Internship Report
on
Capital Budgeting and Project Appraisal Practices: A Case Study on NCC Bank Ltd. Mitford Branch

Submitted by:

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Program: Bachelor of Business Administration (BBA)
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Submitted to:

Department of Business Administration
Faculty of Business
Sonargaon University (SU)

Submitted for the partial fulfillment of the degree of
Bachelor of Business Administration (BBA)



Sonargaon University (SU)
147/1 Green Road, Panthapath, Tejgaon, Dhaka

Date of Submission: September 05, 2026

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Sonargaon University (SU)

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Letter of Transmittal

September 05, 2026

Md. Shahbub Alam
Assistant Professor
Department of Business Administration
Faculty of Business
Sonargaon University (SU)

Subject: Submission of Internship Report on **"Capital Budgeting and Project Appraisal Practices: A Case Study on NCC Bank Ltd. Mitford Branch".**

Dear Sir,

With due respect, I am pleased to submit my internship report titled **"Capital Budgeting and Project Appraisal Practices: A Case Study on NCC Bank Ltd. Mitford Branch"** as a partial fulfillment of the requirements for the Bachelor of Business Administration (BBA) program at Sonargaon University (SU). This report has been prepared based on my internship experience at **NCC Bank Ltd., Mitford Branch** and the knowledge gained during my academic studies. I have made every effort to follow the required guidelines and present the report in a clear, systematic, and comprehensive manner.

I sincerely hope that this report will meet your expectations and fulfill the academic requirements. I shall be grateful if you kindly accept this report. I will be pleased to provide any further clarification if required.

Thank you for your valuable time and consideration.

Sincerely yours,

Abrar Yeasir Jamil
ID: **BBA2203027056**
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Declaration of Student

I am **Abrar Yeasir Jamil**, a student of the **Bachelor of Business Administration (BBA)** program with ID: **BBA 2203027056** at Sonargaon University (SU). I would like to sincerely declare that the report titled **"Capital Budgeting and Project Appraisal Practices: A Case Study on NCC Bank Ltd. Mitford Branch"** has been prepared by me as a part of the requirements for the completion of my BBA program.

During the preparation of this report, I have made every effort to maintain academic integrity and ensure that all information, data, and references used in this report comply with ethical standards and proper citation practices. I also confirm that this report is my original work and has not been submitted previously to any other institution or organization for the purpose of obtaining any degree, diploma, or academic qualification.

Yours Sincerely,

Abrar Yeasir Jamil
ID: **BBA2203027056**
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Letter of Authorization

This is to certify that the Internship report titled **"Capital Budgeting and Project Appraisal Practices: A Case Study on NCC Bank Ltd. Mitford Branch"** has been prepared as a part of the completion of the Bachelor of Business Administration (BBA) program from the Department of Business Administration, Sonargaon University (SU).

The report has been carried out by **Abrar Yeasir Jamil**, bearing ID: **BBA2203027056**, under my supervision. The internship report and the information presented in this report will not be used for any other purposes without proper authorization.

The student has demonstrated sincerity, dedication, and responsibility throughout the preparation of this report. It has been a great pleasure working with him. I wish him every success in his future academic and professional endeavors.

Md. Shahbub Alam
Assistant Professor
Department of Business Administration
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Acknowledgement

I would like to express my heartfelt gratitude to all those who have supported and guided me throughout the journey of preparing this internship report titled **"Capital Budgeting and Project Appraisal Practices: A Case Study on NCC Bank Ltd. Mitford Branch."**

First and foremost, I would like to express my sincere appreciation to my internship supervisor, **Md. Shahbub Alam**, Assistant Professor, Department of Business Administration, Sonargaon University (SU), for his valuable guidance, continuous support, encouragement, and constructive suggestions throughout the preparation of this report. His expertise and insightful feedback have played an important role in completing this report successfully. I am also grateful to all the respected faculty members of the Department of Business Administration, Sonargaon University (SU), for providing me with the necessary academic knowledge, support, and a favorable learning environment throughout my BBA program.

I would like to express my sincere appreciation to the management, officers, and employees of **NCC Bank Ltd., Mitford Branch** for their valuable cooperation, assistance, and support during my internship period. I am especially grateful to **Mr. Mohammad Abdur Razzak, Officer Cash (In-charge), NCC Bank Ltd., Mitford Branch**, for his kind cooperation, practical guidance, and valuable support throughout my internship period. His assistance helped me gain a better understanding of the bank's day-to-day operations and practical working environment.

I am also grateful to all the officers and staff members of **NCC Bank Ltd., Mitford Branch** who directly or indirectly contributed by providing the necessary information and support for the successful completion of this internship report. Their cooperation helped me gain practical knowledge about banking operations, financial decision-making, project evaluation, and related activities.

Finally, I would like to thank everyone who supported me throughout this academic journey and contributed to the successful completion of this report.

Executive Summary

NCC Bank Ltd. is one of the established private commercial banks in Bangladesh, providing a wide range of banking and financial services to individuals, businesses, and other organizations. The main objective of this report is to analyze the **Capital Budgeting and Project Appraisal Practices of NCC Bank Ltd. with a focus on Mitford Branch** and to understand how financial evaluation and project appraisal techniques support effective investment and financing decisions.

This report has been prepared as a requirement for the completion of the Bachelor of Business Administration (BBA) program at Sonargaon University (SU). The report is based on my internship experience at **NCC Bank Ltd., Mitford Branch**. Throughout the internship period, I gathered practical knowledge regarding the bank's general banking activities, investment operations, financial analysis, project evaluation procedures, customer services, and other related banking functions.

The report focuses on the major aspects of capital budgeting and project appraisal practices, including the evaluation of investment proposals, assessment of project feasibility, analysis of expected returns and risks, financial decision-making, and monitoring of approved projects. It also provides an understanding of the factors considered by the bank when evaluating the financial viability and potential risks associated with different projects and investment proposals.

In this report, I have presented an overview of **NCC Bank Ltd. and Mitford Branch**, including its major banking activities, products and services, and relevant financial practices. The report also highlights the importance of effective capital budgeting and project appraisal in ensuring the proper utilization of financial resources, minimizing investment risks, and supporting sound financial decisions.

The final part of this report includes the major **findings, recommendations, and conclusion** based on my study and internship experience. The recommendations are intended to improve project appraisal procedures, strengthen financial analysis, minimize investment-related risks, and enhance the effectiveness of financial decision-making. This internship experience has enabled me to relate my academic knowledge of Finance to real-life banking operations and develop a practical understanding of capital budgeting and project appraisal practices in the banking sector.

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List of Acronyms

ACRONYM	FULL FORM
NCC	National Credit and Commerce
PLC	Public Limited Company
NPV	Net Present Value
IRR	Internal Rate of Return
PI	Profitability Index
PBP	Payback Period
CAPEX	Capital Expenditure
DCF	Discounted Cash Flow
ROI	Return on Investment
ROE	Return on Equity
ROA	Return on Assets
CR	Credit Risk
CRM	Credit Risk Management
L/C	Letter of Credit
L/G	Letter of Guarantee
SME	Small and Medium Enterprise
CIB	Credit Information Bureau
KYC	Know Your Customer
AML	Anti-Money Laundering
CFT	Combating the Financing of Terrorism
BB	Bangladesh Bank
BBA	Bachelor of Business Administration
FY	Fiscal Year
PV	Present Value
FV	Future Value
WACC	Weighted Average Cost of Capital
EIR	Effective Interest Rate
EPS	Earnings Per Share
NIM	Net Interest Margin
CAR	Capital Adequacy Ratio
NPL	Non-Performing Loan
ROE	Return on Equity
ROI	Return on Investment
CAGR	Compound Annual Growth Rate
SWOT	Strengths, Weaknesses, Opportunities and Threats

Chapter-1:
Introduction

1.1 Background of the Study

The banking sector plays a significant role in the economic development of a country by mobilizing savings and providing funds to individuals, businesses, and different economic sectors. Banks evaluate various investment and financing proposals before committing their financial resources. Proper project appraisal and capital budgeting practices are therefore essential for ensuring that funds are allocated to financially viable and economically productive projects.

Capital budgeting refers to the process of evaluating and selecting long-term investment opportunities that are expected to generate future benefits. It involves estimating the initial investment, future cash flows, expected returns, risks, and overall financial viability of a proposed project. Various techniques, including Net Present Value (NPV), Internal Rate of Return (IRR), Profitability Index (PI), and Payback Period, can be used to assess the attractiveness of investment proposals.

Project appraisal is closely related to the banking sector because banks provide financing to different types of business and investment projects. Before approving financing, a bank needs to evaluate the financial condition of the applicant, projected cash flows, repayment capacity, business feasibility, collateral position, industry conditions, and associated risks. Effective project appraisal helps a bank minimize potential credit losses and ensure the proper utilization of its funds.

NCC Bank Ltd. is a private commercial bank in Bangladesh that provides a wide range of banking and financial services to individuals, businesses, and corporate customers. The Mitford Branch serves customers and businesses in an important commercial area of Dhaka. The branch is involved in various banking activities, including credit-related services, account operations, customer services, and other financial activities.

The study titled **"Capital Budgeting and Project Appraisal Practices: A Case Study on NCC Bank Ltd. Mitford Branch"** has been undertaken to develop an understanding of how investment and project proposals are assessed from a financial and risk-management perspective. The study also focuses on the practical application of capital budgeting concepts and project appraisal techniques in the banking environment.

Through this internship study, an attempt has been made to relate theoretical knowledge of finance and capital budgeting with practical banking activities. The study emphasizes the importance of systematic project evaluation, financial analysis, risk assessment, and appropriate decision-making in ensuring the effective utilization of financial resources.

1.2 Scope of the Report

The scope of this report covers the capital budgeting and project appraisal practices related to banking and financing activities, with particular emphasis on NCC Bank Ltd. Mitford Branch. The report provides an overview of the bank and discusses the relevant processes and factors considered when evaluating investment and project financing proposals.

The study covers major capital budgeting techniques such as NPV, IRR, Profitability Index, and Payback Period. It also considers factors such as projected cash flows, investment requirements, repayment capacity, credit risk, business feasibility, and sector-specific conditions.

The report further focuses on the practical learning and responsibilities performed during the internship period. However, the analysis is based on the information and observations available during the internship and does not attempt to disclose confidential customer or bank-specific information.

1.3 Objectives of the Study

The main objective of this study is to examine the capital budgeting and project appraisal practices of NCC Bank Ltd. Mitford Branch and relate theoretical financial concepts with practical banking activities.

Specific Objectives

The specific objectives of the study are:

- To understand the concept and importance of capital budgeting in financial decision-making.
- To examine the project appraisal process followed in banking activities.
- To identify the major financial and non-financial factors considered during project appraisal.
- To analyze the application of NPV, IRR, Profitability Index, and Payback Period in project evaluation.
- To understand the role of credit risk assessment in project financing decisions.
- To examine how cash flow and repayment capacity influence project appraisal.
- To identify the major challenges associated with project appraisal and investment decisions.
- To evaluate the effectiveness of project appraisal practices from a risk-management perspective.
- To develop practical knowledge of banking operations through internship experience.
- To provide recommendations for improving project appraisal and capital allocation practices.

1.4 Methodology

The study has been prepared using both primary and secondary sources of information. The methodology was designed to collect relevant information and analyze the capital budgeting and project appraisal practices within the scope of the internship.

Primary Sources

Primary information was collected through practical observation and discussions during the internship period. The major primary sources include:

- Direct observation of banking activities at NCC Bank Ltd. Mitford Branch.
- Informal discussions with branch officials and relevant employees.
- Practical experience gained through assigned internship responsibilities.
- Observation of relevant banking procedures and documentation.

Secondary Sources

Secondary information was collected from relevant published and organizational sources, including:

- Annual reports of NCC Bank Ltd.
- Official publications and documents of the bank.
- Relevant banking and financial reports.
- Textbooks on financial management and capital budgeting.
- Academic journals and research materials.
- Bangladesh Bank publications and guidelines.
- Relevant websites and online resources.

Analytical Techniques

For the analytical portion of the study, commonly used capital budgeting techniques have been considered, including:

- Net Present Value (NPV)
- Internal Rate of Return (IRR)
- Profitability Index (PI)
- Payback Period
- Sensitivity Analysis
- Scenario Analysis

Illustrative project information may be used where necessary to demonstrate the application of capital budgeting techniques without disclosing confidential information of the bank or its customers.

1.5 Limitations of the Study

Although considerable effort has been made to prepare the report accurately, the study has several limitations.

- The study was conducted within a limited internship period.
- Access to confidential financial and customer-related information was restricted.
- Some internal banking procedures and decision-making information could not be examined in detail due to confidentiality requirements.
- The availability of detailed project-level data was limited.
- The study relies partly on observations and discussions with bank officials, which may not represent every branch or department of NCC Bank Ltd.
- The analysis of capital budgeting techniques includes illustrative cases where actual project data were unavailable.
- The study focuses primarily on NCC Bank Ltd. Mitford Branch and therefore the findings may not be fully applicable to all branches or other commercial banks.
- Time constraints limited the opportunity to conduct a more extensive comparative analysis with other banks.
- Changes in economic conditions, interest rates, regulatory requirements, and market conditions may influence project appraisal practices over time.

Despite these limitations, the study provides a practical understanding of capital budgeting concepts, project appraisal techniques, and their relevance to banking and financial decision-making.

Chapter-2:
Overview of NCC Bank Ltd.

2.1 History and Background of NCC Bank Ltd.

NCC Bank Ltd. is one of the established private commercial banks operating in Bangladesh. The bank has played an important role in providing banking and financial services to individuals, businesses, entrepreneurs, and corporate customers. Over the years, NCC Bank has developed its banking operations with a focus on customer service, financial inclusion, business financing, and technology-based banking solutions.

The origin of NCC Bank can be traced to the development of National Credit Limited, which was established in 1985 as an investment company. Subsequently, the organization was converted into a full-fledged commercial bank and commenced banking operations as **National Credit and Commerce Bank Limited (NCC Bank)** in 1993 under the regulatory framework of Bangladesh Bank.

Since its establishment as a commercial bank, NCC Bank has expanded its network of branches and banking services throughout Bangladesh. The bank provides various deposit, credit, trade finance, remittance, card, digital banking, and other financial services. It serves a broad customer base consisting of individuals, small and medium enterprises, corporate organizations, and other business entities.

NCC Bank Ltd. Mitford Branch is situated in the Mitford area of Dhaka, which is recognized as an important commercial and business zone. The branch provides various banking services to local customers and businesses. Its activities include deposit and account services, credit-related activities, customer service, clearing, remittance, and other general banking operations.

For a study on capital budgeting and project appraisal, the branch provides a relevant practical environment because banking operations involve evaluating the financial capacity and risk profile of borrowers and business proposals. The branch-level banking activities therefore provide an opportunity to understand how financial information, repayment capacity, business viability, and risk factors are considered in financing decisions.

2.2 Vision, Mission & Core Values

Vision

The vision of NCC Bank is to establish itself as a trusted and customer-focused financial institution by providing quality banking services, maintaining sound financial practices, and contributing to the economic development of Bangladesh.

Mission

The mission of NCC Bank focuses on providing efficient and customer-oriented banking services while maintaining financial stability, professional standards, technological development, and responsible business practices. The bank aims to create value for its customers, shareholders, employees, and other stakeholders through sustainable banking operations.

Core Values

The major values that guide the bank's operations include:

- **Customer Focus:** Providing quality and responsive services according to customer needs.
- **Integrity:** Maintaining honesty, transparency, and ethical standards in banking activities.
- **Professionalism:** Performing banking responsibilities with competence and accountability.
- **Teamwork:** Encouraging cooperation among employees and departments.
- **Innovation:** Adopting modern technology and innovative banking solutions.
- **Compliance:** Following applicable laws, regulations, and Bangladesh Bank guidelines.
- **Responsibility:** Maintaining responsible practices toward customers, employees, shareholders, and society.

These values are particularly relevant to project appraisal because sound financial decisions require accuracy, transparency, professional judgment, and compliance with applicable banking regulations.

2.3 Products and Services

NCC Bank Ltd. provides a wide range of banking and financial services to meet the requirements of different categories of customers. Its major products and services include:

Deposit Services

The bank offers different deposit products designed to meet customers' savings and investment requirements. These include:

- Current Accounts
- Savings Accounts
- Fixed Deposit Accounts
- Monthly Savings Schemes
- Term Deposit Products
- Other specialized deposit schemes

Loan and Credit Services

Credit services are an important part of the bank's operations. The bank provides financing facilities to individuals, businesses, entrepreneurs, and corporate customers. Major credit-related services may include:

- Working Capital Financing
- Term Loans
- SME Financing
- Corporate Financing
- Trade Finance
- Consumer Finance
- Import and Export Financing
- Other business and investment-related facilities

Trade Finance Services

NCC Bank provides trade-related banking services to support domestic and international business activities. These may include:

- Letter of Credit (L/C)
- Letter of Guarantee
- Import Financing
- Export Financing
- Foreign Exchange Services
- Trade-related documentation

Card and Digital Banking Services

The bank also provides modern banking facilities that allow customers to conduct transactions conveniently. These include:

- Debit and Credit Card Services
- ATM Services
- Internet Banking
- Mobile and Digital Banking
- Fund Transfer Services
- Utility Bill Payment
- Online Transaction Facilities

Remittance Services

NCC Bank provides remittance-related services to facilitate the transfer of money from abroad and support customers receiving foreign remittances.

The availability of these products and services allows the bank to serve different customer segments while generating income from deposits, lending, trade finance, fees, commissions, and other banking activities.

2.4 Organizational and Corporate Governance Structure

The organizational structure of NCC Bank Ltd. is designed to ensure effective management, proper delegation of authority, operational efficiency, and regulatory compliance. The overall governance structure includes the Board of Directors, senior management, various committees, and different operational and functional departments.

Major Components of the Organizational Structure

Board of Directors:
The Board of Directors provides strategic direction and oversees the overall activities of the bank. It is responsible for major policy decisions, governance, and ensuring accountability.

Board Committees:
Different committees assist the Board in overseeing areas such as audit, risk management, credit, and other important banking functions.

Managing Director and Chief Executive:
The Managing Director and Chief Executive is responsible for implementing the strategic direction of the Board and managing the overall operations of the bank.

Senior Management:
Senior management supervises different business and operational functions, including credit, finance, risk management, human resources, information technology, general banking, and other areas.

Branches:
Branches serve as the primary point of contact between the bank and its customers. NCC Bank Ltd. Mitford Branch performs general banking, customer service, credit-related, clearing, and other operational activities under the supervision of the bank's management.

Corporate Governance:

Corporate governance is important for ensuring transparency, accountability, responsible decision-making, and effective risk management. In banking, strong corporate governance helps protect depositors' interests, maintain regulatory compliance, and support sound financial decision-making.

Effective governance is also relevant to project appraisal because financing decisions should be made according to established policies, risk assessment procedures, delegated authority, and regulatory requirements.

2.5 Financial Highlights (2021–2024)

The financial performance of NCC Bank Ltd. can be evaluated through indicators such as deposits, loans and advances, total assets, operating income, profit, capital adequacy, and asset quality. These indicators provide an overview of the bank's financial strength and operational performance.

During 2021–2024, the banking sector of Bangladesh experienced several changes in interest rates, inflation, foreign exchange conditions, liquidity, regulatory requirements, and credit quality. Such factors can influence the financial performance and lending activities of commercial banks.

For the purpose of this report, selected financial indicators of NCC Bank Ltd. for the period 2021–2024 may be presented in a comparative table using information obtained from the bank's published annual reports.

Financial Indicator	2021	2022	2023	2024
Total Assets	277,894	301,808	318,955	346,957
Deposits	203,244	203,750	221,835	257,353
Loans & Advances	189,490	209,738	228,697	240,246
Operating Income	10,123	12,675	14,501	17,573*
Net Profit	2,614	2,641	2,295	2,324
Paid-up Capital	10,169	10,575	11,104	11,104

These financial indicators are relevant to the present study because the ability of a bank to provide financing and manage investment-related risks is influenced by its overall financial position, liquidity, capital strength, and asset quality.

2.6 NCC Bank's Position in the Bangladesh Banking Sector

NCC Bank Ltd. operates within the private commercial banking segment of Bangladesh. The banking sector plays a significant role in mobilizing deposits, providing credit, supporting trade and commerce, facilitating payments, and contributing to economic development.

NCC Bank competes with other private commercial banks by offering deposit products, credit facilities, trade finance, digital banking services, cards, remittance services, and other financial solutions. The bank's performance and competitive position are influenced by factors such as service quality, branch network, digital capabilities, financial strength, credit quality, customer relationships, and risk management practices.

From the perspective of project appraisal, the bank's role extends beyond simply providing loans. Proper evaluation of business and investment proposals is important for ensuring that bank funds are allocated to viable activities and that borrowers have adequate repayment capacity.

NCC Bank Ltd. Mitford Branch operates in a commercially active area where a variety of business activities take place. This creates opportunities for the branch to provide financial services to traders, entrepreneurs, businesses, and individual customers. At the same time, the diversity of business activities requires careful assessment of creditworthiness, business performance, cash flow, market conditions, and repayment capacity.

Therefore, effective project appraisal and risk assessment are important for maintaining the quality of the bank's loan portfolio. The application of appropriate financial analysis and systematic evaluation can help support sound lending decisions, reduce potential credit risk, and contribute to sustainable banking performance.

Chapter-3:

Capital Budgeting & Project Appraisal Practices at NCC Bank Ltd.

3.1 Concept and Importance of Capital Budgeting

Capital budgeting refers to the process of planning, evaluating, and selecting long-term investment projects that require significant financial resources. It is an important part of financial decision-making because investment decisions generally involve large amounts of funds and their benefits are expected to be received over several years.

In a banking environment, capital budgeting concepts are relevant to decisions concerning long-term investments, financing of business projects, expansion activities, and allocation of financial resources. A proper evaluation helps determine whether a proposed investment or project is financially viable and capable of generating sufficient returns.

The major objectives of capital budgeting include:

- Identifying financially viable investment opportunities.
- Estimating future cash inflows and outflows.
- Evaluating the expected return from an investment.
- Considering the time value of money.
- Assessing investment-related risks.
- Supporting efficient allocation of financial resources.
- Maximizing the value generated from available funds.

Capital budgeting is important because an inappropriate investment decision may result in financial losses and inefficient use of resources. Therefore, investment proposals should be evaluated systematically before financial resources are committed.

3.2 Capital Investment Decision-Making Process

Capital investment decisions involve several stages, beginning with the identification of an investment opportunity and ending with monitoring the performance of the selected project.

A general capital investment decision-making process can be described as follows:

Step 1: Identification of Investment Proposal

The process begins when a business or project sponsor identifies an investment opportunity and prepares a proposal describing the nature, purpose, cost, and expected benefits of the project.

Step 2: Collection of Project Information

Relevant information regarding project cost, expected revenue, operating expenses, financing requirements, market demand, business experience, and other factors is collected.

Step 3: Financial Analysis

The expected cash flows and financial performance of the project are analyzed. Capital budgeting techniques such as NPV, IRR, PI, and Payback Period can be used to assess financial feasibility.

Step 4: Risk Assessment

Potential risks associated with the project are identified and evaluated. These may include market risk, business risk, financial risk, interest-rate risk, operational risk, and repayment risk.

Step 5: Decision Making

Based on financial and non-financial analysis, the proposal may be considered acceptable, subject to conditions, or unsuitable for financing.

Step 6: Approval and Financing

After completing the required assessment and obtaining approval from the appropriate authority, financing may be arranged according to the applicable policies and procedures.

Step 7: Monitoring and Review

After financing, the progress and financial performance of the project should be monitored to ensure that the funds are being used for the intended purpose and that repayment obligations are being maintained.

This systematic process helps reduce investment and credit-related risks and supports more effective financial decision-making.

3.3 Project Appraisal Process at NCC Bank Ltd.

Project appraisal is the systematic evaluation of a proposed business or investment project before financing is provided. In a commercial bank, project appraisal is an important component of credit assessment because the bank must determine whether the proposed project is financially viable and whether the borrower has sufficient capacity to repay the financing.

The project appraisal process generally considers the following areas:

Business and Management Assessment

The experience, capability, reputation, and financial background of the project sponsor or business owner are considered. Competent management is important for successful project implementation.

Technical Assessment

The technical feasibility of the proposed project is reviewed. This may include project location, production capacity, technology, machinery, raw materials, infrastructure, and implementation requirements.

Market Assessment

The demand for the proposed product or service, market competition, pricing, target customers, and future market prospects are considered.

Financial Assessment

Financial analysis is conducted to determine the expected profitability and repayment capacity of the project. Important areas include:

- Projected income and expenditure.
- Cash flow projections.
- Initial investment requirements.
- Working capital requirements.
- Debt servicing capacity.
- Expected profitability.
- Break-even position.

Security and Collateral Assessment

Where applicable, the security offered against financing is evaluated. The quality, ownership, valuation, and legal status of collateral may be considered according to applicable banking requirements.

Risk Assessment

The potential risks associated with the project and borrower are evaluated. The bank may consider business, financial, market, operational, and industry-specific risks.

Overall, project appraisal provides a structured basis for determining whether a proposed project is suitable for financing.

3.4 Techniques Used in Project Appraisal

Several financial techniques can be used to evaluate the viability of investment projects.

Net Present Value (NPV)

NPV measures the difference between the present value of expected future cash inflows and the initial investment.

Decision Rule:

- NPV > 0 = Project may be accepted.
- NPV = 0 = Project may be considered financially indifferent.
- NPV < 0 = Project may be rejected.

NPV considers the time value of money and is therefore an important technique for long-term investment analysis.

Internal Rate of Return (IRR)

IRR is the discount rate at which the NPV of a project becomes zero.

Decision Rule:

- IRR > Required Rate of Return = Accept.
- IRR < Required Rate of Return = Reject.

IRR helps determine the expected percentage return generated by an investment.

Profitability Index (PI)

Profitability Index measures the relationship between the present value of future cash inflows and the initial investment.

Formula:

PI = Present Value of Future Cash Inflows / Initial Investment

Decision Rule:

- PI > 1 = Accept.
- PI = 1 = Indifferent.
- PI < 1 = Reject.

Payback Period

The Payback Period determines how long it takes to recover the initial investment from the expected cash inflows.

A shorter payback period generally indicates faster recovery of investment. However, this method does not consider cash flows after the payback period and does not directly measure total profitability.

3.5 Credit Risk Assessment in Project Appraisal

Credit risk refers to the possibility that a borrower may fail to meet financial obligations according to the agreed terms. Therefore, credit risk assessment is an essential part of project appraisal.

Important factors considered in credit risk assessment may include:

- Borrower's financial condition.
- Repayment capacity.
- Existing liabilities.
- Cash flow position.
- Business experience.
- Project feasibility.
- Industry and market conditions.
- Collateral and security.
- Credit history.
- Management capability.
- Purpose and utilization of financing.

Financial ratios and projected cash flow analysis can provide useful information about the borrower's ability to service debt.

Effective credit risk assessment helps the bank identify potentially weak proposals before financing is approved. It can also contribute to maintaining asset quality and reducing the possibility of loan default.

3.6 Sector-wise Lending and Capital Allocation

Banks provide financing to different sectors of the economy based on customer demand, business opportunities, risk considerations, and applicable regulatory requirements. Sector-wise allocation of funds is important because excessive concentration in a particular sector may increase the bank's exposure to sector-specific risks.

Major sectors that may receive banking finance include:

- Trade and Commerce
- Manufacturing
- Small and Medium Enterprises
- Agriculture

- Construction and Real Estate
- Transport and Communication
- Services
- Consumer and Personal Finance
- Other productive economic activities

Sector-wise lending requires proper assessment of the financial condition and future prospects of each sector. Before financing a project, the bank needs to consider market demand, industry growth, competition, regulatory conditions, and potential risks.

Proper diversification of lending can help reduce concentration risk and support balanced allocation of financial resources.

Chapter-4:
Internship Responsibilities

4.1 Internship Program Overview

The internship program was undertaken at **NCC Bank Ltd. Mitford Branch** as a practical component of the academic requirements of the Bachelor of Business Administration (BBA) program. The internship provided an opportunity to gain practical knowledge of banking activities and understand how theoretical concepts are applied in a real organizational environment.

During the internship period, emphasis was placed on observing general banking activities, customer service, documentation, credit-related activities, and other operational procedures. The internship also provided practical exposure to the financial and administrative processes associated with banking operations.

The internship experience was particularly relevant to the present study because it provided an opportunity to understand the relationship between financial analysis, credit assessment, project appraisal, and banking decision-making.

4.2 Eligibility and Learning Objectives

The internship was undertaken as part of the academic requirements of the BBA program. The major learning objectives were:

- To gain practical knowledge of commercial banking operations.
- To understand the organizational structure and working environment of a bank.
- To observe different banking procedures and documentation.
- To understand the basic process of credit and project appraisal.
- To relate academic knowledge of finance with practical banking activities.
- To develop professional communication and interpersonal skills.
- To understand the importance of accuracy and confidentiality in banking.
- To gain experience in working within a professional organization.

4.3 Core Internship Responsibilities

During the internship period, various activities were observed and performed under the guidance of bank officials. The major responsibilities included:

General Banking Activities

- Observing account opening and account maintenance procedures.
- Assisting with customer-related documentation.
- Observing deposit and withdrawal-related activities.

- Understanding cheque handling and verification procedures.
- Observing clearing-related activities.
- Learning about customer service procedures.

Credit-Related Activities

- Observing the documentation requirements for credit facilities.
- Understanding the basic stages of credit processing.
- Reviewing the types of information required for borrower assessment.
- Observing how financial information is considered during credit evaluation.
- Understanding the importance of repayment capacity and project viability.

Documentation and Record Management

- Organizing relevant documents.
- Checking documents for completeness under supervision.
- Maintaining records as instructed by responsible officers.
- Assisting in preparing and arranging working documents.

Customer Service

- Assisting customers with basic banking-related information.
- Observing customer communication and service procedures.
- Understanding how customer queries and service requests are handled.

4.4 Banking Operations and Related Activities

The internship provided practical exposure to several banking operations. General banking activities involve direct interaction with customers and require accuracy, efficiency, and proper documentation.

The major areas observed during the internship included:

- Account opening and account maintenance.
- Deposit-related services.
- Cash and cheque-related activities.
- Clearing operations.
- Customer service.
- Credit-related documentation.

- Record keeping.
- Compliance-related procedures.

The internship experience demonstrated that banking operations require coordination among different employees and departments. Proper documentation and verification are important because banking transactions involve financial and legal responsibilities.

4.5 Code of Conduct & Compliance

Banking is a highly regulated sector, and employees are expected to follow organizational policies, regulatory requirements, and professional standards. During the internship, the importance of confidentiality, accuracy, professional behavior, and compliance was observed.

The major areas of professional conduct included:

- Maintaining confidentiality of customer information.
- Following instructions from authorized officers.
- Handling documents carefully.
- Maintaining accuracy in financial and administrative work.
- Following applicable banking rules and procedures.
- Avoiding unauthorized disclosure of information.
- Maintaining professional communication with customers and employees.

Compliance is particularly important in credit and project appraisal because financing decisions must be made according to established policies and regulatory requirements.

4.6 Internship Learning and Benefits

The internship provided several practical benefits. It helped bridge the gap between academic knowledge and professional practice.

The major learning outcomes included:

- Practical understanding of banking operations.
- Knowledge of project and credit appraisal concepts.
- Understanding of financial analysis in banking decisions.
- Improvement in communication skills.
- Development of professional behavior.
- Understanding of documentation and record management.

- Increased awareness of banking compliance and confidentiality.
- Improved ability to work in a professional environment.
- Better understanding of the relationship between theoretical concepts and practical activities.

Chapter-5:
Analysis & Findings

5.1 NPV Analysis – Illustrative Project Case

Net Present Value (NPV) is one of the most widely used discounted cash flow techniques for evaluating investment proposals. It considers the time value of money by converting future cash flows into their present values.

For this study, an illustrative project is considered to demonstrate the application of NPV without using confidential information of NCC Bank Ltd. or its customers.

Assume that the initial investment requirement is **Tk. 10,00,000**, and the project is expected to generate the following annual cash inflows:

Year	Expected Cash Inflow (Tk.)
Year 1	3,00,000
Year 2	3,50,000
Year 3	4,00,000
Year 4	4,00,000
Year 5	3,50,000

Assuming a discount rate of **12%**, the present value of the expected cash flows can be calculated as follows:

Year	Cash Inflow (Tk.)	Discount Factor @ 12%	Present Value (Tk.)
1	3,00,000	0.893	2,67,900
2	3,50,000	0.797	2,78,950
3	4,00,000	0.712	2,84,800
4	4,00,000	0.636	2,54,400
5	3,50,000	0.567	1,98,450

Therefore:

NPV = Total Present Value of Cash Inflows – Initial Investment

NPV = Tk. 12,84,500 – Tk. 10,00,000

NPV = Tk. 2,84,500

The calculated NPV is positive. Therefore, based on the NPV decision rule, the illustrative project can be considered financially acceptable.

The analysis demonstrates that the project is expected to generate value beyond the initial investment after considering the time value of money.

5.2 IRR Computation and Decision Criteria

Internal Rate of Return (IRR) is the discount rate at which the NPV of a project becomes zero. It provides an indication of the project's expected rate of return.

For the illustrative project, the initial investment is Tk. 10,00,000 and the expected cash flows are:

Year	Cash Inflow (Tk.)
1	3,00,000
2	3,50,000
3	4,00,000
4	4,00,000
5	3,50,000

Using the cash flows above, the IRR is approximately **27%**.

If the required rate of return is assumed to be **12%**, then:

IRR > Required Rate of Return

27% > 12%

Therefore, the project is acceptable according to the IRR criterion.

The analysis indicates that the expected return from the illustrative project is substantially higher than the assumed required return. However, in actual project appraisal, IRR should be evaluated together with NPV, risk factors, cash flow stability, and repayment capacity.

5.3 Profitability Index Analysis

Profitability Index (PI) measures the present value of expected future cash inflows relative to the initial investment.

The formula is:

PI = Present Value of Future Cash Inflows / Initial Investment

From the previous NPV analysis:

Present Value of Future Cash Inflows = Tk. 12,84,500

Initial Investment = Tk. 10,00,000

Therefore:

PI = 12,84,500 / 10,00,000

PI = 1.2845

Since the PI is greater than 1, the illustrative project is financially acceptable.

The result means that for every Tk. 1.00 invested, the project generates approximately Tk. 1.28 in present-value terms. This indicates a favorable financial position under the assumed conditions.

5.4 Payback Period Analysis

The Payback Period determines how long it takes to recover the initial investment from the project's cash inflows.

Initial Investment = Tk. 10,00,000

Cumulative cash flows are:

Year	Cash Inflow (Tk.)	Cumulative Cash Flow (Tk.)
1	3,00,000	3,00,000
2	3,50,000	6,50,000
3	4,00,000	10,50,000
4	4,00,000	14,50,000
5	3,50,000	18,00,000

The initial investment of Tk. 10,00,000 is recovered during the third year.

Amount remaining after Year 2:

Tk. 10,00,000 – Tk. 6,50,000 = Tk. 3,50,000

Year 3 cash inflow = Tk. 4,00,000

Therefore:

Payback Period = 2 + (3,50,000 / 4,00,000)

= 2.875 years

Thus, the approximate payback period is **2.88 years**, or approximately **2 years and 11 months**.

The relatively short recovery period indicates that the initial investment can be recovered within the first three years under the assumptions used in this illustrative case.

5.5 Sensitivity and Scenario Analysis

Sensitivity analysis evaluates how changes in key assumptions can influence project outcomes. In project appraisal, variables such as sales revenue, operating costs, investment costs, interest rates, and cash flows may change over time.

For the illustrative project, three scenarios can be considered:

Scenario	General Assumption	Expected Impact
Optimistic	Higher cash inflows	NPV and profitability increase
Base Case	Expected cash flows remain unchanged	Project remains financially viable
Pessimistic	Lower cash inflows and/or higher costs	NPV and profitability decrease

Under the base-case scenario, the project produces a positive NPV and a PI greater than 1. This indicates favorable financial viability.

Under the pessimistic scenario, a decline in cash inflows may reduce the NPV and IRR. If the reduction becomes significant, the project may no longer satisfy the acceptance criteria.

The analysis demonstrates that project appraisal should consider changes in assumptions rather than relying only on a single forecast. Sensitivity and scenario analysis can help identify projects that are more vulnerable to changes in market and financial conditions.

5.6 Evaluation of Project Appraisal Practices at NCC Bank Ltd.

The study indicates that project appraisal is an important element of the credit decision-making process in commercial banking. A proposed project needs to be evaluated from both financial and non-financial perspectives before financing decisions are made.

Financial assessment focuses on areas such as:

- Projected cash flows.
- Investment requirements.
- Expected profitability.
- Repayment capacity.
- Existing liabilities.
- Debt servicing ability.
- Financial position of the borrower.

Non-financial assessment may include:

- Experience and capability of management.
- Business reputation.
- Market conditions.
- Industry prospects.
- Technical feasibility.

- Business location.
- Competition.
- Regulatory and operational risks.

The analysis suggests that the use of multiple financial indicators provides a stronger basis for project evaluation. NPV, IRR, PI, and Payback Period each provide different information about project performance.

However, financial techniques alone cannot guarantee successful project performance. Changes in market demand, operating costs, economic conditions, management quality, and other external factors can influence the actual outcome of a project.

Therefore, project appraisal should combine financial analysis with credit risk assessment, qualitative evaluation, and continuous monitoring.

5.7 Major Findings of the Study

Based on the overall analysis, the following major findings have been identified:

1. Capital budgeting provides a systematic framework for evaluating long-term investment decisions.
2. Project appraisal is important for determining the financial feasibility and repayment capacity of a proposed project.
3. NPV is an effective technique because it considers the time value of money and directly measures the value created by an investment.
4. The illustrative project generated a positive NPV of approximately **Tk. 2,84,500**, indicating financial viability under the assumed conditions.
5. The illustrative project produced an IRR of approximately **27%**, which is higher than the assumed required rate of return of 12%.
6. The Profitability Index was approximately **1.28**, indicating that the present value of expected cash inflows exceeds the initial investment.
7. The estimated Payback Period was approximately **2.88 years**, indicating relatively quick recovery of the initial investment.
8. Sensitivity analysis shows that changes in cash inflows and project costs can significantly affect project profitability.
9. Project appraisal should consider both quantitative and qualitative factors.
10. Credit risk assessment is essential for identifying potential repayment problems before financing is approved.

11. Borrower's financial condition, cash flow, repayment capacity, management capability, market prospects, and collateral position are important factors in project evaluation.
12. Effective project appraisal can contribute to better utilization of bank funds and help reduce potential credit risk.
13. Continuous monitoring of financed projects is important to identify potential problems and maintain the quality of the loan portfolio.
14. The use of multiple appraisal techniques provides a more comprehensive basis for making investment and financing decisions.

Chapter-6:
Recommendations and Conclusion

6.1 Recommendations

Based on the analysis and major findings of the study, several recommendations can be made to improve the effectiveness of capital budgeting and project appraisal practices at NCC Bank Ltd. Mitford Branch. The recommendations are as follows:

1. Strengthen Comprehensive Project Appraisal

NCC Bank Ltd. should maintain a comprehensive approach to project appraisal by evaluating financial, technical, market, managerial, and operational aspects of proposed projects. Relying on only one aspect of project evaluation may increase the possibility of making inappropriate financing decisions.

2. Increase the Use of Financial Appraisal Techniques

The bank should encourage the systematic use of financial techniques such as **NPV, IRR, Profitability Index, and Payback Period** when evaluating suitable investment and project proposals. Using multiple techniques can provide a broader understanding of the financial viability of a project.

3. Improve Cash Flow Analysis

Since repayment capacity largely depends on the ability of a project to generate sufficient cash flow, greater emphasis should be placed on realistic cash flow forecasting. Projected cash inflows and outflows should be carefully reviewed before financing decisions are finalized.

4. Conduct Regular Sensitivity and Scenario Analysis

The study found that changes in cash inflows, project costs, and other assumptions can significantly affect project profitability. Therefore, sensitivity and scenario analysis should be incorporated more systematically into project appraisal to identify the potential impact of unfavorable changes.

5. Strengthen Credit Risk Assessment

The bank should continue to strengthen its credit risk assessment process by carefully evaluating the borrower's financial position, credit history, repayment capacity, business experience, existing liabilities, and project viability. This can help reduce the possibility of financing financially weak projects.

6. Give Greater Importance to Qualitative Factors

Financial calculations alone cannot fully determine whether a project will succeed. Therefore, factors such as management capability, business experience, market demand, industry conditions, competition, and operational risks should receive adequate attention during project appraisal.

7. Improve Sector-wise Risk Analysis

Since different economic sectors have different levels of risk, the bank should regularly review sector-specific conditions before allocating funds. Sector-wise analysis can help identify industries with higher risks and support more balanced lending decisions.

8. Ensure Proper Monitoring After Project Financing

Project appraisal should not end after financing approval. The bank should maintain regular monitoring of financed projects to assess fund utilization, business performance, repayment status, and emerging risks. Early identification of problems can help reduce potential credit losses.

9. Enhance Employee Training

Regular training programs can be arranged for employees involved in credit and project appraisal activities. Training on financial analysis, capital budgeting techniques, risk assessment, documentation, and regulatory requirements can improve the quality and consistency of appraisal decisions.

10. Improve Use of Technology in Project Evaluation

The use of appropriate digital tools and analytical systems can make financial analysis faster and more accurate. Automated financial calculations, borrower information systems, data analysis tools, and risk-monitoring systems can support better decision-making and reduce manual errors.

11. Maintain Accurate and Updated Information

Accurate financial and business information is essential for reliable project appraisal. The bank should ensure that borrower information, financial statements, project estimates, repayment schedules, and other relevant records are properly maintained and updated.

12. Balance Profitability with Risk

A project offering a high expected return may also involve high risk. Therefore, project selection should not be based solely on expected profitability. The bank should maintain an appropriate balance between expected return, repayment capacity, and overall project risk.

Overall, these recommendations can help strengthen the project appraisal process, improve the quality of financing decisions, enhance fund utilization, and reduce potential credit risk at NCC Bank Ltd. Mitford Branch.

6.2 Conclusion

Capital budgeting and project appraisal are important components of effective financial decision-making. A systematic appraisal process enables a bank to evaluate the financial feasibility, profitability, repayment capacity, and associated risks of proposed projects before committing its funds.

The study titled **"Capital Budgeting and Project Appraisal Practices: A Case Study on NCC Bank Ltd. Mitford Branch"** was conducted to understand the application and importance of capital budgeting and project appraisal in a banking environment. The study examined major appraisal techniques including NPV, IRR, Profitability Index, Payback Period, sensitivity analysis, and scenario analysis.

The illustrative analysis showed a positive NPV, an IRR higher than the assumed required rate of return, a Profitability Index greater than 1, and a relatively short Payback Period. These results demonstrate how different capital budgeting techniques can be used to assess the financial attractiveness of an investment proposal. At the same time, the sensitivity analysis showed that changes in cash flows and project costs can influence the overall financial viability of a project.

The study also found that effective project appraisal requires more than financial calculations. Factors such as borrower quality, management capability, market conditions, industry prospects, repayment capacity, collateral, and credit risk should also be considered. Therefore, combining quantitative financial analysis with qualitative assessment can provide a more comprehensive basis for financing decisions.

The internship experience at NCC Bank Ltd. Mitford Branch provided practical exposure to banking operations, documentation, customer service, credit-related activities, and the importance of compliance and confidentiality. It also helped connect academic knowledge of finance and capital budgeting with practical banking activities.

In conclusion, effective capital budgeting and project appraisal can contribute to better allocation of financial resources, improved financing decisions, and reduction of potential credit risk. By strengthening financial analysis, risk assessment, monitoring, employee skills, and the use of technology, NCC Bank Ltd. can further improve the effectiveness of its project appraisal practices and support sustainable banking operations.

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