



Inspiring Excellence

Internship Report

On

Analysis of Retail Loan Management of Jamuna Bank Limited

Submitted to

Mr. Saif Hossain

Senior Lecturer

BRAC Business School

BRAC University

Submitted by

Khadiza Islam-13304103

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BRAC Business School

BRAC University

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Mr. Saif Hossain

Senior Lecturer

BRAC Business School

BRAC University

Subject: Submission of Internship report on “Analysis of Retail Loan management of Jamuna Bank Limited.”

Dear Sir,

This is my pleasure to inform you that I have successfully completed my internship report on “**Analysis of Retail Loan Management of Jamuna Bank Limited**”. When I was doing this report, I worked as an intern at Jamuna Bank Ltd. under the supervision of Md. Hedayet Hossen, First Assistant Vice President and Mr. Shafaat Khan Majlish, Officer. I am so glad that they give me the opportunity to work on this part.

I have tried to integrate all the knowledge that I have acquired during my internship program to make this report as informative, reliable as possible. Without your help it might be difficult to complete. I strongly believe that this report will satisfy your requirements and expectations.

Yours Sincerely,

Khadiza Islam

ID: 13304103

BRAC Business School

BRAC University

Acknowledgement

At first I would like to thank the almighty Allah for the strength and opportunity he has provided me to completion this internship report under this critical period in very successful manner. And I want to show my gratitude to all who helped me to complete my internship report on “**Jamuna Bank Limited**”.

Firstly I want to thank my academic supervisor **Mr. Saif Hossain**, Senior Lecturer of BRAC Business School, BRAC University. He has helped me a lot in providing all the helps and supplementary things that I need to complete my internship report with proper guidance and help. His endless guidance and assistance helps me to complete the report. Next, I am deeply indebted to my supervisor, **Mr. Shafaat Khan Majlish**, for responding to all my critical queries and answering those questions with great patience and care. He has provided me with all the necessary information that I would need about Branch Banking and as well the organization. I am apologize for not mentioning any other names who has also help me a lot for completion this internship report. I also feel so grateful to them.

Table of Contents

Executive summary.....	5
JAMUNA BANK LIMITED	Error! Bookmark not defined.
INTRODUCTION.....	7
HISTORY OF JAMUNA BANK LIMITED	7
Mission and Vision.....	7
Mission.....	7
Vision.....	7
Product/Service Offerings	8
Operational network organ gram:	8
Job Nature	9
Description/nature of the job.....	10
Specific responsibilities of the job	10
Critical observations and recommendations	10
Description of the project.....	11
Description of the project.....	11
Literature review	11
Objective of the project	12
The objective	12
Methodology	17
Limitation	18
To comprehend the retail arrangement of JBL	12
To find out retail loan assessment method of JBL.....	13
Associated credit risks with retail loan	16
Findings.....	18
Results and discussion.....	19
Conclusion.....	20
Reference	20

Executive summary

The report I made is basically for the internship program of BRAC University, under BBA program. The data of this report has been taken through a small survey of the customers of Jamuna Bank Limited. I have applied all the practical knowledge that I have earned for my B.B.A life in BRAC University to prepare this report. I gathered knowledge of day-to-day banking operations and different banking functions on my way to complete the internship. The purpose of doing this study is to acquire knowledge about the retail loan management of the credit department of Jamuna Bank Ltd. Both essential and optional wellsprings of information have been utilized to comprise this report. The first portion of this report describes the company profile including Jamuna Bank's history, their vision, mission and strategy, products and services, and operational network organ gram. The next part is focused on working experience of my internship period at credit department division of Jamuna Bank Limited. Third part of this report consists of the description of the project. It also explains the procedure of loan recover policy, risks and other legal formalities. The last segment of this report describes findings, results and discussion, conclusion, references.

The Organisation



Jamuna Bank limited
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INTRODUCTION

Jamuna Bank Ltd. is one of a third era bank in Bangladesh. It mainly provides commercial banking services in this country. It is accepting a crucial activity to develop the business portion. The development of this bank is extremely great. The motto of this bank is to provide a prompt and quick service to the clients. Jamuna Bank Ltd. has executed well structured online banking systems that make it easier to provide prompt services to the customer. The bank essentially takes part in corporate saving money, venture back, exchange fund, retail managing an account, purchaser back ,little endeavor fund, and syndication. The range of its service offerings include cash management services, payments and clearings, safe deposit locker services, employee benefits, collection services, treasury services, asset management, services and SWIFT for foreign trade.

HISTORY OF JAMUNA BANK LIMITED

Jamuna Bank Limited (JBL) is a private limited Banking Company. It is registered under the Companies Act, 1994. Its Head Office is at Chini Shilpa Bhaban, 3, Dilkusha C/A, Dhaka-1000. From 3rd June 2001 the Bank started its operation. Jamuna Bank Limited is such a bank which is tremendously promoted the new age banking system with an Authorized Capital and Paid-up Capital of Tk.10000 million and Tk. 6,141 million separately. The total equity of the bank stands at 15433 million and the Paid-up capital has been raised to 6141 million on 31st December, 2017. To encourage the enhancement of exchange and business of the nation, JBL grasps an extensive variety of saving money exchanges. For the business imagination JBL's management is also accessible to set up new diversion and BMRE of mechanical units. Jamuna Bank Ltd. was built up by a group of winning business visionaries. They make a saving money establishment model offering the esteemed clients. The sponsors are assumed personalities in the recorded of exchange, trade and ventures. The management of this bank regularly focuses on foreseeing client's needs and comprehension. The situation of saving money business is changing gradually. So the bank's responsibility is to adapt to the advance condition and to gadget technique new items.

Mission and Vision

Mission

Taken from the website of Jamuna Bank, “the bank is committed to satisfy diverse need of its customers through an array of products at a competitive price by using appropriate technology and providing timely service so that a sustainable growth, reasonable return and contribution to the development of the country can be ensure with a motivated and professional workforce.”

Vision

As mentioned in their website, their Vision is “to become a leading banking institution by playing a significant role in the development of the country.”

Product/Service Offerings

As a financial company Jamuna Bank mainly offers some financial product and services. Such as lease financing, retail banking, Cards & ADC, NRB banking, Q-Cash ATM facility and so on. Some products or service offerings of Jamuna Bank are:

- Deposit Schemes
- Remittance and Collection
- Import and Export handling and Finance
- Loan Syndication
- Project Finance
- Investment Banking
- Lease Finance
- Hire purchase
- Personal Loan for Woman
- 24-hours banking: Q-Cash ATM facility
- Islamic Banking
- Corporate Banking
- Consumer Credit Scheme
- International Banking

Operational network organ gram:



Job Nature

Description/nature of the job

According to the requirement of this course requirement I joined in Jamuna Bank Limited, Sonargoan branch on 14th October, 2018 as an internee. Jamuna Bank motivates their interns to work in different department so that they can know and learn how the work is done. I have to work there according to the office hour. It was a great opportunity for me to explore the real corporate world.

Specific responsibilities of the job

From the very beginning I was assigned to the accounts department. I helped them to arrange vouchers and some data entries. And then I was transferred to the credit department to experienced real life transaction which helped me to finish my internship report. At first I go through the files containing a number of retail loans provided by the bank to their customers. Also take some interviews of the customers. There I have learnt how to handle customers. My supervisor also provides me some confidential files for few hours to understand the reality.

Critical observations and recommendations

It was a great experience to work for the first time in a private bank. Throughout the whole period of this internship my observation and some recommendation are:

- The work life of a bank employee is not so easy. They have to balance both their professional and personal life.
- Work environment is very friendly and employees are co-operative.
- Loan management is quite hectic and risky for a banker.
- To reduce fatal errors they go through several training, workshop organized by the training institute as well as the branch, management.

Description of the project

Literature review

In Investopedia it is explained about the retail banking that,

“Retail banking aims to be the one-stop shop for as many financial services as possible on behalf of retail clients. Some retail banks have even made a push into investment services such as wealth management, brokerage accounts, private banking and retirement planning. While some of these ancillary services are outsourced to third parties (often for regulatory reasons), they often intertwine with core retail banking accounts like checking and savings to allow for easier transfers and maintenance.”

Also Frances X. Frei Patrick and T. Harker Larry W. Hunter say about retail banking through “Innovation in Retail banking” that,

“How does a retail bank innovate? Traditional innovation literature would suggest that organizations innovate by getting new and/or improved products to market. However, in a service, the product is the process. Thus, innovation in banking lies more in process and organizational changes than in new product development in a traditional sense. This paper reviews a multi-year research effort on innovation and efficiency in retail banking, and discusses both the means by which innovation occurs along with the factors that make one institution better than another in innovation. Implications of these results to the study of the broader service sector will be drawn as well.”

Taken from eds.com, Author Pat Russ said through “Customer relationship management in retail banking”,

“CRM Services Retail banks are facing greater challenges than ever before in executing their customer management strategies. Intensifying competition, proliferating customer contact channels, escalating attacks on customer information, rising customer expectations and capitalizing on new market opportunities are at the top of every bank executive’s agenda.”

Objective of the project

The objectives of this report is to comprehend the retail arrangement of JBL, to find out retail loan assessment method of JBL and the associated credit risks with retail loan of Jamuna Bank Limited.

In first part it is explained about the criteria and components of retail banking of Jamuna Bank Limited. There are the name of some retail loan and their purposes, calculations. In the next part there are the descriptions of the method of how they sanction the loan, what are the necessary documents they are needed and the process through which they verify their client. In the last part of the objective it is discussed about some associated credit risk.

Here is the explanation of the objective of this report-

To comprehend the retail arrangement of JBL

- Auto Loan-Against Car Registration.
 - Any purpose Loan-Against Security.
 - Salary Loan-Lien on Salary/Service Benefit.
 - Education Loan
 - Personal Loan-For Professional & Self Employed person.
 - Overseas JOB Loan-Against Security
 - Doctors Loan
- **Auto Loan-Against Car Registration:** Jamuna bank offers Auto loan to those customer who is able to deposit the installment regularly and have sufficient net cash flow. They are offering this scheme for 5 years and having maximum 10 seated brand or reconditioned personal transports with maximum BDT 20, 00,000 amounts of loan teachers, permanent service holders, and professional persons like Doctors, Engineers, Chartered Accountants, and Architects and so on.
 - **Any purpose Loan-Against Security:** Jamuna bank offers Any purpose Loan to those customer whose net Income should be at least Tk. 40,000/- per month. (To be substantiated by evidence). This 10 years scheme offers for construction & renovation of residential house/building and purchase of Flat/Apartment & any lawful purpose for permanent service holders, teachers and other professional person.
 - **Salary Loan-Lien on Salary/Service Benefit:** Jamuna bank offers Salary Loan-Lien on Salary/Service Benefit for the customers who have sufficient net cash flow to deposit the installments regularly of the following customer segment. This 5 years scheme offers any lawful purpose. Lien on Salary and service benefit of the customers will be locked and consent to pay to JBL on demand to adjust the loan from his employer on JBL standard format. Lien/pledge will be on immovable asset.

- **Education Loan:** Jamuna bank offers Education Loan to their customer/ guarantor whose monthly income is at least tk. 30000/-. Their applicant also must have student savings account or, Overseas Student File or, Overseas Scholarship/ University Acceptance. Jamuna bank offers this scheme to support the students to bear -
 - a. Tuition Fees
 - b. Living Cost
 - c. Other Educational Expenses
 - d. Consultants Fee
 - e. Visa Processing fees
- **Personal Loan-For Professional & Self Employed person :** Jamuna bank offers Personal Loan-For Professional & Self Employed person to those customer who is able to deposit the installment regularly and have sufficient net cash flow. They are offering this scheme for 5 years for any lawful purpose accepted to the bank. Their loan size will be minimum tk. 2.00 lacs and maximum tk. 20.00 lacs.
- **Overseas JOB Loan-Against Security:** Jamuna bank offers Overseas JOB Loan-Against Security for the customers who have sufficient net cash flow to deposit the installments regularly of the following customer segment. This 5 years scheme offers minimum 2.00 lacs to maximum 50.00 lacs for travel expenses, marital expenses, Festival expenses, Office equipment and so on.
- **Doctors Loan:** Jamuna bank offers Doctors Loan for the customers who have sufficient net cash flow to deposit the installments regularly of the following customer segment. They are offering this scheme for 5 years for Educational Expenses, Office Equipment, and Medical equipment's Purchase, Professional Equipment Purchase and so on. Here loan size will be minimum 2.00 lacs and Maximum Tk. 50.00 lacs.

To find out retail loan assessment method of JBL

❖ Assessment method

1. Necessary documents
2. Calculation of income and expenditure substantiated by documents.
3. Net worth analysis
4. Contact point verification
5. Strength of guarantor is assessed
6. Verifying if the purpose is lawful and the loan will not be diverted
7. Proper documentation should be executed before disbursement of loan.
8. Up to date clean CIB report must be obtained.
9. Calculation of:
 - a. Loan to price ratio
 - b. DBR (shall not exceed 40%).
 - c. New loan installment shall not exceed 30% of take home salary.

1. Necessary documents

• First phase: Collection of these particular docs.

➤ Personal :

- NID
- ETIN
- Bank account statement (last 6 months)
- ID card photocopy
- Visiting card photocopy
- Passport size photo
- Utility bill
- Bill quotation

• Second phase:

➤ Two guarantors

✓ Immediate spouse

- NID
- ETIN
- ID card photocopy
- Visiting card photocopy
- Net worth statement

✓ Colleague (of equal grade/ higher)

- NID
- ETIN
- ID card photocopy
- Visiting card photocopy
- Net worth statement

2. Calculation of income and expenditure substantiated by documents

To calculate the income and expenditure of the customer some documents have to be verified. For salary purpose salary certificate will be needed and for business purpose business documents will be essential. To show rental income the rental documents/ rent receipt and title deed of property also have to be submitted and that must be reflected in the Bank statement.

For business persons the income will be calculated from submission of necessary documents. For example- Bank statement, financial documents, monthly income will be assessed by $(\text{annual turnover}/12) * \text{net profit margin} = Z$

To calculate the expenditure the documents will be as per declaration of the customer which seems practical.

3. Net worth analysis

“Net worth is the amount by which assets exceed liabilities. Net worth is a concept applicable to individuals and businesses as a key measure of how much an entity is worth”- Investopedia. Generally net worth analysis means the difference between the asset and liability. Customer should declare their assets and liabilities supported by IT-10B (Tax return). The bank judges the net worth of the customer and in case of his/her reduction of income capacity the Bank may influence the customer one of the assets to repay the loan. Otherwise the Bank might file a suit in the Artharin Adalat and attach required asset to repay the loan.

4. Contact point verification

The Contact point verification is a document where the information of the customer is provided by him. There is mainly two parts in this document. One is for rental and the other is for office. Both of these parts have to be verified physically by the bank officer. For example- Personal details, Addresses, Phone numbers, Gross Monthly Income, security, Quotation/Estimate/ Supply order/ Indent/Requirement and the supplier shall be verified.

5. Strength of guarantor is assessed

To measure the strength of the guarantor the bank needs income supportive documents and net worth statement supportive documents of the guarantor which will be supported by IT-10B (Tax return).

6. Verifying if the purpose is lawful and the loan will not be diverted

Bank tries to verify the purpose is lawful or not. For this they verify the price quotation or intended purpose of loan.

7. Proper documentation should be executed before disbursement of loan

Disbursement of loan will be made after submission of all necessary documents and security documents as well. For example-

- I. Signed security cheques- 3 nos. of monthly installment and
1 nos. full amount with interest
- II.
 - i. Personal guarantee of applicant
 - ii. Personal guarantee of guarantors

8. Up to date clean CIB report must be obtained

To get loan from any bank a client need to bring CIB report where the information is kept. Bangladesh Bank has CIB report of all clients. If the CIB report is bad a customer can never get loan. Each bank has their personal cell through which they can interact with Bangladesh Bank.

9. Calculation of:

- a. **Loan to price ratio:** Their loan to price ratio will be 70:30, which means for any purchase the bank will provide 30%-40% on quotation value. For house renovation they will provide 70% of quotation value.
- b. **DBR (shall not exceed 40%):** Debt-Burden Ratio is the ratio of total monthly installment of credit card or loan and total income of the customer. **Debt burden ratio** = (Total monthly installment of loan + 5% of credit card limit / Total Income)*100. This ratio will be accepted less than 40%, means cannot exceed 40%.
- c. **New loan installment shall not exceed 30% of take home salary:** If anyone applies for new loan their monthly installment cannot be more than 30% of the take home salary.

Associated credit risks with retail loan

Credit Risk: According to Investopedia, “Credit risk is the probable risk of loss resulting from a borrower's failure to repay a loan or meet contractual obligations. Traditionally, it refers to the risk that a lender may not receive the owed principal and interest, which results in an interruption of cash flows and increased costs for collection”. Jamuna Bank managed credit risks by 5(five) levels of screening and recommendation:

- i. At first they complete the application by branch relationship management.
- ii. Then they verify the information by branch-Retail Admin.
- iii. After that they analysis the credit by RM at RBD.
- iv. And then they mitigate the risk by Risk and Policy unit at RBD.
- v. Lastly the mitigation and the approval of credit by appropriate sanctioning authority complete the process.

There are some credit risk describe below-

- Liquidity and Funding Risk
 - Political and Economic Risk
 - Operational Risk
 - Reputation Risks
- **Liquidity and Funding Risk**
This risk will be controlled by the Asset Liability Committee (ALCO) headed by the Managing Director / CEOs of the Bank.

- **Political and Economic Risk**
Bank always keep a close watch in Political and economic environment as they plays a very important role behind a successful business. So that it can be able to position itself in the backdrop of any changes in country's political and economic scenario.
- **Operational Risk**
Operational risk occurs if there is insufficient document of the customer. Bank should verify customer detail regularly.
- **Reputation Risks**
Reputation risk occurs if the customer is from non-reputed source, mostly from political party.

Methodology

Methodology is the process through which the information or the data is collected. This job had been completed by following some steps.

Firstly, I was introduced to the dynamic retail loan products **Jamuna Bank Limited** offered to the customers. I was given the brochure which contains the products they offer and I had to carefully go through to comprehend the arrangement. In addition, I had gone through their previous annual report to understand the sector-wise portfolio of the Bank and found a significant number of retail loans were disbursed to the customers.

Secondly, I was introduced to customer servicing through my supervisor and I found that it is quite interesting and challenging at the same time. I had to face people of different background and understand how they perceive Banking loan products. I had to carefully explain the retail loan products to various customers and had to elicit necessary information which would be useful to assess the customers. My supervisor did let me examine previous files and carefully explained me the required documents and various assessment tools of the retail loans they offer. Finally on the supervision of my supervisor I did take interviews of customers and carefully assessed prospective new loan files.

Finally, my supervisor described the various credit risks associated with retail loans. I was given opportunity to comprehend by studying previous reports of classified loans and the significant reasons behind that. Detailed study of the report (confidential) did let me perceive the various risks associated with retail loans.

Limitation

Before starting this internship report it was not seems that much difficult. But whenever I started doing survey on it I have faced some problems. So the limitations are below:

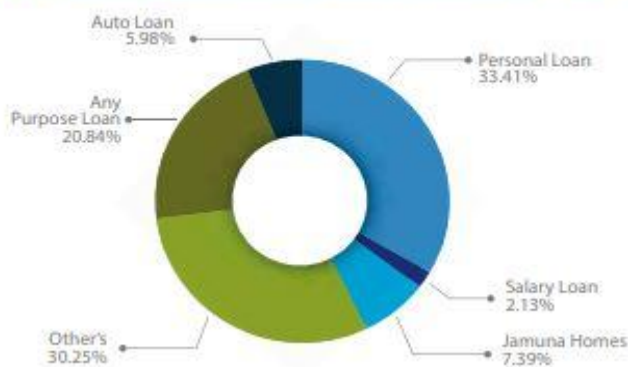
- Customer experience was not enough to touch all products. Their popularity was mainly on personal loan and salary loan. So there was less information on auto loan, doctor loan etc.
- Although my supervisor gives me enough time but there was some confidential report. He gives me to read those reports for few hours to understand.
- The sample size was not enough as I worked on only in my branch. It would be more perfect if I could collect data from other branches too.
- The tenor was not enough to complete my report.

Findings

Throughout my whole report I tried to cover the entire field related with retail loan of retail banking. I came up with some evidence which will support to justify all the information and also provide some more data. From this survey the findings are:

- i. To apply for a retail loan a customer needs to provide so many documents to Jamuna Bank compared to other bank. For example EBL does not take Bill quotation. They take undertaking from their customers. This procedure discourage customer to apply for a loan.
- ii. Jamuna bank provides more corporate loan rather than retail loan. Among them personal loan, any purpose loan are most popular.

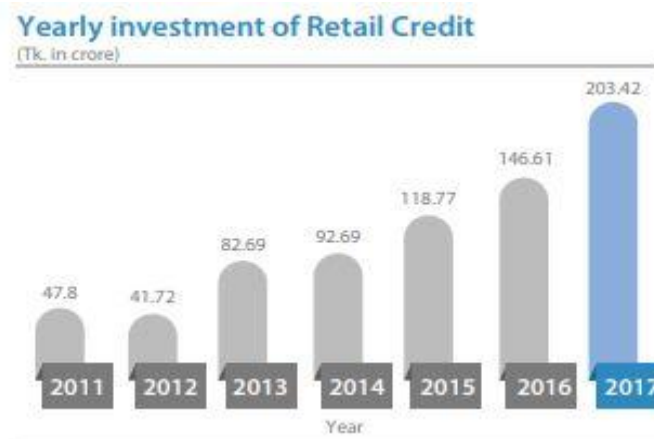
Segregation of Retail Loan as on December 31, 2017



- iii. Most of their retail loan customers are employees from reputed conglomerates. It was observed that they are less interested to give out loans to employees of small organizations because of their reduced income capacity and unavailability of service

benefit. In addition they feel more secure to give out loans to the employees of reputed conglomerates which in turn are also their corporate customer to have a better hold on the customer.

- iv. Jamuna Bank is dealing with some bad loans. Several lawsuits were filed in the court. Recovery unit is trying their best.



- v. From the beginning of 2009 Jamuna Bank tries to satisfy their customer and now in 2017 they successfully increase their retail loan service to 203.43 corers.
- vi. Jamuna Bank has a good excess of international credit card.
- vii. Jamuna bank is mostly interested to give loans to reputed employees or companies.

Results and discussion

After doing my internship report I come up with some results. If Jamuna Bank could follow these it would be easier for them to attract more customers. They are:

- Jamuna Bank needs to focus on other customers too who are interested to take retail loans such as salary loan, any purpose loan and personal loans etc.
- If Jamuna Bank makes the loan taking procedure more flexible people will be more interested to take loan from this bank.
- JBL should do more CSR activities to increase their reputation.
- Some branches have shortage of employee. So they should recruit more competent employees.

Conclusion

Banking area is a vast area where banks try to provide services to their customer nationally and internationally. Like other private banks Jamuna Bank also tries to give their best effort to satisfy their customers. Jamuna Bank's Key priority is to focus on revenue generation through quality asset, ensure profitability as well sustainability and achieve lower CL ratio. Retail Banking Division of this bank always tries to ensure provoke and satisfying customer service through maintaining service standards and quality credit analysis.

Reference

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