

INTERNSHIP REPORT

ON

“Credit Management Policy of Janata Bank Ltd.”

Submitted By

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MBA

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Major in Finance

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BRAC UNIVERSITY

LETTER OF TRANSMITTAL

August 31, 2014

To

The Supervisor,

BRAC University.

Mohakhali, Dhaka

Sub: *Submission of Internship Report.*

Dear Sir,

With an enormous eagerness I am going to submit my Internship Report on “**Credit Management Policy of Janata Bank Ltd.**” I have tried my best to furnish the report with relevant data, which I have collected during my working period. My heartiest effort rendered to make the Report more informative and distract on adding the contemporary issues. I will be glad if this work contributes to its targeted purpose to any extent.

This report is connected with my academic study with practical organizational state of affairs. At some point in my working period, I have come to know actually a manufacturing company make their financial report.

I request your kind apology for the unintended errors that may take place in the report in spite of my paramount efforts. I have tried enthusiastically to make the report more informative. I look onward to that you would be kind enough to allow my Report and oblige thereby.

Yours Sincerely,

Morshed Nayaz Mazumder

ID: 12164023

BRAC University

Preface

As a part of the course curriculum, each student of the Masters of Business Administration of BRAC University has to accomplish a project work, which is to preparing a Internship report. In order to face the challenges of the new millennium, there is no better sector for us than to learn about the Banking system and its Activities. The report has been prepared on the basis of Loan and advancement activities and the analysis of performance of the bank in a specific financial year. I have prepared this Internship report on “Credit Management Policy of Janata Bank Ltd” which is one of the better position within the bank .I tried my level best to learn something during 3months internship period and prepared this report. The case study will play a great role to teach us about the Bank and its rules, activities and practices in different field and different sectors of the country.

Acknowledgement

I take this opportunity to express my deep sense of gratitude, thanks and appreciation to the following:

1. Mr. Riyashad Ahmed, Assistant Professor, BRAC Business School, BRAC University, for his help, encouragement, Guidance and valuable suggestions throughout the period of this study, without which it would not have been possible to submit this report on time.
2. Ms. Anjuman Ara Tasnim, Assistant General Manager of Janata Bank Ltd. (Gulshan Corporate Branch) for giving his valuable time to me.
3. All the officers and staffs of the Gulshan Branch for their co-operation and assistance.
4. BRAC University, to give me the opportunity to know the real business world
5. My friends who were beside me wherever they were needed

EXECUTIVE SUMMARY

The Janata Bank Limited Is One of the Leading Public Banks Operating In Bangladesh. I have been Assigned to Work On This Bank and Accordingly Prepared My Internship Report. All Sorts of Necessary Efforts have been Made To Make the Report as Authentic as Possible. All The Aspects Of Credit And Risk Management of JBL Like; Rules, Regulations Activities, Approval Processes of Loan, Credit Operation Dept And Also Credit Collection Dept, Various Product Diversity And Their Facilities And Recovery Process Of Different Types of Loan Etc. have Been Attached To This Report. Finally Some Recommendations Are Started For Mending The Problem, So If The Authority Concerned to My Recommendations, They Might Get A Positive Result. Lastly I Am Really Grateful to Almighty Allah for Letting Me Prepare Such As Report.

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INTRODUCTION

The internship program of MBA is a partial requirement to take test of real life challenge conducted by the intern. It is the important part of MBA program. This program is three month duration. During this period I have worked closely with the employee of Gulshan Branch. This report presents the outcomes of the study during the internship- Janata Bank Limited. I was assigned to topic “Credit Management Policy of Janata Bank Limited”.

Internship Report prepared as a requirement for the completion of the MBA program of the BRAC University, Bangladesh. The primary goal of internship is to provide an on the job exposure to the student and an opportunity for translation of theoretical conceptions in real life situation. Students are placed in enterprises, organizations, financial institutions, research institutions as well as development projects. The program covers a period of 8-12 weeks of organizational attachment.

After the completion of two-year academic MBA program I, Morshed Nayaz Mazumder, student of BRAC University, Bangladesh was placed in Janata Bank Bangladesh Limited for the Internship Program. As a requirement for the completion of the program I need to submit a report, which includes “Credit Management Policy of Janata Bank Limited”.

BACKGROUND OF THE STUDY

After completion of 120 credit hours of MBA program demands a report on practical experience. Internship program is a must criterion for Masters of Business Administration (MBA) students, designed to put them in a challenging environment of the relevant field, where the students get sample opportunity to apply their theoretical knowledge into practical applications. During the internship training, students have the opportunity to adopt themselves into the particular environment of the organization. It provides a unique opportunity to see the reality of business during student life, which enables them to building confidence and working knowledge in advance of the start of their career. To fulfill this requirement every university of business arrange a program of internship. Here we get a chance to apply our theoretical knowledge that we acquired from class lectures, books, journals, case studies, seminar, project, workshop, etc and compare them with practical setting.

As part of the internship program of Masters of Business Administration course requirement, I was assigned for doing my internship in Janata bank Ltd for the period of three months. During my internship period in the Janata Bank Ltd. I've worked under Credit, Remittance, Deposit, and loan and advance department. I worked under the supervision of principal & executive officer and assistant officer, for their assistance and guidance in completing this report.



RATIONAL OF THE REPORT

Bank is a financial institution, which accepts money from its customers as deposit and gives money as loan to the borrowers. A bank is financial intermediary a dealer in loans and debts. ; After completing my Bachelor of Business Administration (MBA) as a student of “Stamford University”, I wanted to complete my Internship program from a reputed Bank which would be helpful for my future professional career. I got the opportunity to perform my internship in the Janata Bank Limited. I was sent to Gulshan Branch. It was three months practical orientation program. This report is originated as the requirement of Janata Bank Limited

This is the last part of MBA program. It is essential to fulfill all, the requirements the program demand. Only after preparing & submitting the report this program becomes completed. Internship is highly needed to gain practical idea, knowledge and experience. I have selected Credit (Loan and advancement and its policies and procedures) department of Janata Bank Limited because here all loan types can be known. Beside all types, how the loans are given, what is the requirement of giving loan, how the loans can take back from the customers and many more things.

I had to prepare a report under the supervision of **Mr. Riyashad Ahmed**, Assistant Professor, BRAC Business School, BRAC University Bangladesh. On the other hand, in charge of Loan and advancement department of Janata Bank Limited (Gulshan Branch), supervised me in the organization. As an intern, I got the opportunity to perform my internship in the JBL. I was sent to Gulshan Branch. It was three months practical orientation program. This report is originated as the requirement of JBL.

OBJECTIVES OF THE REPORT

The objectives of the report are to determine how credit policy applied in sanctioning and recovering loans and advances. Credit policy varies in terms of loan sector, status of the organization, government policy, fiscal budget and guidelines etc.

Specific objectives:

- ❖ To present an overview of Janata Bank Limited.
- ❖ To measure the effectiveness of the bank in the utilization of available resources.
- ❖ To assess the credit structure of the Janata Bank. Limited in practice.
- ❖ To identify the recovery performance of Janata Bank. Limited.
- ❖ To point out the problems in fund utilization and recovery thereon.
- ❖ To make a critical reasoning in respect to the treatment of provision for bad and doubtful credit.
- ❖ To assess and highlight on the legal actions followed by the Janata Bank. Limited.
- ❖ To find out the extent of similarities and dissimilarities in the course of action followed by Janata Bank. Limited.
- ❖ To compare the credit supervision of Janata Bank. Limited.
- ❖ To find out problems and suggesting recommendations for further improvement.



SCOPE OF THE STUDY

Janata Bank Limited is the second largest commercial Bank in Bangladesh. Janata Bank Limited operates through 898 branches including 4 overseas branches. It is linked with 1239 foreign correspondents all over the world. I am assigned to learn practical knowledge from Janata Bank Limited, at Gulshan Branch. In this study I would try to concentrate on the theoretical aspect of credit management, that is, the definition of credit management, policy of credit management, tools for managing credit etc. I would analyze the data on the bank and various programs for loan recovery, problems in loan in loan recovery, pattern of loan recovery and the performance of the bank under study in loan recovery, the information in respect to the classification of unsound credit and provision thereon and also concentrates on the performance of the bank. And finally I would conclude with the critical evaluation of the credit management under the guidelines of the Bank Companies Act 1991, IAS#30 and a discussion on the major findings and recommendations.

METHODOLOGY OF THE STUDY

The study is performed based on the information extracted from different sources collected by using a specific methodology. To fulfill the objectives of this report total methodology has divided into two major parts:

Data Collection Procedure:

In order to make the report more meaningful and presentable, two sources of data and information have been used widely.

The “Primary Sources” are as follows:-

- ✓ I have discussed with officials about the credit management of JBL.
- ✓ Relevant file study as provided by the officers concerned.
- ✓ Sharing practical knowledge of officials.
- ✓ In-depth study of selected cases.

The “secondary Sources” are as follows:-

- ✓ Annual report of Janata Bank Limited
- ✓ Web sites
- ✓ Office files and documents
- ✓ Periodicals Published by Bangladesh Bank
- ✓ Study related books and journals



Data Processing & Analysis:

Collected information have then processed & compiled with the aid of MS Word, Excel & other related computer software. Necessary tables have been prepared on the basis of collected data and various statistical techniques have been applied to analyses on the basis of classified information. Detail explanation and analysis have also been incorporated in the report.

LIMITATION OF THE STUDY

To prepare a report on the topic like this in a short duration is not easy task. From the beginning to end, the study has been conducted with the intention of making it as a complete and truthful one. In preparing this report some problems and limitations have encountered which are as follows:

- ❖ As the data, in most cases, are not in organized way, the bank failed to provide all information.
- ❖ Lack of opportunity to access to internal data.
- ❖ Much confidential information was not disclosed by respective personnel of the department.
- ❖ Due to time limitation, many of the aspects could not be discussed in the present report.
- ❖ Since the bank personnel were very busy, they could not pay enough time.
- ❖ I had to base on secondary data for preparing this report.
- ❖ Legal action related information was not available.



HISTORICAL BACKGROUND OF THE BANKING BUSINESS IN BANGLADESH

The territories which now constitute Bangladesh were integral part of Mughal Empire and thereafter British-India and then Pakistan. Hence we have the common historical background of banking and banking institutions as that of Pakistan and India. For the beginning of banking in the territory now comprised Bangladesh, we must go back to the Calcutta Agency Houses. These trading firms started their banking operations for the welfare of their constituents. The important among those Houses were Messers. Alexander & CO. Messers. Fargusson & Co. both the firms started the business of banking with other business, and both were the predecessors of the early joint stock Banks in the then India. The Bank of Hindustan was the earliest bank started under the direction of the British rule in British-India.

After the partition of British-India into Pakistan and India, the territories now form Bangladesh became integral part of Pakistan and was called East Pakistan. Immediately after partition, as aforesaid, in 1947, an Expert Committee was appointed to study the issue of banking in the then Pakistan. On the recommendation of the Expert Committee the Reserve Bank of India continued its function in Pakistan up to 30th September, 1948 and there after the State Bank of Pakistan, having been established on the 1st July, 1948 started functioning and assumed full control of banking and currency.

Beginning of Banking in Bangladesh

After independence the Government of Peoples Republic of Bangladesh was formally to cover the charge of the administration of the territory now constitute Bangladesh. In an attempt to rehabilitate the war-devastated banking of Bangladesh, the government promulgated a law called Bangladesh Bank (temporary) order, 1971 (Acting President's Order No.2 of 1971). By this order, the State Bank of Pakistan was declared to be deemed as offices, branches and assets of Bangladesh Bank. On that date there existed 14 scheduled banks with about 3042 branches all over the country.

On the 16th December, 1971, there existed the following 12 banks in Bangladesh, namely:-

1. National Bank of Pakistan
2. Bank of Bahawalpur Ltd
3. Premier Bank Ltd.
4. Habib Bank Ltd.
5. Commerce Bank Ltd.
6. United Bank Ltd.
7. Union Bank Ltd.
8. Muslim Commercial Bank Ltd.



9. Standard Bank Ltd.
10. Australasia Bank Ltd.
11. Eastern Mercantile Bank Ltd.
12. Eastern Banking Corporation Ltd.

Nationalization of Banks in Bangladesh:

Immediately after the Government of Bangladesh consolidated its authority, it decided to adopt socialist pattern of society as its goal. Hence in order to implement the above mentioned state policy; the Government of Bangladesh decides to nationalize all the banks of the country accordingly on the 26th March, 1972, Bangladesh Banks (Nationalization) Order, 1972(President order No. 26 of 1972) was promulgated.

The undertakings of existing banks specified in the 1st column of the table below stands transferred to and vested in, the new banks mentioned in the 2nd column of the said table:

Nationalization of Banks

Existing Bank	New Bank
1. National Bank. 2. Bank of Bahawalpur Ltd 3. Premier Bank Ltd.	Sonali Bank.
4. Habib Bank Ltd. 5. Commerce Bank Ltd.	Agrani Bank .
6. United Bank Ltd. 7. Union Bank Ltd.	Janata Bank.
8. Muslim Commercial Bank Ltd. 9. Standard Bank Ltd. 10. Australasia Bank Ltd.	Rupali Bank.
11. Eastern Mercantile Bank Ltd.	Pubali Bank.
12. Eastern Banking Corporation Ltd.	Uttara Bank.

Privatization of Banks in Bangladesh



Until the early 1980's the Government owned, controlled, and directed Bangladesh's financial systems with the objective of allocating funds to priority sectors. In 1983 the Government began to reform the financial sector interest rates on deposits were raised to provide a positive real return in deposits. Private Banks were allowed to enter, two NCBs were denationalized and another nationalized bank was converted into a limited liability company and partially privatized.

After the amendment in the nationalizing law, the Pubali Bank, the Uttara Bank and the Rupali Bank have been transferred to the private sector. These banks have now been re designated respectively as Pubali bank Ltd, Uttara Bank Ltd and the Rupali Bank Ltd. Further in order to accommodated private sector share in Bangladesh Shilpa Bank, suitable amendments have been made in the Bangladesh Shilpa Bank Order 1972 (presidents Order No. 129 of 1972).

There are almost thirty two commercial banks operate in Bangladesh now. Name of them are given below,



List of commercial banks (Local) in Bangladesh

- | | |
|--|--|
| <ol style="list-style-type: none">1. BRAC Bank Limited2. Dutch Bangla Bank Limited3. Eastern Bank Limited4. United Commercial Bank Limited5. Mutual Trust Bank Limited6. Dhaka Bank Limited7. Islami Bank Bangladesh Ltd8. Uttara Bank Limited9. Pubali Bank Limited10. IFIC Bank Limited11. Modhumoti Bank limited12. Midland Bank Limited13. National Bank Limited14. The City Bank Limited15. NCC Bank Limited16. Mercantile Bank Limited17. Southeast Bank Limited18. Prime Bank Limited19. South Bangla Agriculture and Commerce Bank Limited | <ol style="list-style-type: none">20. Social Islami Bank Limited21. Standard Bank Limited22. Al-Arafah Islami Bank Limited23. One Bank Limited24. Sumon Bank Limited25. Exim Bank Limited26. First Security Islami Bank Limited27. Bank Asia Limited28. The Premier Bank Limited29. Union Bank Limited30. Meghna Bank Limited31. NRB commercial Bank Limited32. Farmers Bank Limited33. Bangladesh Commerce Bank Limited34. Trust Bank Limited35. Jamuna Bank Limited36. Shahjalal Islami Bank Limited37. ICB Islamic Bank38. AB Bank39. Jubilee Bank Limited |
|--|--|

List of Specialized Development Banks

1. Karmasangsthan Bank
2. Bangladesh Krishi Bank
3. Progoti Bank
4. Rajshahi Krishi Unnayan Bank
5. Bangladesh Development Bank Ltd
6. Bangladesh Somobay Bank Limited
7. Grameen Bank
8. BASIC Bank Limited
9. Ansar VDP Unnyan Bank
10. The Dhaka Mercantile Co-operative Bank Limited (DMCBL)

List of Foreign Commercial Banks

1. Citibank
2. HSBC
3. Standard Chartered Bank
4. Commercial Bank of Ceylon
5. State Bank of India
6. Woori Bank
7. Bank Al falah
8. National Bank of Pakistan
9. ICICI Bank
10. Habib Bank Limited



JANATA BANK LIMITED



JANATA Bank Limited welcomes you to explore the world of progressive Banking in Bangladesh. It is a state owned commercial bank and is catering the need of the mass business people. It was corporatized on 15th November 2007. Janata Bank was born with a new concept of purposeful banking sub serving the growing and diversified financial needs of planned economic development of the country.

Our commitment and the people's belief in us have given us the edge over others to earn this trust about the safe keeping of their money in the right kind of banking channel.

Janata Bank Limited, one of the state owned commercial banks in Bangladesh, has an authorized capital of Tk. 20000 million (approx. US\$ 283.33 million). The total asset of the bank in FY 2013 was BDT 586,083 million which was BDT 511,129 million in the previous year. Net profit of the bank stood at BDT 9,551.39 million in the FY 2013 as against BDT 15,280.34 million net losses in the previous year. The deficit of capital of bank was BDT 20,117 million in the FY 2012 which has transformed into a surplus of BDT 908 million in the FY 2013. As a result capital adequacy ratio rose from 3.70% to 10.27%.

Janata Bank Limited operates through 898 branches including 4 overseas branches at United Arab Emirates. It is linked with 1239 foreign correspondents all over the world. Total employees of JBL is more than 15 thousands

The **Vision** of Janata Bank Ltd. is to become the effective largest commercial bank in Bangladesh to support socio- economic development of the country and to be a leading bank in South Asia.

The **Mission** of the bank is to actively participate in the socio- economic development of the nation by operating a commercially sound banking organization, providing credit to viable borrowers, efficiently delivered and competitively priced, simultaneously protecting depositor's funds and providing a satisfactory return on equity to the owners.

The Board of Directors is composed of 13 (Thirteen) members headed by a Chairman. The Directors are representatives from both public and private sectors. The Bank is headed by the Chief Executive Officer & Managing Director, who is a reputed banker. The corporate head office is located at Dhaka with 10 (ten) Divisions comprising of 38 (thirty eight) Departments.



Name	:	Janata Bank Limited
Registered Address	:	Janata Bhaban 110, Motijheel Commercial Area Dhaka – 1000. Bangladesh
Legal Status	:	Public Limited Company
Date of Incorporation	:	21 May, 2007
Authorized Capital	:	TK. 20,000 Million
Paid up Capital	:	TK. 5,000 Million
Reserve	:	TK.10823.01 Million
Retained surplus	:	Tk. 5167.18 Million
Asset	:	Tk. 345233.92 Million
Face value of per share	:	TK. 100 per share
Shareholding Pattern	:	100% Share owned by the Government of Bangladesh

Domestic Network:

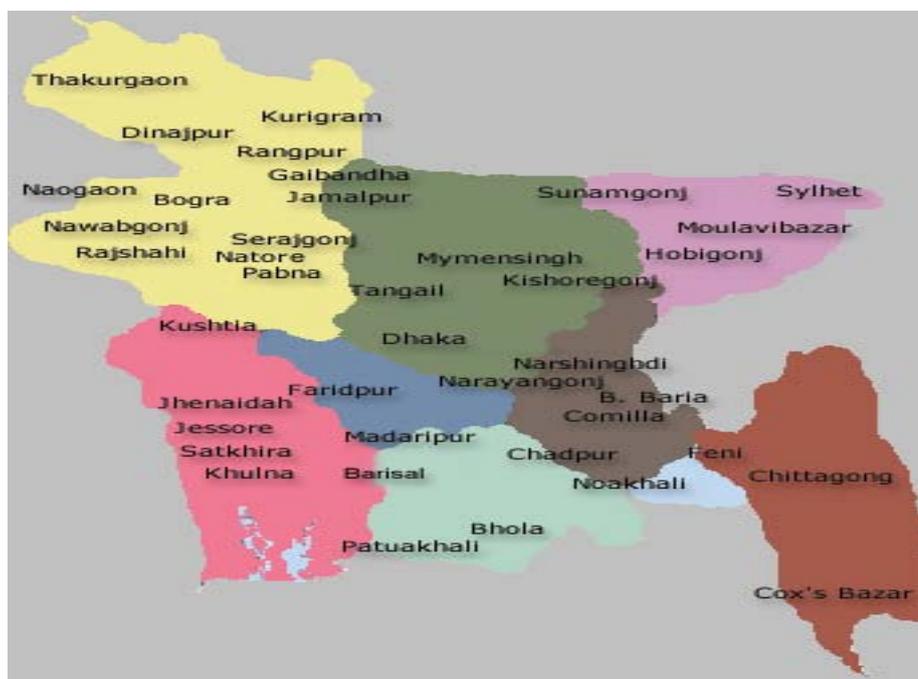
Numbers of Branch	:	898
Numbers of Divisional Office	:	10
Numbers of Area Office	:	47
Numbers of AD Branches	:	57

Overseas Network:

Numbers of Branch	:	04
Location	:	UAE – Chief Executive’s office Obeid Sayah Al – Mansuri Building Zayed the 1st Street (Electra Road) Post Box No 2630 Abu Dhabi United Arab Emirates

Subsidiaries:

1. Janata Capital and Investment Ltd.:	Dhaka.
2. Janata Exchange Company	: Italy
Numbers of Correspondent	: 1,239
Number of Exchange House	: 68
Departments	: 38
Numbers of Employees	: 15,485
Banking License (obtained from Bangladesh Bank)	: 31 May, 2007
Telex	: 675840 JBDBJ, 671288 JBHOBJ
Phone	: PABX- 9560000, 9566020, 9556245-49, 9565041-45, 9560027-30.
Fax	: 88-02-9564644, 9560869
E-mail	: md@janatabank-bd.com
Website	: www.janatabank-bd.com
SWIFT Code	: JANB BD DH



Corporate Rating Status

Entity Rating (2012)	: A+ in the long run
	: AR-2 in the short run
As Government owned Bank	: AAA in the long run
	: AR-1 in the short run

Board of Directors

The Board of Directors is composed of 11 (eleven) members headed by a Chairman. The Directors are representatives from both public and private sectors. The name and position of directors are as under.

Chairman of the Board of Directors

Professor Dr. Abul Barkat

Members of the Board of Directors

Dr. Jamaluddin Ahmed, FCA
 Mr. Md. Emdadul Hoque
 Mr. Nagibul Islam Dipu
 Dr. R M Debnath
 Syed Bazlul Karim, B.P.M.
 Prof. Mohammad Moinuddin
 Mr. Md. Abu Naser
 Mrs. Sangita Ahmed
 Prof. Dr. Nitai Chandra Nag
 Mr. A.K.M Kamrul Islam, FCA
 Mr. Md. Mahabubur Rahman Hiron
 Mr. S M Aminur Rahman, CEO & Managing Director



Some Achievements

Recently The Bank has been recognized internationally and domestically for its good performance.

International Award-The Bank of the year-2011 in Bangladesh

Janata Bank Limited has been awarded 'The Bank of the Year-2011 in Bangladesh' by the London based Financial Magazine The Banker of the Financial Times Group. This is for the sixth time the bank has been awarded 'The Bank of the Year'. Janata Bank Limited achieved remarkable progress in the year 2010.

ICMAB Best Corporate Award-2011

Janata Bank Limited has been awarded ICMAB Best Corporate Award – 2011 by the Institute of Cost and Management Accountants of Bangladesh. This Bank secured the first position among the state owned Commercial Banks in Bangladesh.

International Award -"World's Best Bank Award-2009 in Bangladesh

Janata Bank Limited was awarded Best Bank-Bangladesh in the Global Finance, World's Best Bank Awards, 2009 by New York based Financial Magazine "Global Finance". "Global Finance" has identified winning banks based on number of criteria including growth in Assets, Profitability, Strategic relationships, Customer Service, Competitive pricing and innovative products.

International Award -"World's Best Bank Award-2008 in Bangladesh

Janata Bank Limited was awarded Best Bank-Bangladesh in the Global Finance, World's Best Bank Awards, 2008 by New York based Financial Magazine "Global Finance". "Global Finance" has identified winning banks based on number of criteria including growth in Assets, Profitability, Strategic relationships, Customer Service, Competitive pricing and innovative products.



PRODUCTS AND SERVICES OFFERED BY JBL

Retail and Personal Banking

Janata Bank Limited offers all the major banking facilities and services to its customers. The Bank with its network spreading throughout the country has a unique feature of ploughing back savings from those places and then investing them into different loan portfolios.

Deposit Schemes:

- **Savings Deposit**
- **Short Term Deposit**
- **Term Deposit**
- **Janata Bank Limited Sanchaya (Savings) Pension**

Personalized Services

Janata Bank Limited with its wide ranging branch network and skilled personnel provides prompt and personalized services like issuing:

- a) Demand Draft
- b) Telegraphic Transfer
- c) Mail Transfer
- d) Pay Order
- e) Security Deposit Receipt
- f) Transfer of fund by special arrangement,
 - i) Normal transfer
 - ii) Electronic transfer through Ready Cash Card.
- g) Janata Bank Limited Ghare-Ghare (House to House)

The following branches of Janata Bank Limited will collect utility bills (e. g. Electricity, Telephone, Gas, WASA etc) from customers through agents for payments against fixed service charges: (i) Dhanmandi (ii) Gulshan Circle-II Corporate (iii) Satmasjid Road Corporate (iv) Dhaka College Gate (v) Mirpur Section-10 (vi) Uttara Model Town Corporate and (vii) Mohammadpur Corporate Branches.

One Stop Services : Janata Bank Limited, first among the Nationalized Commercial Banks in Bangladesh, has introduced **One Stop Service**. The salient features of this system are as under:

- A customer can deposit and withdraw money from a single counter.
- The system of Token and Scroll has been discontinued.
- Customers are getting prompt and personalized services from a single counter.
- Verification of signature is easy as the same is stored in the Computer.



General Credit Line

- The main focus of Janata Bank Limited Credit Line/Program is financing business, trade and industrial activities through an effective delivery system.
- Janata Bank Limited offers credit to almost all sectors of commercial activities having productive purpose.
- Janata Bank Limited offers credit to almost all sectors of commercial activities having productive purpose.
- Credit is also offered to 15 (fifteen) thrust sectors, as earmarked by the Government, at a reduced interest rate to develop frontier industries.
- Credit facilities are offered to individuals, businessmen, small and big business houses, traders, manufactures, corporate bodies, etc.
- Loan is provided to the rural people for agricultural production and other off-farm activities.
- Prime customers enjoy prime rate in lending and other services.
- Credit facilities are extended as per guide-lines of Bangladesh Bank (Central Bank of Bangladesh) and operational procedures of the Bank.

International Banking

- Janata Bank Limited has already established a worldwide network and relationship in international Banking through its 4 (four) overseas branches and 1198 foreign correspondents.
- The Bank has earned an excellent business reputation in handling and funding international trade particularly in boosting export & import of the country.
- The Bank finances exports within the frame-work of the export policy of the country.
- It is one of the pioneers in promoting back to back Letter of Credit for the RMG (Ready Made Garments) sector.

EXPORT Finance

To boost up country's Export, Janata Bank Limited has been providing different kinds of assistance to exporters. Some of which are as under:-

- Providing Pre-Shipment and Post-Shipment Finance, Export Guarantee and bonding facility etc.
- Concessional rate of interest for exports Finance.
- Back to Back L/C under bonded Warehouse facility
- Sight & Unasked L/C against Firm Contract for import of raw materials.
- Sight L/C under EDF
- Exporter's Retention Quota A/C both interest bearing and non-interest bearing.
- Export incentive Program.
- Banking at Export Processing Zone
- Scope for establishment of export oriented industry by 100% foreign investment and by joint-venture
- The sole bank to disburse Government Export Promotion Fund against export of Computer Software & Data Entry Processing
- Undergone to an agreement with Bangladesh Bank to obtain fund from Government EEF (Equity & Entrepreneurship Fund) to build up entrepreneur's equity.



- Providing services to the exporter by utilizing most modernized technology like Swift, Reuters, Internet, Fax etc. Our bank E-mail no. is jd-obd@janatabank-bd.com any latest business information will be available at our website; www.janatabank-bd.com
- Consultancy and advisory services by an expert group of officials.
- Special export financing program towards computer software data entry and service export.

IMPORT Finance

Through quite a good number of Authorized Dealer Branches and 1198 nos. foreign correspondents worldwide Janata Bank Limited has been extending full range import and relevant finance facilities.

- Opening of L/C at competitive/ reasonable margin and commission
- Interest at concession rate on import finance to the prime customers & interest rebate facilities.

Financing IT Sector:

The importance of Information Technology and the role it can play in the socio-economic development of a nation cannot be over emphasized. The world has witnessed a phenomenal growth in IT over the last two decades, and the countries, which made a conscious decision to take advantage of such growth, have made unprecedented progress. Today we are living in the Internet world. To hasten the growth of information Technology and to attract young energetic IT professional Janata Bank Limited has launched a credit scheme titled "Financing Computer Software Development & Data Export". The maximum loan amount is Tk. 10 million, with debt to equity ratio being 80 : 20. The rate of interest is 11%. But anybody with export market exposure can get the benefit at 7% interest rate plus 1% service charge. The main feature of this scheme is to set up industrial based IT projects for development of software for data export and that too on a very soft term. Janata Bank Limited has issued detailed guidelines for facilitating IT entrepreneurs.

Financing of Industries

Janata Bank Limited entrusted with the responsibility of developing industries within the frame work of Industrial policy of the Government of Bangladesh and credit norms of Bangladesh Bank as well as by the Investment Board. If the project is managerially, marketing point of view, technically, commercially and financially viable, then Janata Bank Limited finance the project. Sponsors/companies having prior experience in the related field are given priority. Janata Bank Limited may be financed up to Tk. 129.60 million in single project a year. But if any project required above the limit, the project may be financed under consortium/syndication arrangement with other financial institutions. Normally debt equity ratio is 50:50. But higher equity ratio sharing is given preference.

Financing Small and Medium Enterprise

Janata Bank Limited has been financing Small and Medium Enterprises with a view to developing a balanced and dynamic industrial sector having a strong base of SMEs throughout the country. From the very inception of Industrial credit financing of Janata Bank (Currently



Janata Bank Limited) SME division has sanctioned term loan in small and medium industries sector in 4535 projects of taka 941.36 crore. Among which taka 548.69 crore has been disbursed against 4310 projects. Outstanding as 31.12.2007 is taka 446.12 crore and recovery of loan is 70%.

Foreign Remittance Services:

Janata Bank Limited has a network of more than **898** domestic branches in Bangladesh covering whole of the country including the rural areas. Remittance services are available at all branches and foreign remittances may be sent to any branch by the remitters favoring their beneficiaries. Remittances are credited to the account of beneficiaries instantly or within shortest possible time. Janata Bank Limited has correspondent banking relationship with all major banks & exchange houses located in almost all the countries/cities. Expatriate Bangladeshis may send their hard earned foreign currencies through those banks & exchange houses or may contact any renowned banks nearby (where they reside/work) to send their money to their dear ones in Bangladesh.

"To resolve the foreign remittance related problem/complain/enquiry, Janata Bank Limited has a 'Complain cell' at its Overseas Banking Division, Head Office, Dhaka. All Concerned are requested to contact at the following address to resolve any problem related to foreign Remittance."

Facilities Offered To the Remitters

Commission for issuance of Taka Drafts from our UAE branches has been reduced and refixed from AED 10.00 to AED 4.00 and commission for issuance of TTs drawn on Bangladesh and payable at any bank branches are re-fixed at AED 12.00 from AED 30.00.

Commission for issuances of Taka drafts at UAE branches has been reduced irrespective of amount. 1% interest above the normal savings deposit rate is offered to SB accounts receiving foreign remittance.

NON RESIDENT FOREIGN CURRENCY DEPOSIT ACCOUNT (NFCD)

Expatriate Bangladeshi Nationals and persons of Bangladesh origin including those having dual nationality may open non- Resident Foreign Currency Deposit Account with any authorized dealer branches of Janata Bank Limited in Bangladesh for a period of one month, three months, six months or twelve months on renewable basis depositing minimum US Dollar 1000/- or Pound Sterling 500/- . The eligible persons may open this account at any time of their return to Bangladesh.

Interest on NFCD Account is applicable on the basis of Euro currency interest rate which is tax free in Bangladesh. Principal amount including accrued interest is convertible in local currency as well as repatriable to the account holder abroad. This account may be maintained as long as the account holder desires.

NFCD account opening Forms are available with authorized dealer branches of Janata Bank Limited in Bangladesh and Embassy/ High Commission Offices of Bangladesh abroad.



Rules/Procedures for Opening NFCD Account

- Application in plain paper to Manager of concern Authorized Dealer branches of Janata Bank Limited.
- Signature of the applicant verified by an official of Bangladesh Embassy /High Commission abroad or Notary Public of the country where the applicant resides and photocopy of the pages of passport containing specimen signature of the applicant where Janata Bank Limited branches or representative offices are not available. FC Account may also be opened through our 4 (four) U.A.E. branches and 2 (two) branches of Janata Exchange Co. Italy.
- Photocopy of passport attested by officials of Embassy / High Commission Office of Bangladesh abroad or our branch officials.
- Two copies of passport size photograph.
- Letter of authority for handover of NFCD Receipt.

Resident Foreign Currency Deposit ACCOUNT (RFCD):

Persons ordinarily resident in Bangladesh may open RFCD Accounts with the foreign currencies brought in at the time of their return from abroad. This account may be opened with any authorized dealer branches of Janata Bank Limited in US Dollar and Pound Sterling. Interest is payable if the deposit is maintained for a term of not less than one month and the balance is not less than US Dollar 1000/- and Pound Sterling 500/-. RFCD account may be maintained as long as the account holder desires. Balances of such accounts are repatriable abroad.

Non-Resident Investor's Taka Account (NITA):

Expatriate Bangladeshis may invest their hard earned money in the Stock Exchange for purchase of Bangladeshi shares and securities. For this purpose, the expatriates may open NITA account with any authorized dealer branches of Janata Bank Limited. Dividends earned from shares/securities is tax-free in Bangladesh. Balance of NITA account is repatriable abroad at the prevailing rate of exchange. NITA account may be operated by the nominee. The account holders may nominate Janata Bank Limited to act as nominee also.

Wage Earners Development Bond (WEDB)

Expatriate Bangladeshi Wage Earners may invest their hard earnings in five years WEDB on renewable basis for denomination of Taka 25,000/-, Taka 50,000/-, Taka 100,000/-, Taka 200,000/-, and Taka 500,000/- or any multiple of these amounts at attractive rate (Present rate 12.00% (with effect from 1st July 2010) compoundable in every six months) of interest and the accrued interest is tax free in Bangladesh. Principal amount of WEDB is repatriable to the bond holder abroad at the prevailing rate of exchange. WEDB facilities are available in authorized dealer branches of Janata Bank Limited in Bangladesh and in our four UAE branches. Moreover, we have correspondent relationship with banks & exchange houses almost all over the world.



US Dollar Investment Bond and US Dollar Premium Bond

The Government of the People's Republic of Bangladesh has introduced US Dollar Investment Bond and US Dollar Premium Bond to facilitate investment of hard -earned foreign currency by the non-resident Bangladeshis.

Non-resident Bangladeshis are eligible to purchase US Dollar Investment Bond and US Dollar Premium Bond with the foreign currency sent to his F. C. account or with the cheque/draft in foreign currency (after collection of cheque/draft).

Common Facilities of Both USD Investment and Premium Bonds:

- i. Period : 3 years.
- ii. Interest is payable on 6 months basis.
- iii. Principal amount is repatriable abroad.
- iv. Both interest and principal amount is income tax free in Bangladesh.
- v. "CIP" facility to the purchaser of Bonds for USD.1,000,000/-(One million).
- vi. Duplicate Bond will be issued in case of lost, stolen and destroy of original Bonds.
- vii. Non-resident Bangladeshis may purchase Bonds for any amount in multiply of USD.500/-.

Facilities of US Dollar Investment Bond:

- i. Period : 3(three) years.
- ii. Rate of Interest:
 - a. On completion of 3 years (full term) -6.5%
 - b. On completion of 2 years - 6%
 - c. On completion of 1 year - 5.5%
 - d. No interest before completion of 1 year.
- iii. Repayment of interest on 6(six) months basis.
- iv. Interest is payable in US Dollar. Interest and Principal amount are also repayable in Bangladesh Taka at the request of the purchaser of bonds.
- v. Both Principal amount and interest are repatriable

Facilities of US Dollar Premium Bond :

- i. Period : 3(three) years.
- ii. Rate of interest :
 - a. On completion of 3 years (full term) -7.5%
 - b. On completion of 2 years - 7%
 - c. On completion of 1 year - 6.5%
 - d. No interest before completion of 1 year.
- iii. Repayment of interest on 6(six) months basis.
- iv. Interest is payable in Bangladesh Taka only. Principal amount is also repayable in Bangladesh Taka at the request of the purchaser.
- v. Death-risk-benefit for purchase of Premium Bonds at least USD.10,000/- at the first instance and increase investment subsequently will qualify for a free death-risk-benefit @15% to 25% on fulfillment of certain terms and conditions. Not exceeded Tk. 20,00,000/=
- vi. Principal amount is repatriable.



Utility Services

Besides normal banking operation, Janata Bank Limited offers special services to a large number of clients/agencies throughout the country. Under the network of utility service, customers of different govt. organizations, corporate bodies, local bodies, educational institutions, students, etc are continuously getting benefits from the Bank.

Bill Collection

- Gas bills of Titas, Bakhrabad and Jalalabad Gas Transmission and Distribution Companies.
- Electricity bills of Dhaka Electricity Supply Authority, Dhaka Electricity Company, Bangladesh Power Development Board and Rural Electrification Board.
- Telephone bills of Telegraph and Telephone Board.
- Water/Sewerage bills of Water and Sewerage Authority.
- Municipal holding tax of City Corporation/Municipalities.
- A pilot scheme is underway to provide personalized services to our clients.

Payments Made On Behalf Of Govt. To:

- Non- Govt. teachers salaries
- Girl Students scholarship/stipend & Primary Student Stipend.
- Army pension
- Widows , divorcees and destitute Women Allowances
- Old-age Allowances
- Food procurement Bills

Rural Banking/Credit Program

A vast majority of the Bangladeshis live in the rural areas and their main source of income is agriculture and agro-business. Janata Bank Limited has opened branches in rural areas to cater to the banking needs of rural people. Apart from accepting deposits from the rich and moderately well-off villagers, Janata Bank Limited encourages the poor people to make small savings through different mechanisms.

So far lending in rural areas is concerned; Janata Bank Limited has been financing agricultural production and poverty alleviation programs since 1977. It also lends to the poor landless so that they can make a living. The average loan size is about Taka 20,000.00 (around US\$ 285).



CREDIT POLICY OF JBL

MEANING OF CREDIT POLICY

Policy entails projected course of action. Janata Bank Ltd. has its own policy granting credit although credit is always a matter of judgment applying common sense in the light of one's experience. A sound credit policy includes among other things safety of funds invested vis-à-vis profitability of the bank. Encouraging maximum number of small loans is better than concentration in a particular type of advances, which ensures sufficient liquidity with least incidence of bad debts.

It has to be borne in mind that a good loan allowed to a properly selected borrower is half collected. In order to make a good loan there should have a good loan policy.

OBJECTIVE OF CREDIT POLICY

There are some objectives behind a written credit policy of Janata Bank Ltd. that are as follows;

- To provide a guideline for giving loan.
- Prompt response to the customer need.
- Shorten the procedure of giving loan.
- Reduce the volume of work from top level management.
- Delegation of authority of work from top level of management.
- To check and balance the operational activities

FORMULATION OF CREDIT POLICY

One of questions that should arise in a discussion of credit is who should formulate the policy. Although the ultimate responsibilities lay at the highest level in the organization i.e. the board of directors. Yet the actual drafting shall have to be done by the senior lending office in consultations with the chief executive officer and with contribution from senior officers, associates and subordinates. Obviously the level of origin will vary with the size and structure of the organization. The matter then referred to the board for approval after careful examination consideration and discussion.



COMPONENTS REQUIRED FOR A SOUND CREDIT POLICY

There can be some variations based on the needs of a particular organization, but at least the following areas should be covered in any comprehensive statement of credit policy and JBL's policy also covers these areas:

- ☑ **Legal consideration:** The bank's legal lending limit and other constraints should be set forth to avoid inadvertent violation of banking regulations.
- ☑ **Delegation of authority:** Each individual authorized to extend credit should know precisely how much and under what conditions he or she may commit the bank's funds. These authorities should be approved, at least annually, by written resolution of the board of directors and kept current at all times.
- ☑ **Types of credit extension:** One of the most substantial parts of a loan is a delineation of which types of loans are acceptable and which type are not.
- ☑ **Pricing:** In any profit motivated endeavor, the price to be charged for the goods or services rendered is of paramount without it, individuals have few guidelines for quoting retag or fees, and the variations resulting from human nature will be a source of customer dissatisfaction.
- ☑ **Market Area:** Each bank should establish its proper market area, based upon, among other things, the size and sophistication of its organization its capital standpoint, defining one's market area is probably more important in the lending function than in any other aspect of banking.
- ☑ **Loan Standard:** This is a definition of the types of credit to be expended, wherein the qualitative standards for acceptable loans are set forth.
- ☑ **Credit Granting procedures:** This subject may be covered in separate manual, and usually is in larger banks. At any rate, it should not be overlooked because proper procedures are essential in loan establishing policy and standards. Without proper procedure for granting credit and constant policing to ensure that these procedures are meticulous carried out, the best conceived loan policy will not function and inevitable, problems will develop.

LENDING GUIDELINES

As the bank have a high rate of non-performing loans. Banks risk taking applied should be contained and our focus should be to maintain a credit portfolio keeping in mind of bank's capital adequacy and recovery strength. Thus bank's strategy will be invigorating loan processing steps including identifying , measuring , containing risks as well as maintaining a balance portfolio through minimizing loan concentration , encouraging loan diversification , expanding product range , streamlining security , insurance etc. as buffer again unexpected cash flow .



Industry and Business Segment Focus

Industry segment focuses on Textile, Pharmaceuticals, Agro-based, Food and allied, Telecommunication, Power generation and distribution, Health care, Entertainment Services, Chemicals, Transport, Infrastructure development, Linkage industry, Information technology, Ceramics, Others as decided from time to time. And business segment focuses on Distribution, Brick field, Rice mill/ flour mill/ oil mill, Work order, Yarn trading, Cloth merchant, Industrial spares, Hardware, Electronic and electrical goods, Construction materials, Fish trading, Grocery, Wholesale/ retail, Others as dedicated from time to time

Types of credit facilities: Bank will go for

- A. Term financing for new project had BMRE of existing projects (large, medium, SME, SCI).
- B. Working capital for industries, trading services and others (large, medium, SME, SCI).
- C. Trade finance for import and export
- D. Lease finance
- E. Small loan for traders, micro enterprise and other productive small venture.
- F. Consumer finance
- G. Fee business

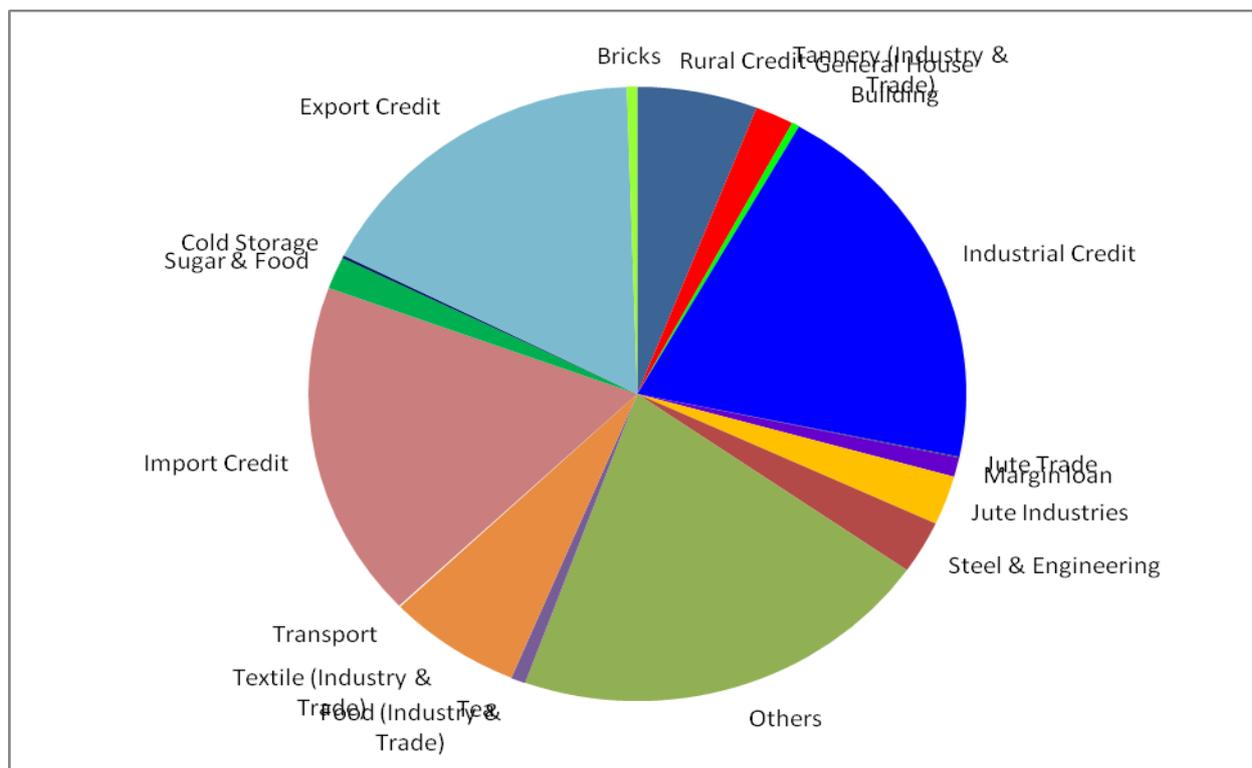
DISTRIBUTION OF FUND AMONG ECONOMY

Janata Bank Ltd. is engaged in extending long, medium and short term loans to various economic sectors in the country. As Janata Bank Ltd. extends its credit programs all over the economy such as agricultural credit program, industrial credit program and commercial financing, the bank tries to achieve significant profit from its operations and also to improve the economic conditions of the general public of the country.



Industry-Wise Classification Of Loans And Advances

	FY2013	FY2012
Rural Credit	16,955,666,250	16,418,300,000
Textile (Industry & Trade)	18,805,800,000	18,050,200,000
Jute Industries	7,400,100,000	4,987,400,000
Tannery (Industry & Trade)	5,430,900,000	3,722,300,000
Sugar & Food	4,822,300,000	3,789,600,000
Food (Industry & Trade)	2,057,600,000	2,190,400,000
Steel & Engineering	7,980,800,000	2,715,500,000
General House Building	1,073,800,000	1,466,200,000
Bricks	1,472,500,000	1,058,500,000
Cold Storage	448,000,000	543,400,000
Jute Trade	165,800,000	217,500,000
Tea	3,600,000	2,900,000
Transport	213,927,008	754,200,000
Loan to purchase shares (Margin loan)	2,905,538,084	2,437,782,197
Others	59,730,806,751	77,208,637,163
Import Credit	50,694,961,070	73,358,800,000
Industrial Credit	57,530,600,000	53,531,970,000
Export Credit	48,850,400,000	43,353,900,000
Total	286,543,099,163	305,807,489,360



NATURE WISE DISTRIBUTION OF LOANS AND ADVANCES

Sanctioning advances to customers and others is one of the principal services of a modern bank. Advances by the commercial banks are made in different forms:

- Loans
- Overdrafts
- CC
- LIM
- LTR
- Bills purchase and discounted

Janata Bank Ltd. sanctions loans under the above mentioned category. It usually grants short term advances which are utilized to meet the working capital requirements of the borrower. Only a small portion of the bank's demand and time liability are advanced on long term basis where the banker usually insists on a regular repayment by the borrower in installments. While lending fund, a banker, therefore, follows a very cautious policy and conduct his business on the basis of well-known principles of sound lending in order to minimize the risk.

MATURITY GROUPING OF DISTRIBUTION LOANS AND ADVANCES

At the very beginning of taking decision for giving credit, Janata Bank Ltd. mainly concentrates mainly on liquidity. As it is doing business by public deposits, it is bound to pay



the money when people want. A sizable portion of bank advances are, therefore, granted to meet the working capital requirements of the borrower rather than to meet the fixed capital requirement, i.e., construction of building or purchase of fixed deposits. A banker would be failing in his duty to safeguard the interest of his depositors and shareholders if his credit policy does not provide a method of gradual repayment and final recovery of the money advanced.

For liquidity reasons, Janata Bank Ltd. is giving credit on short period basis and against security. Short term loans ensure liquidity to a greater extent than long term loan. We can classify the bank loans and advances under the following maturity stage:

- Payable on demand
- Payable within 3 months
- Payable within 3 months to 12 months
- Payable within 1 year to 5 years
- Payable in more than 5 years

SECURITIES IN CREDIT MANAGEMENT

One of the most important functions of a bank is to employ its fund by way of loans and advances to its customers and a bank's strength depends considerably on the quality of its loans and advances. In order times, when the bankers knew the customers personally and intimately and had complete confidence in the integrity and honesty of a customer, they used to allow loans and advances without a security. The position is quite different today. Banks having a large number of officers over a wide area cannot allow loans and advances without retention of security in one form or the other.

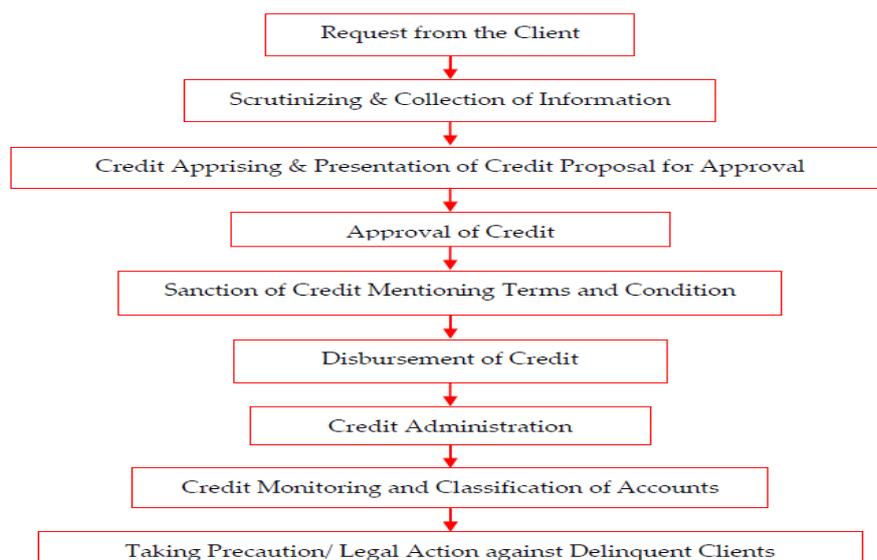
Security is obtained as a line of last defense to fall back upon. It is meant to be an insurance against emergency. But taking security, bank acquires a claim upon the assets of the borrower if repayment is not made as planned. But what should be the significant securities of loans depends in the guidelines prescribed by the Bangladesh Bank through BCD circular no. 17/1977 and also the negotiation of the respective branch to its borrowers. The most significant categories of security lodged are as:

- Goods and commodities
- FDR
- Real estate
- Stock exchange securities
- Life insurance policies
- Gold and gold ornaments
- Documents of title of goods
- Supply bills

Janata Bank Ltd. keeps sufficient security before final sanctioning of loans and advances.



LOAN DISBURSEMENT PROCEDURE OF JBL



Getting Credit Information

Janata Bank collects credit information about the applicant to determine the credit worthiness of the borrower. The bank collects the information about the borrower from the following sources:

- ✓ Personal investigation.
- ✓ Confidential report from other bank Head Office/Branch/chamber of the commerce.
- ✓ CIB Report from Central Bank.

Information Collection

The loans and advances department gets a form filled by the party seeking a lot of information. The information is listed below:

- ✓ Name and address of the borrower (present and permanent).
- ✓ Constitution or status of the business.
- ✓ Data of establishment and place of incorporation.
- ✓ Particulars of properties, partners and Directors.
- ✓ Background and business experience of the borrowers.
- ✓ Particulars of personal assets, name of subsidiaries, percentage of share holding and nature of business.
- ✓ Details of liabilities in name of borrowers, in the name of any directors.
- ✓ Financial Statement of the last three years.
- ✓ Nature and details of business/products.
- ✓ Details of securities offered.
- ✓ Proposed debt equity ratio.
- ✓ Other relevant information.



Analyzing these Information

Janata Bank then starts examination whether the loan applied for, is complying with its lending policy. If comply, then it examines the documents submitted and the credit worthiness. Credit worthiness analysis, i.e. analysis financial conditions of the loan applicant is very important. If loan amount is more than 50, 00,000, then bank goes for Lending Risk Analysis (LRA) and Spreadsheet Analysis (SA) which are recently introduced by Bangladesh Bank. According to Bangladesh Bank Rules, LRA and SA are a must for the loan exceed of one crore. If these two analyses reflect favorable condition and document submitted for the loan appeared to be satisfactory, then bank goes for further action.

Lending Risk Analysis (LRA)

LRA is a very important and vital analysis for deciding whether the loan proposal is potential or not. Many types of scientific, mathematical, statistical and managerial tools and devices are required to perform this analysis. Janata Bank maintains a prescribed format for Lending Risk Analysis, which includes a spreadsheet to analyze a lot of things. It is not possible to discuss the entire LRA in this report.

Lending Risk Analysis (LRA)

A. Industry Risk:

1. Supply Risk- What is the risk of failure to disruption in the supply of input?
2. Sales Risk- What is the risk of failure due to disruption sales?

B. Company Risk:

1. Company Position Risk:

- i. Performance Risk- What is the risk if the company position is so weak that it can not perform well enough to repay the loan, given expected external condition?
- ii. Resilience Risk- What is the risk of failure due to lack of resilience to unexpected external condition?

2. Management Risk:

- i. Management Competence Risk- What is the risk of failure due to lack of management competence?
- ii. Management Integrity Risk- What is the risk of failure due to lack of Management Integrity?

C. Security Risk:

1. Security Control Risk- What is the risk that the bank fail to realize the security?
2. Security Cover Risk- What is the risk that realized security value is less than the exposure?



Proposal Analysis

The Project Proposal is analyzed and decision about the project is taken. The loans and advance department is responsible for the analysis. After preliminary appraisal of the loan project the final approval is obtain from the manager. If the loan amount crosses a certain amount (no found), managers send the loan project to the principal office for final approval. The experts in principal office find out different projected ratios and developed and understanding about the potentiality of the project. Bank evaluates a loan proposal by considering, few predetermined variables. These are:

- ☑ Safety
- ☑ Liquidity
- ☑ Profitability
- ☑ Ø Security
- ☑ Purpose of the loans
- ☑ Sources of repayment
- ☑ Diversification of risk etc.

The most important measure of appraising a loan proposal is safety of proposal. Safety is measured by the security offered by the borrower and repaying capacity of the borrower. The attitude of the borrower is also important consideration. Liquidity means the inflow of cash into the project in course of its operation. The profit is the blood of any commercial institution. Before approval of any loan project the bank authority has to ensure that the proposed project will be profitable venture. Profitability is assessed from the projected Profit and Loss Statement. The security is the only tangible asset remains with the banker. Securing of collateral is the only weapon to recover the loan amount. So bank has to see that the collateral is easy to sale and sufficient to recover the loan amount. Bank can not sanction loan by only depending on collateral.

The sources of the payment of the project should be a feasible one. During sanctioning any loan Bank has to be attentive about diversification of risk. All money must not be disbursed amongst a small number of people. In addition any project must be established for the national interest growth.

Collateral Evaluation

Janata Bank is very cautious about valuation of the collateral. The bank officials simultaneously evaluate the collateral of the party offered by the private firm. The valuation of the collateral increases the accuracy of its value estimated. Three types of value of the collateral are assumed:

- ☞ Current market price
- ☞ Distressed price
- ☞ Price after five years

The legal officers of the bank check the document ascertain their impurity.

Final Decision about the Project



If the loan decision remains with the branch level, that branch sanctions the loan and if the approving authority is Head Office then the decision comes to the branch by telex or fax.

Proper Supervision of the Project

If such provision is kept in the sanction contracts, the Janta Bank officials go to the project area to observe how the loan is utilized. If no such clause to supervise the loan is added, even then the bank can see the performance of the project.

Documentation of the Loan

These are the most frequently used and common documents of above mentioned charged and for other formalities for sanctioning the loan:

- ❖ Demand Promissory Note: Here the borrower promises to pay the loan as and when demanded by the bank to repay the loan.
- ❖ Letter of Arrangement: Here the written amount of the loan sanctioned to the borrower is specified.
- ❖ Letter of Continuity: It is used to take continuous facilities as providing continuous securities.
- ❖ Letter of Hypothecation: It is the written document of the goods hypothecated thus to put in case of need.
- ❖ Stock Report: This report is used for SOD and CC. In this report information about the quality and quantity of goods hypothecated have furnished.
- ❖ Personal guarantee: It is the additional confirmation of the borrower to repay.
- ❖ Guarantee of the Directors of the company.
- ❖ Resolution of the board of directors: It is used to borrow the fund to execute Documents and complete other documents.
- ❖ Letter of disclaimer: By this letter, the borrower withdraws his all claim on the property/mortgaged.
- ❖ Letter of Acceptance: Letter indicating the acceptance of the sanction proposal by the borrower.
- ❖ Letter of Pledge: It is the written document of the goods pledge thus the legality of holding the goods.
- ❖ Letter of Disbursement: This is the document through which the payment of sanctioned loan indicates.
- ❖ Letter of partnership: In case of partnership firm, the partnership deeds are to be provided.
- ❖ Letter of Installment: The amount of installment that is to be paid at certain intervals.
- ❖ Tax Paying Certificate.
- ❖ Any document if described, as essential in the sanctioned advice sanctioned by the Head Office.

Creation of Charges for Securing Loan

For the safety of loan, Janata Bank requires security from the loaner so that it can recover the loan by selling security if borrower fails to repay. Creation of a charge means making it available as a cover for an advance. The method of charging should be legal, perfect complete. Importance of charging securities is as:



- ❖ Protection of interest.
- ❖ Ensuring the recovery of the money lent.
- ❖ Provision against unexpected change.
- ❖ Commitment of the borrower.

Securities are of two types:

- a) **Primary Security**- Security deposited by the borrower himself to cover the loan such as FDR, cash, PSS, PSP, easily cashable items.
- b) **Collateral Security**- Any type of security on which the creditor has personal right of action on the debtor in respect of advances.

RECOVERY PERFORMANCE OF JANATA BANK

PROGRAMS FOR LOAN RECOVERY

When Janata Bank sanctions loans and advances to its customers, they clearly state the repayment pattern in the loan agreement. But some credit holders do not pay their credit in due period. The nationalized and private sector commercial banks have to face this sort of problems. This situation is, especially severe in Janata Bank. To overcome the problem of overdue loan, the bank need take particular loan recovery program.

Recovery Programs to be taken by Janata Bank

- To establish credit supervision and monitoring cell in the bank.
- To re-structure the loan sanctioning and distributing policy of the bank.
- To sanction loans and advances against sufficient securities as best as possible.
- To give more powers to the branch manager in credit management decision making process.
- To offer a package of incentives to the sound borrowers.
- To give more emphasis on short term loans and advances.
- To impose restrictions on loans and advances for sick industries.
- To take legal actions quickly against unsound borrowers as best as possible within the period specified by the law of limitations.

Recovery Patterns and Loan and Advances

Generally Janata bank sanctions loans and advances to every sector of an economy. Before going into details of recovery performance, we have to be familiar with some terms used in recovery performance:



- Disbursement: highest outstanding balance on any date during the reporting period minus outstanding balance at the end of the preceding period.
- Demand for recovery: overdue at the end of the reporting period plus recovery during the reporting period.
- Recovery: highest outstanding balance on any date during the reporting period minus outstanding balance at the end of the recovery period.
- Outstanding: Outstanding figures in the ledger at the end of the reporting period.
- Overdue: Demand for recovery minus recovery.

PROBLEMS IN LOAN RECOVERY

There are a lot of reasons for which the loan recovery of the bank is very defective. In most cases, problems may be raised from sanctioning procedures of loan, investigation of the project, and investigation of the loans etc. that is, the problem in loan recovery proves the outcomes of the default process in loan disbursement. The main reasons of poor loan recovery are,

- Early sanction and disbursement of loan to the borrowers without proper inspection of the project by the bank on account of pressure from lobbying group.
- Lack of analysis of business risk
- Lack evaluation of technical and economic feasibility of the program.
- Delay in disbursement of credit.
- Credit is not allowed to actual entrepreneurs.
- Lack of proper supervision.
- Lack of proper valuation of security or mortgage property
- Illiteracy of borrowers.
- Negative attitude of borrowers to repay the loan.
- Deterioration of the value system of the borrowers.
- Money borrowers use their loan-money other than specified project, i.e., if the loan is sanctioned for industrial purpose; they use the money in house building or purchase of land for their own purpose.
- Sometimes borrowers invest their money outside the country. Many borrowers transfer loan money to abroad where they deposited this money in their own account or spent some other purpose.
- Sometimes local borrowers are found to be so much compelled to grant them loan without proper study due to some unexpected reasons. Since these borrowers are capable of getting loan by exercising their influence, they can also escape the repayment liability.
- Problems responsible for non-implementation and delayed implementation of project for which the entrepreneurs of the project cannot repay the loan. The causes of failure may be:
 1. Failure to ascertain the economic availability of the projects
 2. Time lag between approval and sanctioning of the projects
 3. Import of machinery and raw materials both are the problems of paucity of foreign exchange and procedures of licensing.



Besides these, there are some specific reasons for loan recovery problems faced continuously by Janata Bank Ltd. They are as:

- Loans are given under fictitious names and enterprise
- Loans are given without sufficient securities
- Approval of the loans in excess of the branch manager's power
- Improper monitoring and supervision of credit
- Political misuse if loan programs operated by the public sector banks
- Lack of timely action against willful defaulter
- Loans are sometimes for economically unsound project.

Problems in loan recovery are the outcome of the default on loans disbursements in the earlier period.



PROVISION FOR LOANS AND ADVANCES

Provision for loans and advances are made on quarter basis as well as year-end review by management following instructions contained in BRPD Circulars issued by Bangladesh Bank. General Provision on unclassified loans and advances and specific provision on classified loans & advances are given below:

Particulars		Short term agri credit	Consumer financing			SMEF	Loan to BHs/ MBs/S Ds	All other credit
			Other Than HF & LP	HF	LP			
Unclassified	Standard	5%	5%	2%	2%	0.25%	2%	1%
	SMA	-	5%	2%	2%	0.25%	2%	1%
Classified	SS	5%	20%	20%	20%	20%	20%	20%
	DF	5%	50%	50%	50%	50%	50%	50%
	BL	100%	100%	100%	100%	100%	100%	100%



THE CREDIT RISK MANAGEMENT

The Credit Risk Management Division is vital for the efficient functioning of JBL. It critically scrutinizes the credit proposals from risk weighted point of view before sanctioning approvals ensuring a high quality credit portfolio. The goal of credit risk management is to maximize a bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. Banks need to manage the credit risk inherent in the entire portfolio as well as the risk in individual credits or transactions.

CREDIT RISK

Credit risk is the possibility of failure of a borrower to meet agreed obligation. With the present days de-regulation and globalization, the bank's range of activities has increased. Expansion of the bank's lending operations, covering a risk areas and therefore to work out robust credit risk management policy.

At JBL, credit risk may arise in the following forms –

- Default Risk
- Exposure Risk
- Recovery Risk
- Counter Party Risk
- Related Party Risk
- Legal Risk
- Political Risk

To mitigate credit risks, following measures are in place at JBL:

- a) Mission, Vision and objectives
- b) Credit principles
- c) General policy guidelines in conformity with BB guidelines and industry best practices.
- d) Rigorous credit process
- e) Sector wise lending caps
- f) Lending policy and strategy to different areas
- g) Collecting CIB of BB.
- h) Critical assessment of repayment capacity in pre-investment analysis stage
- i) Credit Risk grading of the client
- j) Provision for Insurance coverage
- k) Taking Collaterals
- l) Annual credit review



- m) Vigorous monitoring follow up
- n) Periodic review of market situation and industry exposure

CREDIT PRINCIPLES

In managing credit risk effectively JBL:-

- Maintains a judicious ratio between Loan and Deposit
- Pursues a credit that aims at credit expansion by maintaining credit quality
- Does not compromise with standards of excellence
- Ensures that all credit extensions comply with regulatory norms, prevailing laws, rules and regulations
- Extends credit facilities in such a manner that each extension become rewarding and ensures superior return on capital
- Extends credit facility upon adequate pre-investment analysis and repayment capacity of the client
- Avoids credit concentration through rational diversification of credit
- Avoid name lending. Credit is allowed on business consideration, after ascertaining viability, credit requirement, and quality of advance, security offered, cash flows and risk level

Credit risk management is processed through various steps but mainly it is performed in four key parts. These are –

- 1. Credit Analysis**
- 2. Credit Disbursement**
- 3. Credit Monitoring**
- 4. Credit Recovery**

These parts are performed through different steps starting from the collection obligors' data to disbursement throughout various calculations, and then monitoring transaction through creating loan classification and provisioning and at last process of recovery. An important part of credit risk management is to measure it. This requires a credit assessment of loan applicants. The bank employ credit analyst who review the financial information of a corporation applying for loans and evaluate their creditworthiness. The evaluation should indicate the possibility of that a firm meet its loan payment so that the bank can decide whether to grant the loan. A brief description of Credit Risk Management from BB context is the main subject matter of this section.

1. Credit Analysis

The term credit analysis is used to describe any process for assessing the credit quality of the borrower or obligor. While the term can encompass credit scoring, it is more commonly used to refer to processes that entail human judgment. One or more people, called credit analysts, will review information about the counterparty. This might include its balance sheet, income statement, recent trends in its industry, the current economic environment, etc. They may also



assess the exact nature of an obligation. For example, secured debt generally has higher credit quality than subordinated debt of the same issuer. Based upon this analysis, the credit analysts assign the borrower (or the specific obligation) a credit rating, which can be used for making credit decisions.

When a customer requests for a loan, bank officers analyse all available information to determine whether the loan meets the bank's risk-return objectives. Credit analysis is essentially default risk analysis in which a loan officer attempts to evaluate a borrower's ability and willingness to repay. In accordance with BB guidelines here are steps briefly discussed -

Lending Guidelines:

In credit analysis part, at first the loan officers/ risk managers have to judge the collected information through credit application from the RM (relationship manager) according to lending guidelines i.e. the credit policies of the banks. These policies should include the following:

- Industry and business segment focus - where a clear identification of the business/industry should be provided so that it constitutes the majority of the bank's loan portfolio.
- Types of loan facilities – a clear identification of the types of loan that should be permitted.
- Single Borrower/Group Limits/Syndication - details of the bank's Single Borrower/Group limits should be included as per Bangladesh Bank guidelines.
- Lending Caps - Banks should establish a specific industry sector exposure cap to avoid over concentration in any one industry sector.
- Discouraged Business Types - Banks should outline industries or lending activities that are discouraged. For example, as a minimum, the following should be discouraged
 - Military Equipment/Weapons Finance
 - Highly Leveraged Transactions
 - Finance of Speculative Investments
 - Logging, Mineral Extraction/Mining, or other activity that is ethically or environmentally sensitive
 - Lending to companies listed on CIB black list or known defaulters
 - Counterparties in countries subject to UN sanctions
 - Share Lending
 - Taking an Equity Stake in Borrowers
 - Lending to Holding Companies
 - Bridge Loans relying on equity/debt issuance as a source of repayment.
- Loan Facility Parameters - facility parameters (e.g., maximum size, maximum tenor, and covenant and security requirements) should be clearly stated.
- Cross Border Risk - Borrowers of a particular country may be unable or unwilling to fulfill principle and/or interest obligations. It is distinguished from ordinary credit risk because the difficulty arises from a political event, such as suspension of external



payments, synonymous with political & sovereign risk and Third world debt crisis. For example, export documents negotiated for countries like Nigeria

Credit Assessment:

In Credit risk assessment, RMs originate all the assessment results in the form of Credit Application prior to the granting of loans, and at least annually thereafter for all facilities which is approved by the CRM. The RM is held the owner of the customer relationship, and responsible to ensure the accuracy of the entire credit application submitted for approval. RMs must be familiar with the bank's Lending Guidelines and should conduct due diligence on new borrowers, principals, and guarantors. All banks should have established Know Your Customer (KYC) and Money Laundering guidelines which should be adhered to at all times.

Credit Applications should summaries the results of the RMs risk assessment and include, as a minimum, the following details:

- ➔ Amount and type of loan(s) proposed.
- ➔ Purpose of loans.
- ➔ Loan Structure (Tenor, Covenants, Repayment Schedule, Interest).
- ➔ Security Arrangements.

In addition, following risk areas are also addressed-

- Borrower Analysis - The majority shareholders, management team and group or affiliate companies should be assessed.
- Industry Analysis - Any issues regarding the borrower's position in the industry, overall industry concerns or competitive forces should be addressed and the strengths and weaknesses of the borrower relative to its competition should be identified.
- Supplier/Buyer Analysis - Any customer or supplier concentration should be addressed, as these could have a significant impact on the future viability of the borrower.
- Historical Financial Analysis - An analysis of a minimum of 3 years historical financial statements of the borrower should be presented. The analysis should address the quality and sustainability of earnings, cash flow and the strength of the borrower's balance sheet. Specifically, cash flow, leverage and profitability must be analyzed.
- Projected Financial Performance - A projection of the borrower's future financial performance should be provided for the term facilities (tenor > 1 year), indicating an analysis of the sufficiency of cash flow to service debt repayments, insufficient projected cash flow for repaying debts will not be granted.
- Account Conduct - For existing borrowers, the historic performance in meeting repayment obligations (trade payments, cheques, interest and principal payments, etc) should be assessed.
- Adherence to Lending Guidelines - Credit Applications should clearly state whether or not the proposed application is in compliance with the bank's Lending Guidelines which should be approved by the Bank's Head of Credit or Managing Director/CEO.



- **Mitigating Factors** - Mitigating factors for risks identification in the credit assessment should be identified. Possible risks include, but are not limited to: margin sustainability and/or volatility, high debt load (leverage/gearing), overstocking or debtor issues; rapid growth, acquisition or expansion; new business line/product expansion; management changes or succession issues; customer or supplier concentrations; and lack of transparency or industry issues.
- **Loan Structure** - The amounts and tenors of financing proposed should be justified based on the projected repayment ability and loan purpose. Excessive tenor or amount relative to business needs increases the risk of fund diversion and may adversely impact the borrower's repayment ability.
- **Security** - A current valuation of collateral should be obtained and the quality and priority of security being proposed should be assessed. Loans should not be granted based solely on security. Adequacy and the extent of the insurance coverage should be assessed.
- **Name Lending** - Credit proposals should not be unduly influenced by an over reliance on the sponsoring principal's reputation, reported independent means, or their perceived willingness to inject funds into various business enterprises in case of need.

These situations should be treated with great caution. Rather, credit proposals and the granting of loans should be based on sound fundamentals, supported by a thorough financial and risk analysis.

Risk Grading:

Risk grading is a key measurement of a Bank's asset quality and as such, it is essential that grading is a robust process. All facilities should be assigned a risk grade. Where deterioration in risk is noted, the Risk Grade assigned to a borrower and its facilities should be immediately changed. Borrower Risk Grades should be clearly stated on Credit Applications.

Credit risk grading is an important tool for credit risk management as it helps the Banks & financial institutions to understand various dimensions of risk involved in different credit transactions. The aggregation of such grading across the borrowers, activities and the lines of business can provide better assessment of the quality of credit portfolio of a bank or a branch. The credit risk grading system is vital to take decisions both at the pre-sanction stage as well as post-sanction stage.

- At the pre-sanction stage, credit grading helps the sanctioning authority to decide whether to lend or not to lend, what should be the loan price, what should be the extent of exposure, what should be the appropriate credit facility, what are the various facilities, what are the various risk mitigation tools to put a cap on the risk level.
- At the post-sanction stage, the bank can decide about the depth of the review or renewal, frequency of review, periodicity of the grading, and other precautions to be taken.



2. Credit Disbursement

Credit disbursement occurs after assessing all the formal documents like credit application, other business documents of the borrower, financial sheets, CIB report, CRG score sheet etc. According to BB guidelines the disbursement procedures take place in the following ways-

- Security documents are prepared in accordance with approval terms and are legally enforceable. Standard loan facility documentation that has been reviewed by legal counsel should be used in all cases. Exceptions should be referred to legal counsel for advice based on authorization from an appropriate executive in CRM.
- Disbursements under loan facilities are only be made when all security documentation is in place. CIB report should reflect/include the name of all the lenders with facility, limit & outstanding. All formalities regarding large loans & loans to Directors should be guided by Bangladesh Bank circulars & related section of Banking Companies Act. A sample documentation and disbursement checklist is attached, which banks may wish to use to control disbursements.

After disbursement procedure the approval procedures take place. The approval process must reinforce the segregation of Relationship Management/Marketing from the approving authority. The responsibility for preparing the Credit Application should rest with the RM within the corporate/commercial banking department. Credit Applications should be recommended for approval by the RM team and forwarded to the approval team within CRM and approved by individual executives. Banks may wish to establish various thresholds, above which, the recommendation of the Head of Corporate/Commercial Banking is required prior to onward recommendation to CRM for approval. In addition, banks may wish to establish regional credit centers within the approval team to handle routine approvals. Executives in head office CRM should approve all large loans.

3. Credit Monitoring:

To minimize credit losses, monitoring procedures and systems should be in place that provides an early indication of the deteriorating financial health of a borrower. At a minimum, systems should be in place to report the following exceptions to relevant executives in CRM and RM team:

1. Past due principal or interest payments, past due trade bills, account excesses, and breach of loan covenants;
2. Loan terms and conditions are monitored, financial statements are received on a regular basis, and any covenant breaches or exceptions are referred to CRM and the RM team for timely follow-up.



3. Timely corrective action is taken to address findings of any internal, external or regulator inspection/audit.
4. All borrower relationships/loan facilities are reviewed and approved through the submission of a Credit Application at least annually.

Computer systems must be able to produce the above information for central/head office as well as local review. Where automated systems are not available, a manual process should have the capability to produce accurate exception reports. Exceptions should be followed up on and corrective action taken in a timely manner before the account deteriorates further. The exception covers the area of Loan Classification and Provisioning and the Early Alert Accounts if the account deteriorates.

4. Credit Recovery

The Recovery Unit (RU) of CRM should directly manage accounts with sustained deterioration (a Risk Rating of Sub Standard (6) or worse). Banks may wish to transfer EXIT accounts graded 4-5 to the RU for efficient exit based on recommendation of CRM and Corporate Banking. Whenever an account is handed over from Relationship Management to RU, a Handover/Downgrade Checklist should be completed. The RU's primary functions are:

- Determine Account Action Plan/Recovery Strategy.
- Pursue all options to maximize recovery, including placing customers into receivership or liquidation as appropriate.
- Ensure adequate and timely loan loss provisions are made based on actual and expected losses.
- Regular review of grade 6 or worse accounts.

In RU, the RM experiences the Non-Performing loans. In such cases, assessment of NPLs are executed though following steps-

NPLs account management- through assigning an account manager who is responsible for coordinating and administering for action plan/recovery of the account.

- Account transfer procedures
- NPLs monitoring
- NPLs provisioning and write off.



SOME RATIOS

Year	2013	2012
Total equity Capital	74,232,404,997	34953328731
Common Shares Outstanding	110,669,041	110,000,000
Total Assets	586,082,985,718	511,129,418,587
Net Profit	9,551,394,462	-15,280,340,556
Total operating income	20,859,023,637	22,016,470,918
Total operating expenses	8,731,925,325	7,482,671,261
Interest received	35,487,533,378	34,323,583,790
Interest paid	33,435,595,213	26,954,744,000
ROE	12.87%	-43.72%
ROA	1.63%	-2.99%
Net Interest Margin	0.35%	1.44%
Net Operating Margin	2.07%	2.84%
EPS	86.31	-138.91

Return on equity (ROE)

$$\text{ROE} = \frac{\text{Net Income}}{\text{Shareholder Equity}}$$

ROE measures the rate of return on the ownership interest (shareholders' equity) of the common stock owners. It measures a firm's efficiency at generating profits from every unit of shareholders' equity (also known as net assets or assets minus liabilities). ROE shows how well a company uses investment funds to generate earnings growth. ROEs of Janata Bank in 2013 is far better than that of 2012.

Return on Assets (ROA)

$$\text{ROA} = \frac{\text{Net Income}}{\text{Average Total Assets}}$$

The return on assets (ROA) shows percentage how profitable a company's assets are in generating revenue. Return on assets gives an indication of the capital intensity of the company, which will depend on the industry; companies that require large initial investments will generally have lower return on assets. The ROA of Janata Bank in 2013 is also far better than 2012.



Net Interest Margin

Net interest margin is a performance metric that examines how successful a firm's investment decisions are compared to its debt situations. A negative value denotes that the firm did not make an optimal decision, because interest expenses were greater than the amount of returns generated by investments.

$$\text{Net Interest Margin} = \frac{(\text{Investment Returns} - \text{Interest Expenses})}{\text{Average Earning Assets}}$$

From the financial report of Janata Bank it can be said that the net interest margin in year 2012 was far better than year 2013.

Net Operating Margin

Operating margin is a measurement of what proportion of a company's revenue is left over after paying for variable costs of production such as wages, raw materials, etc. A healthy operating margin is required for a company to be able to pay for its fixed costs, such as interest on debt.

Also known as "operating profit margin" or "net profit margin".

$$\text{Operating Margin} = \frac{\text{Operating Income}}{\text{Net Sales}}$$

The net operating margin of Janata Bank is also higher in 2012 than in 2013, so the profit earned by Janata bank was higher in year 2012.

Earnings Per Share (EPS)

$$\text{Earnings Per Share} = \frac{\text{Net Income} - \text{Preferred Dividends}}{\text{Average Common Shares}}$$

The portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serves as an indicator of a company's profitability. The earnings per share of Janata Bank Ltd. in year 2013 are 86.13 where in year 2012 it was negative. It indicates the better performance of this bank in 2013.

From above analysis, it can be said that the performance of Janata Bank Ltd. is getting better day by day.



FINDINGS AND ANALYSIS

Every bank has its own credit procedure. Bank under study possesses a standard credit procedure. As the objective of my study is to make a comment on the credit management of Janata Bank Ltd, I try my best to collect data for the study and find out the reality. Based on the data generated during my study period I will sum up my findings here and I think this will help me to achieve my objectives.

- ☑ If we look at the historical background of Janata Bank, we see that, the objective of Janata Bank Ltd is to earn profit as well as to improve the economic welfare of the people as a whole.
- ☑ Janata Bank Ltd. has a significant role in long term project financing in both agriculture and industrial sectors. Again Janata Bank Ltd has a deep concern for rural farmers.
- ☑ Private sector usually concentrates in the urban areas where as public sector i.e. Janata Bank Ltd spread their banking network all over the world.
- ☑ With a view to implementing government policies, Janata Bank Ltd has been maintaining its position in extending credit to government bodies, sector corporations and private enterprises.
- ☑ Though bank required both quantitative and qualitative analysis but for big loans bank emphasizes on the (LRA). The LRA is not a perfect measure of credit analysis. Because businessmen in our society are usually tempted to take resort of window- dressing that means accounts are so manipulated that the vital facts are concealed and facts presented are superficial. So banks have to go through both quantitative and qualitative analysis.
- ☑ Janata Bank Ltd does not keep enough provisions against classified loans and advances.
- ☑ According to the standard and bank's credit procedure, credit operation is started from the customer application to the branch for the loan. But in most cases, many customers go directly to the directors of the bank and directors send them to the branch offices with his/her reference. In these cases, proper appraisal is not possible as directors the most powerful persons and bank management must give priority towards the decision of the directors. This phenomenon is very common in the bank which hampers the spontaneous procedure of credit appraisal.
- ☑ Bangladesh Bank monitors all the policies of all the private and nationalized banks of the country. According to the Bangladesh Bank's strategy, all banks must possess the standard policies which are designed by the central bank. Janata Bank Ltd. also



possesses a standard credit proposal form. In that form all necessary information are required to fill up. But in practice credit officers do not fill up the proposal form properly. Most of the cases, they use assumption rather than exact figure. This practice might end up with bad or classified one.

- ☑ A standard policy starts from the customer's direct application for the loan in the branch office. But it's a common phenomenon that most of the customers directly contact with Head office and Head office choose the branch offices to disburse the loan. It hampers the normal procedure. Branches always stay under pressure when they get order for disbursement from Head office. When branches get order from the head office, then appraisal system loses its formal track. So Head office should not send any order to the branch office without prior appraisal.
- ☑ The bank under study i.e. Janata Bank Ltd. does not have any proper guide line where to invest; moreover they do not do any future plan to maintain a well structured portfolio to decrease the possibility of classified loan. This type of practice is working as an obstacle in smooth credit disbursement as well as in credit appraisal system.
- ☑ Most of the loans that Janata Bank Ltd distributes are as cash credit hypothecation and Janata Bank Ltd emphasizes less on demand loan.
- ☑ Janata Bank Ltd distributes loans without sufficient security in some cases. This is violation of the Bangladesh bank order.
- ☑ In many cases bank face this problem because bank's credit officer fails to value collateral property. Proper valuation means collateral will exactly cover the risk of bad loan. Officials must do it with due care.
- ☑ The recovery performance of Janata Bank Ltd is not in a satisfactory level at all and the position of those in that respect deteriorated heavily during last two phases. The recovery performance in agriculture is worse than in other sectors. On the other hand, as private sector banks distribute more loans on short term basis and relatively better than public sector. But if we compare it from the efficiency point, then it is clear that they are not still efficient in credit management as they are unable to recover half of their distributed loan in different sectors.
- ☑ Classified loans of Janata Bank are decreasing
- ☑ Private sector banks are relatively efficient in processing and executing legal actions against defaulters for their nonpayment of loans and advances in due time that of public sector bank.



RECOMMENDATION

Based on My experience in working Janata Bank Ltd. as an intern, I would like to put some of my Suggestions such as

1. Janata Bank should increase their Credit Monitoring speed.
2. Should design to summarize the financials and necessary information of the clients
3. Janata can become flexible in their interest rate.
4. Janata bank can also increase their loan product in different sectors so that they can earn more profit.
5. Janata Bank can take necessary steps to promote their Credit card service which is becoming popular day by day.
6. Janata Bank should provide easier Credit system then other competitive Bank.
7. The employee of Credit committee of JBL Try to develop their system.
8. Credit committee can try to develop employees' skills so that they can provide better customer services.
9. Credit department service can be faster with honesty.
10. Sufficient Workforce are required to allocate a standard Risk Assessment time.

CONCLUSION

As an organization Janata Bank Limited has earned the reputation of top banking operation in Bangladesh. The organization is much more structured compared to any other public commercial bank in Bangladesh. It is relentless in pursuit of business innovation and improvement. It has a reputation as a partner of consumer growth.

With a bulk of qualified and experienced human resource, Janata Bank Limited can exploit any opportunity in the banking sector. It is pioneer in introducing many new products and services in the banking sector of the country. Moreover, in the overall-banking sector, it is unmatched with any other banks because of its wide spread branch networking thought the country.

The current situation of Janata bank Limited is satisfactory. But in the age of competition if the bank does not provide extra ordinary that means superior services than it will be difficult to continue banking because everybody wants to maintain quality. In loan and advancement portion Janata Bank Limited has some problem. On the other hand in Ratios – liquidity, efficiency and leverage ratio of Janata Bank Limited is satisfactory which indicates better position of Janata Bank Limited. But profitability ratio of the bank is not satisfactory so Janata Bank Limited should take necessary steps to beat the overall problem as early as possible. And when Janata Bank Limited is able to overcome this type of problem then it would be more structured compared to any other bank operating local or foreign in Bangladesh.



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