and the customer is lessor and lessee.
6. **Mortgagor-Mortgagee:** The transferor is called a mortgagor, the transferee a mortgagee.

Special Relationship between Banker and Customer:

1. **Statutory obligation to honour cheque:** A banker is under a duty to pay cheques drawn on him by a customer so long as he has sufficient and available funds and provided the cheques are within the limits of an agreed overdraft.
2. **Banker 's duty to maintain secrecy of customer 's account:** a banker should not reveal the personal information of his/her clients with other customers or any other third party.
3. **Right to claim incidental charges interest:** A banker has the right to charge interest for the advances it might have granted to its customers.

Banker's Lien: the right of a banker to retain the subject matter of the lien until an indebtedness of the customer is paid or discharged.

Q-09. What do you mean by credit planning? Discuss different aspects those are to be considered and included in credit plan. Discuss the importance of credit planning in the lending operation of a bank. BPE-98th.

Credit planning in the banking sector of Bangladesh refers to the strategic process of formulating a comprehensive plan for lending operations. It involves assessing the credit needs of various customer segments and designing suitable credit products and policies.

Different aspects to consider in a credit plan include:

1. **Market Analysis:** Understanding the credit demand and potential opportunities in different sectors of the economy.
2. **Risk Assessment:** Evaluating the creditworthiness of borrowers and determining the level of risk associated with different loan types.
3. **Target Customers:** Identifying the target customer segments and their specific credit requirements.
4. **Loan Terms:** Defining the loan amounts, interest rates, repayment schedules, and collateral requirements.
5. **Regulatory Compliance:** Ensuring adherence to the banking regulations and guidelines set by the central bank.

Importance of credit planning lies in its ability to align lending activities with the needs of the economy, manage risks effectively, and promote financial inclusion by providing access to credit to various sectors and segments in Bangladesh. A well-structured credit plan helps banks achieve sustainable growth while mitigating potential credit-related challenges.

Q-10. What factors a bank should consider effective credit planning? BPE-98th.

For effective credit planning, a bank should consider several key factors:

1. **Customer Creditworthiness**: Assess the borrower's ability to repay the loan by examining their credit history, income, and financial stability.
2. **Risk Assessment**: Evaluate the potential risks associated with lending, including market conditions and the borrower's industry.
3. **Loan Purpose**: Understand the purpose of the loan to ensure it aligns with the bank's lending policies and risk appetite.
4. **Collateral**: Determine the value and quality of assets offered as security to safeguard the loan.
5. **Interest Rates**: Set appropriate interest rates that reflect the risk level and remain competitive in the market.
6. **Regulatory Compliance**: Ensure all lending practices comply with banking regulations and guidelines to avoid legal issues.
7. **Diversification**: Avoid concentrating too much credit in one sector or borrower to reduce risk exposure.

Considering these factors helps a bank lend responsibly and manage risks effectively.

Q-11. Mention the types of credit according to CL reporting.

Or, Briefly discuss the categories of credit according to the Classified Loan (CL) reporting policy of Bangladesh Bank. BPE-99th.

In Bangladesh, credit reporting agencies categorize credit into several types:

1. **Consumer Credit:** This includes personal loans, credit cards, and other forms of credit that individuals use for their personal needs.
2. **Business Credit:** This type of credit is extended to businesses to help them finance their operations, purchase inventory, or invest in growth.
3. **Agricultural Credit:** Specifically designed for farmers and agricultural activities, providing funds to support farming needs and rural development.
4. **Microfinance Credit:** Aimed at providing small loans to low-income individuals and micro-entrepreneurs to uplift their livelihoods.

5. **SME Credit:** Targeted at Small and Medium Enterprises (SMEs) to facilitate business growth and development.
6. **Export Credit:** Tailored to support exporters by providing funds to fulfill international orders and expand their businesses globally.

These credit types play a crucial role in boosting economic activities and fostering financial inclusion in Bangladesh.

Q-12. What are the key tasks involved in credit planning at the regional or branch level for a commercial bank?

Credit planning at the regional or branch level includes several key tasks:

1. **Follow Policy Guidelines**: Adhere to guidelines from the head office and regional office.
2. **Analyze Command Area**: Understand the economic sectors in the region.
3. **Identify Major Sectors**: Focus on sectors like agriculture, industry, etc.
4. **Sub-sector Division**: Break down major sectors into sub-sectors (e.g., dairy, poultry in agriculture).
5. **Classify Borrowers**: Categorize existing borrowers by occupation or sector.
6. **Estimate Fund Needs**: Determine additional fund requirements for current borrowers.
7. **Cover New Activities**: Analyze opportunities to finance new activities based on current data.
8. **Assess Fund Requirements**: Carefully evaluate the total fund needed.
9. **Determine Loanable Funds**: Calculate the incremental loanable funds required.
10. **Allocate Funds**: Distribute funds to different sectors and clients, ensuring profitability and social goals.

Q-13. Mention different steps to follow for an informed credit decision.

Making an informed credit decision is crucial for both the borrower and the lender in the Bangladesh economy. Here are the steps to follow:

1. **Financial Assessment:** Evaluate the borrower's financial health, including income, assets, and existing debts, to understand their repayment capacity.
2. **Credit History:** Check the borrower's credit history, including previous loans and credit card usage, to assess their creditworthiness.
3. **Purpose of Credit:** Understand the specific purpose for which the borrower needs the credit and how it aligns with their financial goals.
4. **Collateral Evaluation:** If the credit requires collateral, assess its value and verify its ownership and legality.
5. **Risk Analysis:** Analyze potential risks associated with the borrower, the economic climate, and the industry they are involved in.
6. **Terms and Conditions:** Clearly communicate the terms and conditions of the credit, including interest rates, repayment schedule, and penalties.
7. **Regulatory Compliance:** Ensure compliance with the relevant laws and regulations governing lending practices in Bangladesh.
8. **Documentation:** Complete all necessary paperwork accurately and maintain records for future reference.

By following these steps, lenders can make well-informed credit decisions, reducing risks and supporting responsible lending practices in Bangladesh.

Q-14. What is Credit Policy? Features of a Good Credit Policy? BPE-99th.

A credit policy is a set of rules and regulations that guide lending decisions. It is designed to minimize credit risk, protect depositors' money, and ensure sustainable earnings for the bank. The policy is formed in line with regulatory guidelines.

Features of a Good Credit Policy

1. **Asset Quality**: Maintaining high-quality assets.
2. **Regulatory Compliances**: Adhering to regulations like priority sector lending, large loan concentration, single borrower exposures, ICRR, and CIB.
3. **Application Procedure**: Standardizing the loan application process.
4. **Assessment and Evaluation**: Establishing procedures for assessing and evaluating loan applications.
5. **Loan Pricing Method**: Setting methods for determining loan interest rates.
6. **Delegation of Power**: Defining the authority levels for loan approval.
7. **Maintenance of Capital**: Keeping adequate capital reserves.
8. **Documentation Guidelines**: Specifying required documentation.
9. **Monitoring and Supervision**: Regularly overseeing loans.
10. **Management of Non-Performing Loans**: Handling bad loans effectively.
11. **Legal Action**: Taking necessary legal steps when required.

Q-15. What do you understand by Centralized and Decentralized Credit Operations?

In **Centralized Credit Operations**, the decision-making authority for credit approval and management is concentrated at a single location, typically the head office or a central unit. This approach ensures uniformity in credit policies and minimizes risk through tighter control. For example, in a centralized system, a loan application from any branch must be forwarded to the head office for approval.

In **Decentralized Credit Operations**, branches or regional offices have the authority to approve and manage credit within defined limits. This enables faster decision-making and greater adaptability to local market conditions. For example, a branch manager in a decentralized system can approve small business loans without seeking approval from the head office.

Both systems are used based on an institution's size, operational structure, and risk management preferences. Centralized systems prioritize control, while decentralized systems focus on speed and flexibility.

Q-16. What are the advantages of centralized credit management over decentralized credit (Branch/RM)?

1. **Consistency:** Centralized credit management ensures that credit policies and decisions are applied consistently across all branches, avoiding discrepancies in lending practices.
2. **Expertise:** With a centralized approach, credit decisions are made by specialized teams with extensive knowledge, leading to more accurate assessments and reduced credit risks.
3. **Risk Management:** Centralization allows for better risk analysis as the credit decisions consider a broader view of the borrower's financial position and credit history.
4. **Cost Efficiency:** By centralizing credit processes, banks can optimize resources, reduce duplication, and minimize administrative costs.
5. **Data Analysis:** Centralization facilitates comprehensive data analysis, helping banks identify trends and make informed decisions based on data-driven insights.
6. **Faster Decisions:** Centralized credit management enables quicker approvals, improving customer experience and responsiveness.
7. **Compliance:** A centralized system promotes better adherence to regulatory requirements and reporting standards throughout the banking industry in Bangladesh.

Q-17. Describe the differences between Centralized and branch-based Credit Model. BPE-97th.

Aspect	Centralized Credit Model	Branch-Based Credit Model
1.Definition	In a centralized model, credit decisions are made at a central location, often the	The branch-based model involves credit decisions being made at individual branch

	head office.	levels.
2.Decision-Making Authority	Decision authority lies with a central credit committee, ensuring uniformity in credit assessments.	Branch managers have decision-making authority, allowing for more localized and context-specific evaluations.
3.Efficiency	Centralization promoters' efficiency through standardized processes and consolidated expertise.	Branch-based models offer quicker decision-making due to local understanding but may lack standardization.
4.Risk Management	Centralized models enhance risk control by enforcing uniform credit policies and risk assessments.	Branch-based models may have variations in risk management based on local market conditions and understanding.
5.Flexibility	Limited flexibility in adapting to local nuances as decisions are driven by centralized policies.	Greater adaptability to local economic conditions and customer behaviors, allowing for flexibility.

Q-18. What are the benefits of centralizing loan administration in credit operations?
Or, What are the benefits of centralizing loan administration? BPE-99th.

Centralizing loan administration offers several benefits, including:

1. **Improving Customer Relationships**: Relationship Managers (RMs) can focus more on building and strengthening customer relationships, as administrative tasks are handled by the Head Office.
2. **Better Communication**: Clients have a single point of contact for all loan-related communications, improving clarity and efficiency.
3. **Developing Core Skills**: A dedicated central Credit Management Division can develop expertise more quickly, reducing errors and oversights.
4. **Reducing Credit Risk**: Separation of duties ensures unbiased risk management and borrower selection.
5. **Increasing Efficiency**: Direct draw requests to the reviewer limit handoffs, increasing flexibility.
6. **Streamlining Approval Process**: Centralized approval processes are more efficient, with reviewers and approvers in the same office.
7. **Enhancing Technology Adoption**: Training and process changes are easier to manage with a single administrative team.
8. **Uniform Borrower Selection**: Centralized appraisal ensures consistent and unbiased borrower selection.

Q-19. Mention the qualities of a good borrower.

1. **Good Credit History:** Demonstrates a history of repaying loans and credit obligations on time, building trust with lenders.
2. **Stable Income:** Maintains a steady and sufficient source of income to support loan repayments.
3. **Low Debt-to-Income Ratio:** Has a manageable level of debt compared to their income, indicating a better ability to handle additional credit.
4. **Transparent Financials:** Provides clear and accurate information about their financial status, enabling lenders to assess creditworthiness.
5. **Collateral or Guarantees:** Offers suitable collateral or guarantees to secure the loan, assuring the bank of repayment.
6. **Responsible Financial Behavior:** Exhibits responsible financial management and avoids defaulting on loans.
7. **Clear Purpose:** Clearly communicate the purpose of the loan and how it will benefit their financial situation.

Q-20. Describe the importance of cottage, micro, small and medium enterprise (CMSME) financing to ensure inclusive economic development. BPE-96th.

1. **Employment Generation**: CMSME financing facilitates the growth of small enterprises, contributing significantly to job creation, especially in marginalized communities.
2. **Poverty Alleviation**: By empowering individuals to start and expand micro and small businesses, CMSME financing becomes a powerful tool for poverty reduction.
3. **Entrepreneurship Promotion**: Access to financial resources encourages entrepreneurship, fostering a culture of innovation and economic self-sufficiency.
4. **Local Economic Development**: CMSMEs, deeply rooted in local communities, drive economic development at the grassroots level, enhancing community prosperity.
5. **Inclusive Growth**: Financing initiatives tailored for CMSMEs ensure that a broader segment of the population participates in and benefits from economic growth, reducing income inequality.
6. **Diversification and Resilience**: Supporting CMSMEs contributes to economic diversification, making the overall economy more resilient to external shocks.
7. **Innovation at Grassroots**: CMSME financing encourages innovation by enabling small enterprises to adopt new technologies and improve their market competitiveness.

Q-21. What are the fundamental characteristics of various funded credit facilities offered by banks?
Banks offer various funded credit facilities, each with distinct characteristics:

1. **Overdraft**: Fixed limit for excess drawing, used as working capital, repaid from regular cash flows, continuous, reviewed annually.
2. **Time Loan (up to 1 year)**: Short-term, specific purpose like additional stocks or seasonal demand, repayable in lump-sum or installments, renewable annually.
3. **Term Loan (more than 1 year)**: For fixed investment like machinery or construction, has a repayment schedule, often monthly or quarterly.
4. **Bills under LC (BLC)**: Temporary advance for import payment, disbursed for import LC documents, liquidated by cash or other credit lines.
5. **Trust Receipt (TR)**: Post-import finance, disbursed for import document retirement, repaid by sale proceeds, usual tenor up to 180 days.
6. **Packing Credit (PC)**: For exporters, based on export deals, short-term, repaid by export proceeds, not exceeding 180 days, revolving limit allowed.

Q-22. What are the features of consumer loan products offered by banks, and what are their typical purposes and repayment terms?
Banks offer various consumer loan products, each tailored for specific purposes and with distinct repayment terms:

1. **Personal Loan – Unsecured**: Used for household items, marriage, medical expenses, travel, CNG conversion, festivals, renovation, and other appropriate needs. Maximum tenor is 60 months, repaid through Equated Monthly Installments (EMI).
2. **Auto Loan**: For purchasing brand new or reconditioned vehicles for family use. Maximum tenor is 60 months, repaid through EMI.
3. **Home Loan**: For purchasing or renovating homes, completing construction, or taking over liabilities from other banks. Maximum tenor is 20 years, repaid through EMI.
4. **Secured Overdraft**: To meet financial requirements, revolving facility with no fixed repayment schedule.
5. **Secured Time Loan**: For financial needs, revolving facility.
6. **Secured Term Loan**: For financial needs with a maximum tenor of 3 years, repaid through EMI.

Q-23. Discuss Islami banking investment product.

Islamic banking offers various Sharia-compliant investment products:

1. **Bai-Murabaha**: Involves a cost-plus sale where the bank buys an item and sells it to the customer at a profit, with payment in installments.
2. **Bai-Muajjal**: Allows deferred payment for goods purchased upfront, with a lump sum due at a specified future date.
3. **Bai-Muajjal (TR)**: Similar to Bai-Muajjal but specifically for imported goods, enabling the customer to use the goods before full payment.
4. **Hire-Purchase under Shirkatul Melk (HPSM)**: Co-ownership where the bank and customer jointly purchase an asset, with the customer gradually buying out the bank's share.
5. **Mudaraba Post-Import (MPI)**: Partnership for post-import financing, where the bank provides capital for trading imported goods, sharing profits.
6. **Quard Against MTDR**: A loan secured by a fixed deposit, allowing customers to borrow against their deposited funds while earning halal returns. These products uphold Islamic principles by avoiding interest and promoting fair profit-sharing.

Q-24. What is syndicated financing? How does it work/advantage of syndicated financing? BPE-96th. BPE-98th.

Syndicated financing is a collaborative funding arrangement where multiple lenders jointly provide funds for a single borrower. It involves a group of financial institutions, led by a coordinating bank, sharing the lending risk and exposure.

1. **Coordinating Bank's Role**: A coordinating bank leads the process, assessing the borrower's creditworthiness, structuring the deal, and inviting potential lenders to participate.
2. **Risk Sharing**: Multiple lenders join the syndicate, with each contributing a portion of the total loan amount. This spreads the risk among the participating financial institutions.
3. **Large-Scale Projects**: Syndicated financing is common in financing large-scale projects, infrastructure development, mergers, or acquisitions where substantial capital is required.
4. **Administrative Efficiency**: The coordinating bank manages administrative tasks, streamlining communication, and ensuring coordination among syndicate members.
5. **Diversification for Lenders**: Participating lenders benefit from diversified portfolios and reduced individual exposure to a single borrower, enhancing risk management.
6. **Terms and Conditions**: Interest rates, terms, and conditions are outlined in a syndication agreement, providing a clear framework for the lending arrangement.
7. **Repayment Oversight**: The coordinating bank oversees communication and coordination among syndicate members and ensures borrower compliance with agreed-upon terms for successful repayment.

Q- 25. What are the advantages of Syndicated Financing? BPE -98th.

Advantages of Syndicated Financing:

1. **Risk Sharing:** Multiple lenders share the financial risk, reducing the exposure for any single institution.
2. **Large Loan Size:** Enables borrowers to access substantial funding for large-scale projects.
3. **Diversification:** Reduces dependency on a single lender and diversifies credit exposure for the borrower.
4. **Efficient Loan Management:** Borrowers deal with a lead arranger instead of multiple lenders, simplifying loan administration.
5. **Global Participation:** Provides opportunities for international collaboration and attracts foreign investment.
6. **Reputation Enhancement:** Borrowers benefit from the credibility of participating reputable financial institutions.

Syndicated financing is especially useful for large projects requiring extensive funding while minimizing risks for both borrowers and lenders.

Q-26. Define Agricultural credit. Discuss the role of Agricultural credit in Bangladesh. Agricultural credit:

Or importance of agricultural loan in ensuring food security of the country.

Agricultural credit refers to the financial support provided to farmers and agribusinesses for agricultural activities, including crop cultivation, livestock farming, and agricultural investments. In Bangladesh, agricultural credit plays a crucial role in ensuring food security for the country.

The importance of agricultural loans lies in:

1. **Increasing Agricultural Productivity:** Access to credit allows farmers to invest in modern farming techniques, quality seeds, fertilizers, and machinery, boosting productivity and yields.
2. **Ensuring Food Production:** Agricultural credit helps farmers meet production costs, ensuring sufficient food production to feed the nation's growing population.
3. **Empowering Farmers:** Loans empower farmers, especially smallholders, to improve their livelihoods, contributing to poverty reduction and economic development.
4. **Enhancing Resilience:** Agricultural credit supports farmers during challenging times like natural disasters or market fluctuations, enhancing their resilience.

Overall, agricultural loans are essential for Bangladesh's food security, sustainable agriculture, and rural development, ensuring a stable and food-sufficient nation.

Q-27. Agricultural credit plays a very important role in Economic Development of the country with high GDP growth. Explain this mentioning impact it keeps on the country's overall GDP attainment. Dec/2017.

Agricultural credit plays a vital role in the economic development of Bangladesh, contributing to high GDP growth. The impact it has on the country's overall GDP attainment includes:

1. **Increased Agricultural Productivity:** Access to credit enables farmers to invest in modern technologies, leading to higher agricultural productivity and output.
2. **Employment Generation:** Improved agricultural productivity creates more job opportunities, reducing unemployment and boosting income levels.
3. **Export Revenue:** Higher agricultural output allows Bangladesh to export surplus produce, contributing to foreign exchange earnings and boosting the GDP.
4. **Rural Development:** Agricultural credit fosters rural development, improving infrastructure and living standards in rural areas.
5. **Poverty Reduction:** Increased agricultural income reduces poverty levels, uplifting the livelihoods of rural communities.

By supporting the agricultural sector, agricultural credit contributes significantly to the economic growth of Bangladesh, propelling the country towards higher GDP attainment and sustainable development.