

Internship Report on SME Banking of Jamuna Bank Limited



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Date of Submission: 25.09.2014

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Date of Submission: September 25, 2014

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Subject: Submission of Internship Report

Dear Madam,

This is a great pleasure for me to submit the internship report, which is a partial requirement for completing the degree of BBA Program curriculum. It is a great achievement to work under your active supervision. I would like to take this opportunity to thank you for the guidance and support which you have provided me during the course BUS 400 of this report.

My organization is Jamuna Bank Limited and I have prepared my internship report. The analysis in the report is based on the data and information found during my internship period. There are few limitations due to lack of time and other reasons, but I have tried my best to make it as correct as possible and I have tried my best to gather related information from all available sources.

Yours sincerely,

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It is a great pleasure to prepare internship report on SME loan of Jamuna Bank Ltd. On this manner I would like to express my deepest gratitude to my honorable academic supervisor, Syeda Shaharbanu Shahbazi, Senior Lecturer, Brac Business School, Brac University for permitted and guiding me to prepare the report.

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EXECUTIVE SUMMARY

SME financing is an important sector of banking activities. It is said that Small and Medium Enterprises (SME) account for about 50 percent of GDP and 60 percent of employments. SMEs are projected to contribute between 25 and 35 percent of world manufactured exports. Financial Institutes around the world are relentlessly trying to enhance the SME exposure in their groups. Jamuna Bank Ltd. (JBL) is a third generation bank which started its operation on 3rd June 2001 as a scheduled Bank. Over the years Jamuna Bank Ltd has expanded the financing exposure all over Bangladesh. SME sector is one of them. Although all over the world, the importance of SME financing is highly appreciated and entertained, this sector lacks proper boost from the government and attention of financial organizations. There are many reasons that financial organizations especially banks are unwilling in financing to the small and medium enterprises. Jamuna Bank Ltd is currently motivated hard to enhance the SME exposure of the bank. A questionnaire survey was conducted on a selected portion of SME clients to find out the actual scenario of SME financing in JBL. The survey reflected the demographic profiles of the selected portion of the clients like the age, educational background, the problems they are currently facing, proprietors' perceptions about JBL SME, waiting period for the loan etc. From the survey, the most significant observations found were, most of the proprietors are in range of 30-50 years of age, the SME loan is mostly used for purchasing raw materials by the proprietors, lengthy system is the most common problem of JBL SME pointed out by the proprietors. Interview with the SME bankers open the problems they face during the SME management. According to them the highest problems for them were limited opportunity to offer flexible repayment options, confusion with borrowing terms and conditions, incorrect information regarding the borrower, security risk, documentation risk, risks in unsecured lending and monitoring activities. The comparative analysis of JBL's performance in SME sector reveals that the bank is relentlessly trying to increase the SME portfolio as shown in 2010 & 2011. In recent years JBL is quite successful in developing themselves as a successful bank in SME sector of Bangladesh.

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Chapter: 1

INTRODUCTION

This report named “SME Banking of Jamuna Bank Limited” has been made as a part of my internship at Jamuna Bank Limited (JBL). The report includes my work experiences at foreign exchange department of Motijheel Branch of JBL as an intern.

1.1 ORIGIN OF THE REPORT

As a qualification of obtaining Bachelor of Business Administration (BBA) degree, every student has to go through an internship program which course is known as BUS 400. The main reason of this course is to experience the reality of the corporate life and relate it with the knowledge get from academic curriculum with practical situation. This course is taken as a three months program which creates opportunities for every student to work different organizations where they work different working environment and gather practical knowledge.

1.2 Objectives of the Report

The objectives of the report are divided in two parts. One is general objectives and another one is specific objectives.

General Objective

The general objective of this report is-“To explore SME banking of Jamuna Bank Ltd”.

Specific Objectives

Specific objectives of this report are -

1. To examine bank's overall credit policy towards SME facility
2. Find out the marketing policy of SME loan in JBL
3. Find out the barriers against smooth flow of SME loan
4. Analysis of demographic profile of selected SME clients of JBL and their perception about the service quality of JBL SME Division
5. Find out the problems related to SME banking for the SME proprietors and also for the bankers
6. Find out the year wise SME loan disbursement and percentage of SME loan to Total loan of JBL
7. Find out the performance comparison of JBL in SME sector with other banks in Bangladesh.

1.3 Significance of the Report

In modern banking concept one of the most important concepts of Bank or any financial institutions is proper management of credit risks. As SME is one of the most important and significant sectors of credit, risks involved in this type of financing is highest importance. In this study, a conceptual study has been conducted on the SME financing of Jamuna Bank Limited. A survey has been conducted to find out the proprietors view on the SME service of Jamuna Bank Ltd. This study also consists yearwise SME loan position of Jamuna Bank Ltd. and comparison of JBL's performance with other banks in Bangladesh. This study will help those who want to conduct further research on the prospect of SME financing in Bangladesh.

1.4 Scope of the Report

The main function of the bank is borrowing money from the people by accepting deposits and lending them for development of trade, commerce, industry and agriculture. A Bank is thus a dealer of money and credit. Banks act as financial intermediaries between savers and investors. It is a profit seeking business concern as any other commercial or industrial organization. SME loan is an important mode of investment for the financial organizations. In recent years the financial organizations especially the banks are trying hard to maximize the SME loan exposure. This study covers the aspect of SME credit management policy of Jamuna Bank Ltd and will try to find the performance of Jamuna Bank Ltd in SME sector compared to other banks.

1.5 Methodology of the Report

Methodology is the most important component in any study proposal since it explains the procedures and methods through which a particular study will be carried out. This includes discussion on data requirements, sample selection, data analysis, limitations etc.

1.6 DATA REQUIREMENTS & ANALYSIS METHOD

Data are the raw materials for any study. Relevant data for the proposed research study were collected from both secondary and primary sources. Secondary data were collected from the annual reports of the selected Government & Non Government banks, Bangladesh Bank reports on SME, Bangladesh banks website and from websites of the selected banks, SME Organizations of Bangladesh.

Primary data is mainly 2 types - Quantitative and Qualitative data. Questionnaire survey was

conducted on 50 SME proprietors to find out the demographic profile and their business condition and the success factors and problems faced by them. After the questionnaire survey, the results were analyzed.

Data analysis portion is divided into two portions: first portion covers the analysis on the selected SME clients and the second portion covers the analysis on Jamuna Bank Ltd's performance in SME sector compared to other 5 banks in Bangladesh.

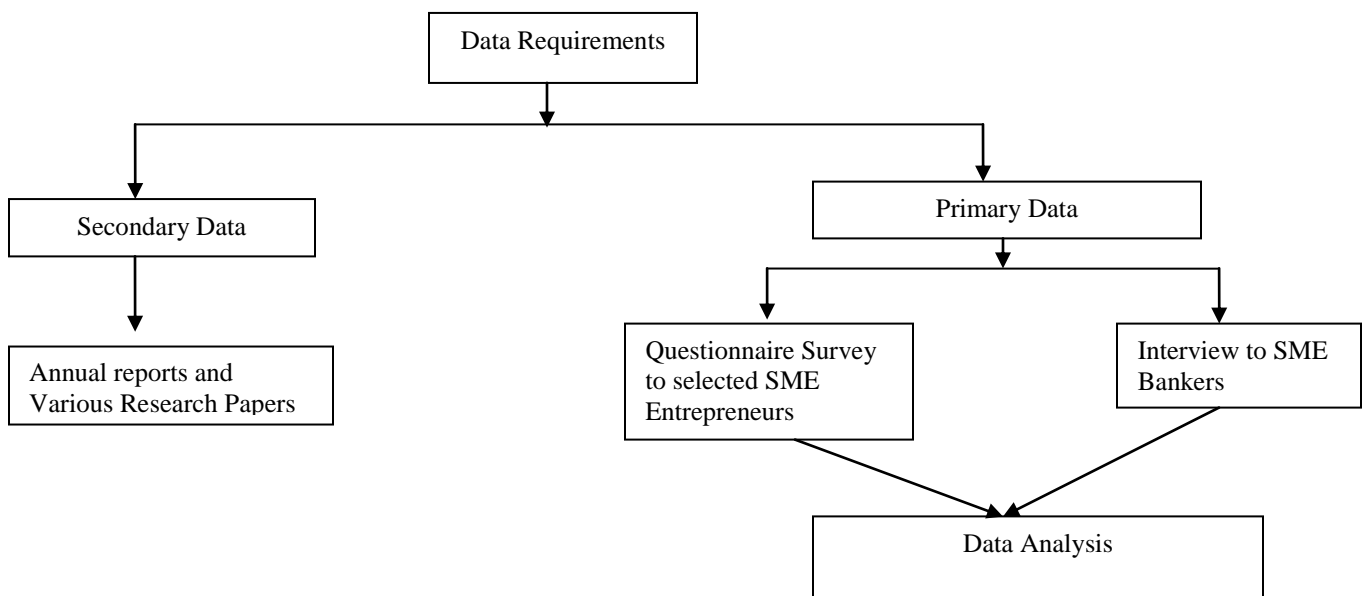
1.7 DATA SOURCES

Primary Source

- Practical work exposure in Jamuna Bank Ltd
- Face to Face conversation and questionnaire survey on the SME Proprietors

Secondary Source

- Annual Report of Jamuna Bank Ltd.
- SME Manual of Jamuna Bank Ltd.
- Bank records
- Official website of the Bank



1.6 Limitation of the Report:

Credit management in SME is a vast area of studying. To identify the SME risk management procedure, much longer time and vast publicity is needed. It is not possible to collect whole data within a short time for survey. In this report, the work is done on a sample of small respondents. Time limitation is also one of the main reasons so for that more detailed study was not possible.

Chapter: 2

Literature Overview

2.1.1 BANGLADESH-AN OVERVIEW

Bangladesh is a densely populated small country, located in the south region of greater Asia. The country has got its independence on December 16, 1971. Its total area is 1,47,570 sq. kilometers, surrounded by India on the west, the north and the north east, Myanmar on the east south and the Bay of Bengal on the south. The cultivable land amounts to approximately 63% Of the total land area, of which 17.5% is single cropped, 54.7% double cropped, 20.4% triple cropped and remaining 7.4% is fallow land. The cropping intensity is approximately 180%.

Bangladesh is a least developed country. Agriculture is the main occupation of the people of the country. Therefore, the economy is predominantly agro-based and rural in nature. So, agriculture has a major share in the Gross Domestic Product (GDP). But the share of agriculture sector in GDP is declining and share of industrial (i.e., SMEs) sector as well as service sector is increasing. In testimony of this fact, share of Agriculture, Manufacturing industry & Service Sector in GDP over the period from 2004-05 to 2010-11 is shown in the following table:

Figure in million Tk.

Industrial Origin	Year						
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Agriculture	501,617	558,003	632,479	726,966	804,355	915,579	1,033,872
Fishing	154564	163168	177827	197901	218138	242229	269928
Manufacturing Medium &	387952	489227	511780	572008	658902	753081	884296
Service	338763	382832	435676	502002	578778	684655	750607
GDP	3707070	4157279	4724769	5458224	6149432	6943243	7874950

Source: Bangladesh Economic Review, 2012

Table 1: GDP Agriculture, fishing, manufacturing & service sector in Bangladesh

Research into small and medium sized enterprises (SMEs) has grown during the last decade. A huge majority of firms worldwide are SMEs, and they play a significant role in the economy. Consequently, the performance of the SME sector is closely associated with the performance of the nation. In Bangladesh, SMEs account for a large proportion of the total establishments in various sectors.

2.2 CONTRIBUTION OF SME IN THE NATIONAL ECONOMY OF BANGLADESH

The importance of SMEs in Bangladesh economy is precluded by non-availability of comprehensive statistical information about these industries at the national level. According to Bangladesh Small and Cottage Industries Corporation (BSCIC), upto FY 2011-2012, the number of total small industries stood at 9,324 and the total number of cottage industries stood at 16,061. The employment generation by the small and cottage industries is also significant. Total employment by small industries is 43,465 by small industries and 60,869 by cottage industries. The annual investment and employment target and achievement of BSCIC is as follows:

Type of Industry		Target during 2011-2012			Achievement during 2011-2012		
		No. of unit	Total Investment	Employment	No. of unit	Total Investment	Employment
Small Industry	New	2200	875.00	75,000	5,090	432.07	28,225
	Existing	1600	240.00	29,200	4,234	449.79	15,240
	Total	3800	1,115.00	1, 04,200	9,324	881.86	43,465
Cottage Industry	New	6100	14.35	10,800	4,362	82.41	12,230
	Existing	4600	4.60	3,500	2,375	45.69	5,174
	Total	10700	18.95	14,300	6,737	128.10	17,404
Total Industries		14500	1133.95	1,18,500	16,061	1,009.96	60,869

Source: Bangladesh Economic Review, 2012

Table 2: Contribution of Small and Cottage Industry in the economy of Bangladesh

2.3 IMPORTANCE OF SME

It is said that Small and Medium Enterprises (SME) account for about 50 percent of GDP and 60 percent of employments. SMEs are estimated to contribute between 25 and 35 percent of world manufactured exports. In terms of industrialization, Japan drew special attention to the professionals and policymakers in the international arena. Some of the world's best performing economies, notably Taiwan and Hong Kong, are heavily based on small enterprises. In much of

the developing world, the private sector economy almost entirely comprises of SMEs. Contribution of SMEs in some selected countries shows that it has provided very significant proportion of GDP and employment in their national economy.

Country	SMEs as % of all Employees	Contribution of SMEs to GDP (%)	Contribution of SMEs to employment
Bangladesh	80.00	20-25	40.00
India	97.60	80.00	-
Pakistan	60.00	15.00	80.00
China	99.00	60.00	92.00
Japan	99.70	69.50	72.00
Hong Kong	-	-	61.50

Table 3: Contribution of SME in national economy in various countries

Entrepreneurs from Hong Kong, Japan and Korea have taken advantage of Bangladesh's cheap and easily trainable labour and its infrastructure facilities to manufacture products for the export market.

2.4 CHARACTERISTICS OF ENTREPRENEUR ON THE SUCCESS OF SME

Characteristics of entrepreneur play an important role on ensuring the business success in SMEs. Characteristic of entrepreneur is referred to demographic characteristic, individual characteristic, personal traits, entrepreneur orientation etc.

2.4.1 DEMOGRAPHIC CHARACTERISTICS

The individual age ranging from 25 to 44 years were the most entrepreneurially active. In survey we found that successful entrepreneur are relatively younger in age. We also found that a significant correlation between age of the entrepreneur and business success. The older (>25 years old) entrepreneurs were more successful than the younger ones. Female are generally less

likely to be founders of new business than male. Similarly, males had significantly higher entrepreneurial intentions than females.

2.4.2 INDIVIDUAL CHARACTERISTICS

Small business success has often been classified into different categories like the individual characteristics of the owner, firm characteristics, environmental characteristics etc. The individual characteristics like age, education, managerial know-how, industry experience social skills of the owner. Entrepreneurship education produces self-sufficient enterprising individuals. Entrepreneurship education increases the formation of new ventures, the likelihood of self-employment, the likelihood of developing new products, the likelihood of self-employed graduates owning a high-technology business. Entrepreneurship education of employee increases the growth rates of emerging firms. The educational background of the entrepreneur showed that 72% of the successful entrepreneurs who had a minimum level of technical qualification, whereas most (67%) of the unsuccessful entrepreneurs did not have any technical background. Entrepreneurs with business and technical educational background are in a better position to understand the reality to play a critical role in entrepreneurial effectiveness.

2.4.3 PERSONAL TRAITS

One of the most important characteristics of the small business is its diversity. The sources that produce diversity lie in the variance of the backgrounds, motives and goals of the entrepreneurs. Personal qualities and traits like self-confidence and determination affect firm success. Entrepreneurs in successful firms work long hours, have a personal investment in the firm, and are the good communicator and also have clear and broad business ideas.

2.4.4 ENTREPRENEURIAL ORIENTATION

The entrepreneurial orientation has five dimensions: autonomy, innovativeness, risk taking, proactiveness, and competitive aggressiveness. Autonomy is defined as an independent action by an individual or a team aimed at bringing forth a business concept or a vision. Innovativeness refers to the willingness to support creativity and experimentation. Risk taking means a tendency to take actions, such as venturing into unknown new markets. Proactiveness is an opportunity seeking and forward-looking perspective. Competitive aggressiveness reflects the intensity of a firm's efforts to outperform the industry competitors.

2.5 KEY SUCCESS FACTORS & OBSTACLES IN SME

The most important reason for success in SME is their ability to identify and focus on one or a few market niches. A firm's success in competing in a hostile environment is directly related to human resources development, besides top management's involvement with all phases of the operation. Further identified some following points: the ability to develop and sustain technological advantage, the ability to identify and focus on one or several market niches, strong management team, strategic deal with customers and information technology. There are some success factors for SME which has clear mission statement and a corporate value system, a customer-oriented policy, a competitive strategy and a personal commitment from the top management, people power, a business plan, a study of the competition, performance measurement avoiding complacency etc. Thorough planning was essential to start a successful business and critical success such as having a formal business plan, continual monitoring of the business environment, retaining a market orientation, developing a common value system, ensuring adequate capitalization, and encouraging entrepreneurial thinking through all levels of the company. Interfirm co-operation is an important attribute for future survival. The secret of success for the mid-sized companies is the emphasis of simplicity in their operations. These leading firms produce a narrower range of products, sell to few customers, and have fewer suppliers. They have decentralized organizational structures, simpler and faster processes, and a more concentrated focused nature of R&D investment, logistics, and location structure.

The major issue for Bangladesh's SMEs is lack of finance. Bribes, orders or marketing of product, lack of knowledge, and license for work, new technology are also considered as major obstacle issues. Those who have no much essential capital, they have little chance of growth.

SMEs make up the largest portion of the employment base in many developing countries and often the foundation of the local private sector. The entrepreneurs behind them should play a much larger role in development but lacks of ready access to financing from local formal sector financial institutions.

Bangladesh Bank encourages banks to give loans to projects for developed industrial development. From the point of view of limiting the credit risk exposures of the banks having a higher level of classified loan, the new rule is justified. However, to consider large loans as risky loans by the new rule is not reasonable. Moreover, for increasing the volume of lending to the SME sector, this sort of supply-side policy is not adequate. In fact, under both directed lending

(before 1990) and deregulated lending (after 1990) rules, the demand-side factors were not considered and for that resource allocation is suffered.

The most critical limitation that small and medium scale manufacturers mention is the lack of sufficient capital to operate the business. In most of the cases businesses started using own savings and borrowing from friends and relatives, while banking source come after that. It is not so easy to rise fixed and working capital from banks, since banks are not so willing to provide loan of small size for high monitoring cost. On the other hand, potential small scale entrepreneurs are also not so much interested due to procedural hazards and requirement of long time, which may make the necessity of taking loan.

Some important problems are faced by the entrepreneurs and in return the success factors for business. The problems are: too much competition, lack of management training, unsafe location, unreliable and undependable employees, discrimination from customers, inability to maintain accurate and informative accounting records, weak economy, not having financial capital, lack of marketing training, too much government regulation etc. The factors contributing to business success are hard work, good personality and friendliness to customers, location, appropriate training etc.

2.6 REASONS FOR BANK'S RELUCTANCE IN SME FINANCING

Some reasons are found that banks in Bangladesh are reluctant in financing the SME business entities. The reasons that the commercial banks are reluctant to lend to small and medium enterprises are below:

- (a) High risk and supervision cost is related with this type of financing. Banks are feeling unwillingness to lend to SME activities. They do not consider them attractive and profitable activities.
- (b) SMEs are regarded as high risk borrowers because of their low capitalization, insufficient assets, and high mortality rates. They are not offered any attractive deals in terms of loans and interest rate.
- (c) Banks charge high rate of interest from SME loan because of high cost of supervision.
- (d) Small enterprises are unable and unwilling to present full accounting records and other documentation called for by banks. In most cases, such records just do not exist, making appraisal of loan applications difficult.

2.7 Fiscal and Financial Incentives Support for SME's By Government

Besides institutional and policy support for finance, the government also offers a number of fiscal and financial support to the industrial sector including SMEs. The government has lowered duty on import machinery. Businesses exporting 80% or more of goods or services qualify for duty free import of machinery and spares. Value Added Tax (VAT) is not payable on import of capital machinery and spares. Facility of 90% loans against letters of credit is allowed.

2.8 Financing and Other Related Limitations to SME Development in Bangladesh

Some financing and other related problems are found which are the main barriers to develop SME's in Bangladesh. These problems are:

Resource Scarcity

In Bangladesh, scarcity of raw materials hinders the ability of SMEs to enlarge the business volume and limits its ability to reach more advanced stages of international business.

High Employee Turnover

Due to limited growth of SME most of the skilled employees leave SMEs.

Absence of modern technology

One of the main barriers for the development of SME in Bangladesh is inadequate technologies. Many SMEs have failed to adopt modern technology.

Poor physical infrastructure

Inadequate supply of necessary utilities like electricity, water, roads and highways hamper the growth of SME sector. Moreover, unfavorable geographical conditions increase the transportation cost.

Financial Limitations

The access to finance particularly working capital finance and investment finance to enable proprietors to expand their business is a prime limitation facing the SMEs. Banks in general do not consider SME financing as their profitable activity. Availability of finance hampers the growth of SMEs in Bangladesh. The banks consider SMEs as high risk borrowers because of their inability to fulfill with the bank's security requirements. Only about 15-20% of the owners of SMEs own any immovable property. Bankers issue loan on the basis of ownership of immovable property as security risk. As a result it automatically decreases rest 80% SME's from

the list of honored clients of the banks.

Lack of modern technology

Most of the SME entrepreneurs of Bangladesh are not aware of using modern technology for managing the business. That is why they are not able to use modern technology in their business and develop it.

Lack of Entrepreneurship Skills

In Bangladesh, most of the SME entrepreneurs are not well educated in the line of business. Either they started the business as a family tradition or they just started the business by their own labour.

Lack of information

SMEs have very limited use of information technology (IT). Accounting package is used by 1-2% of the SMEs. The use of computers by 15% of the SMEs, while the use of the Internet for business purposes applies to 8-10% of SMEs.

Bureaucracy

The inadequate government supports are top ranking problems for SMEs. Unnecessary layers of Bureaucracy reduce the competitiveness of SME and raising the cost of transactions and operations.

Chapter: 3

ORGANIZATION OVERVIEW

3.1 History of Jamuna Bank Ltd

Jamuna Bank Ltd. (JBL) is a Banking Company registered under the Bank Companies Act, 1991 and incorporated as Public Company limited by Shares under the Companies Act, 1994 in Bangladesh. The Bank started its operation from 3rd June 2001 as a scheduled Bank. JBL is the youngest commercial bank in Bangladesh.

JBL came into being as a highly capitalized new generation Bank started its operations with an Authorized Capital and Paid-up Capital of Tk.2424.00 million and Tk.1313.00 million respectively.

JBL is the only private commercial bank was established by a group of winning local entrepreneurs conceiving an idea of creating a model banking institution with different outlook to offer the valued customers, a comprehensive range of financial services and innovative products for sustainable mutual growth and prosperity. The sponsors are reputed personalities in the field of trade, commerce and industries.

The Bank is being managed and operated by a group of highly educated and professional team with diversified experiences in finance and banking. A team of highly qualified and experienced professionals headed by the Managing Director of the Bank who has vast banking experience operates bank and at the top there is an efficient Board of Directors for making policies. Earnest and practical involvement of the best management team in all tires of the Bank has brought the best out of the Bank. The Management of the bank constantly focuses on understanding and anticipating customer's needs.

The scenario of banking business is changing day by day, so the bank's responsibility is to develop strategy and new products to cope with the changing environment. JBL has already achieved tremendous progress within only ten years. The bank has already ranked at top of the quality service providers & is known for its reputation.

JBL is now trying to expand its borders by targeting all the potential sectors. With an extensive range of financial products and services the bank is committed to provide high quality financial services to its valued clients. JBL also aims to contribute to the growth of GDP of the country through stimulating trade & commerce, accelerating the pace of industrialization, boosting up export, creating employment opportunity for the educated youth, alleviating poverty, raising standard of living of limited income group and expand over all sustainable socioeconomic development of the country.

To keep pace with time and in harmony with national and international economic activities and for all modern services, JBL, as a financial institution automated all its branches with online computer network in accordance with the competitive commercial demand of time. Moreover, considering its forthcoming future the infrastructure of the Bank is being upgraded whenever felt necessary.

Since its setting up the Bank's footprint has grown to 93 branches across the country. The expectation of all class businessman, entrepreneurs and general public is much more to JBL.

3.2 JBL's Corporate Vision, Mission and Objectives

3.2.1 Corporate Vision

The corporate vision of JBL is to become a leading banking institution and play a significant role in the development of the country.

3.2.2 Corporate Mission

The Bank is committed for satisfying diverse needs of its customers through a collection of services at a competitive price by using appropriate technology and providing timely so that a sustainable growth, reasonable return and contribution to the development of the country can be ensured with a motivated and professional workforce.

3.2.3 Corporate Objectives:

1. To establish relationship banking and improve service quality through development of Strategic Marketing Plans.
2. To remain one of the best banks in Bangladesh in terms of profitability and assets quality.
3. To introduce fully automated systems through integration of information technology.
4. To ensure an adequate rate of return on investment.
5. To keep risk position at an acceptable range (including any off balance sheet risk).
6. To maintain adequate liquidity to meet maturing obligations and commitments.
7. To maintain a healthy growth of business with desired image.
8. To maintain adequate control systems and transparency in procedures.
9. To develop and retain a quality work-force through an effective human Resources Management System.
10. To ensure optimum utilization of all available resources.

11. To pursue an effective system of management by ensuring compliance to ethical norms, transparency and accountability at all levels.

3.3 ETHICAL PRACTICES

1. JBL strictly complies with all rules and regulations.
2. JBL provides fair treatment to all stakeholders.
3. JBL maintains strict secrecy of customers' accounts.
4. JBL authority listens to customers and work for their requirement.
5. JBL authority provides adequate disclosure of corporate information and operation results to shareholders for taking suitable investment decision.
6. JBL authority ensures work under highly motivated team spirit and fellowship bond.
7. JBL authority does not encourage projects which are not environment friendly.
8. JBL authority extends financial assistance to poor, helpless and distressed people as well as Provides donation/ sponsorships to sports, culture, health-care and community development ventures as they are responsible corporate citizen of the country.

3.4 STRATEGIES OF JBL

The strategies of JBL are as follows:

- To manage and operate the bank in the most efficient manner to enhance financial performance and to control cost of fund.
- To strive for customer satisfaction through quality control and delivery of timely service
- To identify customer's credit and other banking related needs and monitor their perception towards our performance in meeting those requirements.
- To review and update policies, procedures and practices to enhance the ability to extend better service to customers.
- To train and develop all employees and provide them adequate resources so that customer's need can be reasonably addressed.
- To promote organizational effectiveness by openly communicating company plans, policies, practices and procedures to employees in a timely fashion.
- To cultivate a working environment that fosters positive motivation for improved performance.
- To diversify portfolio both in the retail and wholesale market.

- To increase direct contact with customers in order to cultivate a closer relationship between the bank and the customer.

3.5 Board of Directors

The board of directors is the supreme authority of the Bank. The board of directors consists of 17 (seventeen) members and out of which 16 members are elected from the shareholders and remaining one is the Managing Director who is appointed as the Chief Executive Officer of the bank.

Name	Position
Mr. Shaheen Mahmud	Chairman
AI-Haj M.A Khayer	Director
Engr. Mosharraf Hussain	Director
Engr. Md. Atiqur Rahman	Director
Mr. Golam Dastagir Gazi	Director
Mr. Fazlur Rahman	Director
AI-Haj Nur Mohammed	Director
Mr. Md. Tajul Islam	Director
Mr. Abu Khair Mohammad Sakhawat	Director
AI-haj Md. Rezaul Karim Ansari	Director
Mr. Md. Belal Hussain	Director
Mr. Md. Mahmudul Hoque	Director
Mr. kanutosh Mazumder	Director
Mr. Md. Sirajul Islam Varosha	Director
Mr. Gazi Golam Murtoza	Director
Mrs. Tasmin mahmud	Director

3.6. SME Banking of Jamuna Bank Ltd

3.6.1 Purpose of SME Loan

- i) Working capital
- ii) Purchasing of capital machinery
- iii) Delivery Van /Transport for business purpose
- iv) Renewing office/ Business premises
- v) Purchase of commercial land, possession for new venture
- vi) Other eligible portfolio of the bank

3.6.2 SME Exposure Limit

The minimum and maximum exposure of the bank on single Small Enterprise shall remain subject to the following:

1. **In case of working capital finance-** Maximum up to 100% of the net required working capital or 75% of the sum total of inventory and receivables whichever is lower.
2. **In case of fixed assets purchase-** Maximum up to 90% of the purchased price.

Limit on clean facility for Tk. 2 Lac to below Tk. 10 Lac:

In order to facilitate growth of smaller loans, banks are free to determine security requirements for loan below Tk. 10 Lac

1. As a minimum Bank must take charge on assets being financed
2. Branch should also obtain other common documents/ charge documents as applicable

For Loan amounting Tk. 10 Lac to Tk. 50 Lac

Registered mortgage over immovable properties with registered power of attorney and disclaimer from the mortgagor(s);

- Hypothecation on the inventory, receivables, advance payments, plants & machineries
- Personal guarantee of spouse/ parents/ other family members
- Third party guarantee from a person acceptable to the Bank
- Post dated cheques for each installment and one post dated cheque for full loan value including full interest

- Branch shall also obtain other common documents/ charge documents as applicable

Maximum Exposure

As per Bangladesh Bank's Guidelines the Bank can take the following maximum exposure in SME finance:

% of Classified SE Advances to Total Portfolio of SE Advances	Maximum Limit
a. Below 5%	10 times of the equity
b. Below 10%	6 times of the equity
c. Below 15%	4 times of the equity
d. Up to and above 15%	Up to the equity

Table 7: Exposure Limit of SME Financing for Banks

On the basis of the above criteria, Annual Budget for SME Finance shall be placed before the Board of the Bank for approval.

3.6.3 Loan Pricing

For small enterprises:

For unsecured loan: 19.00%

For partially or fully secured loan: 16.00 % to 19.00%

For medium enterprises:

Interest rate varies from 16.00 to 19.00% (Interest rate may be changed from time to time according to Bangladesh Bank Guideline)

1) Loan processing fee:

For unsecured loan: (0.5 to 1.50%) + VAT

For partially or fully secured loan: (0.5% to 1.50%) + VAT

2) For overdue: Penal interest shall be charged @ 3% on the overdue amount

3) Other fees & charges:

Documentation Charge - BDT- 2,000.00 Cheque Dishonoring Charge- BDT-500.00

Security Replacement Fee - BDT-2,000.00 Reminder Fee- BDT-200.00 CIB Collection

Fee - BDT-50.00 Reschedule Fee- BDT-2,000.00

Legal & Asset Valuation Fee -BDT- At actual

Early Settlement Fee - 1st quarter of loan tenor: 5%, 2nd quarter of loan tenor: 4%, 3rd

quarter of loan tenor: 3% but for repeat financing it may come up to 1%

3.6.4 Period of Loan

- 1. For continuous Loan:** 1 (one) year
- 2. For Term Loan:** Maximum upto 5(five) years

3.6.5 Mode of Repayment

1. For continuous loan credit turnover must be equal to the limit amount in a quarter and full and final adjustment within the validity period
2. For term loan, repayment to be made by monthly installment and full and final adjustment within the validity period.

3.6.6 Security for the Loan Facility

1. Registered mortgage of property/assignment of possession right
2. Hypothecation of stock and inventories
3. Ownership of the vehicle/machinery purchased in the name of the Bank
4. Ownership of the space/possession right purchased in Bank's name
5. FDR duly liened & discharged
6. Personal guarantee of spouse
7. Personal guarantee from the person(s) acceptable to the Bank
8. Post dated cheque
9. Any other security as deemed fit on a case to case basis.

3.6.7 Documents Required for the Loan Facility

- Loan Application Form duly filled in and signed by the customer.
- Borrower's Basic Fact Sheet under the seal and signature of the borrower.
- A written declaration obtained from the borrower divulging details of various facilities already obtained from other institutions.
- Acceptance of the terms and conditions of Sanction Advice
- Copy of up-to-date Trade License
- Photographs of the client(s)/proprietor/ partners/ directors duly attested.

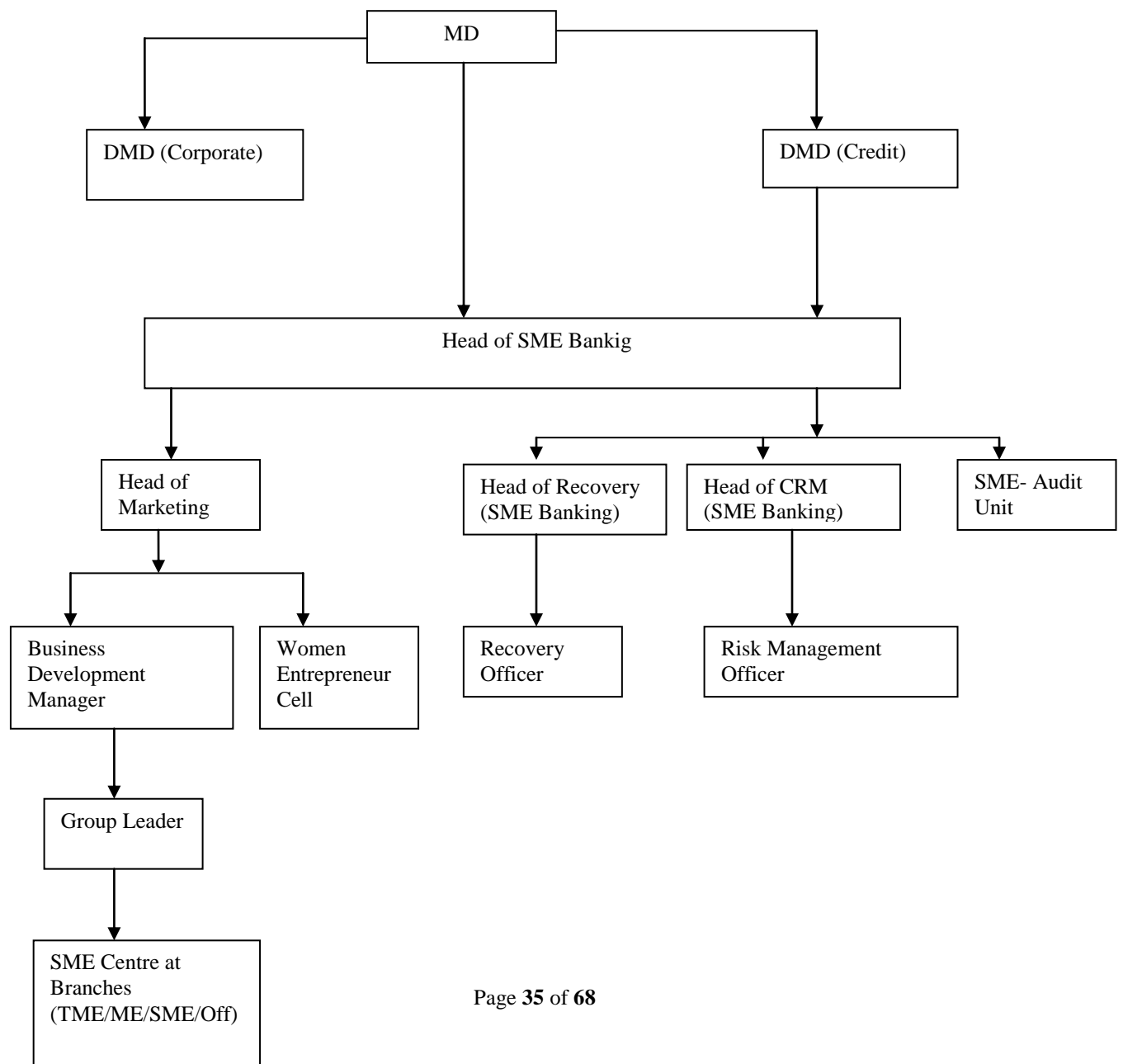
- Personal net worth statement of the proprietor / partners/ directors.
- Copy of up-to-date TIN Certificate.
- Short description of the products of the enterprise.
- Project Profile (if new project).
- Quotation/ Indent/ Pro-forma Invoice etc (as applicable)
- Marketing distribution system of the company.
- Short profile of the proprietor / partners/ directors mentioning their business experience/ education etc.
- Brief description of the management of the company mentioning their educational professional experiences.
- A latest liability statement of all the business concerns of the Group with other Banks/ Financial Institutions (Mentioning -name of business concern, name of bank and branch, nature of facility, limit amount, outstanding, overdue, if any etc.)
- Latest Credit information Bureau (CIB) report from Bangladesh Bank.
- Copy of financial statements for last 03 years duly signed by the borrower
- Copy of Registered Partnership Deed duly certified as true copy or a partnership Deed on non-judicial stamp of Tk.150 denomination duly notarized (as applicable).
- Copy of Memorandum & articles of Association of the company including Certificate of Incorporation duly certified by Registrar Joint Stock Companies (RJSC) and attested by the Managing Director accompanied by an up-to-date list of Directors (as applicable).
- Copy of Board Resolution of the company for availing credit facilities and authorizing Managing Director/ Chairman/ Director for execution of documents and operation of the accounts (as applicable).
- An Undertaking not to change the management of the company and the memorandum and articles of the company without prior permission of the bank (as applicable).

3.6.8 Dedicated SME Branches in JBL

Although all the branches of Jamuna Bank Ltd (JBL) have got SME marketing officers, there are 8 dedicated SME banking branches for special attention to SME financing. The special attribute that SME branches have is that these 8 branches must invest minimum 50% of their deposit amount to SME financing. This makes a clear idea of the special care these branches give to SME financing. These 8 branches are:

- Jurain SME Service Centre
- Madaripur SME/ Krishi Branch
- Munshigonj SME/ Krishi Branch
- Tongibari SME/ Krishi Branch
- Chapainawabgonj SME/ Krishi Branch
- Kazipur SME / Krishi Branch
- Sherpur SME / Krishi Branch
- Moulvi Bazar SME / Krishi Branch

3.6.9 Structure of SME Division



3.6.10 TYPES OF SME LOAN IN JAMUNA BANK)LTD

Name	Purpose	Eligibility of the Borrower	Key Features	Required Documents
Jamuna Samridhdhi (Deposit Top Up Loan)	Any business	* Minimum 2 yrs experience *Age: 20-60 yrs	*Loan Amount : Maximum 50 lacs * Loan validity : 48 months * Installment basis loan * Attractive interest rate	* Valid trade license * Latest TIN certificate * Sales statement of 1 year * Bank Statement * Daily statement of debit credit * Other documents
Jamuna Banik (Import Finance)	Any business	* Minimum 2 yrs experience *Age: 20-60 yrs	* Loan Amount : Maximum 50 lacs * Loan tenure depends on the import of goods * Installment basis loan * Attractive interest rate	* Valid trade license * Latest TIN certificate * Import Registration Certificate *Sales statement of 1 year *Daily statement of debit-credit *Others documents * Bank Statement of 1 year * Daily statement of debit-credit " Other Documents
Jamuna Jantrik (Machinery Loan)	To procure machinery or vehicle for SME business purpose	*Having business for at least 2 years in the same line *Age limit: 20 years to 60 years	*Loan amount: BDT 5.00 lac to BDT 50.00 lac *Tenure: Max. 60 months *Interest rate: competitive *Fast and quality service *No hidden Charge	* Last 12 months sales statement * Last 12 months bank statement * Valid Trade License of last 2 years * National ID/ Passport of the borrower * Photographs of the borrower and the guarantors * Utility bills of the Concerned

<p>Jamuna Nari Uddogh (Women Entrepreneur Loan)</p>	<p>*Any justifiable business purpose</p>	<p>*Having business at least 2 years in the same line of business * Age limit: 25 years to 60 years</p>	<p>*Loan amount: BDT 3.00 lac to BDT 50.00 lac * Tenure: For trading & Service Industry 36 months •For manufacturing industry 42 months Interest rate: 10% - the lowest interest rate *Fast and quality service •No hidden charge •Up to BDT 25.00 lac is collateral free</p>	<ul style="list-style-type: none"> • Last 12 months sales statement • Last 12 months bank statement * Valid Trade license of last 2 years • National ID/ Passport of the borrower • Photographs of the borrower and the guarantors •Utility bills of the concerned business
<p>Jamuna Chalantika (Working Capital Loan)</p>	<p>To meet up working capital requirement of the business</p>	<p>*Having business at least 2 years in the same line * Age limit: 20 yrs 60 yrs</p>	<p>*Loan amount: BDT 5.00 lac to BDT 50.00 lac * Tenure: For revolving loanMaximum 01 year For Term loanMaximum 36 months *Interest Ratecompetitive rate • No hidden charge *Registered Mortgage of Property is required</p>	<ul style="list-style-type: none"> • Last 12 months sales statement • Last 12 months bank statement * Valid Trade License of last 2 years • National ID/ Passport of the borrower • Photographs of the borrower and the guarantors • Utility bills of the concerned business
<p>Jamuna Green</p>	<p>To facilitate establishment of eco friendly projects</p>	<p>*Having business at least 2 years in the same line * Age limit : 20 yrs - 60 yrs</p>	<ul style="list-style-type: none"> • Loan amount: Max. 300 lac * Tenure: Max. 60 months *Interest Rate: Competitive interest rate * Fast and quality service • No hidden charge 	<ul style="list-style-type: none"> • Last 12 months sales statement • Last 12 months bank statement * Valid Trade License of last 2 years * National ID/ Passport of the borrower • Photographs of the borrower and the guarantors • Utility bills of the concerned business

<p>Jamuna NGO Shohojogi</p>	<p>To provide loan facility to the small enterprise through wholesale lending to the NGOs</p>	<p>*Any type of NGO having certificate from Micro Credit Regulatory Authority to operate business in Bangladesh</p> <ul style="list-style-type: none"> • Having business at least for 5 years in the same line *Age limit: 20 yrs to 60 yrs 	<ul style="list-style-type: none"> • Loan amount: Max. BDT 500 lac * Tenure: Max. 48 months "Interest Rate: Competitive interest rate • Fast and quality service • No hidden charge • Monthly installment basis 	<ul style="list-style-type: none"> • Last 12 months sales statement • Last 12 months bank statement * Valid Trade License of last 2 years Personal guarantee of all the directors
<p>Jamuna Shachchondo</p>	<p>To meet up working capital requirement of the business.</p>	<ul style="list-style-type: none"> •Having business at least for 5 years in the same line *Age limit: 30 yrs to 55 yrs 	<ul style="list-style-type: none"> •Loan Amount: BDT 15.00 lac to BDT 50.00 lac. * Tenure: For 1st time loan- 12 months to 30 months. For Repeat Loan- 36 moths to 48 months. • Competitive interest rate. • Fast and quality service. • No hidden charge. * A FDR shall be taken covering minimum 25% of the total ticket size. The SOD facility shall be allowed upto 90% of the FDR amount. " Guarantor must be renowned business person and have permanent residence in the commanding area/ possession of the shop. * Business premise must be owned/possession held by the borrower. 	<ul style="list-style-type: none"> *Last twelve months' sales statement. *Last twelve months' bank statement. *Valid Trade License of last two years. *National Voter ID/ Passport of the borrower. *Photographs of the borrower and the guarantors. *Utility bills of the concerned business.

<p>Jamuna Swabolombi</p>	<p>Any justifiable business purpose.</p>	<p>Having business for at least 2 years in the same line. *Age Limit: 20 years to 60 years.</p>	<p>*Loan Amount: BDT 5.00 lac to BDT 25.00 lac. *Tenure: For Trading & Service Industry 30 months. For Manufacturing industry 36 months. *Interest Rate: Competitive interest rate. *Fast and quality service. * No hidden charge. *Up to BDT 25.00 lac is collateral Free.</p>	<p>*Last twelve months' sales statement. *Last twelve months' bank statement. *Valid Trade License of last two years. *National Voter ID/ Passport of the borrower. *Photographs of the borrower and the guarantors. *Utility bills of the concerned business.</p>
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3.7 Criteria and Conditions of SME loan

3.7.1 Selection Criteria of Potential Enterprise of SME

Enterprise Selection Criteria

The success of SME largely depends on the selection of a business and man behind it. In terms of the business (Enterprise), the following attributes should be sought:

- The business must be in operation for at least one year
- The business should be environmental friendly (Ex: No narcotics or Tobacco business)
- The business should be legally registered, i.e., valid trade license, income tax or VAT registration, wherever applicable.
- The business should be in legal trade, i.e. smuggling will not be allowed or socially unacceptable business will not be entertained
- The business must have a defined market with a clear potential growth
- The business must be located ideally close to the market and the source of its raw materials/ suppliers. It should have access to all the utilities, skilled manpower's that are required.
- Any risk assessed by the management in turn will become a credit risk for the bank. So ' effort should be made to understand the risk faced by the business.

Entrepreneur Selection Criteria

In order to understand the capability of the management behind the business, the following should be assessed:

- The entrepreneur should be physically able and in good health, preferably between age of: 20 to 60. If the proprietor is an elderly person closer to 60, it should be seen what is the succession process will be and whether it is clearly defined or not.
- The entrepreneur must have the necessary technical skill to run the business, i.e academic background or vocational training, relevant work experience in another institution or years of experience in this line of business.
- The entrepreneur must possess a high level of enthusiasm and should demonstrate that he is in control of his business and has the ability to take up new and fresh challenges to take the business forward.
- Clear-cut indication of source of income and reasonable ability to save.

Guarantor Selection Criteria

Proper selection of guarantor is also equally important. The following attributes are important while selecting the guarantor:

- The guarantor must have the ability to repay the loan and is economically solvent (check his/her net worth)
- The guarantor should be aware of all the aspect of the loan and the responsibilities - The guarantor should be well known to the entrepreneur

3.7.2 Processing and Screening of Loan Proposal

Currently all the branches of JBL has dedicated SME officers for marketing the SME Loan. These officers help in SME Loan and Deposit product marketing, proposal preparation, loan documentation, loan disbursement, loan monitoring and recovery. Every loan proposal is generated at the grass root level through the marketing officers. These officers primarily generate the proposal and process the positive proposal under supervision of "Area Group Leader" and place it to their respective "Regional SME Center". The Head of Regional SME Center Business Development Manager (BDM) may decline the unviable loan proposal at their level. In viable cases, he may conduct physical inspection (if necessary) and send the positive proposal to SME-CRM Unit. The CRM unit at Head Office analyzes every pros and cons of the proposals and

recommends to the management for sanction of the loan if they think viable. After sanction of the proposal, the SME- CRM unit sends the loan file to the concerned SME Center for disbursement. After completing all documentation formalities as per sanction, the center will disburse the loan through their respective branches after obtaining disbursement authority from Credit Administration Division (CAD) and report it to "SME Banking Division" at Head Office. The Work flow diagrammatically is as below:

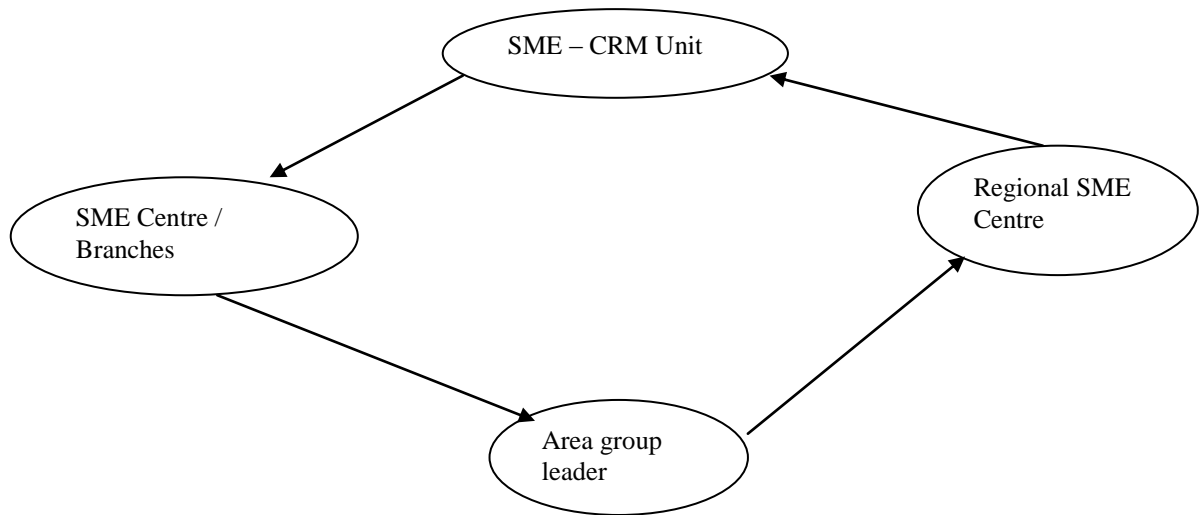


Figure 3: SME Centralization System of JBL

3.7.3 MARKETING PROCESS RELATED TO SME LOAN

3.7.3.1 MARKETING PROCESS

In terms of marketing the SME loans the financial institutions start out with extensive business and marketing plans to attract potential customers. A good marketing plan starts with segmenting the potential market and then start to provide service. The marketing structure of Jamuna Bank Ltd is as follows:

- **Geographic Segmentation:** In terms of SME Loan, it targets every region around the country in terms of small business. The dedicated SME marketing officer is attached with all the branches to hunt the SME clients and nurture the existing ones which means each and every branch of Jamuna Bank Ltd. acts like a dedicated SME office.
- **Demographic Segmentation:** The demographic segmentation is of very importance in sme loan disbursement in JBL. For example, the age of the SME clients must range

between 20 to 60 years.

- **Psychographic Segmentation:** In terms of SME Loan, clients are different in attitudes, interest and activity like some are time constrained and some are money constrained.
- So bank always tries to focus these things and then very carefully provide the loans to the clients.
- **Behavioral Segmentation:** In terms of SME loan, few clients would be found who are very much highly educated like graduate or post graduate. In the present scenario of Bangladesh, the highly educated people don't get attracted to SME loans. That is why the behavioral segmentation plays a major role in determining which segment of prospective customers to go for while selecting the client.

3.7.3.2 TARGET MARKETING

There are too many different types of customers with too many different kinds of needs. In terms of SME loans, JBL's target market is small and medium enterprise. There are three sectors of target marketing which SME follows: Trading, Manufacturing and Service.

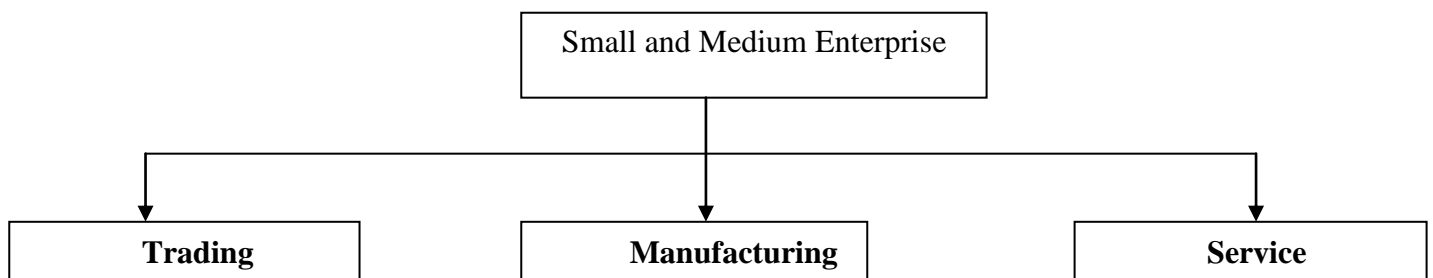


Figure 4: Target market of JBL SME

As the sectors of loan disbursement are different, there are different strategies before and after loan disbursement. The marketing officers are chosen in such a way that they can handle different types of customers.

3.7.3.3 MARKET POSITIONING

In Bangladesh, there are other banks and Non Banking Financial Organizations which are relentlessly trying to market their loan products to customer. That is why Jamuna Bank Ltd has taken some innovative strategies to make a strong position in the market. The marketing officers are very customer friendly and the loan processing system is made as easy as possible. For

example, the SME interest rates are comparatively higher than the other loan products. But the customer service and the other facilities like fast service and customer friendly environment equivalents all the other disadvantages. For market positioning JBL SME division provides the services like:

- Rescheduling System- If after taking SME loans any customer gets any problem in repaying the loan then the rescheduling process is made for the ease of the customer.
- Quick Service- The main facility of SME is to provide quick service to the customers. It takes only 15-20 days time to disburse the loan to the customer's account.
- Direct Service- To get the loan the marketing officers do all the hard work. They even provide the service in the holidays for the clients' support.

3.7.3.4 DEVELOPING MARKETING MIX

JBL SME division plans to mix its products in the following manner:

- a. Product: In view of the SME loan, JBL has 2 types of loan: Short term loan and mid term loan. Short term loan product means 13/15 months tenor and mid-term means tenor upto 37 months.
- b. Price: In terms of SME Loan, JBL receives a certain amount of processing fees and stamp charge for giving loan to customer.
- c. Place: JBL SME division is always active in reaching the customers point of contact as much as they can. Dedicated SME officers are deployed in each and every corner of the country.

Chapter: 4
DATA COLLECTION
AND
ANALYSIS

4.1 AGE LIMIT OF THE CLIENTS

In this survey, it was found that 76% of the surveyed clients are between 30-50 years. For SME banking in Bangladesh, it would be risky to provide loans above 60 aged clients and JBL SME authority also discourages the loan to the proprietors aged above 60.

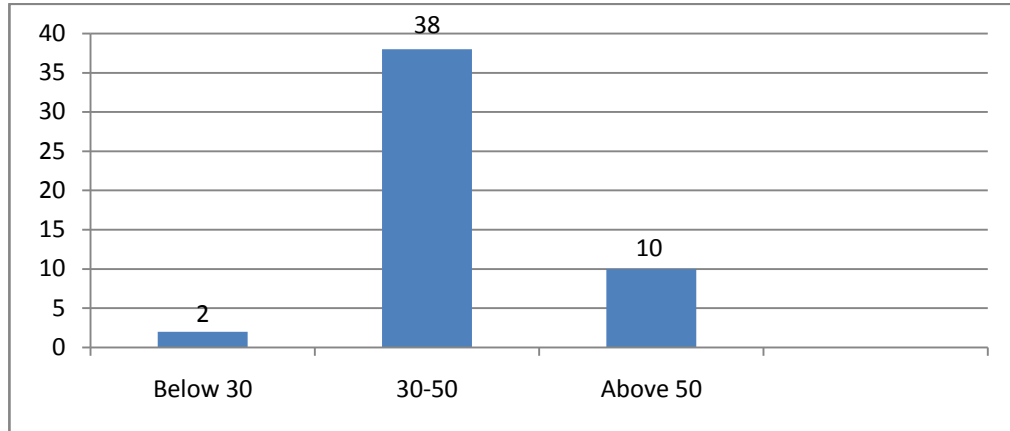


Figure 5: Age limit of the clients

4.2 EDUCATIONAL QUALIFICATION OF THE CLIENTS

In the survey, it was found that most of the proprietors are H.S.C pass. In Bangladesh, a common perception about the SME customers is that they are educationally not much advanced. The result of the surveyed clients also reflects that perception.

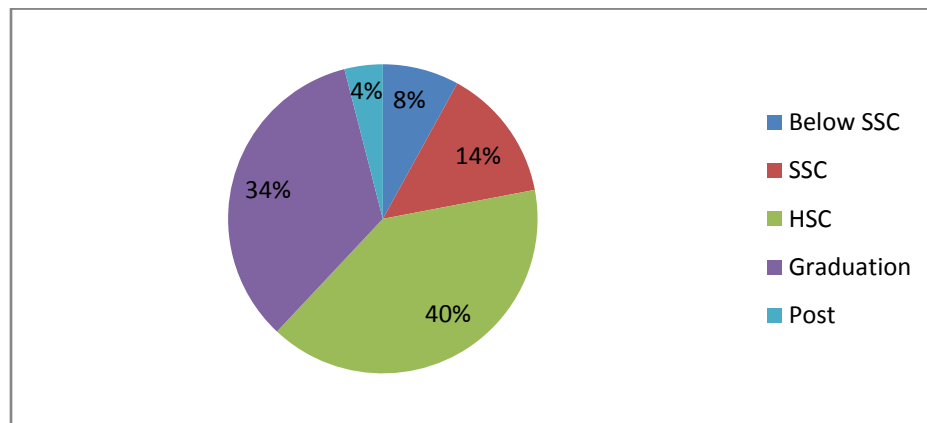


Figure 6: Educational qualification of the clients

4.3. DIFFERENT CATEGORIES OF BUSINESS

In the survey, it was found that trading concern is the major portion of the interviewed SME proprietors. 80% of the proprietors run the trading business while manufacturing percentage is 16% and service only 4%. In terms of the business sectors, textile & fabrics is the leading

business type (38%). The others plastic and retail products(18%), paper and book (4%), engineering works (4%), furniture and wood products (8%), agro business (14%), iron and steel (8%) and electronics (6%).

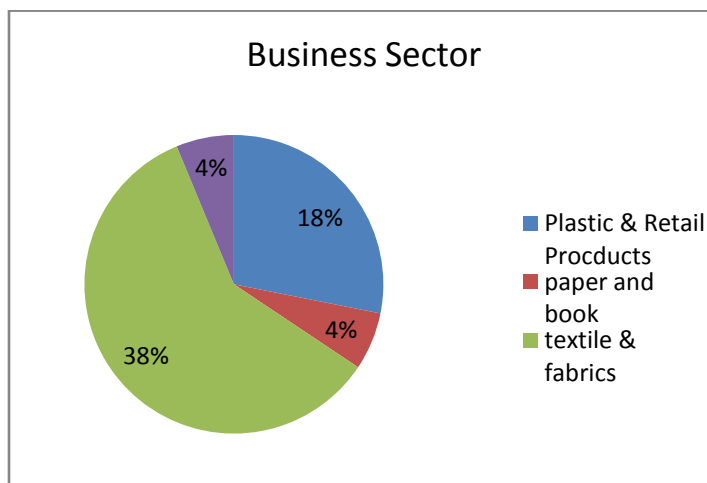
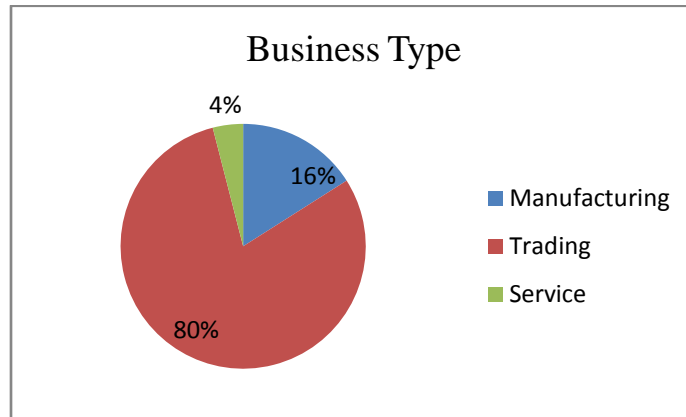


Figure 7: Business Type and Business Sector

4.4 BUSINESS EXPERIENCE OF THE PROPRIETORS

In the survey, it was found that the maximum portion of the sample lies in the range of 5-10 years (22), the second highest is 10-15 years (10). That means most of the proprietors are quite experienced in their line of business.

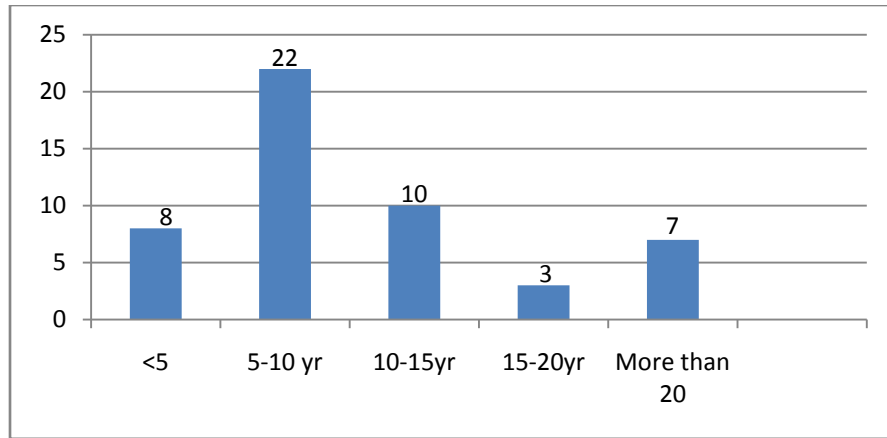


Figure 8: Survey response on Experience of the Proprietors

4.5 MAJOR USE OF THE SME LOAN

From the responses obtained it is observed that the loan is mostly used for purchasing raw materials. 58% respondents agreed that the most use of this loan is for purchase of raw materials. Salary and daily expense (28%) is second most used purpose of the loan. Paying the creditors is another use of the loan. 14% respondents agreed to the fact.

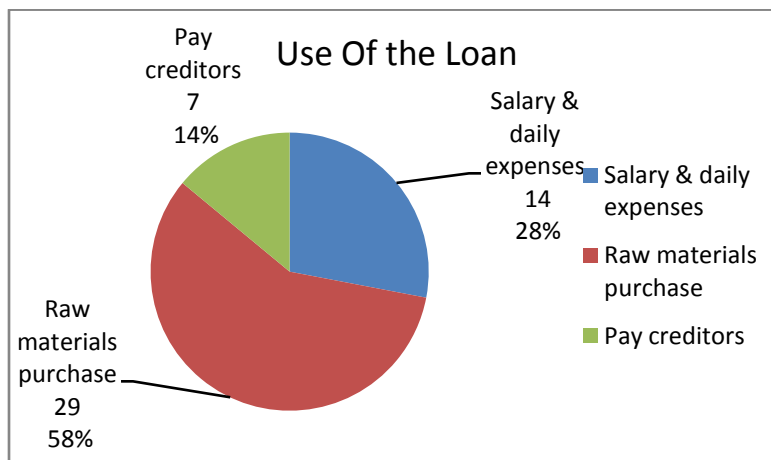


Figure 9: Survey response on Use of the Loan

4.6 MOST COMMON BUSINESS OBSTACLES

The proprietors were given 5 options to choose between. The options were decided from the literature review. These 5 were: a. Cost of inputs b. Fluctuations in sales c. Increasing competition d. Political unrest and e. Any other. These options were predetermined and the proprietors were asked to choose one of these options. From the responses obtained, most number of respondents marked increasing competition as the most common problem. 40%

responses were obtained in favor of that cause. The second most important reason was found fluctuation in sales (28%). The other two were Political unrest (18%) and Cost of inputs (14%). In this survey, only 4 choices were given. That is why they were forced to answer only one of them. Later on, the respondents were given other choices and questionnaire survey was conducted on the other problems.

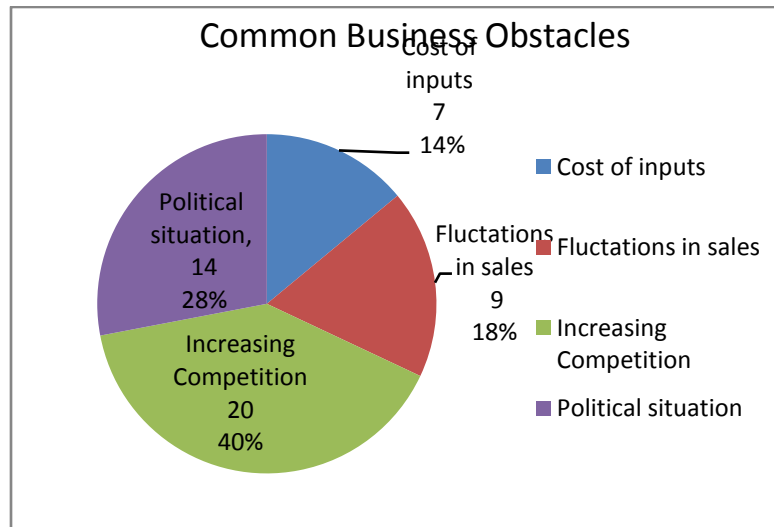


Figure 10: Survey response on most common business obstacles

4.7 MAIN REASONS BEHIND HIGH EMPLOYEE TURNOVER

Employee turnover is a common problem for the business entities in Bangladesh. In literature review, it has been found that SME concerns are marked with high employee turnover because of their small growth. The proprietors were asked the main reason behind the frequent job changing of the employees and they answered the following 4 reasons: a. For better salary b. Lack of loyalty c. Problems with co-workers d. change in working environment. 48% of the respondents mentioned that better salary is the main motivational factor of the employees' job changing. 24% mentioned that lack of loyalty to the organization is the main reason. 10% replied that the employees change the job for change in the working environment and 18% replied that problems with co-workers are the main reason for changing the job.

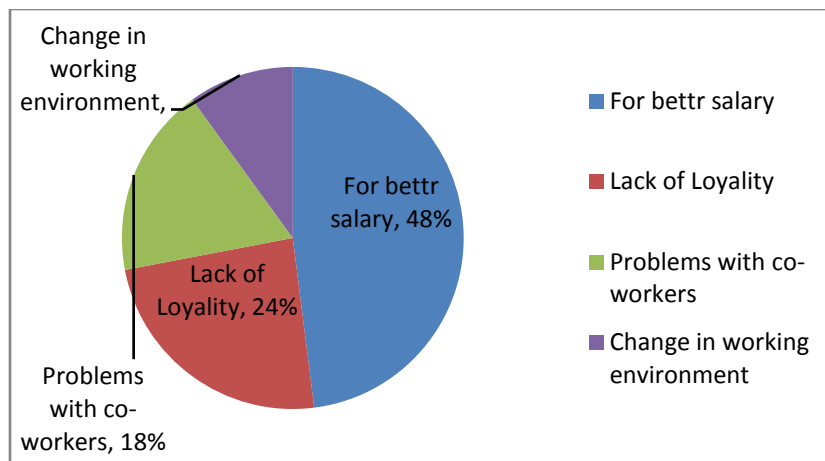


Figure 11: Survey response on reasons behind high employee turnover

4.8 WAITING PERIOD BETWEEN LOAN APPLICATION AND SANCTION

Customers were asked how much time they had to wait for the loan to disburse in JBL. Most of the respondents (48%) said that it took less than 1 (one) month between loan application and sanction. 24% respondents said that it took around 1 month to get the loan. 18% respondents said that it took between 1 to 2 months and 10% replied that it took more than 2 months to get the loan.

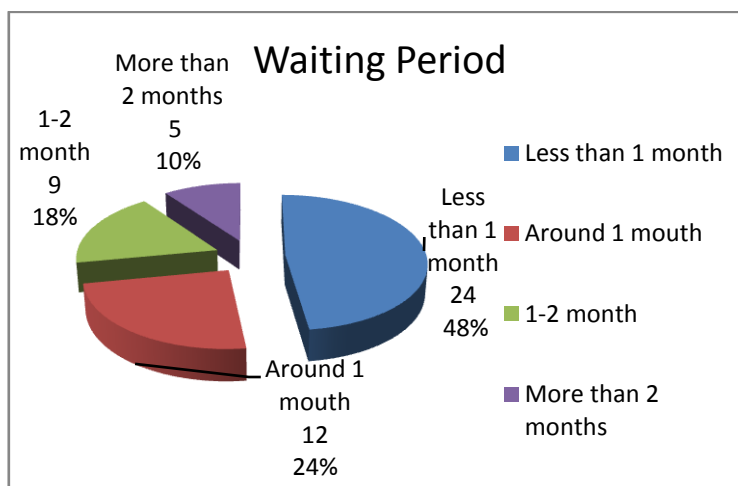


Figure 12: Survey response on waiting period for loan

4.9 SME PROPRIETORS PERCEPTION ON THE DRAWBACKS OF JBL SME

Respondents were asked which problems they think is most frequent for JBL SME service. 40% of respondents pointed out that lengthy procedure is a problem for Jamuna Bank SME division. 30% of respondents pointed out that inexperienced marketing force is a problem. Other two

problems of Jamuna Bank Ltd SME are High Interest Rate (14%) and Client service (16%).

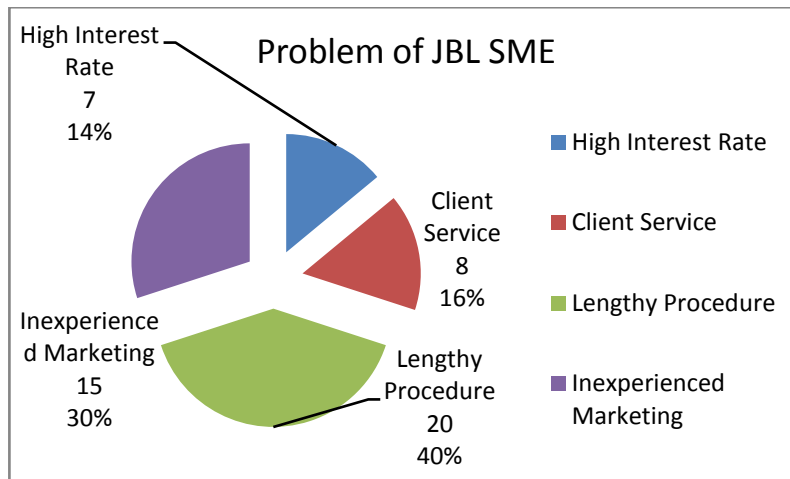


Figure 13: Survey response on Drawbacks of JBL SME

4.10 SATISFACTION LEVEL ON THE SERVICE OF JBL SME

The respondents were given 5 levels of satisfaction starting from Highly Satisfied to Highly dissatisfied. In response, 8 respondents gave their opinion that they are highly satisfied, 24 are satisfied, 3 are neutral, 9 are dissatisfied and 6 are highly dissatisfied with the SME service of JBL.

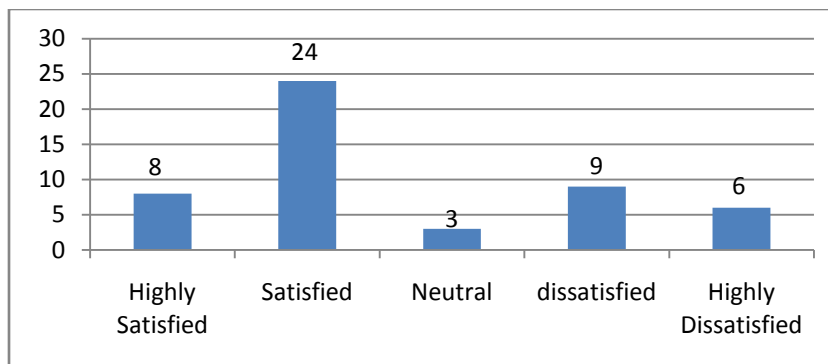


Figure 14: Survey response on Satisfaction level of customers

4.11 DETERMINATION OF PROBLEMS FACED BY BANK

Interviews with the SME bankers revealed some problems or risks that bank faces in SME management. Problems or risks associated with SME loans for bank are as follows:

- Limited opportunity to offer flexible repayment options for private loan borrowers prior to default:** Currently, JBL has this type of problems for the term SME loan facilities. The borrowers become defaulter if they fail to pay 3 installments in a row and if they face some

problems JBL authorities find it hard to provide the flexible repayment options to them.

2. Confusion with borrowing terms and conditions: According to the bank officials, another problem with the client is the confusion with the borrowing terms and conditions. Most of the SME proprietors are not experienced in transacting with banks and for this reasons they are not easy to handle. Managing them is a bit problematic for the bankers due to this reason.

3. Inaccurate information regarding the borrower: The CIB (Credit Information Bureau) is the base for the information of the prospective clients of the bank. Currently the bankers are facing constant challenge due to inaccuracy in the CIB report of the borrowers. Problems are created when classified loans are not mentioned in the CIB report and the classified borrowers get the loans.

4. Collateral Risk: Risks with collateral means that whether the collateral is under possession of the owner, whether the collateral is the correct property shown by the borrower etc. This type of problem is very common case in Bangladesh and maximum loans become irregular or default due to this problem.

5. Risks with Documentation: Applying SME loans from the banks with fake or faulty documents is a common thing for the borrowers. In order to ensure safety lending, banks must ensure the originality of the documents related to the mortgaged properties.

6. Moral Hazard: Even when loans are made to the SMEs, it may so happen that the owners of these SMEs take higher risks than they otherwise would without lending support from the banks.

7. Unsecured Lending: Unsecured loans consist of maximum portion of the total SME portfolio. In this type of lending, personal guarantee of the proprietor and his/her relative or some other persons is considered as the main security. But when the borrower fails to repay the loan, the bank faces difficulty in recovering that because personal guarantee is not sufficient for lawsuit and other legal steps.

8. Monitoring Activity: In most of the cases, lack of proper monitoring of the SME loans causes default loans. Most SME loans are term loans and that is why the officers have to monitor closely the monthly repayments.

4.12 LOANS AND ADVANCE POSITION OF JAMUNA BANK LTD

Jamuna Bank Ltd. is currently poised among the top ranked banks in Bangladesh. Their relentless endeavor to succeed leads them to enhance their loan portfolio each and every year.

From the figure in the next page it can be observed that, the total advance increased from 2008 to

2011. Then the advance reduced a bit in 2012 compared to 2011. That's because of a global recession and economic upset in that year.

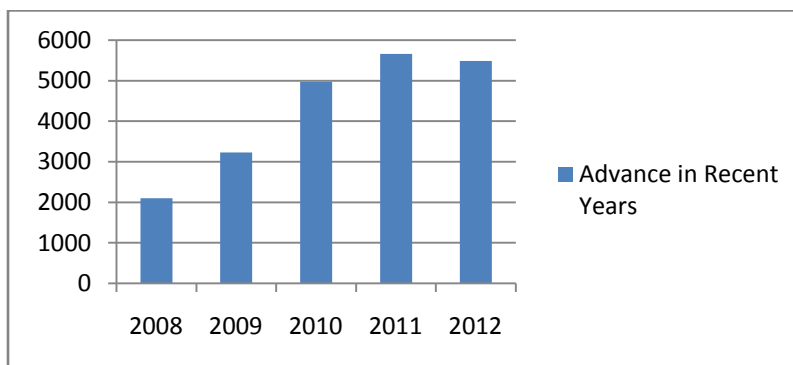


Figure 15: Disbursed Advance position in last 5 years in JBL

4.13 PERFORMANCE OF JAMUNA BANK LTD IN SME SECTOR

As a third generation bank, Jamuna Bank Ltd is continuously trying to increase its loan portfolio in various sectors. In SME, they are also trying to increase it. In 2009, the SME disbursement was 127.75 crore, in 2010 it was 212.17. The maximum disbursement occurred in 2011. The figure below shows the yearwise steady growth of SME in last 5 years starting from 2009 to 2013 (upto 2013):

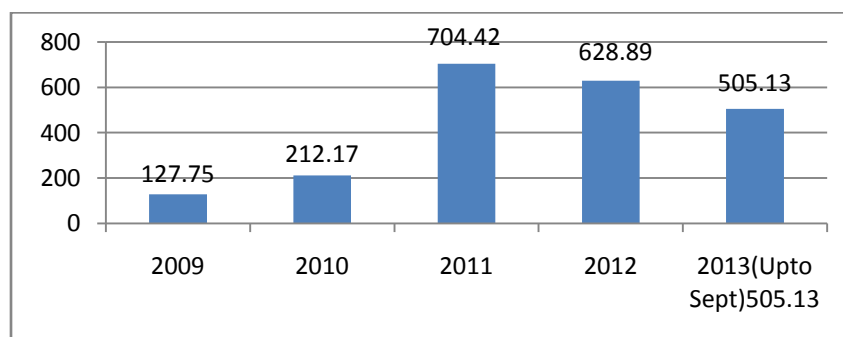


Figure 16: Year wise SME Disbursement of JBL

4.14 PERCENTAGE OF SME LOAN TO TOTAL LOAN OF JBL

Jamuna Bank Ltd (JBL) has been one of the top private banks in financial sector. Over the last few years the management of JBL is trying hard to enhance the SME exposure. The portion of SME Loan over the last few years reflects the fact. From the figure, it can be observed that the disbursed SME loan increased from the last year in 2010 and 2011. In 2012, the SME Loan reduced from the last year but did not decrease a huge amount.

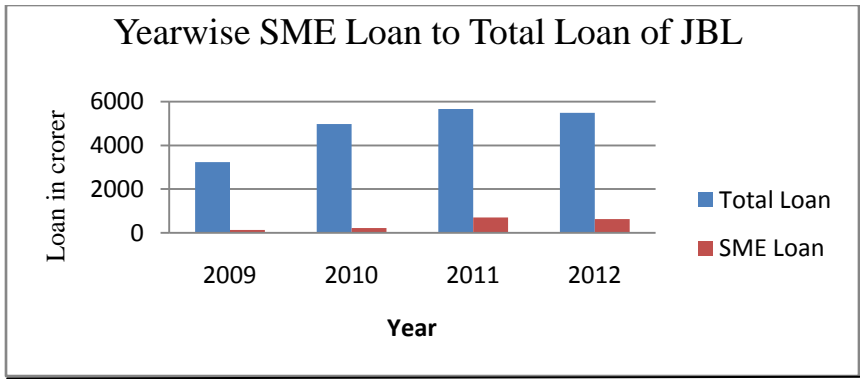


Figure 17: Yearwise SME Loan to Total Loan of JBL

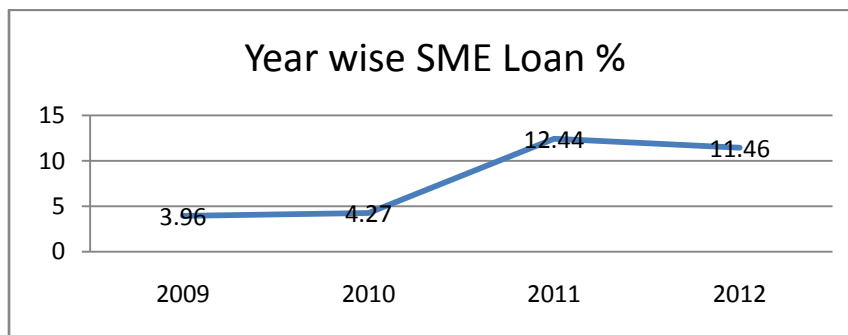


Figure 18: Year wise trend of percentage of SME Loan to Total Loan of JBL

4.15 PERFORMANCE COMPARISON OF JBL WITH OTHER BANKS IN SME SECTOR

In comparison to other banks in Bangladesh, JBL is striving to find its position in managing the SME exposure. Performance of JBL in SME sector is discussed below in comparison to some other banks below:

In 2010 Sonali Bank provided 30.46% of total loan in SME sector. Janata Bank provided 47.47% of total loan and Basic Bank provided 73.71% of total loan in SME sector. So it can be said that Basic Bank spent more money in SME sector from their loan portfolio. This is the situation of government bank. Private bank also provide a great portion of loan in SME sector from their total loan amount. In 2010, Jamuna Bank provided 4.27%, Pubali Bank provided 7.48% and SCB provided 16.00% loan in SME sector from their loan portfolio.

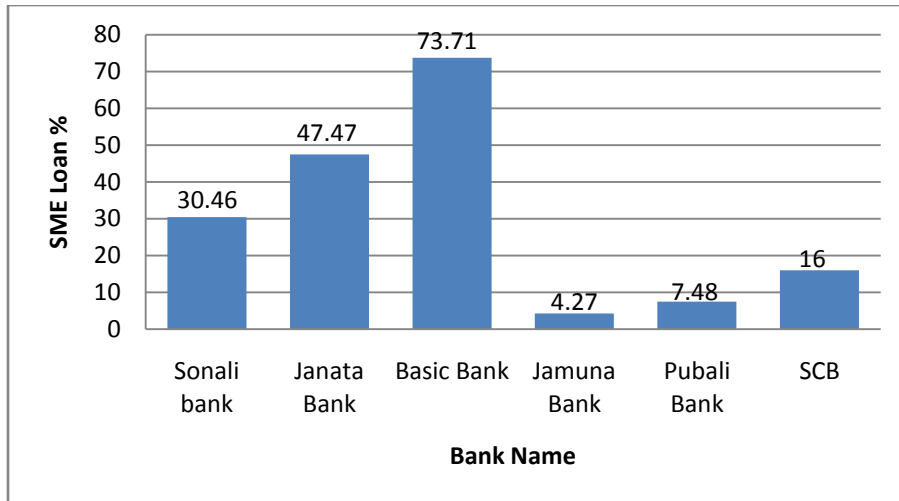


Figure 19: Comparison of Percentage of SME Loans in 2010 of various banks

In 2011 Sonali Bank provided 22.57% of total loan in SME sector. Janata Bank provided 50.36% of total loan and Basic Bank provided 72.47% of total loan in SME sector. Private bank also provided a great portion of loan in SME sector from their total loan amount. In 2011 Jamuna Bank provided 12.44%, Pubali Bank provided 5.14% and SCB provided 15.45% in SME sector from their loan portfolio.

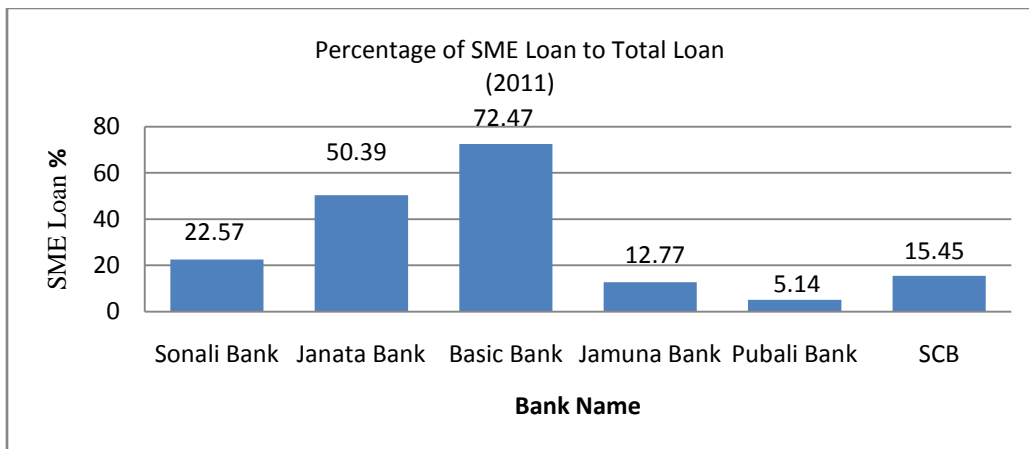


Figure 20: Comparison of Percentage of SME Loans in 2011 of various Banks

In 2012 Sonali Bank provided 19.02% of total loan in SME sector. Janata Bank provided 53.03% of total loan and Basic Bank provide 61.60% of total loan in SME sector. This is the situation of government bank. Private bank also provided a great portion of loan in SME sector from their total loan amount. In 2011 Jamuna Bank provided 11.50% of total loan amount, Pubali Bank

provided 4.82% of total loan and SCB provided 15.25% of total loan in SME sector.

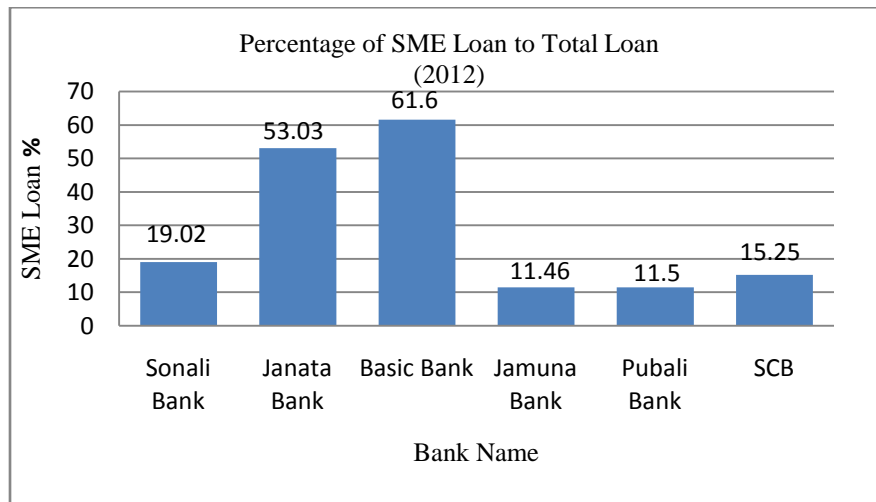


Figure 21: Comparison of Percentage of SME Loans in 2012 of various Banks

4.16 YEARWISE SME DISBURSEMENT OF DIFFERENT BANKS

In last 3 years, the SME disbursement of 6 banks reveals that the government banks are quite successful in disbursing more SME loans compared to private banks. In all the 3 years in this analysis, it can be observed that the summation of the disbursed SME loan by 3 government banks (Sonali, Janata and Basic) is much more than the private banks (Jamuna, Pubali and SCB).

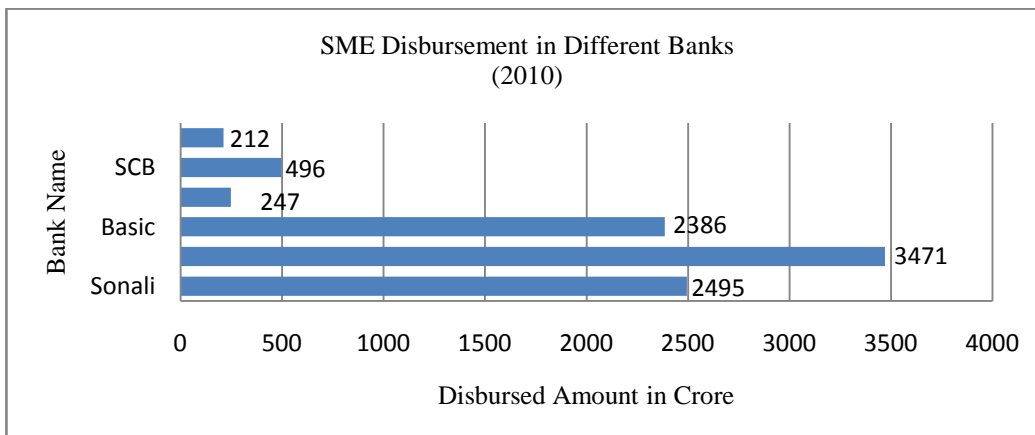


Figure 22: SME Disbursement in Different Banks (2010)

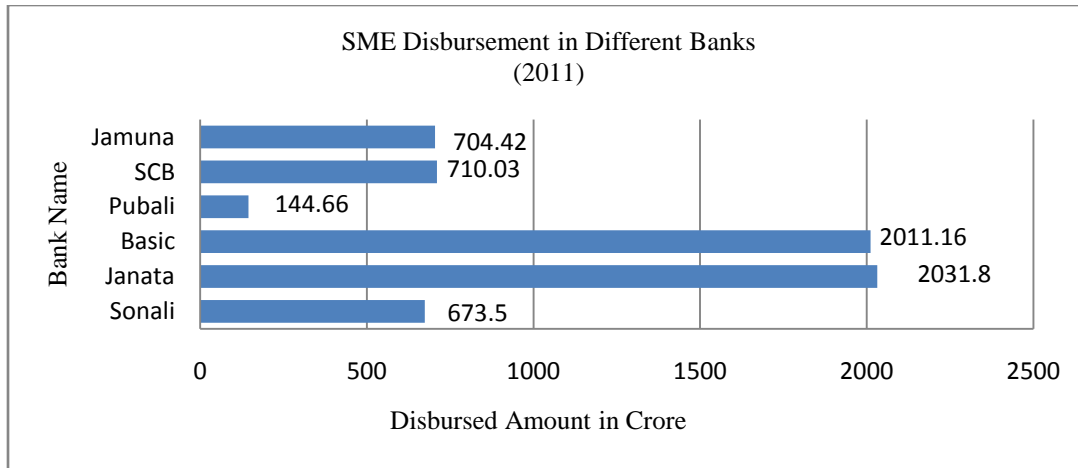


Figure 23: SME Disbursement in Different Banks (2011)

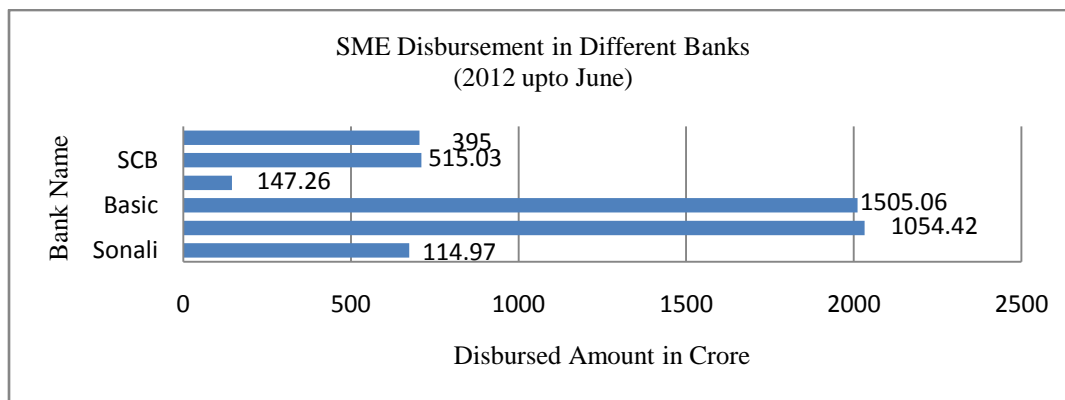


Figure 24: SME Disbursement in Different Banks (Upto June, 2012)

4.17 ACHIEVEMENT OF SME TARGET GIVEN BY BANGLADESH BANK

In 2010 Bangladesh bank gave target to Sonali Bank to provide 1360 crore tk. in SME sector. But at the end of 2010 Sonali bank provided 2495 crore tk. which was 183% of their total target.. The target of Janata Bank was 2300 crore and they provided 3471 crore tk. in SME sector which indicates their achievement was 150% of their target. Target of basic bank was 660 crore tk. and their total loan on SME sector was 2386 crore tk and their achievement was 361.5%. in 2011 target amount of Jamuna bank was 350 crore tk and their total loan amount was 212 crore tk and their achievement rate was 60%. Target amount of Pubali Bank was 500 crore tk and their total disbursement was 247 crore tk and their achievement rate was 49.60%. The target amount of Standard Chartered Bank was 550 crore tk and their total disbursement was 496 crore tk and their achievement rate was 90%.

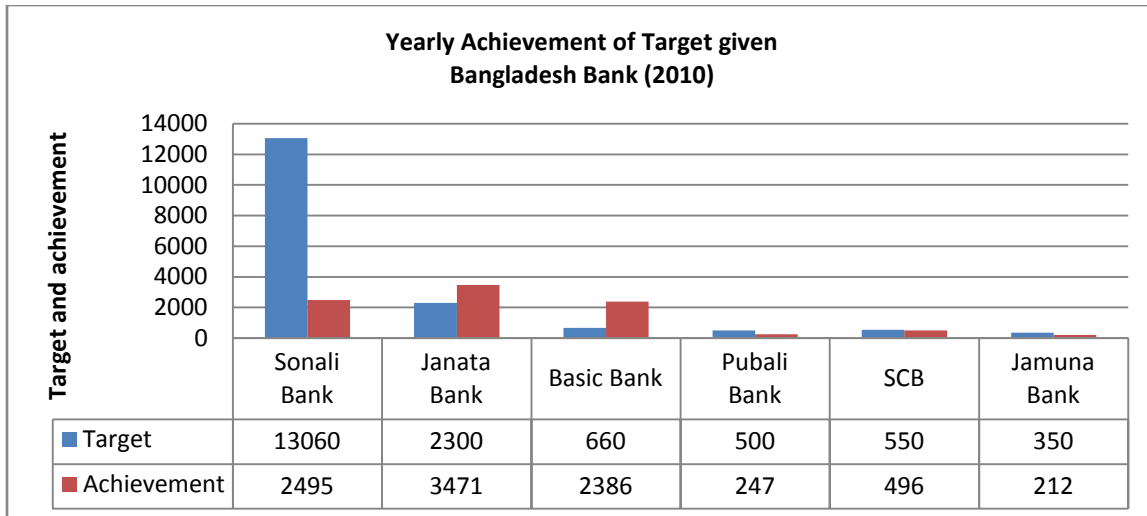


Figure 25: Yearly Achievement of Target Given by Bangladesh Bank (2010)

In 2011 Bangladesh bank gave target to Sonali Bank to provide 3500 crore tk. in SME sector. But at the end of 2011 Sonali bank provided 673.50 crore tk which was 19.24% on their total target. The loan performance of Sonali Bank in 2011 was really very poor. The target loan of Janataq bank was 2000 crore and they provided 2011.16 crore tk. In SME sector which indicates their achievement was more than their target that is 101.59%. Target of Basic bank was 2800 crore tk. And their total loan on SME sector was 2001.16 crore tk and their achievement was 71.83%. In 2011 target amount of Jamuna Bank was 472.50 crore tk and their total loan amount was 704.72 crore tk which is more than their target amount and their achievement rate was 149.08%. Target amount of Pubali Bank was 250 crore tk and their total disbursement was 144.68 crore tk and their achievement rate was 57.87%. The target amount of Standard Chartered Bank was 899.30 crore tk and their total disbursement was 710.03 crore tk and their achievement rate was 78.95%.

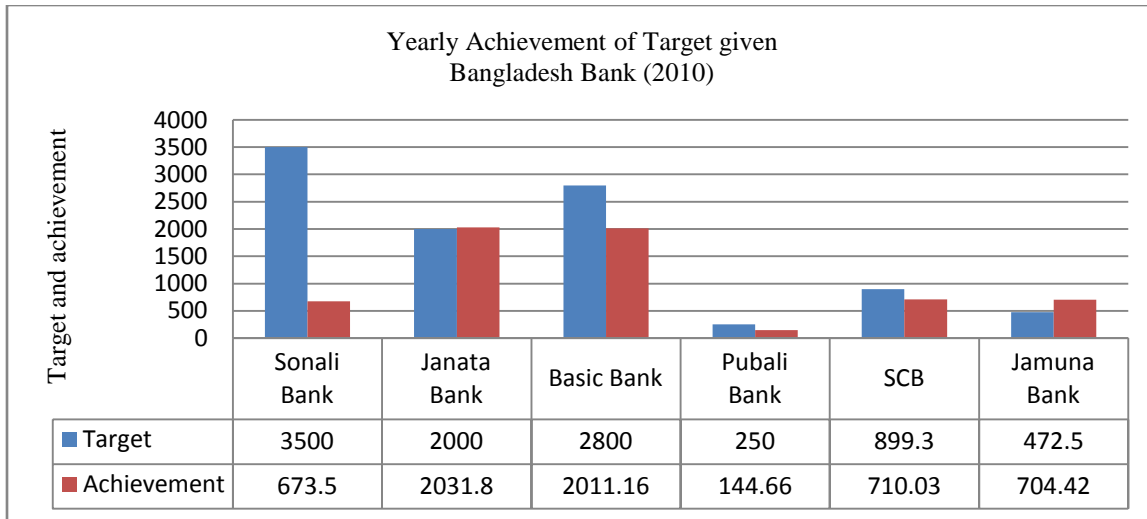


Figure 26: Yearly Achievement of Target Given by Bangladesh Bank (2011) (Source: Bangladesh Bank)

In 2012 Bangladesh bank gave target to Sonali Bank to provide 800 crore tk. in SME sector. But upto June'2012 Sonali bank provided 114.97 crore tk. which was 14.37% on their total target. The target loan of Janata bank was 1980 crore and they provided 1054.42 crore tk in SME sector which was 53.25% of their target. Target of Basic Bank was 2900 crore tk. And their total :)an on SME sector was 1505.06 crore tk and their achievement was 51.90%. In 2012 target a-iount of Jamuna bank was 520 crore tk and their total loan amount was 628.89 crore tk which was 120% of target amount. Target amount of Pubali Bank was 300 crore tk and their total disbursement was 147.26 crore tk and their achievement rate was 49.09%. The target amount of Standard Chartered Bank was 899.30 crore tk and their total disbursement was 515.03 crore tk and their achievement rate was 57.27%.

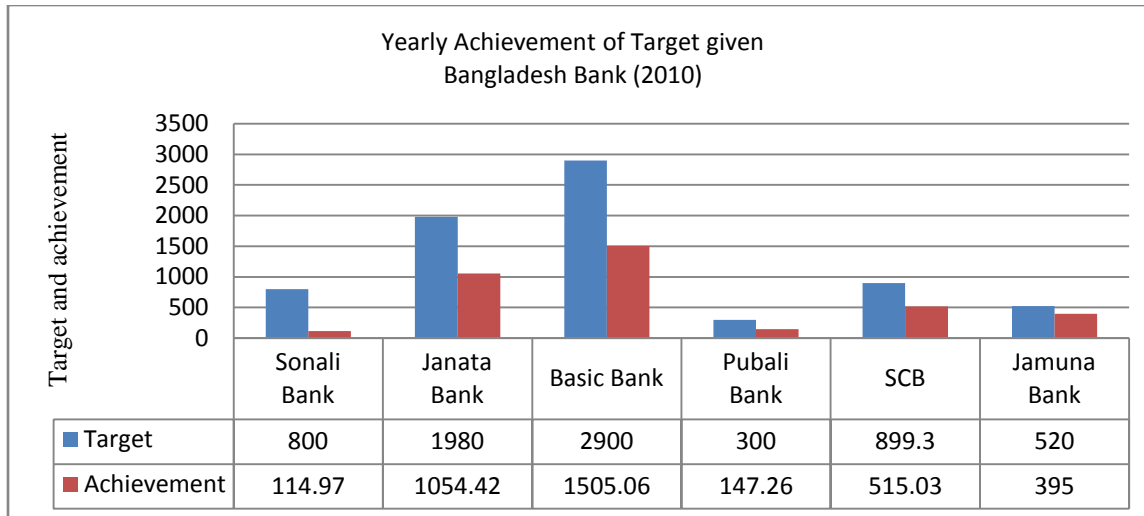


Figure 27: Yearly Achievement of Target Given by Bangladesh Bank (upto June 2012)

4.18 SWOT ANALYSIS OF SME DIVISION OF JAMUNA BANK LTD

The SWOT Analysis on JBL's SME division is presented below:

Strengths

- Dynamic Human Resource
- Countrywide distribution network and coverage
- Continuous development in creating innovative products
- Fast Loan approval process and monitoring
- Skilled risk management system

Weakness

- JBL is yet to establish itself as a brand
- SME Loan portfolio lacks sectoral diversification
- Customer perception about the Bank or it's service is not satisfactory

Opportunities

- New geographic territories for SME operation
- Workshops and trainings for the SME Officers
- Management of the Bank is giving priorities to enlarge the SME Loan exposure for less provisioning than the traditional CC Loans
- Offering lower interest rate than other banks can give an edge to JBL SME
- Raising the customer service can help JBL attract more SME customers

Threats

- Current market of SME is too competitive and JBL might lose a big portion of it's prospective clients to other banks and NBFIs.
- Current political situation is too vulnerable and the proprietors are currently reluctant in availing SME loans.
- Lack of proper monitoring for SME loans might become a threat for Bank's overall performance in the long run
- Global Market recession

Chapter: 5

FINDINGS

From The data collection the following things are found:

1. JBL SME authority should carefully choose the proprietors while disbursing the SME loan. Because overly aged persons cannot pay the SME loans. The maximum age limit for taking any SME loan program is 60 years according to JBL SME policy.
2. Inexperienced proprietors are not encouraged to gain the SME loans. From the data, it was found that most of the proprietors have 5-10 years of experience who are currently getting the SME loan.
3. Most of the interviewed proprietors use this SME loan for purchasing raw materials. The other major use of the SME loan is for meeting salary and daily expenses.
4. Most of the proprietors (48%) said that it took less than 1(one) month between loan application and sanction. 24% proprietors said that it took around 1 month to get the loan. That means JBL SME is serving the clients quite well in terms of granting SME loans.
5. According to the proprietors those who apply for the loan, JBL SME service should be more attractive in time length between loan applications and loan payment. Inexperienced marketing force is also the negative thing to discourage the proprietors to the loans. This means that the JBL Management should make some proper steps to organize the whole SME marketing and disbursement process for better results.
6. After taking the loans from JBL, some proprietors said that they are either highly satisfied or just satisfied with the SME loan of Jamuna Bank Ltd. It means that more than 60% of the proprietors think that the service level of Jamuna Bank Ltd is quite good and it's also quite satisfactory to the clients.
7. The problems or risks regarding SME loans for the bankers are like flexible repayment options for borrowers, confusion with borrowing terms and conditions, wrong information, risks with guarantee, documentation risk, moral hazard problems with unsecured loans, monitoring activity etc.
11. Compared to other banks (public and private)Jamuna Bank Ltd has not been successful in increasing their SME Portfolio over the years, but the growth they are showing is good.
12. SME market is highly competitive and JBL might lose a big portion of its future client portion to the other banks, but JBL has a strong human resource and experienced SME team which can help the bank achieve the future targets successfully.

Chapter: 6

RECOMMENDATION

For achieving the best possible targets, the bank should take following some steps. These can be-

- Regular checking of the SME portfolio should be made more successful
- Interest rate of SME should be made more competitive in order to expand the SME portfolio
- Loan documentation process needs to be more effective in order to reduce guarantee risk and loan default
- JBL authority should provide adequate training to their SME officers so for that they can get new SME clients and also credit analysts should be recruited to reduce pressure on existing employees
- The banking industry is extremely competitive and continuously changing. Competitor banks are introducing new products and services and taking new actions to manage SME risk. So, JBL should put more time and money in developing new SME products
- All possible information should be preserved at head office about the borrowers.

Chapter: 7

CONCLUSION

As a third generation private commercial bank, Jamuna Bank Ltd. has a good possibility to be a leading bank in the economy of Bangladesh. To achieve that, they need to find out the areas where they can expand. In recent years, their performance in SME sector compared to other banks is not so much satisfactory, but they showed a regular growth from 2009 to 2011. This means that they have the possibility to be one of the best banks in SME sector. SME is a successful sector in Bangladesh which can be important for all the banks in the near future. All the banks are always trying to maximize their SME collection. That is why, to keep up with other banks in Bangladesh, Jamuna Bank Ltd. (JBL) need to know the problems of the future SME clients and try to find the best possible way which will make good connection with their new clients and achieve their goals.

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[http:// www.bangladesh-bank.org](http://www.bangladesh-bank.org)

APPENDIX**Questionnaire for Proprietors**

1. Name:
2. Age:
3. Address/ Location of Business:
4. Educational Qualification:
5. Enterprise Profile
 - a. Trading b. Manufacturing c. Serviced. Agro Processing
6. Business Type:
7. What is the main reason do you think that the employees working in your concern leave the job?
.....
8. Owner experience in business: years
9. Most common obstacles in business:
 - a. Cost of inputs
 - b. Fluctuations in sales
 - c. Increasing competition
 - d. Political situation
 - e. Other
10. Major Use of this loan:
11. Waiting period between loan application and sanction:
 - a. Less than I month
 - b. 1 month c. 2 month
 - d. More than 2 months
12. Please mention your satisfaction level on the service of JBL SME: a. Highly Satisfied
 - b. Satisfied
 - c. Neutral
 - d. Dissatisfied
 - e. Highly Dissatisfied
13. What are the negative things about Jamuna Bank SME?