

A B S T R A C T

The procedures of extending loans in ABC Bank consist of two main process, namely: the micro data of the clients and the macro economic data. In the micro data, the processes of the general data of the clients are made (i.e. the data of the statutory bodies of the company, the financial position, and information of references from other banks). Whereas in the macro segment, the processes include the business prospect of the clients, the trade situation and the competitors and government regulations.

In this thesis, XYZ Company is illustrated by investigating the performance of its first to third year's financial analysis. Based on the research, it is analyzed whether the company's loans request will be approved by the ABC Bank. This is due to the liquidity, leverage, activity, and profitability ratios performances of the XYZ Company which indicate that the company is in good condition and it has a bright prospect of business.

After considering the financial performance and evaluating the company, ABC Bank approves the loan of maximum amount to the total collateral. After the approval of the loan, ABC Bank supervises and control the uses of the loan's fund in order to secure the repayments or prevent this company from the credit failure or loan problems.

Based on the result of the survey, the researcher concludes that the ABC Bank is executing the five "C"s Principle (Character, capacity, collateral, and condition of economy), control of credit extension and the ratio analysis of a company, but it is still insufficient as it never considers the Z-factor and work motivation.

Then, the researcher recommends ABC Bank to create some attempts in order to reduce the tendency of bad debt risks by recommending the utilization of Z-factor to the top management and hire a consultant, train the credit department people in analyzing and implementing the Z-factor. Besides, the Bank should improve its procedures in credit extension. Furthermore, a better procedures should be applied to increase the control of credit extension in order to reduce bad debt risks such as preventing from the injection of new funds, rescheduling the time period, and restructuring the interest rate. Also, ABC Bank implementing the monetary rewards to motivate the employees.