



Prospects and challenges of SME Credit  
Scheme of Jamuna Bank Limited.

# **Internship Report**

**On**

**“Prospects and Challenges of SME Credit Scheme  
of  
Jamuna Bank Limited.”**



**Supervised By:**

**Sharmin Shabnam Rahman**

**Senior Lecturer**

**BRAC Business School**

**BRAC University**

**Prepared By:**

<b>Md. Zahid Imam</b>	<b>10104029</b>
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<b>Date of Submission: 26<sup>th</sup> June, 2014</b>
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# Jamuna Bank Limited

## Letter of Transmittal

26<sup>th</sup> June, 2014

Sharmin Shabnam Rahman

Senior Lecturer

BRAC Business School

BRAC University.

Dear Madam,

I have completed my 12-week internship period at Jamuna Bank Limited (Mirpur Branch) and would like to submit my internship report as per your specifications. I would also like to draw your kind attention to the fact that I have tried my level best to gather and organize all the information needed for this particular report, and in doing so I have tried my utmost to live up to your standards.

May I, therefore, wish and hope that you would be gracious enough to accept my effort and oblige thereby.

Yours sincerely,

Md. Zahid Imam | 10104029 | \_\_\_\_\_



## Acknowledgement

I would first like to thank to Allah. Successful completion of any type of project requires help from a number of persons and as I am still a student and just a novice, I have also taken help from different people during the internship program and for the preparation of this report. Now, here is a petite effort to show my deep gratitude to those helpful persons. First of all I would like to express my sincere gratitude to my honorable supervisor, Senior Lecturer Sharmin Shabnam Rahman, BRAC Business School, BRAC University.

My warmth gratitude goes to many people whose affable cooperation and advice helped me a lot bringing my endeavor into realization. My heartiest thanks go to Mr. SM Mofizur Rahman (SAVP & Manager) of Jamuna Bank Ltd. who has given me the opportunity to satisfy my inquisitiveness by allowing me to undertake the task. I am also grateful to all the executives of the Jamuna Bank Limited - Mirpur branch, especially Mr. Md. Mahfuzur Rahman (Senior Executive officer), Mr. Md. Sujait Ullah Bhuiyan (SEO), Ms. Sireen Akhter (FEO), Mr. Ahmed Faizus Saleheen, (First Executive Officer-FEO), Mr. Nayeem Hasan (FEO), Mr. Hasan (FEO) and Mr. Balal Hossain (FEO).

I am also thankful to Mr. Ashraful Islam Choudhury (FO- First Officer) and other officers of JBL whose hand of assistance in collecting, processing and moderating data and for their valuable consultation. Moreover, I like to convey my best regards to all the employees of JBL, Mirpur Branch who have helped me directly or indirectly during my internship period.



# Jamuna Bank Limited

## Executive Summary

Bangladesh is a developing country. And its economy is expanding. For that reason banking sector is also grow up very rapidly. The Banking Industry in Bangladesh is more than 100 years old. The first commercial Bank was ANZ Grind lays Bank, which opened in 1905. Today necessity of Bank as a financial institution is undeniable. Conventional Banks operates their businesses on interest basis. But interest is not allowed in our religion Islam. Keeping this problem in mind Organization of Islamic Conference (OIC) has introduced the concept of interest free Banking. This interest free Banking system will be operated on the basis of profit-loss sharing system. **Jamuna Bank Limited** is one of these kinds in our country.

Jamuna Bank Limited (JBL) is a solid, forward-looking, modern local Bank with a record of sound performance. The effort that JBL makes in order to portray the bank as a Brand image is very strong and successful. The general image of Jamuna Bank is “Trustworthy, Efficient, Helpful and Committed”.

**“Prospects and Challenges of SME Credit Scheme of JBL, Mirpur Branch”**, is my assign project. I have worked in the Credit division, Remittance, Advance, Foreign exchange side by side I learn other Banking operation.

This report covers three parts. First two parts cover the organization part and the job part. The third and the last part covers the overall project and covers the overview of Foreign Exchange Division, letter of credit in import and export, types of letter of credit and stages of letter of credit of JBL, the main topic of SME Credit Scheme of JBL and finally SWOT analysis & Recommendation and Conclusion.

For a bank, good loans or credit or advances are most profitable assets. The largest portion of operating income is derived from lending. A commercial bank usually wins over its competitors only on the quality and quantity of lending. It is therefore, indispensable for a bank to have a well thought policy for executing its lending operation. This report represents JBL SME Credit Scheme. Already it has earned a strong positioned in the field of SME Credit Scheme. To hold the position and be perfect in this sector, they will have to keep more and more attention to the customer retention and development of this sector.



# Jamuna Bank Limited

Finally I will articulate that this internship report on SME Credit Scheme has enlarged my theoretical knowledge, practical knowledge and made my BBA education more complete and applicable.

## Abbreviations

- JBL – Jamuna Bank Limited
- BB – Bangladesh Bank
- AD – Authorized Dealer
- BMRE – Balancing Modernization Replacement and Expansion
- SME- Small and Medium Entrepreneurship
- CAMEL – Capital Asset Management Equity Liability
- CDBL – Central Depository System
- L/C – Letter of Credit
- RMG – Ready Made Garments
- SWIFT – Society for Worldwide Inter-bank Financial Telecommunication
- BKE – Bilateral Key Exchange
- MSS – Monthly Savings Scheme
- DBGS – Double Benefit Growth Scheme
- MPPS – Monthly Payable profit Scheme
- TIN – Tax Identification Number
- POS – Point of Sale
- PAD – Payment Against Document
- LIM – Loan Against Imported Merchandising
- LTR – Loan Against Trust Receipt
- IBP – Island Bill Purchase
- ECC – Export Cash Credit
- PC – Packing Credit
- FDBP – Foreign Documentary Bills Purchased
- LDBP – Local Documentary Bills Purchased
- LDBC – Local Documentary Bills of Collection
- IRC – Import Registration Credit



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**Jamuna Bank Limited**

# Chapter-1

# Introduction



## 1.1 Background of the study:

Knowledge and learning become perfect when it is associated with theory and practice. Theoretical knowledge gets its perfection with practical application. Bangladesh has an overwhelming number of unemployed graduates. As they have no internship experience they have not been able to gain professional experience, which is important in getting a job. Recognizing the importance of practical experience, BRAC Business School (BBS) has introduced a three months practical exposure or internship program as a part of the Bachelor Business Administration program. In such state of affairs the present aim is to analyze the experience of practical orientation related to various aspects of banking activities performed in the Jamuna Bank Limited, Mirpur Branch.

As a financial intermediary bank play an important role to match the surplus & deficit unit. They collect deposit from surplus unit & lend it to the deficit unit. This mobilizations of deposit & allocation of credit to productive & consumer services leads towards the economic development, but commercial banks in Bangladesh was not so much careful in credit management, which leads to the widespread loan default & ultimately worse the entire financial cycle. Bank usually gives long-term loan to business firm. However credit management is crucial issue. Bank performance or profitability almost depends on proper credit management.

Jamuna Bank Limited (JBL) credit department try their best in maintenance of their credit department. So in my study I wanted to focus on SME Credit scheme of JBL which is a part or sector of credit management. On the other hand, I tried to come up with some guidelines and suggestions after analyzing extensively the pros and cons of the challenges and prospects associated in SME Credit Scheme of JBL.

## 1.2 Origin of the report:

As a part of the Bachelor of Business Administration (BBA) course requirement, I was assigned for doing my Internship in the Jamuna Bank Limited. The topic of my Internship was “**Prospects and Challenges of SME Credit Scheme of JBL**”.

## 1.3 Objective of the report:

The main objective of this report is to reflect the practical knowledge that is gained during internship period and to relate the theoretical learning of BBA Program. Besides this broad



objective, the followings are given emphasis:

- To fulfill the requirement of the Internship Program.
- To present an overview of Jamuna Bank Limited.
- To analyze the prospects and challenges of SME credit Scheme of JBL.
- To make a comparative analysis of SME credit scheme.
- To determine the most important attributes of service quality about SME credit scheme.

## 1.4 Methodology of the Report:

✚ **Methodology:** This report is the reflection of three months internship program at the Jamuna Bank Limited, Mirpur branch. Data collection is very important in preparing a report. In order to make the report more meaningful I mainly use two types of sources. These are:

✚ **Primary Sources:** These are the data's, which are collected for this specific report and which are afresh in nature, were not used before and need to be processed. Primary sources are:

- ◆ Information from several officers.
- ◆ Face to face conversation with the employees of different departments and clients.
- ◆ Practical work exposure achieved from different desks in the bank.
- ◆ Direct observation.

✚ **Secondary Sources:** Most of the information is collected from secondary sources. This includes annual report, credit policy etc, a number of books, journals, handbooks, periodicals published by Bangladesh Bank and websites.

- a. Annual Report 2012 and 2013 of Jamuna Bank Ltd.
- b. JBL website “[www.jamunabankbd.com](http://www.jamunabankbd.com)”.
- c. Periodicals published by the Bangladesh Bank.
- d. Different publications regarding banking functions, operation, and transactions policies.



## 1.5 Limitation:

The report might have facing some constraints which will be:

- ❖ Large scale analysis is not possible due to constraints & restrictions posted by the banking authority.
- ❖ In many cases, up to date information may not be available.
- ❖ Load at the work place was also a barrier to prepare this report. They always remain busy with their tight schedule.
- ❖ Due to lack of experience, there may have been faults in the report through maximum efforts have been given to avoid any kind of mistake.
- ❖ Large-scale research was not possible due to time constraints.
- ❖ The research was conducted only within the SME customers of Mirpur branch.
- ❖ The lack of intellectual thought and analytical ability to make it a perfect one.
- ❖ Finally, the length of this internship program (12 Weeks) which is not sufficient to conduct a detailed study on the subject of research.



**Jamuna Bank Limited**

## Chapter-2

# The Organization



## 2.1 Introduction:

Bank is a financial institution that collects society's surplus cash and provides a part of that as loan with a view to earning profit. So we can simply say that Bank is financial organization that deals with money. According to section – 5 of the Bank Company Act - 1991, a company transacting the business of banking is called a banking company. A manufacturing or trading company will not be deemed to be a bank company even if does accept deposits from the public for financing its manufacturing and trading activities.

Now a day it is completely impossible to think a country without a bank, because banks play a diversified role in the development of an economy. The most important task of bank is building of capital which is the key factor of the development of an economy. Banking sector helps to flourish the industrial sector by supplying the capital of the industries and other services like intermediaries role in case of foreign business. It is impossible to do foreign trade without the help of bank. Banks provide services that help the business sector a lot to carry on the business.

Jamuna Bank Limited is a fast growing private sector bank in Bangladesh. It has created a new horizon of its own in the banking arena of Bangladesh in terms of service to the customers. The bank has expanded and consolidated its customer base in both of its core businesses and retail banking.

To provide clientele services in respect of international trade it has established wide correspondent banking relationship with local and foreign banks covering major trade and financial centers at home and abroad. Currently Jamuna Bank has 91 branches and 149 ATM booths in all over Bangladesh.

Besides conventional banking, Jamuna Bank Limited is carrying Islamic Banking activities based on Islamic Shairah principles. The first Islamic Banking branch of the Bank opened on October 25, 2003 at Nayabazar in Dhaka. Afterwards its second branch opened on November 27, 2004 at Jubilee Road in Chittagong. Jamuna Bank Limited is committed to conduct business of its Islamic Banking branches strictly complying Shariah requirements.



## 2.2 History:

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

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

Jamuna Bank Limited (JBL) is a Banking Company registered under the Companies Act, 1994 of Bangladesh with its Head Office currently at Chini Shilpa Bhaban, 3, Dilkusha C/A, Dhaka-1000, Bangladesh. The Bank started its operation from 3rd June 2001. 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. Jamuna Bank Ltd., the only Bengali named 3rd generation private commercial bank, was established by a group of local entrepreneurs who are well reputed in the field of trade, commerce, industry and business of the country.

The Bank offers both conventional and Islamic banking through designated branches. 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 device strategies and introduce new products to cope with the change.

Jamuna Bank Ltd. has already achieved tremendous progress within its past 12 years of operation. The bank has already built up reputation as one of quality service providers of the country. At present the Bank has real-time Online banking branches (of both Urban and Rural areas) network throughout the country having smart IT-backbone.





# Jamuna Bank Limited

## 2.3 Jamuna Bank Bangladesh at a glance:

<b>Name of the organization</b>	<b>Jamuna Bank Ltd.</b>
<b>Year of establishment</b>	<b>The Bank started its operation from 3rd June 2001.</b>
<b>Head office</b>	<b>Printers Building (2nd &amp; 8th Floor), 5, Rajuk Avenue, Dhaka-1000.</b>
<b>Nature of the organization</b>	<b>Private Limited Company (Non-Government)</b>
<b>Shareholders</b>	<b>Jamuna Bank Limited Group shareholders.</b>
<b>Number of branches</b>	<b>At present there are 35 branches.</b>
<b>Number of ATMs</b>	<b>Launched in 5 April at 2005, now the numbers of ATMs are 5 in whole Bangladesh.</b>
<b>Products and Services</b>	<ol style="list-style-type: none"><li><b>1. Banking services</b></li><li><b>2. Consumer Banking</b></li><li><b>3. Corporate Banking</b></li><li><b>4. Investment Banking</b></li><li><b>5. Islamic Banking</b></li></ol>
<b>Net Income</b>	<b>Tk. 2530 Million</b>
<b>Top management</b>	<ol style="list-style-type: none"><li><b>1. Chairman</b></li><li><b>2. Board of Director</b></li><li><b>3. Managing Director</b></li><li><b>4. Deputy Managing Director</b></li><li><b>5. Executive Vice President</b></li><li><b>6. Senior Vice President</b></li><li><b>7. Vice President</b></li><li><b>8. Senior Assistant Vice President</b></li></ol>
<b>Technology</b>	<b>Offers full online banking from branch to branch.</b>

## 2.4 Vision:

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



# Jamuna Bank Limited

## 2.5 Mission:

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.

## 2.6 Corporate Slogan:

“Your Partner for growth.”

## 2.7 Sponsor:

The sponsors of Jamuna Bank Limited are reputed personalities, leading entrepreneurs of the country having stakes in different segments of the national economy. They are eminent industrialists & businessmen having wide business reputation both at home & abroad.

## 2.8 Objectives:

- To earn and maintain CAMEL (Capital Asset Management Equity Liability) 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 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.

## 2.9 Strategies:

- To manage and operate the Bank in the most efficient manner to enhance financial performance and to control cost of fund.



# Jamuna Bank Limited

- To strive for customer satisfaction through quality control and delivery of timely services.
- To identify customers' credit and other banking 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 customers' needs can be reasonably addressed.
- 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 its customers.

## 2.10 Values:

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

## 2.11 Corporate Culture:

Employees of JBL share certain common values, which helps to create a JBL Culture

- ❖ The Client comes first.
- ❖ Search for professional excellence.



# Jamuna Bank Limited

- ❖ Openness to new ideas & new methods to encourage creativity.
- ❖ Quick decision- making.
- ❖ A sense of professional ethics.
- ❖ Flexibility and prompt response.

## 2.12 Highlights of JBL (Numerical Values is in Taka)

Sl. No.	Particulars	2013	2012
1	Paid up capital	4,487,536,620	4,487,536,620
2	Total Capital	9,259,799,464	8,605,282,802
3	Capital surplus/deficit	917,661,619	1,560,422,802
4	Total assets (excluding off balance sheet items)	115,681,641,283	109,678,508,741
5	Total deposits	97,485,614,200	79,623,134,457
6	Total loans & Advances	67,669,376,700	54,887,033,981
7	Total contingent liabilities & commitments	29,234,226,956	28,155,995,450
8	Advance deposit ratio	69.41%	68.93%
9	% of classified loans against total loans	7.59%	9.73%
10	Profit after taxation & provision	1,135,191,520	1,042,052,580
11	Amount of Classified loan	5,133,754,000	5,337,873,265
12	Provision kept as classified loan	2,256,676,728	2,769,206,330
13	Cost of Fund ( Deposit cost & overhead cost )	12.32%	12.96%
14	Interest earning assets	71,948,361,892	58,969,036,472
15	Non-interest earning assets	43,733,279,391	50,709,472,269
16	Return on assets	0.98%	0.95%
17	Return on investment	10.04%	7.43%
18	Income from investment	3,330,359,597	2,007,153,898
19	Earnings per share (Tk.)	2.53	2.32
20	Net Income per share (Tk.)	2.53	2.32
21	Price earnings ratio (Times)	6.44	9.34
22	Net Asset Value per share(Tk.)	19.79	18.55
23	Cost of deposit	9.36%	9.98%
24	Market Value per share (Tk.)	16.30	21.70



## 2.13 Product and Services:

### **+ Loan Products:**

- ✓ Working Capital Financing
- ✓ Project Financing.
- ✓ Agricultural Financing.
- ✓ Consumer Financing.
- ✓ Lease Financing.
- ✓ Hire Purchase.
- ✓ SME Financing.
- ✓ House Building Financing.
- ✓ Personal Loan for Women.
- ✓ Import Financing.
- ✓ Export Financing.

### **+ Remittance Products:**

- ✓ Pay Order (PO).
- ✓ Demand Draft (DD).
- ✓ Outward Bills for Collection (OBC).
- ✓ Security deposit Receipt (SDR).

### **+ International Business Products:**

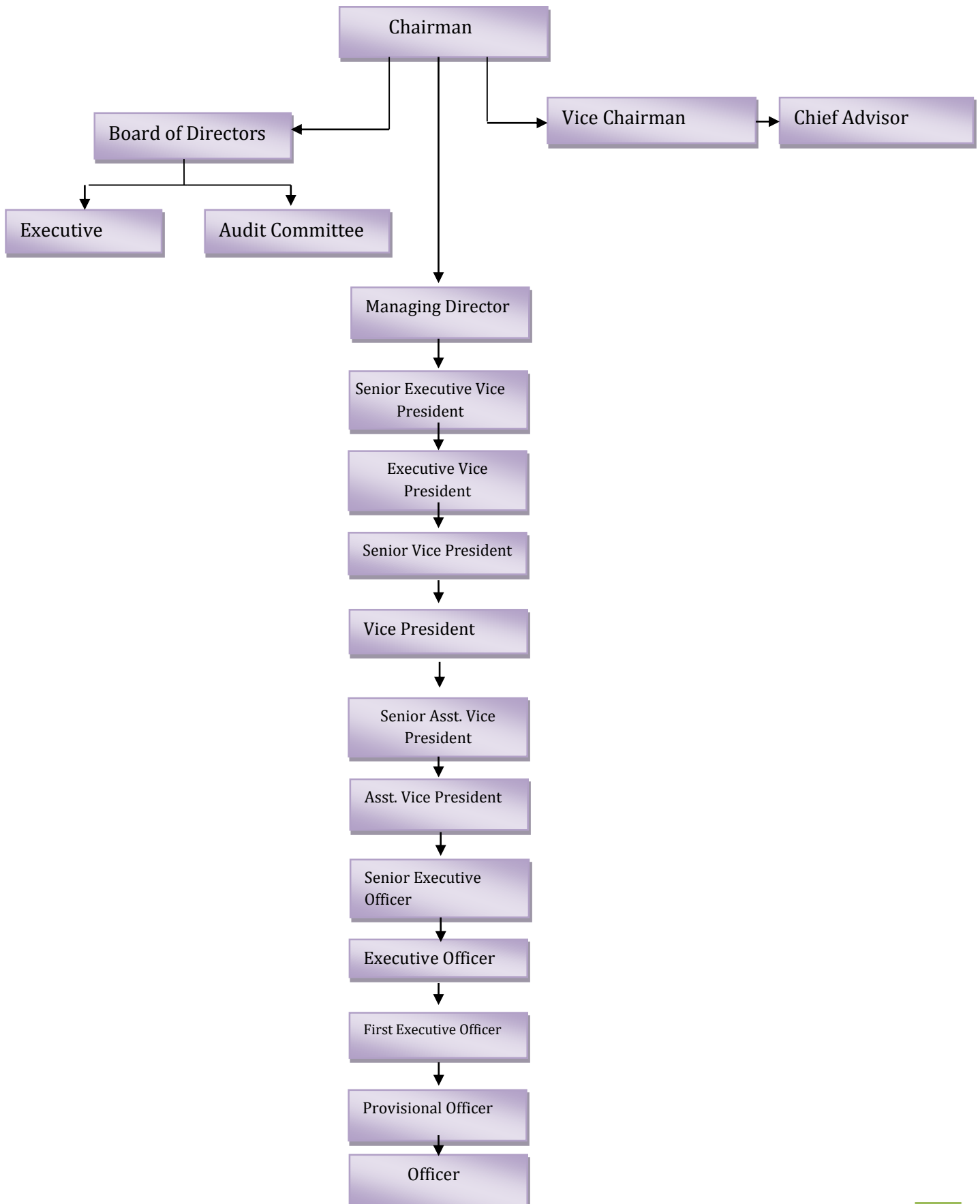
- ✓ Letter of Credit (L/C).
- ✓ Back to Back Letter of Credit (BTB L/C).
- ✓ Buying & Selling of Foreign Exchange.
- ✓ Foreign Demand Draft (FDD).
- ✓ Foreign Telegraphic Transfer (FTT).

### **+ Other Service Products:**

- ✓ International Trade Finance.
- ✓ Corporate Banking.
- ✓ Tele Banking.
- ✓ SMS Banking.
- ✓ Internet Banking.
- ✓ 24 Hours Banking.



## 2.14 Company Structure:





**Jamuna Bank Limited**

## Chapter-3

# Internship Experience



### 3.1 Description/nature of the job/s:

I had to complete an internship program over the duration of 3 months in a corporate institution. I was under the supervision of Md. Mahfuzur Rahman (Senior Executive officer) of Jamuna Bank Limited (JBL), Mirpur Branch. I trained in two different departments during my internship at JBL: 1. General Banking and 2. Advance Banking (Credit and Foreign Exchange department).

### 3.2 Specific responsibilities of the job:

- ✚ **General Banking Responsibilities:** In the department of General Banking, I had to learn how to make different banking statements, understand the process of collection of vouchers, receive cheques, prepare salary sheets and locate different vouchers.
- ✚ **Remittance Responsibilities:** My responsibilities during my training in this department included entering daily transfer in transfer books, filling-up savings and current account forms, crossing off cheques, preparing demand drafts and providing clients with their cheques.
- ✚ **Card Division:** Duties during my training under the Card Division department consisted of filling-up and observing debit card and credit card form, providing debit/ credit card to respected customers and clients, observing debit/ credit card vouchers, and participating with card team to convince consumers.
- ✚ **Advance responsibilities:** In the Advance department, I was trained to observe and participate in the (drafting) of different loans e.g. Overdraft loans, Secured Overdraft loans, Temporary loans, Transport loans, Home loans, Loans against Trust Receipt, Consumer Credit schemes, Car loans, Furniture loans etc. Sometimes I had to work in foreign exchange department, the work that I performed are:
  - L/C Advising
  - LDBC Forwarding
  - LDBP Adjusting
  - Daily Voucher, Supplementary
  - Outward Mail Register





- ✚ **Letter Of Credit (L/C):** A letter of credit is a common arrangement in international finance. With a letter of credit, the bank issuing the letter promises to make a loan if certain conditions are met. Typically, the letter guarantees payment on a shipment of goods provided that the goods arrive as promised. A letter of credit can be revocable (subject to cancellation) or irrevocable (not subject to cancellation if the specific conditions are met).
- ✚ **Advising L/C:** When export L/C is transmitted to the bank for advising, the bank sends an Advising Letter to the beneficiary depicting that L/C has been issued.
- ✚ **Outward Mail Register:** It is an official register where everything that goes out of the bank, have been written or recorded manually, for example if the client gets his L/C copy after advising, then LDBC number, outward mail register serial number, and the information about the issuing bank.

### 3.3 Different aspects of job performance:

- ✓ Banking jobs are critical and also need lots of time to perform because bankers have to deal with every aspect in order to satisfy clients and also earn revenue for the bank.
- ✓ Manager or head of the branch is the man in charge of the bank to take any decision. Officers mainly follow his instructions to perform their jobs successfully.
- ✓ General banking is mostly responsible for doing different formulation of works such as preparing report, statements, salary sheets, discussing any reports and providing ideas. They also do some sensitive work related to provide money by receiving cheques, computerized account information, provide interest on deposit
- ✓ Remittance is responsible to give daily transactions, receiving and crossing cheques, provide foreign currency which comes from abroad with the support of Western Union Money Transfer. Preparing demand draft and other bill related activities. Open new account like current or saving accounts.
- ✓ Advance department mainly do loan related activities, carefully observe each in formations before provide any loan, make loan statements and send the copy to the head office for loan approval. They also check whether the client is giving the payment and interest of the loan and also the condition of each client to loan



progress.

- ✓ Foreign exchange department deals with opening Letter of Credit (L/C) and providing support to client through bank guarantees and deal with other foreign banks and institutions from the clients' point of views.
- ✓ Card division mainly provides client information related to debit/credit card. The types of benefits the customer will get if he/she have the card. Often they go for client's office to convince them to have the credit card. They also prepare different statements and voucher related to card.

### 3.4 Critical observations and recommendations:

- ❖ The numbers of employees are not efficient to perform task effectively. For example in general banking or remittance or card division the numbers of employees are more than advance department. So in advance department there is always a rush to perform activities.
- ❖ The cash receive and collection booths are fewer in numbers than the clients. Therefore, before any festivals the clients need to wait a lot of time in line which sometimes creates frustrations among clients.
- ❖ The officers in charge remain always busy with their works for this they don't have enough time to provide information even to clients or interns even if they have the intension to do so.
- ❖ Advance works are very much critical and sensitive. Because of this it takes long time to perform any task. Officers and in charge always remain very much cautious to perform their activities. If they fail or make any major mistakes then they can be fired or have to pay a penalty for that.
- ❖ Sometimes they give pressure to clients to give interest of loans and other sanctions which sometimes create unpleasant environment.
- ❖ Slow internet connection often creates problems because the local broad band connection they use is not always speedy to perform tasks effectively. And also sometimes there intranet does work properly, which makes a huge problem for the clients as well as the officers.
- ❖ For the success of any organization, employee satisfaction is one of the most important factors and JBL authority should have to look about it.



**Jamuna Bank Limited**

## Chapter-4

# The Project



## 4.1 JBL Banking:

Jamuna Bank offers wide-ranging products and services matching the requirement of every customer. We make every endeavor to ensure our clients' satisfaction. Our cooperative, friendly personnel in the branches will make your visit an enjoyable experience. There are mainly four functional departments in the organization. They are:

- General Banking.
- Advance Banking.
- Foreign Banking.
- Internet/Online Banking.

### 4.1.1 General Banking:

- a) Accounts Opening
- b) Consumer Saving Scheme
- c) Cash Department

**(a) Accounts Opening:** General banking system of the JBL provides different types of account facilities. Each account has different restriction and requirements.

✚ **Saving Account:** Saving Account is that type of account where people deposit their money with a tendency to save. A certain percentage of interest is given against the deposit. People can withdraw money twice a week from this account. There are two type of saving account-

- a. Individual Saving Account
- b. Joint Saving Account

✚ **Current Account:** Current Account and Saving Account are more of less same. The basic difference between a current account and a savings account is that current account does not calculate any interest. The current accounts are usually entrepreneurs, business organization, and companies' etc. There are several types of current account available at the JBL, they are shown below:

- Individual Current Account.
- Partnership Current Account
- Proprietorship Current Account
- Limited Company Current Account



- Account of Societies Clubs etc.

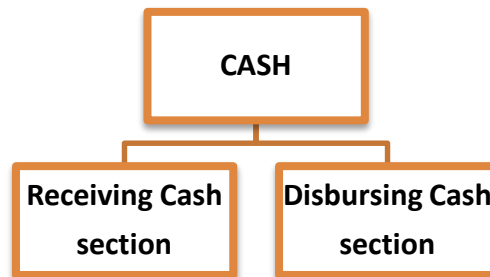
## (b) Consumer Savings Scheme:

- ✚ **Short Term Deposit:** Short-term deposit account can be opened with Tk. 5,000 as balance. This account is operated and maintained like a current account. The rate of interest on this type of a/c (account) is 5.25% and withdrawals from this type of a/c require a notice of seven days.
- ✚ **Fixed Deposit:** JBL offers FDR for different amounts at different interest rates for different period of time. In the receipt holders' name and other particulars are kept as secret documents on the bank. In the documents the name of nominee is also incorporated. If any holder of the receipt wishes to en-cash receipt before the maturity the bank usually do not pay the interest. But JBL, as goodwill pays a lump-sum amount of interest to the FDR holder.
- ✚ **Monthly Savings Scheme (MSS):** The most popular product of Jamuna Bank Limited is JBL Monthly Savings Scheme (MSS). JBL has given highest interest in this scheme. But considering the future liability Bank's Authority decided to reduce the interest rate.
- ✚ **Double/ Triple Benefit Scheme (DBDS/TBDS):** Double/Triple Benefit Scheme is another popular product of JBL. These are high yielding deposit schemes in which depositor's money will be double and triple at the end of 06 years and 10 years respectively. Depositors can take loan up to 90% of their deposit at normal lending rate of interest of the bank. Minimum amount of this scheme is Tk. 25,000/- . The rate of interest of DBDS is 12.25% and TBDS is 11.61%. But because of high interest rate, the Bank recently closed this product.
- ✚ **Monthly Payable Profit Scheme (MPPS):** Depositor can get profit monthly from this scheme, that's why it is popular to all. Party must have saving account of same branch in opening of MPPS. Because monthly profit transferred to his/her saving account and there is no charge for transferring of monthly profit. Minimum amount of opening an MPPS is Tk. 25,000/-, for five years and interest rate is 12%. It's also a high interest base deposit. So, very recently the Bank closed this scheme.



## (C) Cash Department:

- ✚ Cash department is in charge of taking all sort of cash transaction. Through this department cash is deposited in the name of JBL and disbursed to the clients. In JBL the cash counter system is teller where any customer can deposit or withdraw money from one counter. In the Mirpur branch, there are three cash counters and one Ready Cash Card counter. The head of this wing is the Head teller as already mentioned. The diagram below shows the cash department.



### 4.1.2 Advance Banking:

Advance Banking is one of the most important departments of the Jamuna Bank Ltd., which contributes a large portion of income in the bank's total revenue. In fact, from advance bank department 90% profit comes for bank's expenditure. This department includes different types of credit facilities that are provided by the bank to its clientele. The Bank operates credit facilities through different branches. But the Head Office control the entire loan sanction procedures.

- ☞ Industrial Loan
- ☞ Term Loan
- ☞ Consumer Credit Scheme
- ☞ Others

### 4.1.3 Internet/Online Banking:

Jamuna Bank Ltd. has introduced real time any branch banking on April 05, 2005. Now, customers can withdraw and deposit money from any of its 91 branches located at Dhaka, Chittagong, Rajshahi, Khulna, Sylhet, Barishal, Ranjpur, Gazipur, Bogra, Naogaon, Narayangang, Munshiganj, etc. The valued customers can also enjoy 24 hours banking



# Jamuna Bank Limited

service through ATM card from any of Q-cash ATMs located at Dhaka Chittagong, Rajshahi, Khulna, Sylhet, Bogra etc.

All the existing customers of Jamuna Bank Ltd. will enjoy this service by default.

Key Features:

- Real time any branch banking.
- Internet Banking Interface.

Delivery channels:

- Branch Network
- ATM Network
- POS(Point of Sales)
- Internet Banking Network

## 4.1.4 FOREIGN EXCHANGE:

✚ **Definition of Foreign Exchange:** The foreign exchange regulation act refers that foreign exchange means foreign currency and includes any instrument drawn accepted, made or issued under clause (13) of article 16 of the Bangladesh Bank order, 1972, all deposits, credits and balances payable in any foreign currency and any draft, travelers cheques, letter of credit and bill of exchange expressed or drawn in Bangladesh currency but payable in any foreign currency.

✚ **Foreign Exchange and Foreign Trade:** Foreign exchange like foreign trade is a part of economic science. It deals with the means and methods by which rights to wealth in one country's currency are converted into those of another country. By the same token, it covers the methods used for conversion, the forms in which such conversions take place and the causes that render these conversions necessary.

✚ **Modes of Foreign Exchange:** On the basis of the various services regarding the foreign exchange provided by the JBL can be segregated into three categories:

- a) Export
- b) Import
- c) Foreign Remittance



- a) **Export:** Export is the process of selling goods and services to the other country. It has an immense contribution to generating income for the bank.
- b) **Import:** In line with the experience of developing countries, imports payments of Bangladesh increased over the years. The imported items were mainly industrial raw materials, consumer goods, fertilizer machinery and old ships of scraping, recondition cars etc. the growth in import business had been previous year showing an increase of 20%. Efficient handling did the significant items of import and concerned efforts for building up of a potential clientele for the bank.
- c) **Foreign Remittance:** Remittance services are available at all branches and foreign remittances may be sent to any branch by the remitters favoring their beneficiaries. Remittances are credited to the account of beneficiaries instantly through Electronic Fund Transfer (EFT) mechanism or within shortest possible time. Jamuna Bank Ltd. has correspondent banking relationship with all major banks located in almost all the countries/cities. Foreign remittance is another important factor of the JBL. Remittance means to send or transfer money or money-worth from one place to another. In this case, the bank acts as the media to transfer or remit the money. Against the service it charges some commissions from the client.

## Types of Remittance:

- 1. **Inward Remittance:** It deals with funds from overseas. The remittance can be performed in two ways:

- # Remittance through TT/DD etc.

- # Remittance due to export.

- 2. **Outward Remittance:** Outward remittance is pleasurable to overseas on behalf of the client. It may be in following form:

- # TT (Telegraphic Transfer)

- # DD (Demand Draft)

- # Mail transfer

- # Remittance due to import.





**DD (Demand Draft):** It is issued in favor of the customer who maintains an account with this branch. Demand Draft is an order of issuing bank on another branch of the same bank to pay specified some of money to the payee on demand. It is generally issued when the customer wants to remit money in any place, which is outside the clearing house area of issuing bank.

**TT (Telegraphic Transfer):** Is a receipt of message and verifying the below condition then payments.

**I.** The in-charge and the manager verify the test message.

**II.** If the test-number, payees A/C number and title of the A/C does not agree a telex is sent to the branch concern asking them to rectify the message with correct test number and other particulars.

**III.** If the test-number agrees and all other information is correct, test agreed seal is affixed on the message and signed by the officers.

✚ **Letter of Credit:** Letter of credit (L/C) is an agreement between the importer and the bank (issuing bank). The bank provides letter of credit in order to purchase goods from the exporter. The banks acts in the behalf of the clients to deal with the exporter and the clients make the payments after receiving the goods accordingly.

✚ **Requirements of opening a L/C:**

# Current deposit account holder

# IRC (import registration certificate)

# Import policy

# Letter of credit authorizing from duly registered

# L/C application duly fills up and signs

# Insurance coverage

# Income tax document

## **4.2 SME Credit of JBL:**

✚ **Introduction:** Small businesses play a significant role in the socio economic development of a country. Irrespective of the systems of the economy, growth stage of the country, place of industry in the economy, use of skill & technology in any country, small business plays an important role which none of the concerned



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people dare to undermine, though small in size but small business and their entrepreneurs are big with large potentiality. Jamuna Bank limited has also launched this SME policy for small businesses.

The role of Small and Medium Enterprises is very crucial in the economic development of the country. SME plays the vital role for employment generation, particularly self-employment by making significant contribution to GDP. As a part of commitment, JBL may substantially contribute to the socio-economic development of the country providing financial support to the Small and Medium Enterprise sector. Banks usually do not express interest towards SME financing. The reason behind this conservativeness is higher operational cost, less return and high risk associated with the SME financing. Due to small loan size the operational cost is higher and they require intensive monitoring and supervision. The main reason for higher risk is that the small and medium entrepreneurs are highly unlikely to comply with the collateral requirements as typically they do not have immovable properties. With the excuse of collateral sometimes banks and non-bank financial institutions are reluctant to finance SMEs.

SMEs are high risk borrowers because of their inability to meet with the collateral requirements of the banks. Bankers issue loans based on the ownership of immovable property as collateral risk. So if the SMEs are unable to repay the debt, there is a chance that the bank will take ownership of their asset.

**✚ SME Credit Scheme:** In view of the above and in the light of guidelines of Bangladesh Bank, the bank authority has approved Small Enterprise Financing Scheme as under:

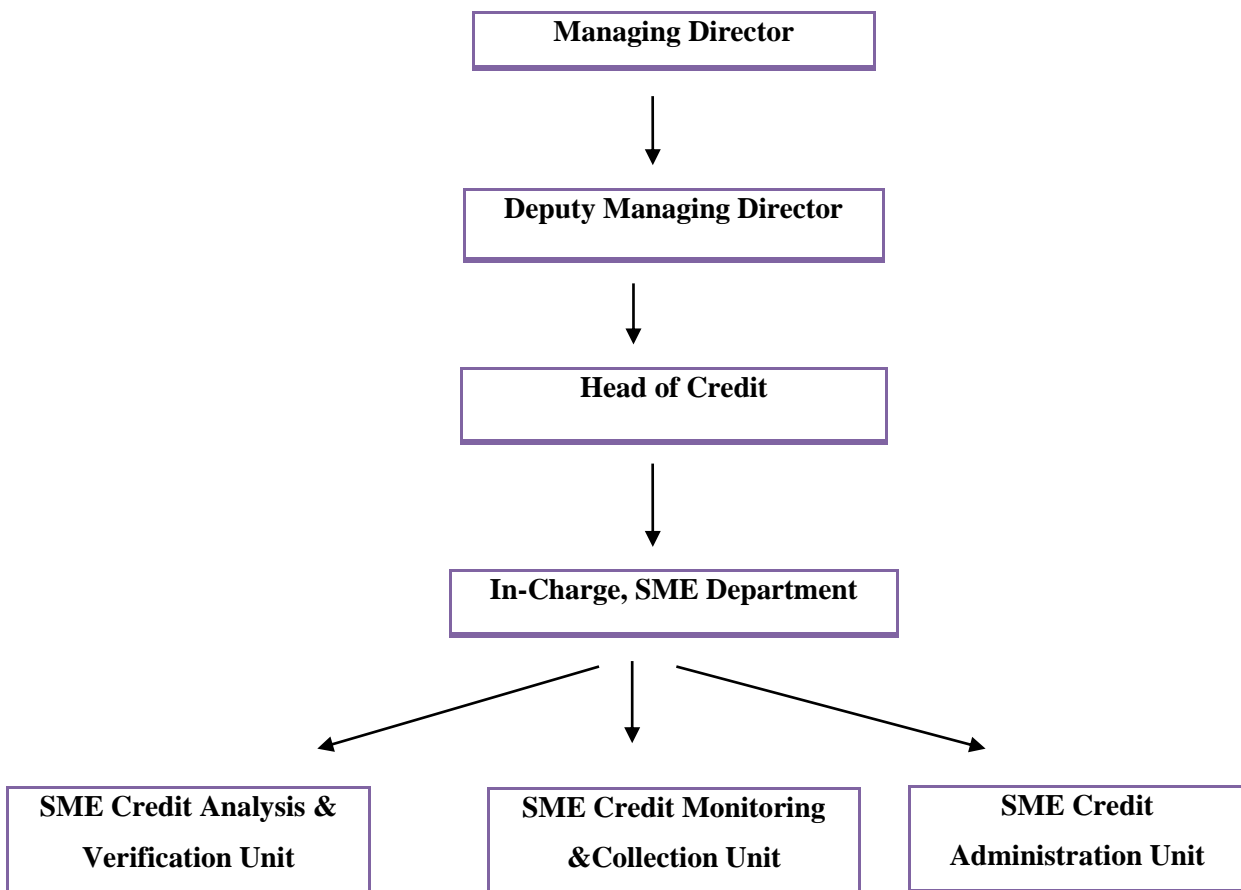
- I. It is a segment of business loan which is directly different from personal/retail credit e.g. consumers credit, auto loan and other personal/retail loan products.
- II. If the loan amount is covered by FDR up to 50% of the loan and the customer has regular cash-flow to pay installments, then further security shall not be insisted.
- III. For experienced tested customers with good past track record who have a repaid loan under Double loan scheme twice as per sanction terms and business growth is satisfactory.



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- IV. For good repayment, incentive may be allowed to the customers at 5% of interest charged as rebate.
- V. Loan processing procedures under SME should be made simple easier.
- VI. This shall be a supervised credit scheme where the security shall be decided on case-to-case basis considering the merits of the proposal and the risk factor.

**Management structure of small Enterprise unit:** The concept of managing Core Risk in banking is the separation of the marketing/sales function from Approval/Risk Management where administration functions will be under operations umbrella. The following chart represents the preferred management structure at Head Office level:



## Definition of Small Enterprise:

Small Enterprise (SE) means an entity; ideally not a public limited company does not employ more than 60 persons (if it is a trading concern) and 30 persons (if it is a service concern) and also fulfills the following criteria:



# Jamuna Bank Limited

- a) A service concern with total assets at cost excluding land and building from tk.50,000 to tk.30.00 lac.
- b) A trading concern with total assets at cost excluding land and building from tk.50,000 to tk.1.00 crore.

## **Selection of Borrowers:**

- I. Small Enterprise financing, like other credit facilities must be subject to the Bank's risk management process setup for this particular business. The process may include:
  - Identifying sources of repayment.
  - Assessing customer ability to repay
  - Expected future cash flows.
  - His/her past dealings with the bank.
  - The net worth and information obtained from a Credit Information Bureau (CIB) of Bangladesh Bank.
- II. At the time of granting facility under various modes of SME, a written declaration shall be obtained from the borrower divulging details of various facilities already obtained from other institutions to ensure that the total exposure in relation to the repayment capacity of the customer does not exceed the reasonable limits as laid down in the approved policies of the bank as well as to help avoid exposure having multiple facilities.

## 4.3 Types of SME Credit Scheme of JBL:

### **SME Banking Of Jamuna Bank LTD are:**

- (a) Jamuna Bonik
- (b) Jamuna Chalantika
- (c) Jamuna Green
- (d) Jamuna Jantrik
- (e) Jamuna Nari Uddogh
- (f) Jamuna NGO Shohojogi
- (g) Jamuna Shachchondo
- (h) Jamuna Somriddhi
- (i) Jamuna Swabolombi



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## **(a) Jamuna Bonik (Import Finance)**

Now JBL SME clients are being involved in foreign trade, their network has been expanded throughout the world. To facilitate the foreign trade transactions of the SME clients, Jamuna Bank is offering a product named ‘Jamuna Bonik’.

**Purpose:** To settle foreign trade payment & import document retirement line (mainly import financing, e.g., L/C and LTR facility).

### **Key Features:**

- Loan Amount: Min. BDT 5.00 lac to Max. BDT 50.00 lac.
- Tenure: For each L/C highest 04 months and for each LTR highest 06 months.
- L/C Margin and Commission: As per negotiation.
- Fast and quality service.
- No hidden charge.

### **Eligibility:**

- Having business experience for at least 2 years in the same line.
- Age Limit: 20 years to 60 years.

### **Required Documents:**

- 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.

## **(b) Jamuna Chalantika (Working Capital Loan)**

To operate business with extra ease, term loan is not always the only solution. Keeping this capital requirement for the business, Jamuna Bank is offering a package of working capital solution [50% term loan & 50% revolving credit (cash credit) facility] to run the business smoothly.

**Purpose:** To meet up working capital requirement of the business.

### **Key Features:**

- Loan Amount: BDT 5.00 lac to BDT 50.00 lac.



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- Tenure: For revolving loan- Maximum 01 year (Renewable).
- For Term Loan- Maximum 36 months. Interest Rate: Competitive interest rate. Fast and quality service.
- No hidden charge.
- Registered Mortgage of Property is required.

## **Eligibility:**

- Having business at least 2 years in the same line.
- Age Limit of the Borrower: 20 years to 60 years.

## **Required Documents:**

- 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 business.

## **(c) Jamuna Green (Carbon Finance)**

To save our beloved earth from the disaster of Green House Effect, Jamuna Bank is offering Eco-friendly product 'Jamuna Green'. Under this product, one can get finance for ETP plants in different sectors, Eco-friendly vehicles, Eco-friendly fields (reduce CO<sub>2</sub> emission), Bio Fertilizer, Bio gas plants, Solar plants and Eco-friendly any other business. Mode of finance shall be Term Loan mainly.

**Purpose:** To facilitate establishment of eco-friendly projects.

## **Key Features:**

- Loan Amount: Max. 300 lac.
- Tenure: Max. 60 months.
- Interest Rate: Competitive interest rate.
- Fast and quality service.
- No hidden charge.



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## **Eligibility:**

- Having business for at least 2 years in the same line.
- Age Limit: 20 years to 60 years.

## **Required Documents:**

- 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.

### **(d) Jamuna Jantrik (Machinery Loan)**

When any SME client wants to purchase any machine or vehicle for business, Jamuna Bank is there with the offer of 'Jamuna Jantrik' through which the client can get a lease finance facility.

**Purpose:** To procure machinery or vehicle for SME business purpose.

## **Key Features:**

- Loan Amount: BDT 5.00 lac to BDT 50.00 lac.
- Tenure: Max. 60 months.
- Interest Rate: Competitive interest rate.
- Fast and quality service.
- No hidden charge.

## **Eligibility:**

- Having business for at least 2 years in the same line.
- Age Limit: 20 years to 60 years.

## **Required Documents:**

- Last twelve months' sales statement.
- Last twelve months' bank statement.
- Valid Trade License of last two years.



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- National Voter ID/ Passport of the borrower.
- Photographs of the borrower and the guarantors.
- Utility bills of the concerned business.

## **(e) Jamuna Nari Uddogh (Women Enterprise Loan)**

About fifty percent of JBL's total population is women and many of them have succeeded as a business entrepreneur. To give JBL's incomparable ladies some extra ease and to help them to get financial freedom, Jamuna Bank Ltd. is offering a product 'Jamuna Nari Uddogh'. To make ones dream come true, JBL is always there as a true friend.

**Purpose:** Any justifiable business purpose.

### **Key Features:**

- 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.
- Up to BDT 25.00 lac is collateral Free.

### **Eligibility:**

- Having business at least 2 years in the same line of business.
- Age Limit: 25 years to 60 years.

### **Required Documents:**

- Last Twelve months sales statement.
- Last Twelve months bank statement of transactional account.
- Valid Trade License of last two years.
- National Voter ID/ Passport/ Ward Commissioner/ UP Chairman Certificate of the borrower.
- Photograph of the proprietor and the guarantors.
- Utility bill of business.





## **(f) Jamuna NGO Shohojogi (NGO Finance)**

From the very beginning, one of the goals of Jamuna Bank Ltd. is to provide services to the under privileged people of remote areas. Keeping that idea in mind, the Jamuna Bank Ltd. has come forward with a product for SME customers named ‘Jamuna NGO Shohojogi’. ‘Jamuna NGO Shohojogi’ ensures wholesale financing through the reputed NGOs in the country whose past records are remarkable, repayment behaviors are satisfactory, growth rates are significant and above all loan monitoring & recoveries are above 95%.

**Purpose:** To provide loan facility to the small enterprise through wholesale lending to the NGOs.

### **Key Features:**

- Loan Amount: Max. limit BDT 500.00 lac
- Tenure: Max. 48 months.
- Interest Rate: Competitive interest rate.
- Fast and quality service.
- No hidden charge.
- Monthly installment basis.

### **Eligibility:**

- Any type of NGO having certificate from Micro Credit Regulatory Authority to operate business in Bangladesh.
- Having business at least for 5 years in the same line.
- Age Limit: 20 years to 60 years.

### **Required Documents:**

- Last twelve months’ sales statement.
- Last twelve months’ bank statement.
- Valid Trade License of last two years.
- Personal guarantee of all the directors.



# Jamuna Bank Limited

## **(g) Jamuna Shachchondo**

Who does not want 'Shachchondo' in life? For the financial ease in ones business, Jamuna Bank is offering 'Jamuna Shachchondo' product through which one can enjoy both overdraft and term loan facilities.

**Purpose:** To meet up working capital requirement of the business.

### **Key Features:**

- 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 months to 48 months.
- Interest Rate: 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 up to 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.

### **Eligibility:**

- Having business for at least 5 years in the same line.
- Age Limit: 30 years to 55 years.

### **Required Documents:**

- Last twelve months' sales statement.
- Last twelve months' bank statement.
- Valid Trade License of last two years.
- National Voter ID/ Passport of the borrower.
- Utility bills of the concerned business.

## **(h) Jamuna Somriddhi (Deposit Top Up Loan)**

Jamuna Bank is offering four times loan facility against ones en-cashable securities like FDR (Fixed Deposit Receipt) to avoid encashment of long held savings - So Jamuna Bank



# Jamuna Bank Limited

came up with this amazing product 'Jamuna Sommriddhi'. Suppose, to have Tk. 5 lac deposit as FDR (Fixed Deposit Receipt) with one's bank and now he wants some capital in your business.

**Purpose:** Any justifiable business purpose.

**Key Features:**

- Loan Amount: Max. Limit 50.00 lac.
- Tenure: Max. 48 months.
- Interest Rate: Competitive interest rate.
- Fast and quality service.
- No hidden charge.
- Lien of FDR (Fixed Deposit Receipt) of 25% of the total loan amount.

**Eligibility:**

- Having business for at least 2 years in the same line.
- Age Limit: 20 years to 60 years.

**Required Documents:**

- 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.

(i) **Jamuna Swabolombi (Capital Loan)**

As an entrepreneur, he or she definitely needs working capital to run business smoothly. To get this working capital generally he needs to keep some collateral security like land as mortgage to the Bank. But he does not have any landed property or any cash security of his own. Jamuna Bank Ltd. has 'Jamuna Swabolombi' – Collateral free Term Loan in its basket. Just need with proper documents to get it.

**Purpose:** Any justifiable business purpose.



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## **Key Features:**

- 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.

## **Eligibility:**

- Having business for at least 2 years in the same line.
- Age Limit: 20 years to 60 years.

## **Required Documents:**

- 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.

## **4.4 Prospects and Challenges of SME Credit Scheme of JBL:**

Banks are reluctant to expand their SME credit portfolio because they do not consider SME lending an attractive and profitable undertaker. This is because SMEs are regarded as high risk borrowers because of their low capitalization, insufficient assets and their inability to comply with collateral requirements of the banks. Administrative costs are also higher because close monitoring and supervision of the SME operation becomes necessary.

On the other hand, Bank and others financial institutions generally prefer large enterprise clients because of lower transition costs, and greater availability of collateral. The SMEs also fall outside the reach of micro finance schemes, and thus are compelled to depend on formal sources of funds at much higher interest rates, the Bangladesh Bank report said.



# Jamuna Bank Limited

The Bank has pointed out some challenges they are facing at the time of granting SME loans. The challenges are as follows:

## Challenges:

- There is an issue of interest rate charged by banks and financial institutions for SME finance. Very often it is argued that the interest rate on SME loans is too high and needs to be lowered.
- Banks also observed that the borrowers' use SME loan for other purposes instead of using in the SMEs. Fund diversion hinders the optimum growth of SMEs.
- In many instances SME applicants/borrowers fail to provide adequate documents at the time of loan application. Due to this reason it takes extra time for sanctioning SME loans.
- Sometimes SMEs are not able to provide required collateral and security. Due to this reason banks face problems in granting credit.
- Small enterprises are unable, or 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.
- The loan granting procedures are very complex and lengthy; as a result SME entrepreneur's loan applications sometimes may have been rejected.
- Banks consider SMEs as high risk borrowers because of their inability to comply with the bank's collateral requirements. Most of the banks investigated and mentioned that SMEs are not able to provide required collateral. Due to this reasons banks face problems in SME financing.
- Inequality of opportunity is a challenge for SME credit scheme. Female entrepreneurs are treated unfairly because some people think they have lack business experience which is not always right.
- Sometimes SMEs are not able to present proper presentation of the business request for SME credit loan, which may cost them termination of Loan.

## Prospects:

- ✓ **Lower amount of capital investment to start business:** To start SMEs it requires a small amount of fund. So, people with a little capital may start their business.



# Jamuna Bank Limited

Growth of SMEs may have a positive impact on the overall economic development of Bangladesh.

- ✓ **Low risk involvement:** Capital requirement is low in SMEs. SMEs are also diversified in nature. As a result, SMEs are considered as low risk organizations.
- ✓ **Low cost products in domestic market:** SMEs are providing a diversified range of products at a lower price in local market. People are getting SME products at a lower price.
- ✓ **Accelerated growth of SMEs:** It has been observed that in the last decade almost every year SME sector has experienced positive growth rate in each year. The yearly growth rate is about 8%.
- ✓ **Availability of labor at a lower wage:** Bangladesh is a labor abundant country. A large number of laborers can be availed at a lower cost here.
- ✓ **Government and institutional encouragement:** Government has established an independent SME foundation to help and encourage the development of SMEs.
- ✓ **Separate SME branches:** It has been observed that recently many commercial banks have opened separate specialized SME branches. Among them most pioneers are Brac Bank, Jamuna Bank, Standard Chartered Bank, Dhaka Bank, Eastern Bank Limited, The City Bank, Mutual Trust Bank and National Bank.
- ✓ **Women Entrepreneurs Loans:** Some commercial banks have special SME loan schemes for women entrepreneurs, such as ‘Jamuna Nari Uddogh’ of Jamuna Bank Limited, Orjon of Standard Chartered, Protyasha of IFIC, Mukti of Eastern Bank Limited, Prothoma Rin of Brac Bank and Nokshi of The City Bank. Through these schemes, women entrepreneurs may start their own businesses. This will help a lot of women entrepreneurs to become self-dependent.



**Jamuna Bank Limited**

## **Chapter-5**

# **Findings and Analysis**



## 5. Analysis:

### 1. SME's PEST Analysis:

The PEST module, which includes political, economic, social and technological factors, can be applied when analyzing external factors, they are:

- a) **Political Factor Changes in PEST:** This is how the local and national government might intervene with, tax policy, trade restrictions and relationships with the rest of the world, laws, trade policies, subsidies for certain industries, industry-specific regulations, government spending and infrastructure, and political stability and local, regional, national, international political issues.

Political Environment	
Opportunities	Threats
<ul style="list-style-type: none"> <li>Stable political situation will have a good effect on JBL's SME credit loan, because there will be ample scope for investment and have adequate money in customer's hand to invest in their preferred sector.</li> </ul>	<ul style="list-style-type: none"> <li>JBL SME credit loan will be affected badly by the political instability, because there will be not enough money in customer's hand to invest in their desired sector.</li> </ul>

- b) **Economic Factor Changes in PEST:** The economic factors are interest rates, changes in taxation rates or policies, inflation and currency exchange rates, employment and unemployment levels and the misery level.

Economic Environment	
Opportunities	Threats
<ul style="list-style-type: none"> <li>Stable or steady economic environment will have a greater impact on JBL's SME credit loan. If the economy elevates, unemployed rate, interest rates and inflation will be lower resulting in</li> </ul>	<ul style="list-style-type: none"> <li>JBL's SME loan will be affected badly if the economic condition is unstable or the economy falls. If the economy falls, unemployed rate, interest rates and inflation will be higher resulting in</li> </ul>





economic expansion. Where people will have surplus money to play with.	economic recession, where people will suffer from money deficit.
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c) **Social Factor Changes in PEST:** Spells out demographics (age, gender, race/ethnicity, occupations, family structures and location) employee/career expectations and tolerances, lifestyle, population growth and national cultural trends. Keeping track of these, may point to customer wants/needs or finding potential markets.

Social Environment	
Opportunities	Threats
<p>Due to improved social factors like higher income and lifestyle of societies, JBL's SME credit loan will have an optimal outcome.</p>	<p>JBL's SME credit loan will be severely affected if they do not emphasize on social factors like lifestyle, income of a group of people or demographics etc.</p>

d) **Technological Factor Changes in PEST:** This factor includes how quickly technology changes and how customers use technology to buy things, technological options (mobile device applications, cloud computing, technology transfer issues and information technology and its impact on access to reliable information) that make it easier for you to get the work done internally, social media, e-commerce, research and development and manufacturing practices.

Technological Environment	
Opportunities	Threats
<p>Due to advance technology like ATM booth, SWIFT and Internet Banking, JBL can earn substantial profit.</p>	<p>Slow online banking, number of unusable ATM booths, back dated information technology and software's can hamper JBL's growth.</p>



## 2. SME's SWOT Analysis:

<u>Strengths</u>	<u>Weakness</u>
<ul style="list-style-type: none"><li>+ JBL is newly commercial bank in banking sector but they builds strong reputation in short time. They provide good quality service to their customer.</li><li>+ The top management of the bank is the key strength for the JBL, which has contributed heavily towards the growth and development of the bank.</li><li>+ Strong network throughout the country and provide quality of service to SME credit scheme.</li><li>+ Installation and use of highly sophisticated, automated system that enables the bank to have on time communication with all branches reduces excessive paperwork and vain time for valued customer transaction.</li><li>+ From the very beginning JBL tries to furnish their work surroundings with modern equipment and facilities SME credit scheme.</li><li>+ SME credit scheme gives customer the opportunity to receive term loan for capital shortage.</li></ul>	<ul style="list-style-type: none"><li>+ Advertising and promotion is one of the weak point of JBL. JBL does not have any effective plan for aggressive marketing activities in SME sector.</li><li>+ Higher service charge in some SME credit operation than that of nationalized banks discourages customers from opening or maintaining SME credit scheme with this bank.</li><li>+ There is a very little practice for increasing motivation in the workers by the management of SME.</li><li>+ Restricted network coverage for SME in the country.</li><li>+ Technological support (call Centre as per group specification).</li></ul>



## Opportunities

- ✚ SME credit facility offered by JBL has attracted security and status conscious businessmen and well as service holders with higher income group.
- ✚ JBL should move towards the On-line banking operations for SME credit scheme.
- ✚ Enter new markets or segments.
- ✚ SME credit scheme expand product line to meet broader range of customer need.
- ✚ JBL can pursue diversification strategy in expanding its current line of business. The management can consider options for starting merchant banking or diversity in to leasing and insurance. By expanding business portfolio, JBL can shrink business risk, which enhances SME credit brand value.
- ✚ Acquire customers who generate two third of overall profit.
- ✚ Retain customers to provide SME credit facility.

## Threats

- ✚ Default culture is very much familiar in our country. For a bank, it is very harmful. As JBL is new, it has not faced it seriously yet. However as the bank grows older it might become a big problem.
- ✚ Sometime political loans under SME credit scheme are the threat for this banking service.
- ✚ Frequent Taka Devaluation and foreign exchange rate fluctuations and particularly Southeast Asian currency crisis adversely affects the business globally.
- ✚ Due to the existence of unsaved demand in financial sector, it is expects that more financial institutions will introduce in the industry very shortly, and we have already seen such cases in our country that lots of new banks are coming in the scenario with new services for SME. JBL should always be prepared for the competition in the coming years.



### 3. Segmentation, Targeting, and Positioning (STP):

Terms of STP means: market segmentation and target markets and positioning.

- ✚ **Market segmentation:** Dividing a market into distinct groups of buyers who have different needs, characteristics, or behaviors, and who might require separate products or marketing programs. The table below shows the overall credit market segmentation of Jamuna bank's.

**Table03: Lending Rates of Various Types of Loans and Advances**

Sl. No.	Sectoral Structure of Lending	Outstanding as on 31.12.2013 (TK. In Crore)	As % of total loan and advance
01	Agriculture and Agro-based Industry	119.90	1.77%
02	RMG	447.97	6.62%
03	Textile	289.39	4.28%
04	Ship Building	0.00	0.00%
05	Ship Breaking	120.21	1.78%
06	Other Manufacturing Industry	1335.01	19.73%
07	SME Sector	404.89	5.98%
08	Construction	504.00	7.45%
09	Power, Gas	30.46	0.45%
10	Transport, Storage and Communication	330.81	4.89%
11	Trade Service	1760.61	26.02%
12	Commercial Real Estate Financing	85.94	1.27%
13	Residential Real Estate Financing	50.36	0.74%
14	Consumer Credit (I.e. Auto/vehicle loan for personal use, personal loan etc.)	246.79	3.65%
15	Capital Market (Loan provided for brokerage or merchant banking, to stock dealer or any kind of capital market activities)	74.03	1.09%
16	Credit Card	17.33	0.26%
17	Non-Bank Financial Institutions	48.08	0.71%
18	Bank Acceptance (i.e. LDBP, FDBP)	808.78	11.95%
19	Others	92.36	1.36%
<b>Total Loans And Advances</b>		<b>6766.93</b>	<b>100%</b>



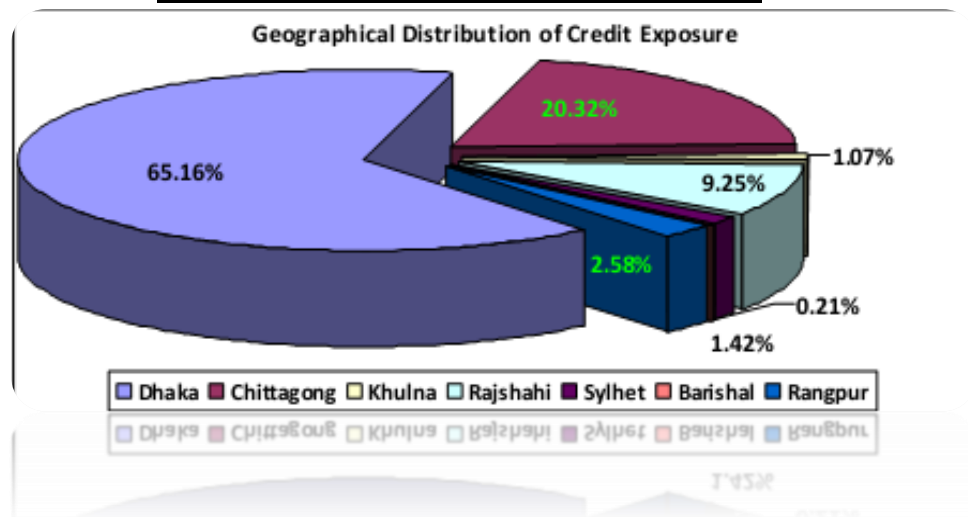
# Jamuna Bank Limited

✚ **Positioning:** Arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers. The table below shows the overall credit positioning of Jamuna bank's.

- **Geographic Distribution of Credit Exposure:** JBL business is concentrated in two major cities- Dhaka and Chittagong as country's business activities are concentrated in these two locations. The following table illustrates credit exposure in different divisions in the year 2013:

Sl. No.	Divisions	Credit Exposure	Percentage
1	<b>Dhaka</b>	<b>4409.06</b>	<b>65.16%</b>
2	<b>Chittagong</b>	<b>1374.76</b>	<b>20.32%</b>
3	<b>Rajshahi</b>	<b>626.10</b>	<b>9.25%</b>
4	<b>Khulna</b>	<b>72.41</b>	<b>1.07%</b>
5	<b>Sylhet</b>	<b>95.94</b>	<b>1.42%</b>
6	<b>Barishal</b>	<b>14.10</b>	<b>0.21%</b>
7	<b>Rangpur</b>	<b>174.56</b>	<b>2.58%</b>
Total		<b>6766.93</b>	<b>100%</b>

## Geographic Distribution of Credit Exposure





# Jamuna Bank Limited

✚ **Market targeting:** The process of evaluating each market segment's attractiveness and selecting one or more segments to enter. In the table below we can see that their target market for credit (Loan and advances) is increasing each year. In the year 2013 they have given TK. 404.89 crore as SME loan and advance which is 5.98% of total loan and advance. The table below demonstrates the following information.

Year	Loan And Advances	Net Interest Income From Loan
2008	2103.6	568
2009	3228.7	900
2010	4973.4	1481
2011	5661.1	2162
2012	5488.7	1839
2013	6766.93	2585

**Figure-02: Disbursement of Loan and Net Interest Income from Loan of JBL for the last six years (In Millions)**

## 5.2 Findings:

- Jamuna Bank Mirpur branch is able to achieve excellent rating from their clients in two important criteria of branch location & comfortable interior decoration.
- Jamuna Bank Ltd. provides working capital facilities like SME Credit Scheme and continuously supervise to ensure that appropriate stocks are there to support the financing.
- The Jamuna Bank is too much centralized especially in giving SME credit loans. For each and every work branch office has to get permission from the head office. The head office tightly controls each and every branch office. This dependency on head office causes slow down their activities.
- The employees of credit and foreign exchange departments are very smart and experienced and they have the ability to deal with customers with ease.
- Cash limit is low; sometimes clients cannot get service properly.
- Advertising and promotional activities are very effective for informing customers about new and (financial) attractive service. So, advertising campaign should be stronger for quick improvement of the bank.



**Jamuna Bank Limited**

## **Chapter-6**

# **Recommendations**

# **And Conclusion**



## 6.1 Recommendation:

Although this branch is making profit and generating volumes of deposits, a number of problems have been found at JBL, Mirpur branch. To increase the efficacy of customer service in the SME sector, they should try to develop the process of providing services. There are some following recommendations:

- ✓ Bank need to increase its quality of customer service in the SME sector.
- ✓ Branch should be innovative and diversified in its service.
- ✓ Need to speed up processing of SME Credit Scheme.
- ✓ Personal relationship should be built with the SME's. They can be sent different gift items like calendar, diary etc. on different occasions like Eid, New Year etc.
- ✓ The office layout should be designed in a way so that, there is no chance of confusing customer. The SME section will need to be totally separated. As a result, efficacy at the SME section will be increased.
- ✓ JBL SME Credit Department should reduce its complex and rigid rules and regulation. The prevailing procedures require many formalities and take many papers etc. in case of taking loan.
- ✓ More training should be conducted for the bankers to improve their analytical ability and professional standard regarding risk analysis and other tools and techniques in selecting the borrowers and analyzing the loan proposals.
- ✓ Authority should be delegated to the lower level with adequate measures for the necessity and follow-up for making the lending decision and recovery.
- ✓ Interest income occupies the major part of the total earning of a bank and bank's profitability mainly depends on interest earning capacity, so bank should establish a research and development cell for the purpose of the lending analysis and recovery of loans.
- ✓ Giving advertising in local newspaper for concerned Branch.
- ✓ JBL can give sponsorship to Bangladesh national cricket team or can sponsor an international cricket tournament.
- ✓ Market is very competitive. It is very difficult to retain the existing customer of the bank. Any time the client can switch to other banks. Therefore bank should fixed-up specific types of client strategy according to the different character of client.





# Jamuna Bank Limited

- ✓ The bank should hire more dynamic personnel, who are able to demonstrate, motivate and explain the feature of their product's services.
- ✓ Government and Central Bank may provide collateral free SME loans to prospective entrepreneurs. Government may establish one specialized SME Bank to provide collateral free bank loans up to a certain limit to SME entrepreneurs.

## 6.2 Conclusion:

During the three months internship program at Mirpur branch, I have acquired some knowledge from practical banking and compare this practical knowledge with theoretical knowledge. Although all departments are covered in the internship program, it is not possible to go to the departments of each activities of branch because of time limitation. Jamuna Bank limited (JBL) SME credit scheme has widened the scope of risk portfolio of the bank; the branch manager is exercising their prudence, judiciousness and wide judgment in selecting the genuine & good clients. The success of the SME credit scheme will depend on:

- 9 SME practices.
- Personal initiatives.
- Supervision.
- Very careful about strategic selection.
- Constant follow up of the credit portfolio by the manager.

The banking sector of Bangladesh is passing through a tremendous reform under the economic deregulation and opening up the economy. Currently this sector is becoming extremely competitive with the arrival of multinational banks as well as emerging and technological infrastructure, effective credit management, higher performance level and utmost customer satisfaction. Jamuna Bank Ltd. fairly follows the credit policy and practices set by the management of the bank. High employee efficiency, high profitability, rapid growth of deposit and advances and high loan recovery prove evidence of sound financial condition of Jamuna Bank Ltd.

The major task of the bank is to manage its assets and liabilities in an effective and efficient way. To make the assets especially loan and advances, banks must have to perform well in this segment. SME Credit Scheme is a crucial part for any commercial bank as it is one



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of the main streams to earn profit. Jamuna Bank Limited introduces a wide range of products and services to the customers through its SME Credit Scheme and provides smooth services to them. Thus by providing these various services, Jamuna Bank Limited is playing a vital role in the banking system as well as in the economy of Bangladesh.



# Chapter-7

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