

Report On  
**Credit Analysis & Loan disbursement of Jamuna Bank Limited**

By

Hussein Muhammed  
Sharif Shihab  
Student ID: 16304055

An internship report submitted to the BRAC Business School in partial fulfillment of the requirements for the degree of Bachelor of Business Administration

BRAC Business School

Brac University

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## **Declaration**

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

**Student's Full Name & Signature:**

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**Hussein Muhammed Sharif Shihab**  
Student ID: 16304055

**Supervisor's Full Name & Signature:**

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**Md.Hasan Maksud Chowdhury**  
Assistant Professor, Brac Business School  
BRAC University

## Letter of Transmittal

Hasan Maksud Chowdhury

Assistant Professor

BRAC Business School

BRAC University

66 Mohakhali, Dhaka-1212

Subject: Submission of the Internship Report on Credit Analysis & Loan disbursement of Jamuna Bank Limited

Dear Sir,

I am a student of BRAC University standing on the other entity of my course completion, hence are finalized with my internship report naming as “Credit analysis & Loan disbursement of Jamuna Bank Limited”. Vividly enough, my research comprises adequate endeavors. But no doubt, my contribution will be best evaluated on your sharp scale of acceptance & analytical remarks.

Consequently, I am submitting my report on your very concern. Hopefully, you will discover my well-researched, informative approach as a hallmark of hard work. Rather, in case of any further clarification or elaboration as to my report, I would welcome the opportunity to consult with you to explore how my findings could best meet your needs.

Faithfully Yours,

---

Husein Muhammad Sharif Shihab

ID: 16304055

BRAC Business School

BRAC University

April 15, 2021

# Letter of Authorization

## CERTIFICATE OF EXCELLENCY



This is to certify that MD Saif Iqbal, student of BBS Department, BRAC University, have successfully completed his internship of 3 months (04 October,2020 to 04 January,2021) under my guidance at SkyWalk Solutions.

I have found him to be a self-starter who is motivated, duty bound and hardworking. He has performed all his duties with excellence, he is well behaved, punctual at time to report before me day to day. He has worked sincerely on his assignments and his performance was up to the mark.

I wish him best of luck for the future.

**Mohammad Tareq Aziz**  
Chief of Media & Strategy  
SkyWalk Solutions



## Acknowledgement

I am Husein Muhammad Sharif Shihab would like to express my heartiest gratitude to Al Mighty Allah and those who helped me all the way through to complete my internship report on Jamuna Bank Limited. At the very beginning, I want to thank my academic supervisor Md. Hasan Maksud Chowdhury, Assistant Professor of BRAC University, for providing me all the necessary helps for the completion of this report. Thank you, Sir, for guiding me to start and complete successfully of this report.

Secondly, I would like to thank, **Md. Golam Kibria, Vice President & Branch in Charge**, for giving me the opportunity to work in JBL Tejgaon Branch. Again, I would like to convey my thanks to **Mushfiqur Rahman (Operation Manager)** and **Shakhawat Hossain (Executive Officer, credit department)**, for helping me to prepare this report with ample and correct information. I am very much grateful to **Tasnuva Tanuka & Nahid Parvej (Assistant Officer)** who helps me a lot.

I would like to impart my sincere gratitude to all JBL's officers for their support and help. I regret that it is not possible to name all of them. Also Thanks to workers, staffs and officers who spent many of their valuable times to discuss with me. I would convey our special thanks to our parents whose inspirations have enabled me to complete this report of this particular course. I also apologize heartily for any omitted name whose contribution was also complementary for any possible aspect. Lastly, I solemnly thank the Almighty.

## **Executive Summary**

The report is a combination of three months' internship program with Jamuna Bank Limited, Tejgaon branch. I acknowledged different banking functions and day-to-day banking operations on my way to complete my internship.

The objective of this study is to acquire the knowledge about the credit department of Jamuna Bank Ltd. To prepare this report both primary and secondary sources of data have been used. The first section of this report consists of an introductory part which has been developed for the proper execution of the entire report. Second section narrates the company profile including Jamuna Bank's history, their vision, mission and strategy, products and services, and operational networks. Part three focus on the credit department of JBL. This is the main part of the project. It includes credit policy, credit principles and credit rating of JBL. It also includes lending criteria and lending principles of JBL. It also describes in detail about the procedure of sanctioning credit, loan recover policy, and execution, stamping witness and other legal formalities. It also describes the credit risk grading system. Fourth part has explained the working experience of my internship period at different division of JBL. Findings and analysis of the information are in Part five of the report. The remaining part consisted of recommendations and conclusion.

Finally, I observed that Jamuna Bank Limited will ensure the better services to the people of Bangladesh and they will be contributed more on development of the economy of Bangladesh. I gave the sources from where i took all the data and the appendix part.

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# Chapter -1

## 1.1 Introduction:

In general sense we mean “Bank” as a financial institution that deals with money. There are different types of banks like Central bank, Commercial bank, Savings bank, Investment bank, Merchant bank, Co-operative bank etc. But when we use the term bank it generally means commercial bank that is one which is concerned with accepting deposit of money from the public, repaying on demand or otherwise and withdraw able on demand or otherwise and employing the deposits in the form of loan and investment to meet the financial needs of business and other classes of society. Recently, banking sector is modernizing and expanding its hand in different financial events every day. At the same time the banking process is becoming faster, easier and is becoming wider. So, it has become essential for every person to have some idea on the bank and banking procedure.

Now-a-days, banks are providing the maximum opportunity to the business studies students to perform their internship in different branches I was also placed in one of the renowned banks named “Jamuna Bank Limited” the Tejgaon Branch, Dhaka. The report mainly focuses on the credit management activities of the Jamuna Bank Limited, especially the Tejgaon Branch, Dhaka in which I completed my internship. In order to keep the length of the report standard I tried to avoid the common and the known facts of the bank in a descriptive fashion.

## 1.2 Origin of the Report:

Internship program is essential for every BBA Student because it helps him or her to acquaint with the real-life situation. As bank is one of the most important financial intermediaries; so, I have selected Jamuna Bank Limited (JBL) which is one of the most leading banks in the new banking era. JBL arranges this internship program to gather practical knowledge about banking activities. This is followed by practical experiences in the Tejgaon Branch of JBL. My topic for this internship report is “Credit Analysis & Loan disbursement process of JBL” and supervised by Supervisor Md. Hasan Maksud Chowdhury, Assistant Professor of BRAC University, Dhaka. I started my internship at Jamuna Bank Limited, in the Tejgaon Branch from 22 December of 2020 and ended in 22 March 2021.

## 1.3 Background of the report:

I have worked in various Department of Jamuna Bank Ltd, Tejgaon Branch. In this report, I will try to make an overall analysis on all activities of Jamuna Bank Ltd specially focuses on credit department.

#### **1.4 Objectives of the study:**

The first objective of writing this report is to fulfill the partial requirement of the BBA degree.

##### **1.4.1 Primary Objectives:**

The primary objective is to find out the “Credit Risk Management” activities of Jamuna Bank Ltd. and also about their services which is different in different situation.

##### **1.4.2 Secondary Objectives:**

- To acquire practical experience in different banking services of Jamuna Bank Limited.
- To gather knowledge about the transactions of different departments of the bank.
- To know about the Credit products and the way of disbursement.
- To inform the banking credit facilities to the mass people.
- To give some recommendations regarding the credit division.
- To make awareness among the people not to defaulter borrower.

#### **1.5 Methodology of the study:**

It is a descriptive type of study. The methodology of this report is totally different from conventional reports. I will emphasize on the practical observation. Almost the entire report will be conducted of my practical observation.

##### **1.5.1 Sources of Data:**

To prepare a report gathering data is very important. In order to make the report more meaningful and presentable, two sources of data and information have been used widely. The information was collected from both primary and secondary sources of data. Regarding the information required was collected within the organization from Tejgaon Branch of Jamuna Bank Limited.

###### **1.5.1.1 Primary data:**

- Practical desk work.

- Face to face conversation with the respective officers and clients.
- Personal observation.
- Relevant file study as provided by the officers concerned.

#### **1.5.1.2 Secondary data:**

- Annual Report of Jamuna Bank Limited
- Credit Operational Manual
- Periodicals published by Bangladesh Bank
- Policy Guidelines and related circulars of Bangladesh Bank
- Various books, journals, articles, newspapers etc.
- Online data from JBL website.
- Published or unpublished or personally collected data from officers, Local officers and Head office of the Jamuna Bank Limited.
- Different journal regarding JBL.
- Different manuals and circulars of JBL.
- Different textbooks.

#### **1.5.2 Data Processing & Analysis:**

Both the qualitative & quantitative data collected through observation and analyze the gathered data. Besides this collected information have then processed & compiled with the aid of MS Word, Excel & another related computer software. Necessary tables have been prepared on the basis of collected data and various statistical techniques have been applied to analyses on the basis of classified information. Detail explanation and analysis have also been incorporated in the report.

#### **1.6 Benefit of the Report:**

As a student, I have learned about a bank; I also have learned the report writing, as a great deal of theory is included in this report. It will be also benefited for the people who are interested to know about JBL.

### **1.7 Limitations of the Report:**

Due to some legal obligation and business secrecy the bank was reluctant to provide some sensitive data. Thus, this study limits only on the available published data and certain degree of formal and informal interview and limited survey. Although the particular study is extensive in nature, hard effort was given to make the study worthwhile and meaningful even then there exists some limitation. Altogether the internship period in the bank was not free from limitations. I faced some problems during the study, which I am mentioning below:

- Lack of time, three months is not enough to know a company
- Lack of Supervision by the bank officers
- Restricted Information
- Rush hours and business were another reason that acts as an obstacle while gathering data.
- Also its a new branch and after opening they had to face a pandemic situation

# Chapter –2

## 2 The Organization:

### 2.1 JAMUNA BANK LIMITED

Jamuna Bank Limited started its journey from 3rd June 2001. It is a Banking Company which is registered under the Companies Act, 1994 of Bangladesh with its Head Office currently at Jamuna Bank Tower, Plot# 14, Bir Uttam A. K. Khandaker Road, Block# C, Gulshan-1, Dhaka, Bangladesh.

Being a 3rd generation Bank of Bangladesh, it focuses on

- Remaining with time
- Managing change
- Developing human capital
- Creating true customer's value

The Bank provides all types of support to trade, commerce, industry and overall business of the country. JBL's finances are also available for the entrepreneurs to set up promising new ventures and BMRE of existing industrial units.

The company also obtained license from Bangladesh Bank as Primary Dealer to buy and sell Government Treasury Bonds and Bills on December 11, 2003. The company went for Initial Public Offering (IPO) in December 12, 2005 and its shares were listed in Dhaka Stock Exchange Limited on April 12, 2006 and Chittagong Stock Exchange Limited on April 17, 2006.

Authorized capital of the Company is Tk.10,000 million divided into 1000 million ordinary shares of Tk.10 each. The company's paid-up capital stood at Tk.614,11,93,860.00 divided into 61,41,19,386 shares of Tk. 10 each.

The Bank offers both conventional and Islamic banking through designated branches. Also the Bank has real-time Online banking branches (of both Urban and Rural areas) network throughout the country having smart IT-backbone. Besides traditional delivery points, the bank has ATMs of its own, sharing with other partner banks and consortium throughout the country. The Bank is being managed and operated by a group of highly educated and professional team with diversified experience in finance and banking. The Management of the bank constantly focuses on understanding and anticipating customers' needs. Since the need of customers is changing day by day with the changes of time, the bank endeavors its best to devise strategies and introduce new products to cope with the change.

The operation hour of the bank is 10:00 am to 6:00 pm with the transaction hour 10:00 am to 4:00 pm. The bank remains closed on Friday and Saturday and other government holidays.

## **2.2 Vision of JBL:**

To become a leading banking institution and to play a significant role in the development of the country.

## **2.3 Mission of JBL:**

The Bank is committed for satisfying diverse needs 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 ensured with a motivated and professional work-force.

## **2.4 Objectives OF JBL:**

- To earn and maintain CAMEL Rating 'Strong'
- To establish relationship banking and improve service quality through development of Strategic Marketing Plans.
- To remain one of the best banks in Bangladesh in terms of profitability and assets quality.
- To introduce fully automated systems through integration of information technology.
- To ensure an adequate rate of return on investment.
- To keep risk position at an acceptable range (including any off balance sheet risk).
- To maintain adequate liquidity to meet maturing obligations and commitments.
- To maintain a healthy growth of business with desired image.
- To maintain adequate control systems and transparency in procedures.
- To develop and retain a quality work-force through an effective Human Resources Management System.
- To ensure optimum utilization of all available resources.
- To pursue an effective system of management by ensuring compliance to ethical norms, transparency and accountability at all levels.

## **2.5 Values of JBL:**

- Customer Focus
- Integrity
- Quality
- Teamwork
- Respect for the individual
- Harmony
- Fairness
- Courtesy
- Commitment
- Respectable Citizenship
- Business Ethics
- Unique Culture



## **2.6 Strategic Priority of JBL:**

- Delivering customer's desired products and services to create true customers' value.
- Focusing on export of both traditional and nontraditional items and remittance to ensure a comfortable position of foreign exchange all the time.
- Doing businesses that have higher risk adjusted return.
- Focusing on maintenance of assets quality rather than its aggressive expansion.
- Changing the deposit mix thereby reduce the cost of deposits.
- Ensuring all modern alternative delivery channels for easy access to our services by customers.
- Taking banking to the doorstep of our target group.
- Restructuring existing products and introducing new products to meet the demand of time and the target group.
- Entering into new avenues of business to increase profitability.
- Bringing unbanked people into our delivery channels.
- Increasing fee based service/activities where costly capital is not changed.
- Ensuring organizational efficiency by continuous improvement of human capital and motivation level, dissemination of information and thereby ensuring a sustainable growth of the organization.
- Maximizing shareholders' value at all times alongside ensuring a sustainable growth of the organization.
- Pursuing CSR activities for our continued support to future generation, distressed people and for advancement of underprivileged people of the country.
- Establishing the brand image as a growth supportive and pro-customer' bank.
- Strengthening risk management techniques and ensuring compliance culture.
- Remaining cautious about environment and supporting for maintaining a green and clean soil.

## 2.7 Management Hierarchy:

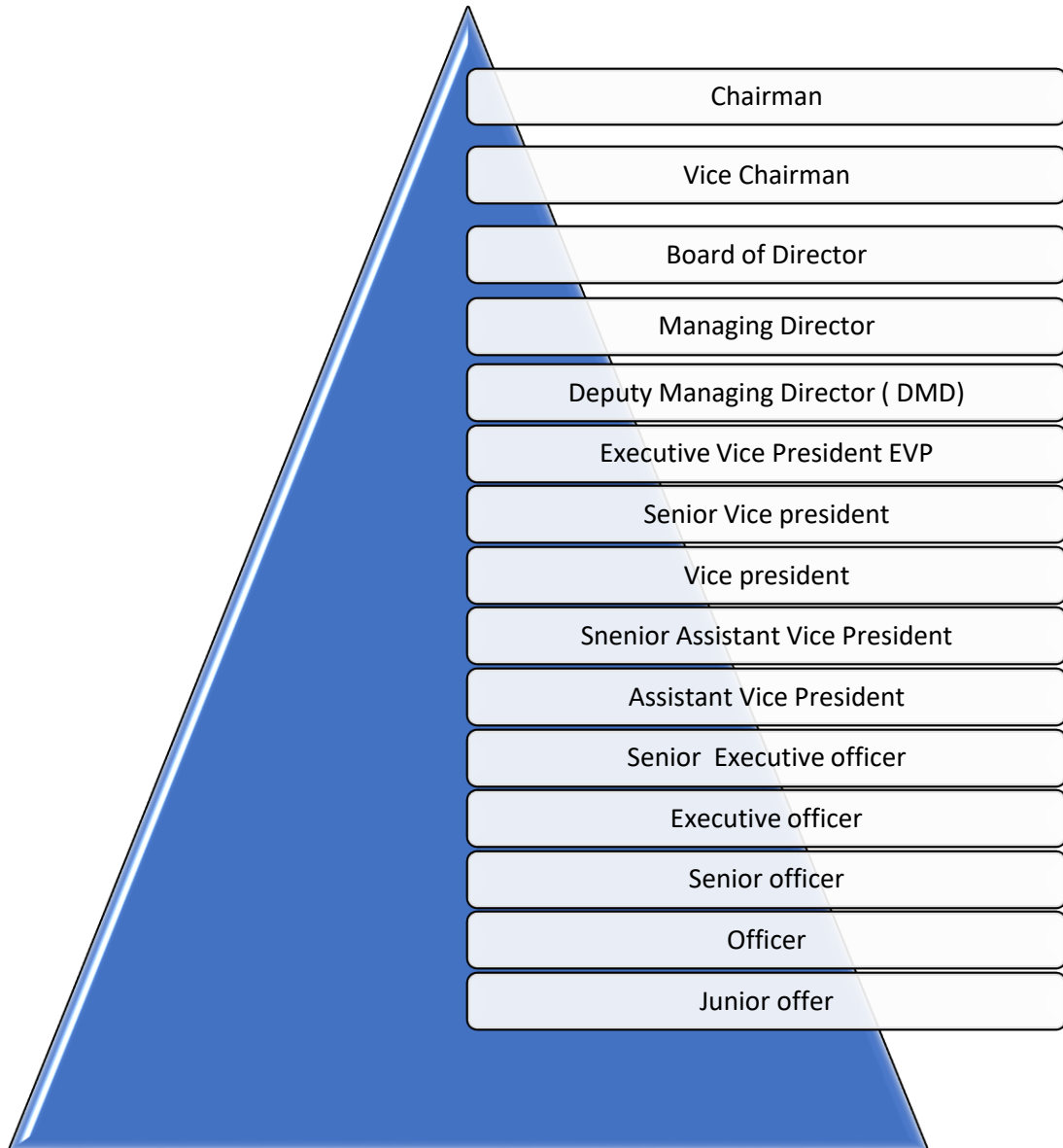


Chart-01: Organizational Hierarchy

## **2.8 Product/Service Offerings of JBL:**

The Bank has a collection of mode that prepared financial products and services. Such products are based on Monthly Savings Schemes, Consumer Credit Schemes, Lease Finance and Personal Loan for Women and Shop Finance Scheme etc. Jamuna Bank Ltd, also familiar with Q-cash ATM cards for its valued customers providing 24 hours banking services through Debit Cards. JBL offers the following services to valued customer. The Bank is providing different types of services. Some of them are mentioned in below:

- Deposit Schemes
- Remittance and Collection
- Import and Export handling and Finance
- Loan Syndication
- Project Finance
- Lease Finance
- Hire purchase
- 24-hours Banking: Q-Cash ATM facility
- Islamic Banking
- Corporate Banking
- Consumer Credit Scheme
- International Banking
- Retail Banking
- Islamic Banking
- SME Banking
- International Banking
- NRB Banking
- Cars & ADC
- Treasury
- Locker service
- Batch & RTGS

## **2.9 Types of loan of what are offered by JBL:**

- Loan (General)
- House Building Loan (General)
- House Building Loan (Staff)
- Other Loans to Staff
- Cash Credit (Hypo.)
- Cash Credit (Pledge)
- Hire Purchase
- Lease Financing

- Time Loan
- Cons SOD (General)
- SOD (Others)
- SOD (Export)
- PAD
- LIM
- LTR
- IBP
- Export Cash Credit (ECC)
- Packing Credit (PC)
- FDBP
- IDBP
- FBP

# Chapter - 3

## 3. Credit Department of JBL:

The primary function of a bank is to create a channel for depositing money from surplus units and providing funding to borrowers. As a result, the need for a credit department in a bank arises. The credit department of a bank is extremely significant. The money raised from ultimate surplus units is distributed to the ultimate deficit unit through this department (borrower). The success of this department.

### 3.1 Credit Risk:

Credit risk is the possibility that a borrower will fail to meet its obligation in accordance with agreed terms. Credit risk, therefore, arises from the Bank's dealings with or lending to corporate, individual and other Banks or financial institutions. The procedure that organize, control and motivate the borrowers will tail credit management. Risk is defined as the product of a hazard (such as damage costs) and the probability that this hazard occurs. In other words, (probability) x (hazard) = risk. The first two values must be known or at least estimated in order to define risk.

### 3.2 Credit Risk Management System:

Jamuna Bank Limited (JBL) has established a robust credit risk management system to proactively manage loan portfolio in order to minimize losses. It has significantly improved risk management culture and established standard for segregation of duties and responsibilities relating to Credit Operation of the Bank. The major steps taken by JBL to implement credit risk management guidelines are:

- It has formulated its own Credit Policy Guidelines in line with the core risk guideline of Bangladesh Bank.
- The policy considers the sectoral concentration and specific industry exposure cap is set in the policy.
- Head Office Organizational structure has been segregated in line with CRM Guideline
- Borrower's Risk Grade are assigned and mentioned in the credit proposal.
- Credit Approval Authority has been clearly defined in the policy.
- Strong monitoring of loan portfolio is ensured by separate Credit Monitoring Department.

### 3.3 Credit Principles of JBL:

In the feature, credit principles include the general guidelines of providing credit by branch manager or credit officer. In Jamuna Bank Limited they follow the following guideline while giving loan and advance to the client.

- Credit advancement shall focus on the development and enhancement of customer relationship.
- All credit extension must comply with the requirements of Bank's Memorandum and Article of Association, Banking Company's Act, Bangladesh Bank's instructions, other rules and regulation as amended from time to time.
- Loans and advances shall normally be financed from customer's deposit and not out of temporary funds or borrowing from other banks.
- The bank shall provide suitable credit services for the markets in which it operates. It should be provided to those customers who can make best use of them.
- Interest rate of various lending categories will depend on the level of risk and types of security offered.

### **3.4 Credit Facilities of JBL:**

The main focus of Jamuna Bank Limited is financing business, trade and industrial activities through an effective delivery system.

- Jamuna Bank Ltd. offers credit to almost all sectors of commercial activities having productive purpose.
- The loan portfolio of the Bank encompasses a wide range of credit programs.
- Credit facilities are offered to individuals including housewives, businessmen, small and big business houses, traders, manufactures, corporate bodies, etc.
- Prime customers enjoy prime rate in lending and other services.
- Quick appreciation, appraisal, decision and disbursement are ensured.
- Credit facilities are extended as per guidelines of Bangladesh (Central Bank of Bangladesh) and operational procedures of the Bank.

### **3.5 Lending Criteria of JBL:**

Entrepreneur has to be credit worthy and competent enough to run the proposed industry. The project should be viable from organizational technical, commercial, financial and economic points of view.

#### **3.5.1 Technical Viability**

- The project should be technically sound and environment-friendly.
- Technology transfer in case of borrowed know-how ought to be ensured.
- Building should be well planned and well-constructed.

### **3.5.2 Commercial viability**

- Market prospect and potential for the product has to be fully assured at competitive prices.
- Marketing channel for the product should be accessible to the entrepreneur.

### **3.5.3 Financial Viability**

- There should be reasonable debt equity ratio as determined by the Bank on individual case basis.
- Debt service coverage ratio should be at least 2.5 times at the optimum level of production.
- IRR should preferably be not less than 20%

### **3.5.4 Economic Viability**

The project should ensure benefit to the national economy and create sufficient employment opportunity and be environment friendly.

## **3.6 Credit Evaluation Principles:**

Some principles or standards of lending are maintained in approving loans in order to keep credit risk to a minimum level as well as for successful banking business. The main principles of lending are given below:

### **• Liquidity:**

Liquidity means the availability of bank funds on short notice. The liquidity of an advance means its repayment on demand on due date or after a short notice. Therefore, the banks must have to maintain sufficient liquidity to repay its depositors and tradeoff between the liquidity and profitability is must.

### **• Safety:**

Safety means the assurance of repayment of distributed loans. Bank is in business to make money, but safety should never be sacrificed for profitability, to ensure the safety of loan. The borrower should be chosen carefully.

### **• Profitability:**

Banking is a business aiming at earning a good profit. The difference between the interest received on advances and the interest paid on deposit constitutes a major portion of the bank income, besides, foreign exchange business is also highly remunerative. The bank will not enter into a transaction unless a fair return from it is assured.

• **Intent:**

Banks sanction loans for productive purpose. No advances will be made by bank for unproductive purposes though the borrower may be free from all risks.

• **Security:**

The security offered for an advance is an insurance to fall bank upon in cases of need. Security serves as a safety value for an unexpected emergency. Since risk factors are involved, security coverage has to be taken before a lending.

• **National interest:**

Banking industry has significant role to play in the economic development of a country. The bank would lend if the purpose of the advances can contribute more to the overall economic development of the country.

### **3.7 Different Types of Credit Facilities by JBL:**

Depending on the various nature of financing, all the lending activities have been brought under the following major heads:

**i. Loan (General):**

Short term, Medium term & Long-term loans allowed to individual/firm/industries for a specific purpose but for a definite period and generally repayable by installments fall under this head. This type of lending is mainly allowed to accommodate financing under the categories

- a) Large & Medium Scale Industry and
- b) Small & Cottage Industry.
- c) Very often term financing for Agriculture & Others are also included here.

**ii. House Building Loan (General):**



Loans allowed to individual/enterprises for construction of house (residential or commercial) fall under this type of advance. The amount is repayable by monthly installment within a specified period. Such advances are known as Loan (HBLGEN).

**iii. House Building Loan (Staff):**

Loans allowed to our Bank employees for purchase/construction of house shall be known as Staff Loan (HBL-STAFF).

**iv. Other Loans to Staff:**

Loans allowed to employees other than for House Building shall be grouped under head - Staff Loan (Gen).

**v. Cash Credit (Hypo.):**

Advances allowed to individual/firm for trading as well as wholesale purpose or to industries to meet up the working capital requirements against hypothecation of goods as primary security fall under this type of lending. It is a continuous credit. It is allowed under the categories

- a) "Commercial Lending" when the customer is other than a industry and
- b) "Working Capital" when the customer is an industry.

**vi. Cash Credit (Pledge):**

Financial accommodations to individual/firms for trading as well as for whole-sale or to industries as working capital against pledge of goods as primary security fall under this head of advance. It is also a continuous credit and like the above allowed under the categories

- a) "Commercial Lending" and
- b) "Working Capital".

**vii. Hire Purchase:**

Hire-Purchase is a type of installment credit under which the Hire-Purchaser agrees to take the goods on hire at a stated rental, which is inclusive of the repayment of Principal as well as interest for adjustment of the loan within a specified period.

**viii. Lease Financing:**

Lease Financing is one of the most convenient sources of acquiring capital machinery and equipment whereby a client is given the opportunity to have an exclusive right to use an asset usually for an agreed period of time against payment of rent. It is a term financing repayable by installment.

**ix. Time Loan:**

This is one-time financial accommodation for short period maximum 12 months to meet some specific purpose. The loan is adjustable within the validity and not renewable and no transaction is allowed.

**x. Consumers Credit Scheme:**

It is a special credit scheme of the Bank to finance purchase of consumers' durable to the fixed income group to raise their standard of living. The loans are allowed on soft terms against personal guarantee and deposit of specified percentage of equity by the customers. The loan is repayable by monthly installment within a fixed period.

**xi. SOD (General):**

Advances allowed to individual/firms against financial obligation (i.e. lien on FDR/PSP/ BSP/Insurance Policy/Share etc.). This may or may not be a continuous Credit.

**xii. SOD (Others):**

Advances allowed against assignment of work order for execution of contractual works falls under this head. This advance is generally allowed for a definite period and specific purpose i.e. it is not a continuous credit. It falls under the category "Others".

**xiii. SOD (Export):**

Advance allowed for purchasing foreign currency for payment against L/Cs (Back to Back) where the exports do not materialize before the date of import payment. This is also an advance for temporary period which is known as export finance and falls under the category "Commercial Lending".

**xiv. PAD:**

Payment made by the Bank against lodgment of shipping documents of goods imported through L/C falls under this head. It is an interim advance connected with import and is generally liquidated against payments usually made by the party for retirement of the documents for release of imported goods from the customs authority. It falls under the category "Commercial Lending".

**xv. LIM:**

Advances allowed for retirement of shipping documents and release of goods imported through L/C taking effective control over the goods by pledge in godowns under Bank's lock & key fall under this type of advance. This is also a temporary advance connected with import which is known as post-import finance and falls under the category "Commercial Lending".

### 3.8 Interest Rates of Loans & Advances

SL No.	Types of loans	Interest rate
1.	Agriculture Loan	10% (Mid-Rate)
2.	Term Loan to Large & Medium Scale Industry	14.% (Mid-Rate)
3.	Term Loan to Small Industry	13.50% (Mid-Rate)
4.	Working Capital to Industry	14.00% (Mid-Rate)
5.	Export	7.00%
6.	Trade/Commercial Financing	14.00% (Mid-Rate)
7.	Housing Loan	14.00% (Mid-Rate)
8.	Consumer Loan	14.00% (Mid-Rate)
9.	Credit to Non-Bank Financial Institution	13.00%
10.	Others	114.50% (Mid-Rate)

Chart-02: Interest Rates of Loans & Advances

### 3.9 Securities against Advances:

Generally, JBL receives different types of securities against different types of credit facilities from which some of are as follows:

Types of Credit	Securities
1. House building loan	Primary securities: mortgage of the land or any property
2. Car loan	Primary securities: Joint registration and comprehensive insurance policy. Two valuable guarantors.

	Collateral securities: mortgage of land or any property. Any type financial obligation.
3. Auto loan	Primary securities: Joint registration and comprehensive insurance policy. Two valuable guarantors and postdated cheques.
4. Any purpose loan	Primary securities: Two valuable guarantors and postdated cheques.
5. Payments against documents (PAD)	Pledge or hypothecation of stock-in trade, goods, produce and merchandise, machineries, land or building on which machineries are installed.
6. Loan against imported merchandise	Pledge of imported merchandise
7. Loan against trust receipt	Trust receipt in lieu of import document
8. Local bills purchased	Bill itself
9. Foreign bill purchased	Shipping documents for exports
10. Overdraft	Primary securities: Hypothecation of book depth
11. Cash credit	Primary securities: Hypothecation of stock of goods in trade duly insured produce merchandise.  Collateral securities: Mortgage of land and building, any financial obligation.

Chart 5: Securities against Advances

### 3.10 How Jamuna Bank recover their Loan

When Jamuna Bank sanctions loans and advances to its customers, they clearly state the repayment pattern in the loan agreement. But some credit holders do not pay their credit in due period. The nationalized and private sector commercial banks have to face this sort of problems. This situation is also found in Jamuna

Bank. To overcome the problem of overdue loan, the bank has taken particular loan recovery programs. Recovery Programs taken by Jamuna Bank Limited:

- Establishing credit supervision and monitoring cell in the bank
- Re-structuring the loan sanctioning and distributing policy of the bank
- Sanctioning loans and advances against sufficient securities as best as possible
- Giving more powers to the branch manager in credit management decision making process
- Offering a package of incentives to the sound borrowers
- Giving more emphasis on short term loans and advances
- Imposing restrictions on loans and advances for sick industries
- Taking legal actions quickly against unsound borrowers as best as possible within the period specified by the law of limitations.

### **3.11 Problems in Loan Recovery**

Though Jamuna bank is performing better in managing loan and advances, still 12.39% of total loan and advances are classified. There are a lot of reasons for which the loan recovery of the bank is still now defective. In most cases, problems may be raised from sanctioning procedures of loan, investigation of the project, and investigation of the loans etc. that is, the problem in loan recovery proves the outcomes of the default process in loan disbursement. The main reasons of poor loan recovery are categorized in four broad types as follow:

#### **A. Problems created by economic environment:**

The following problems arise from the effect of economic environment:

- i. Changing of management patterns may delay the recovery of mature loan.
- ii. The banks sometimes sanction loan to the losing concern for further improvement of the respective sector, but in most cases, they fail to achieve progress.
- iii. There are many companies which expand their business rapidly, but the expansion is for short time. In the long run, the amount of classified loan increases.

#### **B. Problems created by government:**

The following problems are arisen by the government

- i. Jamuna Bank has also faced many problems in the loan recovery process as a part of continuous pressure from various interested groups.
- ii. Existing rules and regulations are insufficient to cover the legal aspects of loan recovery. As a result, defaulters can get release easily from all charges against them.

iii. Frequent changes in government policies in regard to recovery of loan.

### **C. Problems created by the bank:**

The following problems are created by the banks:

- i. Before lending, Sometime Jamuna Bank fails to properly analyze the business risk of the borrowers and the bank cannot forecast whether the business will succeed or fail. If it fails to run well, the loan becomes classified.
- ii. In some cases, bank fails to determine the value of security against the loan. As a result, if the loan becomes classified, the bank cannot recover its loan through the sale of mortgage.

### **3.12 Overall Procedure for Sanctioning Loan:**

The following procedure need to be followed for giving advances to the customer. These are:

- a. Party's application
- b. Filling the form of profile of client
- c. Application to the Head Office Of JBL
- d. Collecting CIB report from Bangladesh Bank
- e. Processing loan proposal
- f. Project appraisal
- g. Head office approval
- h. Sanction letter
- i. Documentation
- j. Disbursement

#### **a. Party's application:**

At first borrower had to submit an application to the respective branch for loan, where he has to clearly specify the reason for loan. After receiving the application form the borrower Bank officer verifies all the information carefully. He also checks the account maintains by the borrower with the Bank. If the official becomes satisfied, then he gives form-X (prescribed application form of Bank) to the prospective borrower.

**b. Filling the form of profile of client:**

After satisfying with party's application the applicant needs to fill up the prescribed form provides by the respected branch that contains information of him. It contains- Name with its office location, Official address and telephone number, details of past and present business, its achievement and failures, type of loan needed etc.

**c. Collecting CIB Report from Bangladesh Bank:**

After receiving the application for advance, Jamuna Bank sends a letter to Bangladesh Bank for obtaining a report from there. This report is called CIB (Credit Information Bureau) report. Jamuna Bank generally seeks this report from the head office for all kinds of investment. The purpose of this report is to be informed that whether the borrower has taken loan from any other Bank.

**d. Application to the Head Office of JBL:**

After being satisfied with the application given by the customer, then respected officer sends an application to the head office of the JBL for the approval of the loan.

**e. Processing loan Proposal:**

After receiving CIB report from Bangladesh Bank, then respective branch prepares an Investment proposal, which contains terms and conditions of Investment for approval of Head Office. Documents those are necessary for sending Investment proposal are: Necessary Documents:

While advancing money, banks create a lot of documents, which are required to be signed by the borrowers before the disbursement of the loan. Of them some are technically called charge documents. Necessary steps and documents:

- i. Loan application form duly signed by the customer.
- ii. Acceptance of the term and conditions of sanction advice.
- iii. Trade license.
- iv. In Case of Partnership Firm, copy of registered partnership deed duly certified as true copy or a partnership deed on non-judicial stamp of taka-150 denomination duly Notarized.
- v. Demand promissory notes.
- vi. Letter of hypothecation of stocks and goods.
- vii. Letter of hypothecation of books debts and receivable.<sup>2</sup>
- viii. Letter of hypothecation of plant and machinery.
- ix. Personal letter of guarantee.

**f. Project Appraisal:**

It is the pre-investment analysis. Project appraisal in the Banking sector is important for the following reasons:

- To achieve organizational goals
- To recommend if the project is not designed properly
- To justify the soundness of an investment
- To ensure repayment of Bank finance

**g. Head Office Approval:**

When Head office receive appraisal from the branch then, Head Office again appraises the project. If it seems to be a viable one, the HO sends it to the Board of Directors for the approval of the Investment. The Board of Directors (BOD) considers the proposal and takes decision whether to approve the Investment or not. If the BOD approves the investment, the HO sends the approval to the concerned branch.

**h. Sanction Letter:**

After getting the approval of the HO the branch issues sanction letter to the borrower. A sanction letter contains:

- Name of borrower,
- Facility allowed,
- Purpose,
- Rate of interest,
- Period of the Investment and mode of adjustment,
- Security and Other terms and condition.

**i. Documentation:**

If the borrower accepts the sanction letter, the Documentation starts. Documentation is a written statement of fact evidencing certain transactions covering the legal aspects duly signed by the authorized persons having the legal status. The most common documents used by the Jamuna Bank for sanctioning different kinds of Investment are:

- Joint Promissory Note,
- Letter of Arrangement,
- Letter of Disbursement,
- Letter of Installment,
- Letter of Continuity,
- Trust Receipt,
- Counter Guarantee,
- Stock Report,
- Letter of Lien,



- Status Report,
- Letter of Hypothecation,
- Letter of Guarantee
- Documents Relating to Mortgage.

**j. Disbursement:**

After sanction and completion of all formalities the respective officer disburses the loan. The officer writes cheque and provides it to the borrower. For this borrower has to open an account through which he/she can withdraw the money. Strategies for Recovery: Recovery of loan can be made in the following three methods:

**i. Persuasive Recovery:**

The first step in recovery procedure is private communication that creates a mental pressure on borrower to repay the loan. In this situation bank can provide some advice to the borrower for repaying the loan.

**ii. Voluntarily:**

In this method, some steps are followed for recovering loan. These are:

- Building Task Force
- Arranging Seminar
- Loan Rescheduling Policy
- Waiver of Interest Rate

**iii. Legal Recovery:**

When all steps fail to keep an account regular and the borrower does not pay the installments and interests then the bank take necessary legal steps against the borrower for realization of its dues. In this case “Artha Rin Adalat Law 2003” plays an important role for collecting the loan.

**3.13 Computation of Credit Risk Grading:**

To measure the actual risk associated with the loan that is going to be paid by the bank to the particular client, we have to follow some steps and get a statistical parameter of the risk. There are five steps follow the JBL to compute credit risk grading. Those are given and described below:

## **Step 1: Identify all the Principal Risk Components**

Credit risk for counterparty arises from an aggregation of the following:

- a) Financial Risk
- b) Business/Industry Risk
- c) Management Risk
- d) Security Risk
- e) Relationship Risk

Each of the above-mentioned key risk areas require be evaluating and aggregating to arrive at an overall risk grading measure.

### **a) Evaluation of Financial Risk:**

Risk that counterparties will fail to meet obligation due to financial distress. This typically entails analysis of financials i.e. analysis of leverage, liquidity, profitability & interest coverage ratios. To conclude, this capitalizes on the risk of high leverage, poor liquidity, low profitability & insufficient cash flow.

### **b) Evaluation of Business/Industry Risk:**

Risk that adverse industry situation or unfavorable business condition will impact borrowers' capacity to meet obligation. The evaluation of this category of risk looks at parameters such as business outlook, size of business, industry growth, market competition & barriers to entry/exit. To conclude, this capitalizes on the risk of failure due to low market share & poor industry growth.

### **c) Evaluation of Management Risk:**

Risk that counterparties may default as a result of poor managerial ability including experience of the management, its succession plan and team work.

### **d) Evaluation of Security Risk:**

The bank might be exposed to the risk due to poor quality or strength of the security in case of default. This may entail strength of security & collateral, location of collateral and support.

### **e) Evaluation of Relationship Risk:**

These risk areas cover evaluation of limits utilization, account performance, conditions/covenants compliance by the borrower and deposit relationship.

**Step 2: Allocate weights to Principal Risk Components:**

Principal Risk Components	Weight
Financial Risk	50%
Business/Industry Risk	18%
Management Risk	12%
Security Risk	10%
Relationship Risk 10%	10%

Chart-4: Allocate weights to Principal Risk Components

According to the importance of risk profile, the following weightings are proposed for corresponding principal risks.

**Step 3: Establish the Key Parameters:**

Principal Risk Components	Key Parameters
Financial Risk	Leverage, Liquidity, Profitability & Coverage ratio
Business / Industrial Risk	Size of Business, Age of Business, Business Outlook, Industry Growth, Competition & Barriers to Business
Management Risk	Experience, Succession & Team Work
Security Risk	Security Coverage, Collateral Coverage and Support
Relationship Risk	Account Conduct, Utilization of Limit, Compliance of covenants/conditions & Personal Deposit

Chart-5: Establish the Key Parameters

**Step 4: Assign weights to each of the key parameters:**

<b>Principal Risk Components</b>	<b>Key Parameters</b>	<b>Weights</b>
1. Financial Risk	<p>.....</p> <ul style="list-style-type: none"> <li>o Leverage..... 15%</li> <li>o Liquidity..... 15%</li> <li>o Profitability..... 15%</li> <li>o Coverage..... 5%</li> </ul>	50%
2. Business / Industrial risk...	<p>.....</p> <ul style="list-style-type: none"> <li>o Size of the business..... 5%</li> <li>o Age of the business..... 3%</li> <li>o Business Outlook..... 3%</li> <li>o Industry growth..... 3%</li> <li>o Market competition..... 2%</li> <li>o Entry / Exit Barriers..... 2%</li> </ul>	18%
3. Management Risk.....	<p>.....</p> <ul style="list-style-type: none"> <li>o Experience..... 5%</li> <li>o Succession..... 4%</li> <li>o Team Work..... 3%</li> </ul>	12%
4. Security Risk.....	<p>.....</p> <ul style="list-style-type: none"> <li>o Security coverage..... 4%</li> <li>o Collateral coverage..... 4%</li> <li>o Support..... 2%</li> </ul>	10%

5. Relationship Risk.....	.....	10%
	o Account conduct.....	5%
	o Utilization of limit.....	2%
	o Compliance of covenants.....	2%
	o Personal deposit.....	1%

Chart-6: Assign weights to each of the key parameters

**Step 5: Arrive at the Credit Risk Grading based on total score obtained:**

The following is the proposed Credit Risk Grade matrix based on the total score obtained by an obligor

Number	Risk Grading	Short Name	Score
1.	Superior	SUP	o 100% cash covered o Government guarantee o International Bank Guarantees
2.	Good	GD	85+
3.	Acceptable	ACCPT	75-84
4.	Marginal/Watch list	MG/WL	65-74
5.	Special Mention	SM	55-64
6.	Sub-standard	SS	45-54
7.	Doubtful	DF	35-44
8.	8 Bad & Loss	BL	<35

Chart-7: Arrive at the Credit Risk Grading based on total score obtained

# Chapter - 4

## 4. Learning

During my internship program I enjoyed the work at the bank but most importantly I learned how to work under pressure with great responsibilities. Throughout this time, I have got the opportunity to work with different department of Jamun Bank Limited. There are 3 different departments in Tejgaon Branch and they are:

- General Banking (GB)
- Credit Department (CD)

I was rotated across all 2 different departments in the past 3 months. However, my main Concentration was Credit department and thereby, I allocated maximum time to work at credit department section.

### 4.1 SWOT Analysis

SWOT analysis refers to analysis of strengths, weaknesses, opportunities and threats of an organization. This facilitates the organization to make its future performance improved in comparison to its competitors. An organization can also study its current position through SWOT analysis. For all of these, SWOT analysis is considered as an important tool for making changes in the strategic management of an organization. Through direct observation and discussion with the JBL officials I am able to point out some major strength and weaknesses as well as some threats and opportunities regarding the various issues of the Bank such as-

- Organizational identity
- Service level
- Operational efficiency
- Technology
- Employee efficiency etc. along with many other issues.

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"><li>• Top management</li><li>• Corporate culture</li><li>• Various Products and Services</li><li>• Strong employee bonding</li><li>• Efficient Performance</li><li>• Strong financial position</li></ul>	<ul style="list-style-type: none"><li>• Dependent on fixed deposits</li><li>• Moderate risk management system</li><li>• Absence of strong marketing activities</li><li>• Discouraging small entrepreneurs</li></ul>

Opportunities	Threats
<ul style="list-style-type: none"> <li>• Country wide network</li> <li>• Introducing more branches</li> <li>• Introducing special corporate scheme</li> <li>• Real time online banking</li> <li>• Creation of brand image</li> </ul>	<ul style="list-style-type: none"> <li>• Similar products are offered by others</li> <li>• Default Loans</li> <li>• Industrial Downturn</li> <li>• Increased competition in the market</li> </ul>

Chart-8: SWOT Analysis of JBL

#### 4.1.1 Strengths

- **Top Management**

The Jamuna Bank Limited is operated by a very efficient management group. The top management officials have all worked in reputed banks and their years of banking experience, skill, and expertise will continue to contribute towards further expansion of the bank. So, the top management of the bank is the major strength for JBL.

- **Corporate Culture**

JBL has an interactive corporate culture. The working environment of JBL is very friendly, interactive and informal. And, there are no hidden barriers or boundaries while communicate between the superior and the employees. This corporate culture works as a great motivation factor among the employees of the bank.

- **Various Products and Services**

JBL offers various types of products and services to their clients. So those, Customers can choose the right products that will fulfill their needs.

- **Strong employee bonding and belongings**

JBL employees are one of the major assets of the company. The employees of JBL have a strong sense of commitment towards organization and also feel proud and a sense of belonging towards JBL. The strong organizational culture of JBL is the main reason behind its strength

- **Efficient Performance:**

It has been seen from customers' opinion that JBL provides hassle-free customer services to its client comparing to other financial institutions of Bangladesh. Personalized approach to the needs of customers is its motto.

- **Strong Financial Position**

It has been seen that the net profit has been gradually rising over the years. Furthermore, JBL is not just sitting on its previous year's success, but also taking initiatives to improve.

#### **4.1.2 Weakness**

- **Dependent on fixed deposits**

Jamuna Bank heavily depends on fixed deposit. The bank has to pay large amount of interest for the just because of highly depend on fixed deposit.

- **Moderate risk management system:**  
JBL risk management system is not that much secured. They need to develop their risk grading system.
- **Absence of strong marketing activities:**  
JBL currently don't have any strong marketing activities through mass media e.g. Television. TV ads play vital role in awareness building. JBL has no such TV ad campaign. Although they do a lot of CSR activities compared to other banks.

- **Discouraging small entrepreneurs**

JBL provides clean Import Loan to most of its solvent clients. But they usually do not want to finance small entrepreneurs whose financial standing is not clean to them.

#### **4.1.3 Opportunities**

- **Country wide network**

The ultimate goal of JBL is to expand its operations to whole Bangladesh. Nurturing this type of vision & mission & to act as required, will not only increase JBL's profitability but also will secure its existence in the long run.

- **Introducing more branches**

There are many important places in Bangladesh, where customers are eagerly waiting for doing banking transactions. But no existence of banks is in those places. Although JBL already has 65 branches to provide services to its customers, it must also open more branches in those places where people needs banking facilities.

- **Introducing special corporate scheme**

JBL can introduce special corporate schemes for the corporate customers or officers who have an income level higher from the service holders. At the same time, they can introduce schemes or loans for various



service holders. And the schemes should be separate according to the professions, such as engineers, lawyers, doctors etc.

- **Real time online banking**

Today online banking is the best way to earn profit for the bank. So JBL have to earn more profit by developing online banking system.

- **Creation of brand image**

As we know that brand creates value. So JBL need to develop their brand image by developing their products and services.

#### **4.1.4 Threats**

- **Similar products are offered by other banks**

Now-a-days different foreign and private banks are also offering similar type of products with an almost similar profit margin. So, if all competitors fight with the same weapon, the natural result is declining profit.

- **Default Loans**

The problem of non-performing loans or default loans is very minimum or insignificant. However, this problem may rise in the future thus; JBL has to remain vigilant about this problem so that proactive strategies are taken to minimize this problem.

- **Industrial Downturn**

Bangladesh is economically and political unstable country. Flood, draught, cyclone, and newly added terrorism have become an identity of our country. Along with inflation, unemployment also creates industry wide recession. These caused downward pressure on the capital demand for investment.

- **Increased competition in the market**

In banking sector day by day competition are increased and lots of new bank are coming into the competition. So it is big threat for JBL.

#### **4.2 The Nature of the jobs and my Specific Responsibilities:**

The first week I was in the General Banking Department. Banks don't put interns in the Credit Department but at first. At General Banking Division, I was assigned to GB (General Banking). I spent the two (2) weeks here. It was very arduous, but very fruitful. I had a wide variety of responsibilities at GB. The work

was really hard at GB. I also had to hear a lot of complaints from the customers. At first, I was demoralized. But later on, I learned how to deal with it. At Credit Division, most of the time in my intern period I have spent in credit department and that's why I prefer 'Credit Management of JBL' as my internship report topic. Firstly, I was assigned in credit dept. more than 1 month under and at that time I have to perform below activities-

- Printing, typing and photocopying different documents related credit.
- I had to organize all the customer files (e.g. car loan, home loan) & keep them at a specific place separately.
- Checking and filling up different loan's forms.
- Data entries in the computer.
- Helping clients that where to signature on the form.
- Sometimes helping supervisor balancing credit & debit.

#### **4.3 Observation:**

Working at JBL, Tejgaon Branch was a great experience for me. I have learnt many things from them. From my little knowledge what I have observed and some recommendations are as follows:

It was very interesting working at Jamuna Bank. The people there are really nice and talented. The things that I have noticed and observed are:

- Work environment is very friendly, and employees are co-operative.
- Employees are active and sincere to their assigned job responsibilities
- Work is never left pending for the next day unless it is absolutely necessary
- The work process could be made faster with better computers and operating systems
- There is always a rush of customers so there is no standard on what the employees do throughout the day. The work activities of an employee are set, but what to do when varies along the day
- The work activities are always set and divided for each of the employees. This is the way it should be, but when I saw it firsthand it was remarkable. Each and every employee has a certain set of responsibilities. He/she carries out those responsibilities throughout the day. It is also easy to assign duties that way.

## Recommendation

As we all know JBL is one of the well-known banks in our country. From my little knowledge it's quite hard to give recommendation to such a well-established bank. Still from my learning and observation, I am giving following recommendation to follow:

- JBL need to more concentrate on loan and advance services. And they need to offer attractive packages to promote their loan and advance product.
- Maximum amount of loan is provided to the long-term industrial sectors. They intentionally ignore the agriculture sector because of riskiness and safety issues. But for the overall economic development of the country they should diversify their loans in agriculture sector.
- For improving the recovery position and reducing huge overdue loans, first action needed to attract political support and urge upon the govt. and political parties to take necessary steps for repayment of defaulted loans within a limit.
- New credit culture needs to be developed in place of default culture. Efforts to be taken as soon as possible to safeguard the interest of banking sector.
- Real value of business can come from making regular visits to the customer's place of business rather than holding all meetings in the Bank.
- JBL earn 68.87% profit from Dhaka City. So JBL need to spread their all over the
- Bangladesh.

## **Conclusion**

Jamuna Bank Ltd. is a commercial bank launched its operation in 2001. It has already developed goodwill among its clientele by offering its excellent services by different divisions. This success has resulted from the dedication, commitment and dynamic leadership among its management over the periods. The working atmosphere of the Jamuna Bank Limited is very simulating. During the short span of time of its operation, the bank has been successfully to the position itself as a progressive and dynamic financial institution in the country. Credit policy is a very convenient banking tool for the business world. The value of this service is immense. It has gathered such a position in the banking sector that people at developed and also developing counties are very much depended on this service. In Bangladesh credit facilities or loans started to become very attractive in recent periods. But still lots improvements in services and facilities have to be made in this department.

Credit Division of Jamuna Bank has a very qualified and dedicated group of officers and staffs who are always trying to provide the best service to the clients. They always monitor the credit in different sectors and their position. Before providing the loan they analyze whether the loan will be profitable and whether the client is good enough to repay the loan within the given period of time.

The main competitive advantage JBL is enjoying that it has online banking where as other local commercial bank cannot yet achieve that advantage. But all the commercial banks are now trying to achieve this. In this bank the employees are highly motivated by their remunerations and other benefits. Here, all the employees are very much cooperative with their customers, colleagues and simply visitors.

## **References**

### **Websites**

- <http://www.jamunabankbd.com/>

### **Annual Reports**

- Jamuna Bank Limited 2020

### **Published Document & Banking manual**

- Credit Division Manual of JBL
- Several Booklets from Jamuna Bank Limited
- Other internship reports of JBL

# Appendix

## Questions

1. What is your gender?

- a) Male      b) Female

2. Do you face any discrimination regarding gender for banking?

- a) Yes      b) No

3. Which bank you feel more trustworthy?

- a) JBL    b) IFIC    c) BRAC BANK

4. Did you take any loan from private bank?

- a) Yes      b) No

5. If yes then how was their transaction related to your loan A/C??

- a) Very good    b) Good    c) Bad      d) Very Bad

6. Do you want to take loan in future?

- a) Yes      b) No

7. Do you want more facilities from bank services?

- a) Yes      b) No

