Lending Principles and Practice in the Banking Sector: A Case Study of Some Selected Private Commercial Banks in Bangladesh.

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ABSTRACT

Purpose: The purpose of the study is to examine whether private commercial banks in Bangladesh follow the lending principles and practice before granting loan to customers. it examined the opinions of participants on lending practices and philosophies within the chosen institutions.

Methodology: The descriptive statistics were utilized to make inferences based on the views obtained from the individuals who participated. One hundred (100) questionnaires were given to the credit department and a few personnel of thirteen (13) private commercial banks in the Dhaka metropolitan area.

Findings: The study discovered that the chosen private commercial banks employed a variety of lending models, with the Credit Scoring and 5 C's model being the most often used. In addition, private commercial banks made certain that their borrowing guidelines and procedures were adhered to while making credit to clients. Following the lending principles and practices to grant loans to customers help the commercial banks increase its profitability and decreases the amount of loan default.

Unique Contribution to Theory, Practice and Policy: Due to the complexities of the economic climate, it is recommended that banks should utilize a variety of lending approaches to analyze requests for loans. To help decrease and limit the risk of bankruptcy, different commercial banks ought to offer consulting assistance to lenders to verify that the loans are spent properly and for their stated reasons.

Keywords: *Lending, private commercial bank, principles and practices, lending models, Credit Scoring, 5 C's.*

INTRODUCTION

Bangladesh, a South Asian country bordering the Bay of Bengal, has a robust and developing banking industry that is crucial to the growth of the country's economy. Since the nation's independence in 1971, the banking sector in Bangladesh has undergone a tremendous amount of expansion and change. With the goal of raising their clients' quality of life, commercial lending institutions work in the banking industry by gathering money from the general public and giving it to them in the form of loans or other financial services. It is important to remember that the country's financial institutions are its economic lifeblood and that money may move from investors to money lenders thanks to their intermediary function (Yasnur & Kurniasih, 2017).

As in many other nations, lending is an essential component of the financial system and has a substantial impact on sustaining economic activity and fostering development in Bangladesh. Financial institutions such as commercial banks, specialty banks, microfinance institutions (MFIs), and non-bank financial

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institutions (NBFIs) are primarily responsible for facilitating lending in Bangladesh. These loans are used for a variety of things, from meeting immediate financial needs to advancing long-term investment initiatives. The following are some significant elements of lending in Bangladesh:

Commercial Banks: The key players on the lending scene in Bangladesh include commercial banks. Private loans for cars, mortgages, and corporate loans are just a few of the numerous financing options they offer.

Specialized Banks: Focusing on particular industries, specialized banks like Rajshahi Krishi Unnayan Bank and Bangladesh Krishi Bank (which focuses on agriculture) frequently offer loan solutions that are exclusive to those industries.

Microfinance Institutions (MFIs): Bangladesh is well known for its BRAC and Grameen Bank microcredit institutions. Small loans from these MFIs are given to low-income people, especially those in the countryside, to assist with various income-producing endeavors.

Non-Banking Financial Institutions (NBFIs): Leasing, hire-purchase, and consumer loans are merely a few of the numerous financial products provided by non-bank financial institutions. It frequently provides for particular asset financing considerations.

Digital Lending Platforms: Regarding the purpose of enabling online financial transactions as well as providing small, short-term loans, mobile banking and digital wallets like bKash, Rocket, and Nagad have grown in popularity. The lending sector in Bangladesh is a vibrant and growing sector that makes a substantial contribution to the economic growth and alleviation of poverty initiatives in the nation. It encourages the expansion of important industries like agribusiness and small-scale businesses by giving people and companies access to cash for a variety of uses.

Background of the Study

In Bangladesh, lending, often referred to as credit risk assessment or credit analysis studies, is carried out to analyze borrowers' creditworthiness and determine the risk involved in providing them with credit. Financial organizations need to conduct these studies in order to manage their loan portfolios and make wise lending decisions. The primary role of banks is lending, which also provides the majority of their revenue. But the majority of banks experience bad debt or non-performing assets during the lending process, which results in losses that have an impact on the bank's profitability. According to Yushua (2001), this is a result of bank executives' disregard for the rules and procedures governing lending. Bangladesh's banking business is fast changing; there are many different types of borrowers; there are strict regulations in place; and technology is becoming more and more important. Bangladesh's banking business is fast changing; there are many different types of borrowers; there are strict regulations in place; and technology is becoming more and more important.

In Bangladesh, loan has historically been characterized as follows:

Rapid Growth of the Banking Sector: Over the years, the banking industry in Bangladesh has expanded and grown significantly. In order to draw in borrowers, this rise has boosted rivalry among banks and financial organizations. To make wise lending decisions and lower the risk of default, financial institutions must conduct lending studies.

Importance of Credit Risk Management: Since credit risk has the potential to affect banks' financial stability and profitability, it is a major problem for Bangladeshi banks. An accurate assessment of the credit risk assists banks in identifying and controlling potential lending problems, such as non-performing loans

(NPLs).

Regulatory Framework: The banking industry is governed and overseen by the Bangladesh Bank, which serves as the country's central bank. For the control of credit risk, capital sufficiency, and provisioning for bad loans, it establishes policies and prudential regulations.

Microfinance Sector: Bangladesh is well known for its microfinance institutions (MFIs), which give small loans to low-income people and micro entrepreneurs. Studies on borrowing in this field concentrate on evaluating the creditworthiness of borrowers who frequently lack conventional security.

Government Initiatives: To encourage economic growth, entrepreneurship, and financial inclusion, the Bangladeshi government may introduce a number of loan programs and schemes in partnership with financial institutions. Studies on lending are carried out to gauge the success and impact of these programs.

Challenges and Opportunities: In Bangladesh, research on lending frequently touches on problems such as non-performing loans, governance problems, and regulatory compliance. In addition, these research look for ways to increase lending operations while keeping risk under control.

Statement of the Problem Situation

The Bangladeshi banking industry's lending policies and procedures encounter a number of obstacles and problems that may have an impact on the sector's general health. With high NPL ratios, the banking industry in Bangladesh has struggled. A sizable share of the loan portfolios held by several banks are categorized as non-performing.

In Bangladesh, initiatives are being made to deal with these issues and improve lending standards and procedures. Improved credit evaluation and monitoring systems are becoming increasingly important, and regulatory bodies are attempting to make risk management policies and governance standards stronger. In addition, the Bangladesh Bank, as the country's central bank, is essential to monitoring and policing the banking industry to maintain its stability and soundness. Numerous studies have been conducted in this field in Africa and Asia. Perhaps no noteworthy research worth mentioning was done in Bangladesh, particularly in lending principles and practices in the banking sector.

Objectives of the Study

The purpose of this study is to investigate whether banks adhere to lending principles and practices before making loans to consumers.

Significant of Banks in Bangladesh

Banks are regarded as the most major facilitator of financial transactions and the main source of credit in any nation's economy, and they play a vital role in modern banking (Rose, 2002). They serve as the guardians of a country's funds, which are received as deposits and distributed in accordance with the requests of the client (Harris, 2003). Providing money to an individual at a cost (such as interest) along with a deadline for repayment makes up the core activity of the banking sector, known as lending. According to Valdez's (2002) theory, banks now engage in a wide range of activities in addition to just accepting deposits and disbursing credit (lending).

In Bangladesh, banks are important for the following reasons:

Financial Intermediation: The role of commercial banks is to operate as a middleman between depositors and borrowers. By offering loans and credit to people, businesses, and the government, they take the money they receive from depositors and put it to use in constructive ways.

Support for Economic Growth: By providing funding for enterprises, industries, and infrastructure projects, commercial banks play a crucial part in promoting economic growth in Bangladesh.

Financial inclusion: Banks, especially microfinance organizations, have worked hard to advance financial inclusion in Bangladesh.

Foreign Investment and Capital Flows: By providing services like foreign currency accounts, remittances, and foreign direct investment (FDI) funding, commercial banks help to enable capital movements and foreign investment.

Government Revenue and Financing: Commercial Banks help the government raise money by issuing Treasury bills and bonds. Additionally, they make it easier to collect taxes and make payments, which helps the nation's finances remain stable.

Foreign exchange dealers: This has grown to play a crucial role as the economies around the globe have gotten more and more globalized. The negotiation of overseas finance, the transfer of funds, and currency conversion are all supported by commercial banks.

It is necessary for the bank to follow the rules and guidelines that will contribute to the success of the bank in the financial sector as it carries out the activities it has described in order to provide the services mentioned above.

Lending Models Used in The Banking Sector in Bangladesh

The lending models used in the banking sector in Bangladesh are similar to those employed in many other countries. Banks in Bangladesh use a combination of traditional and modern lending models to assess credit risk, make lending decisions, and manage their loan portfolios. The lending model describes When a loan is provided to a consumer, there are a number of different structures of rules and guidelines that must be followed. When deciding what to take into account and how to build deals, lending models frequently have extremely particular criteria. In order to uphold some consistency in the lending procedures that have been set in the first place, they additionally remain rather rigid (Brent, 2010). According to Korwa and Richard (2008), banks place a high value on loan screening through strict lending principles requirements in order to reduce lending risk, screen out borrowers who are likely to default, provide incentives for borrowers to repay their loans, and offset the costs associated with loan defaults for lenders. The following are some of the frequently utilized lending models:

The CAMPARI Model

The CAMPARI is one of the earliest models that banks have used to assess lending proposals. This approach examines a variety of lending-related elements, including not only the financing sought but also the individuals making the request. According to Philip (2003), the model gives the banker a tried-and-true method for analyzing credit. It evaluates the borrower based on the following

Character: This evaluates the borrower's moral character. It looks at their credit history, market standing, and any prior financial actions.

Ability to pay: This assesses the borrower's ability to pay back the loan. It takes into account their total financial situation as well as their income, cash flow, and other debts.

Margin: This examines how profitable the transaction is for the bank. It balances the risk involved with the interest rate offered.

Purpose: The bank assesses the loan's justification. Businesses may use it for growth, purchasing assets, or working capital. For people, it may be used to cover the cost of a home, a vehicle, or other necessities.

Amount: This relates to how much money is being asked for in total as a loan.

Repayment: The borrower's strategy and plan for loan repayment are evaluated by the bank. This may entail examining their cash flows, anticipated incomes, and the time frame for payback.

Insurance/Security: This assesses the borrower's pledged security or assurances on the loan that may be confiscated in the event of failure.

The Credit Scoring Model

In Bangladesh's banking and financial sector, the credit score was becoming more and more significant. In order to quantify a person's creditworthiness, a credit score is a numerical indicator determined by a mathematical investigation of his or her credit files. A credit score is primarily based on credit report information typically sourced from credit bureaus (www.wikipedia.org). As a result of statistical analysis, traits that are thought to be related to creditworthiness are selected for inclusion in credit scoring models. In Bangladesh, the Credit Information Bureau (CIB) is crucial to the process of credit assessment. It gathers and keeps track of information on borrowers' credit histories, open loans, and repayment patterns. In addition to considering the risk involved in giving money to the applicant, lenders like banks and credit card firms also use credit ratings when evaluating loan applications. This significantly reduces the potential costs of loan default. Accordingly, lenders utilize credit ratings to decide who is eligible for a loan, the interest rate, and the credit limit (Thomas et al., 2002). Credit scoring is a system used by banks and financial institutions to assess the creditworthiness of borrowers. While it may not have been as well-established as in some other countries, it was gaining prominence. Here's an overview of credit scoring in Bangladesh:

The 5 C's Model

Reducing negative decision-making and administrative expenses resulting from disparities in information in their dealings with lenders requires protections as standards for the loans. Protections as standards are necessary for borrowers to lower the administrative expenses and negative choices that result from disparities in information in client interactions. Oseni, E. (2023) states that the five Cs of loans are one of the time-tested, tried-and-true approaches that offer common standards for the evaluation of credit to prevent or reduce negative choices.

The "5 Cs Model" is a widely used framework in the banking and lending business to assess the creditworthiness of potential borrowers. This approach that financiers use to evaluate probable customers' credibility depends solely on the data that they have revealed to the bank. By examining the stream of cash flows, the borrower's financial well-being, the borrower's financial discipline, and other qualitative characteristics, the concept, when properly implemented, aims to assess the essential repayment ability criteria (Pride et al., 2008).

The 5 Cs stand for important criteria that lenders consider before approving loans. These elements are:

Character: Character is a term that refers to the borrower's personality and financial standing. Lenders look at the borrower's credit score and history of on-time loan repayment to determine whether they are a good risk. The borrower's credit report, payment history, and any prior defaults are frequently examined in Bangladesh as part of the character evaluation process.

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Capacity: Capacity assesses the borrower's capacity to pay back the loan. Lenders take into account the borrower's income, employment security, and debt-to-income ratio.

Capital: The borrower's equity or investment in the transaction is referred to as capital. Equity in financing may refer to a borrower's payment in full or the first investment.

Collateral: A pledged asset or piece of property by the borrower serves as security for the loan. In the case of a default, the lender has the right to seize and sell the security in order to recover the loan balance.

Conditions: Loan terms take into account both internal and external economic considerations. To decide if Bangladesh's general economic conditions are favorable to the borrower's capacity to repay the loan, lenders consider how the loan funds will be used and the overall economic situation in Bangladesh.

Other Models

There are other models that have been equally used in lending besides the above mentioned ones. Along with the ones stated above, additional models have also been used for lending. Some banks use the **"PARTLAMPS"** mnemonic as a framework for evaluating credit worldwide, and Bangladesh might also utilize it. The meanings of each letter are explained as follows:

Purpose: What does the loan serve to achieve? This aids the bank's assessment of whether the loan is consistent with the goals of both the borrower and the bank.

Amount: How much money has been borrowed? The sum must be suitable and justified for the purpose, which the bank must determine.

Repayment: What are the conditions of repayment, and based on the borrower's income, cash flow, and financial obligations, does the borrower have the ability to repay the loan?

Time: How long will it take for the loan to be repaid? Both the bank's liquidity and interest rate risk are impacted by this.

Law: Lending and credit transactions are governed by a variety of laws, rules, and regulations established by the government and regulatory bodies in Bangladesh.

Accounts: Each loan account is given a special account number that acts as a tracking code for the loan.

Management: To maintain ethical and successful lending operations, management of lending within Bangladesh's banking and financial industry uses a variety of procedures, plans, and risk management techniques.

Profitability: Knowing a bank's profitability is crucial, especially in industries important to Bangladesh's economy.

Security: In Bangladesh, equipment, real estate, and land are frequently used as security. Microfinance organizations, however, can potentially embrace different types of security, given the demand for financial inclusion.

Another approach that analyzes the person, amount, payback, security, expediency, and remuneration is called **PARSER.** There are alternative models that "deal largely with the same components and rules, and it is the responsibility of an individual institution to determine which of them will be most beneficial to its particular situation or to devise a lending acronym of its own" (The Hong Kong Institute of Bankers, 2012, p. 5).

REVIEW OF LITERATURE

Commercial banks and other financial institutions' principal method of allocating and redistributing money within an economy is through lending, which is one of their key business functions. The banking industry in Bangladesh offers a special environment for the study of lending principles and practices due to its unusual combination of traditional and microfinance banks. The credit assessment procedures used by Bangladeshi banks were examined by Rahman et al. in (2019). In order to evaluate a client's creditworthiness, they emphasized the 3Cs model, which stands for character, capacity, and collateral. This model emphasizes the value of relationship banking and long-term client relationships. The fundamentals of Grameen Bank's microfinance program are explained by Carlier, F. M. (2021), in his groundbreaking study. He emphasizes the value of cooperative lending, community evaluation, and sequential borrowing as methods that enable high payback percentages despite the lack of conventional security.

According to Owusu-Dankwa, I., and Badu, G. P. (2013), the majority of banks experience insufficient funds or non-performing investments during the lending process, which results in losses that have an impact on the bank's financial performance. Internal and external factors such as deposit volume, profits after tax, bank rate of interest, GDP, inflation rate, and reserve requirement all have a beneficial impact on bank lending in Jordan (Al-Kilani & Kaddumi, 2015).

According to M. K. A. Noh et al. (2019), a significant amount of the funds needed by institutions to give financial services to consumers come from customer deposits, which are crucial to the financial institution's borrowing activities.

According to Al-Kilani and Kaddumi (2015), commercial banks in Jordan ought to draw in more money from their clients. In Kenya (Maloba, 2018) and Nigeria (Matousek & Solomon, 2018), the number of savings has a large and favorable impact on lending behavior and loan distributions. Adzis et al. (2018) and Olusanya, Oyebo, and Ohadebere (2012) have also reported equivalent results. Furthermore, Imran and Nishat (2013) stated that Pakistani commercial banks with a substantial quantity of funds will have greater funds and lending ability.

According to Sarath and Pham (2015), increased expansion deposits could help financial institutions grant more in Vietnam. The nation's revenue is multiplied by the promotion of financial mobilization that occurs as a result of commercial financing from banks, which is essential in sparking industrialization in every nation (Magoma, A. 2022).

The effects of lending in Bangladesh over the long run were evaluated by Khandker (2004) While MFIs (microfinance institutions) have played a significant role in reducing poverty, he discovered that for long-lasting effect, credit broadening of products and the incorporation of financial literacy programs are crucial. Farooque, A. L., O., et al. (2023) examined the growing non-performing loans (NPLs) in Bangladeshi banks. They blamed political meddling, low regulator monitoring, and sloppy credit evaluation for the rise in NPLs. Their results highlight the importance of rigorous debt assessment processes as well as greater oversight of corporations. Y. Cai et al. (2022) looked at the development of online borrowing systems. They point out that although these kinds of systems facilitate greater diversity as well as faster loan approvals, they additionally pose issues with cyber and data security.

The rules governing lending from Bangladeshi commercial banks underline that despite the extensive administrative structure, adherence and on-the-ground execution still pose difficulties. According to the

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report, it's crucial for bank employees to regularly engage in capacity-building initiatives.

According to Bangladesh's socioeconomic lending aspects, customs of culture, specifically those related to female borrowers and community-based faith structures, have a big impact on lending decisions, particularly in the countryside. The banking industry in Bangladesh is impacted by a wide range of variables, from conventional banking norms to cutting-edge microfinance programs and the growing digitization of monetary services.

Despite tremendous progress in the industry, issues with compliance with laws and regulations, non-performing loans, and default management of risks still exist. A key mission for the commercial banks in Bangladesh is lending, which also serves as their main revenue stream.

Some lending principles followed by commercial bank in Bangladesh

Commercial banks in Bangladesh operate in accordance with the rules and guidelines imposed by the Bangladesh Bank, which serves as both the nation's central bank and its principal regulatory body. There are general rules that govern the financial operations of the majority of financial institutions in Bangladesh, even if specific lending policies may vary slightly from one bank to another. The following are some of the fundamental ideas:

Liquidity: Loans that can be swiftly transformed into cash are preferred by commercial banks. It is significant because banks have to keep a specific amount of liquidity to satisfy their regular demand and payment needs.

Safety: Every financial institution's main concern is the security of the money it gives out. For the purpose of ensuring that loans are only issued to individuals who have a strong chance of returning them, banks do a thorough assessment of the borrower's creditworthiness, collateral value, and repayment ability.

Diversity: An investment portfolio for a commercial bank should adhere to the variety concept. It ought to spread its extra cash over a variety of instruments rather than just one kind. It should pick investments in the form of stocks and bonds from various sectors of the economy with locations around the nation. Every bank's investment portfolio should be as diverse as possible to reduce risk.

Stability: Investing in equities as well as assets with very stable index prices should be another key tenet of a financial institution's investment strategy. Any reduction in the worth of its assets is unaffordable to the lender. Thus, the investor should place its money in stocks of reputable businesses wherever there's a little chance of the value decreasing.

Profitability: Institutions are eager to help economic growth, but they also serve as for-profit organizations. It will take into account the loan operation's profitability in terms of interest rates, fees, and other costs.

METHODOLOGY OF THE STUDY

A descriptive form of study was carried out, utilizing the banks' involvement in the banking sector in Bangladesh as the population. To gather the information needed to complete the study's goals, a well-structured questionnaire was used. The target population consist of the commercial banks in Bangladesh namely Bank Asia Limited, City Bank Limited, Dutch-Bangla Bank Limited, Jumuna Bank Limited, Modhumoti Bank Limited, Premier Bank PLC, Prime Bank Limited, Southeast Bank Limited, Uttar Bank PLC, Mutual Trust Bank Limited, Al-Arafah Islami Bank Limited, Islami Bank Bangladesh PLC and First Security Isalmi Bank Limited. Eighty -five (85) officers (Credit department and a few personnel of thirteen

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(13) private commercial banks in the Dhaka metropolitan area) from the chosen banks were specifically sampled to make up the responses. The study goals were achieved as a result of the questions' design after the data analysis. The goals of this study were scored from 1 to 5 to determine if they were of a higher or lower order. The scoring 5-point Likert scale consists of the below points – (1) strongly disagree; (2) disagree; (3) neither agree nor disagree; (4) agree; (5) strongly agree. Higher numbers indicate better lending principles and practices, whereas lower values indicate worse lending principles and practices. To provide information that helped with the entire resolution of the study topic, the components of the data collection tool were graded. With the help of Microsoft Excel data were analyzed using tables and frequency distributions.

RESULTS AND DISCUSSION

Ordinary Features of the Respondents

The sample consisted of fifty (50) male officials (58.82%) and thirty-five (35) female officers (41.18%) of the targeted private commercial bank in Bangladesh.

A total of twenty (20) participants, or 23.53%, were at the highest levels of management. The other twenty-five (25) respondents, or 29.41%, were in middle management, and a large number of the participants, 40 (47.06%), were not employed in the highest administration but still played important roles within the banking setup, such as client service employees.

When asked how long they had been employed by the bank, the respondents stated that 35.15% had been there for 1-3 years, 30.2% for 4-6 years, and 34.65% for 7 years or longer. The information gathered suggests that a significant portion of the participants have been employed by their respective banks for an extended period of time.

To determine which lending model(s) were used by various selected commercial banks in Bangladesh.

Every participant had heard of various lending models and knew that their banks employed them to evaluate requests for loans.

Table:01 Views from participants about known lending models

Models	Frequency	Percent
Campari	0	0.00
Credit Scoring	26	30.59
5 C's	13	15.29
Credit Scoring & 5 C's	32	37.65
Campari & 5 C's	1	1.18
Campari & Credit Scoring	6	7.06
Campari, 5 C's & Credit Scoring	7	8.24
Other (Partlamps, Parser)	0	0.00
Total	85	100.00

From the above table, most of the lending models were specified except for the others, and only Campari knew the respondents from the selected commercial banks in Bangladesh. Table also indicated that they know Credit Scoring, 5 C's, Credit Scoring and 5 C's, Campari and 5 C's, Campari and credit Scoring, and Campari, 5 C's & Credit Scoring are 30.59%, 15.29%, 37.65%, 1.18%, 7.06%, and 8.24%, respectively. As

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a result, the majority of the participants in private commercial banks in Bangladesh were familiar with credit scoring and the 5 C's lending models.

Table:02 The responses of respondents regarding the type of bank lending model used

Banks	Model
Bank Asia Limited	Credit Scoring & 5 C's
City Bank Limited	Credit Scoring & 5 C's
Dutch-Bangla Bank Limited	Credit Scoring
Jumuna Bank Limited	Credit Scoring
Modhumoti Bank Limited	Credit Scoring & 5 C's
Premier Bank PLC	Credit Scoring & 5 C's
Prime Bank Limited	5 C's
Southeast Bank Limited	Campari & Credit Scoring
Uttar Bank PLC	Campari, 5 C's & Credit Scoring
Mutual Trust Bank Limited	Credit Scoring & 5 C's
Al-Arafah Islami Bank Limited	5 C's
Islami Bank Bangladesh PLC	Credit Scoring & 5 C's
First Security Isalmi Bank Limited	Credit Scoring & 5 C's

From the above table, most of the private commercial banks in Bangladesh, such as Bank Asia Limited, City Bank Limited, Modhumoti Bank Limited, Premier Bank PLC, Mutual Trust Bank Limited, Al-Arafah Islami Bank Limited, Islami Bank Bangladesh PLC, and First Security Isalmi Bank Limited, used Credit Scoring and The 5 C's models in assessing applicants who were requested for loans. Dutch-Bangla Bank Limited and Jumuna Bank Limited used only the Credit Scoring model; Prime Bank Limited and Al-Arafah Islami Bank Limited also only used the 5 C's model; and Southeast Bank Limited and Uttar Bank PLC also used the Campari and Credit Scoring models, respectively.

Results indicated that private commercial banks employed a range of lending models, with the Credit Scoring and 5 C's model being the most often utilized model (Table 2).

To investigate how various private commercial banks are enforcing their lending policies and procedures in Bangladesh.

The purpose of this research is to determine if lending policies and procedures were adhered to when loans were granted. The following tables display the findings.

Table:03 loan application is required for a client to get a loan form a bank

Response	Frequency	Percent
Strongly Disagree	0	0.00
Disagree	0	0.00
Neither Agree Nor Disagree	0	0.00
Agree	12	14.12
Strongly Agree	73	85.88
Total	85	100.00

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Table 3 illustrates the level of importance attached to the fact that a loan application by the applicant to the bank should be submitted to begin the application process. Of the people who participated, 85.88% strongly agreed that a loan application is necessary in order to secure a loan from the bank, while 14.12% agreed.

Table:04 Response view on checking real estate document before granting loan from a bank

Response	Frequency	Percent
Strongly Disagree	0	0
Disagree	0	0
Neither Agree Nor Disagree	6	7.06
Agree	19	22.35
Strongly Agree	60	70.59
Total	85	100.00

When it came to the importance of a real estate assessment document in the evaluation of a loan application, the responses from participants were as follows: 22.35% agreed and 70.59% strongly agreed that a real estate evaluation should be completed prior to a loan being granted. However, six participants, or 7.06% of the sample, were unsure about the real estate document's applicability to the loan's evaluation.

Table:05 Respondents view a loan agreement before granting a loan to the customer

Response	Frequency	Percent
Strongly Disagree	0	0
Disagree	0	0
Neither Agree Nor Disagree	3	3.53
Agree	24	28.24
Strongly Agree	58	68.24
Total	85	100.00

The following table presents the opinions of the people who responded regarding the significance of loan agreements. Of them, 68.24% strongly agreed that loan agreements ought to be prepared prior to funding being disbursed, 28.24% agreed that loan agreements should be in place before loans are granted to customers, and 3.53% of respondents were undecided about the matter.

Table:06 A credit analysis of the customer should be conducted before approving and granting the loan application.

Response	Frequency	Percent
Strongly Disagree	0	0
Disagree	0	0
Neither Agree Nor Disagree	3	3.53
Agree	19	22.35
Strongly Agree	63	74.12
Total	85	100.00

According to Table 6, the majority of respondents, 74.12% and 22.35%, respectively, strongly agreed and

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agreed that a comprehensive credit examination of the applicant should be carried out prior to authorizing and sanctioning the request for a loan. However, 11.1% of those surveyed were unsure about the importance of performing a credit investigation.

Table: 07 There should be a loan disbursement order before the approval of loan to customer.

Response	Frequency	Percent
Strongly Disagree	18	21.18
Disagree	9	10.59
Neither Agree Nor Disagree	7	8.24
Agree	19	22.35
Strongly Agree	32	37.65
Total	85	100.00

From the above table, it is shown that before releasing an approved loan to a customer, 32 respondents, or 37.65%, strongly agreed that a loan disbursement order should be received. 9 respondents, or 10.59%, disagreed, and 18 respondents, or 21.18%, strongly disagreed. 7 respondents, or 8.24%, were unsure or neutral about this matter.

There was an additional important finding regarding the information about the function of the credit review panel in checking out and assessing requests for loans, along with other submitted material.

Table:08 Loan applications and submitted documents should be reviewed by both the internal and consultative bodies of the credit committee.

Response	Frequency	Percent
Strongly Disagree	0	0
Disagree	0	0
Neither Agree Nor Disagree	4	4.71
Agree	30	35.29
Strongly Agree	51	60
Total	85	100.00

According to Table 8, 30 participants, or 35.29%, agreed with the method, while a total of 51 participants, or 60%, strongly agreed that the loan application and all supporting evidence need to be assessed by the lending committee’s internal as well as advisory committees. Regarding the role that both internal and advisory authorities ought to take in the evaluation of loan applications, 4 participants, or 4.71% of the sample, expressed neutrality or uncertainty.

Table: 09 Sanction the loan to customer should be taken place after assessing the loan agreement and other documents

Response	Frequency	Percent
Strongly Disagree	0	0
Disagree	2	2.35
Neither Agree Nor Disagree	3	3.53
Agree	30	35.29

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Strongly Agree	50	58.82
Total	85	100.00

According to the data acquired from the survey, most of the participants agreed—or strongly agreed—that the client should get their loans following the evaluation of the loan agreement and other supporting documentation, as noted in Table 8. Three of those surveyed, or 3.53% of the total, said they were unsure, and two participants, or 2.35% of those surveyed, disputed that the loan should be transferred after the loan contract and all other contracts; however, none of those surveyed strongly disagreed with this statement.

While loans were issued, a crucial evaluation was done about the availability of security as a kind of bankruptcy protection. Every respondent acknowledged that prior to loan disbursement, each of the organizations requested security of one kind or another, based on the person who applied. The authorized money was put into the account of the borrower following the evaluation of the necessary documentation. Additionally, every respondent attested to the strict observance of the borrowing policies and guidelines set forth by the individual banks.

According to Cole et al. (2004), the results validated the significance of economic information in the request for financing procedure. Philip (2003) stated that obtaining adequate collateral was crucial for upholding borrowing norms and procedures, as it served as safeguards against the lender’s inability to make repayment. Philip also stated that a decent lender wouldn’t base a loan judgment solely on the worth of the securities owned.

The significance of upholding these guidelines and lending practices to customers:

Inquiries concerning the significance of upholding lending policies and values are asked in the tables below.

Table:10 Does submitting a lending request assist a private commercial bank in offering loans to clients?

Response	Frequency	Percent
Yes	80	94.12
No	5	5.88
Total	85	100.00

A significant portion of participants (94.12%) said that loan applications aided private commercial banks in providing loans to clients. Participants provided several justifications for their yes response, including the fact that the procedure allowed the institution to determine the applicant’s preparedness and intention to pursue a loan. Furthermore, the financing request provided insight into the applicant’s identity and history. A request for financing alone did not provide a reasonable indication of whether or not to approve a loan, according to the dissident responder; further investigation and evaluation were required.

Table: 11 Does the lending arrangement aid a private commercial bank in getting the money back from the lender?

Response	Frequency	Percent
Yes	82	96.47
No	3	3.53
Total	85	100.00

Table 11’s results showed that 96.47% of those surveyed thought that the contract for the loan made it easier

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for the private commercial banks to get back the money they had given out. In order to safeguard their interests and guarantee timely reimbursement of credit, commercial banks need to have a well-written contract for lending.

Table:12 Lending principles and practices to grant loans to customers help the bank increase its profitability.

Response	Frequency	Percent
Strongly Disagree	0	0.00
Disagree	0	0.00
Neither Agree Nor Disagree	0	0.00
Agree	29	34.12
Strongly Agree	56	65.88
Total	85	100.00

From the above table, it was found that 56 of the total surveyed, representing 65.88%, strongly agreed that lending principles and practices to grant loans to customers help commercial banks increase their profitability. The other 29 participants, or 34.12% of the sample, agreed that the bank's profitability was increased by following lending standards and issuing client loans; none of the respondents stated they were not sure, disagreed, or strongly disagreed. Consequently, there were benefits from upholding borrowing policies and procedures.

According to Korwa and Richard (2008), although a small percentage of consumers failed to make loan payments, the probability of default was extremely low, meaning that the risk of borrowing was unaffected.

CONCLUSION AND FUTURE STUDY

Since lending is the foundation of the banking sector, banks have to carefully oversee their financing operations, putting an emphasis on assessing risk, appropriate rating, and compliance with laws and regulations. The banking organization's borrowing activities are crucial, so all measures ought to be taken to make certain that the protocols used in borrowing are properly adhered to. In addition to ensuring that borrowers are experiencing extremely low bankruptcy rates, it would also enable banks to generate enough revenue to maintain the viability of their lending practices. The investigation found that private commercial banks in Bangladesh frequently employed the credit scoring and 5 C's lending approaches. Additionally, while issuing loans, Bangladesh's private commercial banks followed borrowing guidelines and procedures.

Due to the complexities of the economic climate, it is recommended that banks should utilize a variety of lending approaches to analyze requests for loans. To help decrease and limit the risk of bankruptcy, different commercial banks ought to offer consulting assistance to lenders to verify that the loans are spent properly and for their stated reasons.

Future study might explore more thoroughly the possibility of online lending services and the use of machine learning and artificial intelligence in the evaluation of credit risk.

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