ANALYSIS OF CREDIT MANAGEMENT POLICY AND PERFORMANCE OF JANATA BANK LIMITED: A STUDY IN THE CORPORATE BRANCH OF SHYAMOLI, DHAKA

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ANALYSIS OF CREDIT MANAGEMENT POLICY AND PERFORMANCE OF JANATA BANK LIMITED: A STUDY IN THE CORPORATE BRANCH OF SHYAMOLI, DHAKA

BY

MD. RUHUL AMIN

REGISTRATION NO. 09-03395

An internship report presented in fulfillment of the requirements for the degree
Masters of Business Administration (Agribusiness)

JANUARY-JUNE, 2016

Approved by:

____

Dr. Rokeya Begum

Professor

Department of Agricultural Economics

Sher-e-Bangla Agricultural University

Sher-e-Bangla Nagar, Dhaka-1207

DEDICATED

TO MY

BELOVED PARENTS

Letter of Transmittal

May 18, 2017

To

Dr. Rokeya Begum
Professor
Department of Agricultural Economics
Sher-e-Bangla Agricultural University
Sher-e-Bangla Nagar, Dhaka-1207

Subject: Submission of Internship Report.

Dear Sir/Madam,

I am truly pleased to submit my internship report on the "**Analysis of Credit Management Policy and Performance of Janata Bank Limited: A Study in the Corporate Branch of Shyamoli, Dhaka"** I have gathered what I consider to be the most complete information available. This report gave me the prospect to have a brief knowledge about the Analysis of Credit Management Policy and Performance of Janata Bank Limited. It is a great achievement to work under your active supervision, care and guidance. I tried my best to incorporate all the information that I have collected during the internship period. I wish the report would fulfill your expectation and standard. I must mention here that, I am extremely grateful to you for your valuable supervision, tireless effort and continuous attention in preparing this report.

I, sincerely hope that you will be satisfied with this report. If you have any query, I will be pleased to answer that. I hope and pray that you would be gracious enough to accord approval to this report.
With best regards sincerely

____

Md. Ruhul Amin
Reg. No: 09-03395
MBA (Agribusiness)
Sher-e-Bangla Agricultural University

Letter of Supervisor

This is to certify that, Md. Ruhul Amin, student of MBA (Agribusiness), Reg. No: 09-03395 successfully completed his "Internship Program" entitled **"Analysis of Credit Management Policy and Performance of Janata Bank Limited: A Study in the Corporate Branch of Shyamoli, Dhaka"** Under my supervision as the partial fulfillment for the award of MBA (Agribusiness) degree.

Supervisor

Dr. Rokeya Begum
Professor
Department of Agricultural Economics

Faculty of Agribusiness Management

Sher-e-Bangla Agricultural University

<u>Letter of Declaration</u>

I do hereby declare that this report entitled **"Analysis of Credit Management Policy and Performance of Janata Bank Limited: A Study in the Corporate Branch of Shyamoli, Dhaka"** Submitted by me to Sher-e-Bangla Agricultural University, for the degree of Masters of Business Administration is an original work.

I also declare that the report has not been submitted earlier either partly or wholly to any other University or Institution for any Degree, Diploma, Associate-ship, Studentship, Fellowship and other similar title or prizes.

………………………

Md. Ruhul Amin
Reg.No. 09-03395
MBA (Agribusiness)
Faculty of Agribusiness Management
Sher-e-Bangla Agricultural University
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Dhaka-1207

Executive Summary

The report is originated in result of my internship, which I have done, as a requirement of MBA (Agribusiness) program. This report is done based on my four months internship in Janata Bank Limited. During my stay at the office as an internee I never felt vague and ambiguous. The environment of the Janata Bank Ltd. is well and friendly. The staffs are specialized in their respective fields. Each of them works on their own and there id supervised from the top management. The motivation of the staff, I believe comes from the very sense of responsibility. The Janata Bank Limited is one of the leading public Banks operating in Bangladesh. All the aspects of Credit and Risk Management of JBL Like; rules, regulations activities, approval processes of loan, credit operation dept. and also credit collection dept., various product diversity and their facilities and recovery process of different types of loan etc. have been attached to this report. However, I've done lots of financial calculations, observed their financial reports & from my working experience I also gathered knowledge about their administrative process of managing different issues. After preparing the whole report, I had some findings regarding the "Analysis of Credit Management Policy and Performance of Janata Bank Limited". As an inexperienced person I may have made many mistakes in those findings, but whatever I felt from my point of view, I only pointed out those. Based on those findings, I recommended some points which may help the bank to remove their many shortcomings.

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Chapter 01: History of Banking Business in Bangladesh

1.1: Introduction

The Jews in Jerusalem introduced a kind of banking in the form of money lending before the birth of Christ. The word 'bank' was probably derived from the word 'bench' as during ancient time Jews used to do money -lending business sitting on long benches. First modern banking was introduced in 1668 in Stockholm as 'Svingss Pis Bank' which opened up a new era of banking activities throughout the European Mainland. In the South Asian region, early banking system was introduced by the Afghan traders popularly known as Kabuliwallas. Muslim businessmen from Kabul, Afghanistan came to India and started money lending business in exchange of interest sometime in 1312 A.D. They were known as 'Kabuliwallas'. The territories which now constitute Bangladesh were integral part of Mughal Empire and thereafter British-India and then Pakistan. Hence we have the common historical background of banking and banking institutions as that of Pakistan and India. For the beginning of banking in the territory now comprised Bangladesh, we must go back to the Calcutta Agency Houses. These trading firms started their banking operations for the welfare of their constituents. The important among those Houses were Messers. Alexander & CO. Messers. Fargusson & Co. both the firms started the business of banking with other business, and both were the predecessors of the early joint stock Banks in the then India. The Bank of Hindustan was the earliest bank started under the direction of the British rule in British-India After the partition of British-India into Pakistan and India, the territories now form Bangladesh became integral part of Pakistan and was called East Pakistan. Immediately after partition, as aforesaid, in 1987, an Expert Committee was appointed to study the issue of banking in the then Pakistan. On the recommendation of the Expert Committee the Reserve Bank of India continued its function in Pakistan up to 30th September, 1948 and thereafter the State Bank of Pakistan, having been established on the 1st July, 1948 started functioning and assumed full control of banking and currency. Considering ownership the sector can be classified in to four major categories - such as Nationalized Commercial Banks (NCBs), Specialized Banks (SPBs), Private Commercial Banks (PCBs), and Trans-National Banks (TNBs) (Islam, 2001).

1.2: Beginning of Banking in Bangladesh:

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

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

1. National Bank of Pakistan
2. Bank Bahawalpur Ltd.
3. Habib Bank Ltd.
4. Premier Bank Ltd.
5. Commerce Bank Ltd.
6. United Bank Ltd.
7. Union Bank Ltd.
8. Muslim Commercial Bank Ltd.
9. Standard Bank Ltd.
10. Australasia Bank Ltd.
11. Eastern Mercantile Bank Ltd.
12. Eastern Banking Corporation Ltd.

1.2.1: Nationalization of Banks in Bangladesh:

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

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

Pursuant to Bangladesh Bank Order, 1972 the Government of Bangladesh reorganized the Dhaka branch of the State Bank of Pakistan as the central bank of the country, and named it Bangladesh Bank with retrospective effect from 16 December 1971. After the independence, the banking industry in Bangladesh started its journey with 6 nationalized commercialized banks, 2 State owned specialized banks and 3 Foreign Banks. In the 1980s the banking industry achieved a significant expansion with the entrance of private banks. Now, banks in Bangladesh are primarily of two types:

1.2.2: Scheduled Banks:

The banks which get licenses to operate under the Bank Company Act, 1991 (Amended in 2003) are termed as Scheduled Banks. Non-Scheduled Banks: The banks which are established for special and definite objective and operate under the acts that are enacted for meeting up those objectives, are termed as Non-Scheduled Banks.

- Agroni Bank Ltd
- Janata Bank Ltd
- Rupali Bank Ltd
- Sonali Bank Ltd

1.2.3: Privatization of Banks in Bangladesh

Until the early 1980’s the Government owned, controlled, and directed Bangladesh’s financial systems with the objective of allocating funds to priority sectors. In 1983 the Government began to reform the financial sector interest rates on deposits were raised to provide a positive real return in deposits. Private Banks were allowed to enter, two NCBs were denationalized and another nationalized bank was converted into a limited liability company and partially privatized. After the amendment in the nationalizing law, the Pubali Bank, the Uttara Bank and the Rupali Bank have been transferred to the private sector. These banks have now been re designated respectively as Pubali bank Ltd, Uttara Bank Ltd and the Rupali Bank Ltd. Further in order to accommodate private sector share in Bangladesh Shilpa Bank, suitable amendments have been made in the Bangladesh Shilpa Bank Order 1972 (presidents Order No. 129 of 1972).Private Banks are the highest growth sector due to the dismal performances of government banks (above). They tend to offer better service and products. Here is the list :

1. AB Bank Limited
2. Bangladesh Commerce Bank Limited
3. Bank Asia Limited
4. BRAC Bank Limited
5. Dhaka Bank Limited
6. Dutch Bangla Bank Limited
7. Eastern Bank Limited
8. Farmers Bank Limited
9. IFIC Bank Limited
10. Jamuna Bank Limited
11. Meghna Bank
12. Mercantile Bank Limited
13. Modhumoti Bank
14. Mutual Trust Bank Limited
15. National Bank Limited
16. NCC Bank Limited
17. NRB Commercial Bank Limited

1.2.4: Foreign Commercial Banks

Foreign commercial banks are operating in Bangladesh. These are:

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

1.2.5: Specialized Development Banks

Specialized Banks (SDBs): specialized banks are now operating which were established for specific objectives like agricultural or industrial development. These banks are also fully or majorly owned by the Government of Bangladesh.

1. Bangladesh Development Bank Ltd
2. Bangladesh Krishi Bank
3. BASIC Bank Limited (Bangladesh Small Industries and Commerce Bank Limited)
4. Probation Kollan Bank
5. Rajshahi Krishi Unnayan Bank
6. Karmasangthan Bank
7. Bangladesh Somobay Bank
8. Ansar VDP Bank

Chapter 02: Organizational Profile of Janata Bank at a Glance

2.1: Organinational Profile of Janata Bank

Janata Bank Limited is one of the biggest commercial banks of the country. It’s a state owned bank that was formed just after liberation of Bangladesh. In fact it was a combination of two smaller banks namely United Bank Limited and Union Bank Limited. Janata Bank Limited welcomes you to explore the world of progressive Banking in Bangladesh. It is a state owned (second largest commercial bank) bank and is catering the need of the mass business people. It was corporatized on 15th November 2007. Janata Bank was born with a new concept of purposeful banking sub serving the growing and diversified financial needs of planned economic development of the country. Janata Bank Limited, one of the state owned commercial banks in Bangladesh, has an authorized capital of Tk. 20000 million (approx. US$ 250 million), paid up capital of Tk. 11000.00 million, reserve of Tk.17234 million. Immediately after the emergence of Bangladesh in 1971, the erstwhile United Bank Limited and Union Bank Limited were renamed as Janata Bank. On 15th November, 2007 the bank has been corporatized and renamed as Janata Bank Limited. Janata Bank, Ltd. is a Bangladesh-based Company that provides commercial banking services. The Company offers Internet banking, credit facilities and program, retail and personal banking, foreign remittance, international banking, micro enterprise and special credit, rural banking and credit program services. The Company currently operates through 872 branches including 4 overseas branches at United Arab Emirates. The goal of the bank is to actively participate in the socio- economic development of the nation by operating a commercially sound banking organization, providing credit to viable borrowers, efficiently delivered and competitively priced, simultaneously protecting depositors’ funds and providing a satisfactory return on equity to the owners. The Vision is to become the effective largest commercial bank in Bangladesh to support socio economic development of the country and to be a leading bank in South Asia. The Mission of Janata Bank Limited will be an effective commercial bank by maintaining a stable growth strategy, delivering high quality financial products, providing excellent customer service through an experienced management team and ensuring good corporate governance in every step of banking network

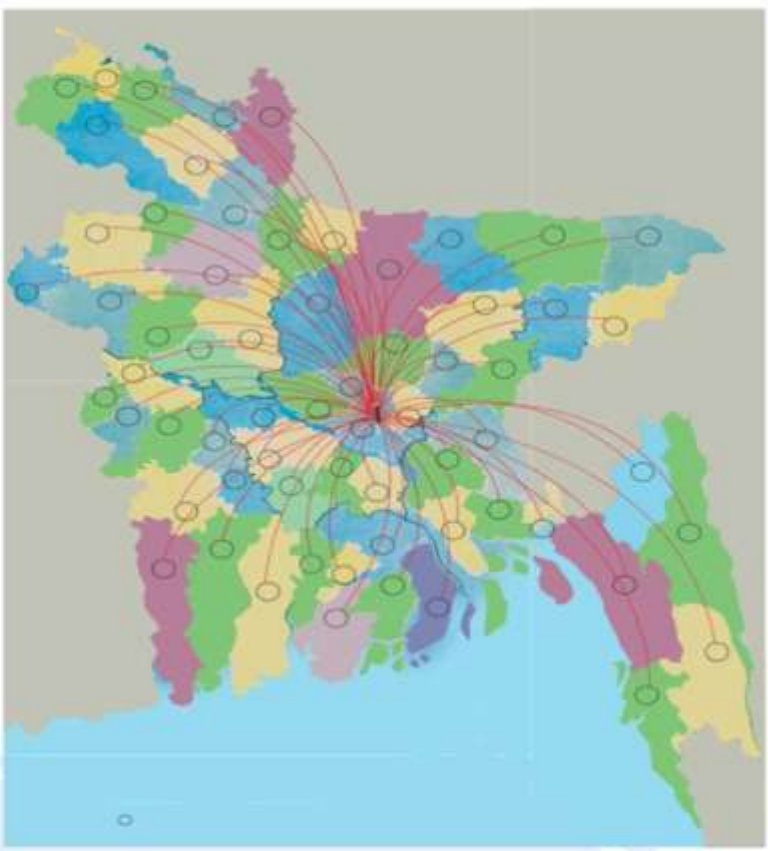
2.2: Janata Bank at a Glance:

Features	**Values**
Name	Janata Bank Limited
Genesis	Janata Bank Limited, the 2nd largest State Owned Commercial Bank (SCB) in Bangladesh, is playing pivotal role in overall financial activities of the country. The Bank emerged as 'Janata Bank' by combining the erstwhile United Bank Limited and Union Bank Limited under the Banks Nationalization Order (President's Order- 26) of 1972 and was restructured as a limited company in November, 2007. Since inception in 1972 the Bank has commendably contributed to the socio-economic development of Bangladesh and helped structuring solid financial ground of the country as well. Janata Bank runs its business with 904 branches across the country including 4 overseas branches in United Arab Emirates.
Registered Address	Janata Bhaban, 110, Motijheel Commercial Area Dhaka - 1000, Bangladesh.
Legal Status	Public Limited Company
Chairman	Shaikh Md. Wahid-uz-Zaman
Managing Director & CEO	Md. Abdus Salam
Company Secretary	Md. Mosaddake-Ul-Alam
Date of Incorporation	21 May 2007
Authorized Capital	BDT 20,000 Million
Paid up Capital	BDT 19,140 Million
Face value per share	BDT 100 per share
Shareholding Pattern	100% Share owned by the Government of Bangladesh
Number of Employees	15485 (As on 31.12.2013)
Banking license obtained from Bangladesh Bank	31 May 2007
Phone	9560000, 9566020, 9556245-49, 9565041-45, 9560027-30
Fax	88-02-9554460, 9553329, 9552078

2.3: Board of Directors:

According to the approval of Bangladesh Bank and to the section 95 of the `Articles of Associations', the members of Board of Directors are determined maximum 13 persons. At present the number of Board of Directors including the CEO & MD of Janata Bank Ltd is 13. After being corporatized, the Board has become active and applied more autonomous power to run the bank effectively than before. According to the Bangladesh Securities & Exchange Commission, the members of the Board of Directors are independent. They all are nominated by the Government and the proprietor of one share of the bank. Their shares are less than 1% of the paid up share.

2.4: District Wise JBL Branches in Bangladesh



2.5: Award and Recognition

Since its commencement back in 1972 Janata Bank has earned plaudits time and again from the global society. As a token of its acclamation the Bank has been adorned with a number of lofty awards and recognitions by esteemed organizations of home and abroad which testify the Bank's dedication towards professionalism, customer services and success as well. The supercilious performance of the Bank translated into its claiming laudation through appreciable contribution to the spurring economic development of the country. Any recognition is enthralling as well as encouraging to us that make us more pledge-bound towards delivering up-marked services to our customers and thus to the society. These accolades will be our force in setting milestones in days to come.

2.6: Corporate Rating Status:

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

2.7: Products offered by Janata Bank:

Mainly four types of products are by Janata Bank.

- Deposits
- Loans and advantages
- Special product
- Green Banking

2.7.1: Deposits:

Current Deposit: Janata Bank Limited offers customers current deposit facility for day-to-day business transaction without any restriction. This deposit account pays no interest but a customer can withdraw money from this account when he wants by presenting his account cheque over counter during any working day. This type of account may be opened in the name of individual or firms. This account suits best for business man or business firm.

Saving Deposits: Savings Bank Account can be opened in any branch of Janata Bank depositing any amount of taka by any Bangladeshi citizen in the name of an individual or a group of individuals which can be operated singly or jointly. Account holder can deposit or withdraw any amount during any working day with prior notice or without notice.

Special Notice Deposit: Janata Bank Limited offers interest on customer's special notice deposit (SND) account and gives facility to withdraw money at any time.

Term Deposit: A depositor can open Fixed Deposit Account for different terms with any branch of Janata Bank easily. Any individual or a group of individuals can go to any branch, fill a prescribed form, depositing cash or easily cashable instrument of FDR amount and a Fixed Deposit Receipt will be issued by the Bank on behalf of the applicant.

Schemes: Under this scheme Janata Bank offers various deposit schemes following monthly savings plan suitable for all classes of people and continue depositing to complete the respective tenor.

2.7.2: Loans and Advances:

The main focus of Janata Bank Limited Credit Line/Program is financing business, trade and industrial activities through an effective delivery system.

SME Banking: The role of Small and Medium Enterprises (SMEs) is indispensable for overall economic development of a country. SMEs are recognized as engine of economic growth and employment generation for sustainable industrialization in both developed and developing countries of the world particularly like Bangladesh. Since this sector is labour intensive with short gestation period, it is capable of increasing

- National income as well as rapid employment generation achieving Millennium Development Goals (MDGs) especially eradication of extreme poverty and hunger, gender equality and women empowerment.

Export Financing: In our export product line we have a number of products and we are looking ahead to include more products in this line. Our major export products are-

ECC (Hypo & Pledge) Packing Credit

Other Export Finance LTR (FC)

Project Loan General

Cash Credit Demand Loan

Import Financing:

The import products are:

PAD (Cash) LIM

LTR

Demand Loan

Working Capital Loan:

Credit Program for Agro-based Industry/Project

Working capital for husking mill

Credit program for Preservation of Potatoes in Cold storage Other

Rural and Micro Credit Loan: A vast majority of the Bangladeshis live in the rural areas and their main source of income is agriculture and agro-business. Janata Bank Limited has opened branches in rural areas to cater to the banking needs of rural people. Apart from accepting deposits from the rich and moderately well-off villagers, Janata Bank Limited encourages the poor people to make small savings through different mechanisms. So far lending in rural areas is concerned; Janata Bank Limited has been financing agricultural production and poverty alleviation programs since 1977. It also lends to the poor landless so that they can make a living. The average loan size is about Taka 20,000.00 (around US$ 285).

Specialist Loan Program*:* The Micro Enterprise & Special Program Division (MESPD) is responsible for implementing of Micro Credit Programs related with the poverty reduction,Special credit programs related with employment generation and Financing of agro-based industries. Bank has different micro-credit programs of its own & in collaboration with other agencies. For successful implementation of these credit programs especially poverty reduction credit programs it requires close supervision and monitoring. Considering Bank's manpower/field staff it is not always possible to ensure intensive supervision at the grass root level. To make the micro credit programs time & cost effective bank has initiated linkage program using intermediaries/collaborating agencies (GOs & NGOs). Collaborating agencies are responsible for organizing the target groups (conducting survey, formation of groups, providing training etc.) including supervision and recovery of credit.

Agriculture loan Program:
All kinds of Crops Loan & Cultivation Loan

Loan for Shripm culture development

Loan for Irrigation and agricultural equipment Loan for Salt production plant

Dal,spices,oil seeds& mase

Poverty Alleviation: The Micro Enterprise & Special Program Division (MESPD) is responsible for implementing of Micro Credit Programs related with the poverty reduction, Special credit programs related with employment generation and Financing of agro-based industries.

Thrust Sector: To augment the growth in industrial sector and broaden the base of investment, Janata Bank (JB) has already taken some positive initiatives. The Bank has invested a sizeable amount of fund in the development of Cement manufacturing, Composite textile, spinning mills, Paper/Board mills, Knit Garments industries and other small and medium enterprises. Janata Bank is marching ahead by adopting consortium lending strategy. Under this lending scheme, two or more banks are invited to finance big projects with JB acting as the lead Bank. Besides supporting the export oriented Ready Made Garment enterprises, it also lays special emphasis on agro-processing and IT related industries while promoting the thrust sectors.

Joint Venture: In line with the government investment policies, Janata Bank undertakes joint venture financing and foreign investment in Bangladesh. The country offers attractive facilities and incentives to foreign investors. The main facilities and The Policy framework for fore incentives are appended below:

Foreign investment in Bangladesh is based on Foreign Private Investment (Promotion and Protection) Act, 1980 which provides for;

- Non - discriminatory treatment between foreign and local investment. protection of foreign investment from expropriation by the state
- ensured repatriation of proceeds from sale of shares and profit

Other Commercial Loan:

- Transport

Consumer Credit Program: Janata Bank has introduced a strong product line under its consumer financing profile. In light of 'Prudential Regulations for Consumer Financing' of

Bangladesh Bank all the consumer financing products have been included in our product list.
Credit Card Debit Card Auto Loan

General House Building Loan

Staff House Building Loan

Service Holders Loan

Doctors Loan

Cyber Cafe Loan

Household Commodity Loan

Building Renovation Loan

2.7.3: Special Products:

A product for non-resident Bangladeshis

Special NRB Product:

NRB Gift Cheque

NRB Escrow A/C

Continuous Benefit Account

Advance Benefit Account

Foreign Currency Account

NRB Home Loan Scheme

Credits:

Advance Benefit Account

Special Deposit Product:

Q-Cash Deposit

NRB Gift Cheque

Ghore Ghore Sanchay

Gift Cheque Scheme

NRB Escrow A/C

Continuous Benefit Account

Foreign Currency Account

2.7.4: Green Banking:

The environment of the world is facing serious threat because of environmental pollution and climatic change. A rapid climatic change is causing negative impacts on agriculture, forests, water resources, human health, bio-diversity, etc. Banking sector performs a vital role in the economy of a country. Industries founded by bank finance make dynamics of the economy, but simultaneously, the environmental pollution have been occurred by their production, process and related activities.

2.8: Services Offered by Janata Bank:

2.8.1: Personalized Services:

Janata Bank Limited with its widely speeded branch network and skilled personnel provides prompt and personalized services like issuing

Demand Draft

Telegraphic Transfer Mail Transfer

Pay Order

Security Deposit Receipt

Transfer of fund by special arrangement Normal transfer

Electronic transfer through Ready Cash Card Locker Service

2.8.2: Online Banking:

Times have changed and technological boom has given the businesses superlative edges over the manual and traditional functionalities of business operations. So the bank business in Bangladesh has overwhelmingly changed with the introduction of on-line banking in bank business. Janata Bank Limited has also stepped into the world of on-line banking and is rapidly progressing in implementation of on-line banking through Core Banking System.

2.8.3: ATM Service:

To offer modern banking services, Janata Bank Limited is providing its customers with ATM facilities. At present, this ATM service is being provided under the largest network comprised of 28 banks of which 26 are member banks and 2 are network-sharing banks. Card-holders of our bank have access to more than 2800 ATMs, of which 6 are of the Bank's own and the others are of network-sharing and member banks'. Apart, Card-holders have the opportunity to use approximately 3,600 Point of Sales. Schemes have also been taken to increase the number of ATMs of the Bank.

2.8.4: Utility Services:

As per decision of the Government 46 branches of our bank (40 branches in Dhaka city,one branch in Narayanganj city and five branches in Chittagong city) are involved in receiving all utility bills in a same station from January'2004. Janata Bank collects various types of utility bills like-

Gas bill

Electricity Bill Telephone Bill

Sewerage Bill Collection

Municipality Holding Tax Collection

2.8.5: Inland Remittance:

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

Demand Draft

Telegraphic Transfer

Mail Transfer Pay Order

2.8.6: Government Service:

National e-Government Procurement (e-GP) portal of the Government of the People's Republic of Bangladesh is developed, owned and being operated by the Central Procurement Technical Unit (CPTU), IME Division of Ministry of Planning. The e-GP system provides an on-line platform to carry out the procurement activities by the Public Agencies - Procuring Agencies

(PAs) and Procuring Entities (PEs).

2.8.7: Other Services:

- **Locker Service:** Our safe deposit locker service offered from selected branches gives a completely secured facility for safekeeping of precious items, confidential documents and other valuables.
- **Issuance of Television License:** Only Janata Bank Limited is providing this service in Bangladesh.

2.9: Future outlook of Janata Bank limited:

The global financial meltdown caused a spillover effect in the economy around the world. The efficacy of policy tools and their applications in managing systematic crises were challenged. These almost inevitably compelled the policy makers and financial sectors supervisors to revisit their policy choices. JBL is well positioned to meet the challenges of 2013 and will continue to strive to innovate and capture opportunity for growth and value creation. Against the backdrop for achieving the short and long term goals, JBL will concentrate its focus on the following:

JBL is well placed to meet the challenges of 2014 and will strive to achieve the opportunity for growth.

Continue to launch new deposit, loan products and innovative banking services.

Carry on expansion of branch network in rural and urban area.

The Bank will give more emphases on green banking, corporate social responsibility, financial inclusion etc.

Continue to develop the employees' database and borrower's database.

Shifting of branches, branch up-gradation and renovation will be continuing at commercially important locations.

Chapter 03: Description of My Working Areas

3.1: My Working Areas:

Account Opening:

At first I was asked to work in General Banking and the assigned department was Account opening. It is a very interesting department because different types of customers were opened different types of account. Mainly three types of Accounts are opened here, Current Account, different types of deposit Account and Fixed account. Recently Janata Bank has started School Banking. It seems more interesting to me. I was often used to fill up the account opening from.

Dispatch Section:

After working in account opening department I was assigned in Dispatch section. In this section all the official working was done. In dispatch section main job is keep record on inward and outward document. If any document need to outward to another branches on other banks or head offices or any document came in bank all records here. (Example: foreign exchange application, document letter of credit, joining application, a/c reopening, A/c closing). In this section particularly I work done very well.

Bills Remittance Department:

It is most important and interesting department. This section deals with the transfer of money from one branch to another branch. Nearly six drafts issued daily from this department. Here I know the amount transferred and what is the procedure. This department also deals with T.T. transfer of money.

Foreign Remittance Department:

In this department one person send money in Bangladesh from outside of the national boundary, customer come to the officer and give a PIN number. If Pin number is right bank pay the customer those amount. My work of this department was filling up the form and collect national Id card and other necessary papers.

Clearing Department:

It is another important department. In this department all the cheques of another bank or other branches are collected here. After that it was posted through on line to local office. After three days later the deposited amount will transfer to the customer Account.

Cash Collection Department:

This is a very restricted department in a Bank. Everybody does not allow going there. Some time I was checking the cash voucher.

Loans and Advance Department:

Last three weeks I was worked in Loans and Advanced Department. I worked this Department very sincerely because this is my topic related department. In this department I observed how a loan is given to a customer. What requirements and documents are needed for getting loan and many other things which are related to the loan disbursing?

3.2: Background of the Study:

It has become essential for every person to have some idea on the bank and banking procedure. As our educational system predominantly text based, inclusion of practical orientation program is an exception to the norm. From practical knowledge, we will be able to know real life situations and start a career with some practical experience. Bachelor of Business Administration (MBA) is a professional course. The course is designed with an excellent combination of practical and theoretical aspects. After completing MBA, certain times are preserved for internship.As a student of MBA, internship is an academic requirement. For internship every student is required to work in a selected institution to enhance ones practical knowledge and experiences. For the requirement of my course I was assigned to Janata Bank Limited (JBL), Shyamoli Corporate Branch for my internship. In this situation I was assigned to prepare report on” Analysis of Credit Management System and performance of Janata Bank Limited.’’.

3.3: Significance of the Report:

This internship report is an important partial requirement of four years MBA graduation program. This is because knowledge and learning become perfect when it is associated with theory and practice. By this internship program students can establish contacts and networking. Contacts may help to get a job in practical life. Student can train and prepare themselves for the jod market. There are many overwhelming number of unemployed educated graduates in Bangladesh. As they have no internship experience they have not been able to gain normal professional experience of establish networking system, which is important in getting a job. Therefore, it is obvious that the significance of internship is clearly justified as the crucial requirement of two years MBA (Agribusiness) graduation.

3.4: Origin of the Report:

After completion of 60 credit hours of MBA (Agribusiness) program demands a report on practical experience. Internship program is a must criterion for Masters of Business Administration (MBA) students, designed to put them in a challenging environment of the relevant field, where the students get sample opportunity to apply their theoretical knowledge into practical applications. During the internship training, students have the opportunity to adopt themselves into the particular environment of the organization. It provides a unique opportunity to see the reality of business during student life, which enables them to building confidence and working knowledge in advance of the start of their career. To fulfill this requirement every university of business arrange a program of internship. Here we get a chance to apply our theoretical knowledge that we acquired from class lectures, books, journals, case studies, seminar, project, workshop, etc. and compare them with practical setting. During my internship period in the Janata Bank Ltd. I've worked under Credit, Remittance, Deposit, and loan and advance department. I worked under the supervision of principal & executive officer and assistant officer, for their assistance and guidance in completing this report.

3.5: Objectives of the Report:

3.5.1 General objective:

- To analyze the credit management system and performances of Janata Bank Limited.

3.5.2 Specific Objectives:

- To get enough knowledge about general banking activities of JBL.
- To know about central bank requirements for the commercial banks on loan and advances
- To analyze the credit management statement of JBL by using some statistical measures
- To find out the internal system & actual loan and advances process of JBL
- To point out the major findings of the report & provide some valuable recommendations based on them.

3.6: Methodology:

Methodology refers to the essential part of the study and the process of collecting information and arranging it in terms of the relevant issues of the study. It is designed in a way so that it correspondent to achieve the objectives of the study.

3.7.1: Sources of Data:

For preparing a report, someone can use basically two sources for collecting data & necessary information. Those are,

Primary Source: A primary source (also called original source or evidence) is an artifact, a document, a recording, or other source of information that was created at the time under study.

Secondary Source: A secondary source is a document or recording that relates or discusses information originally presented elsewhere. Secondary sources involve generalization, analysis, synthesis, interpretation, or evaluation of the original information.

I had collected data from both the primary source and secondary source.

Primary Source:

I have collected data from the employees of different department of The Janata Bank Limited by communicate & working with them. I also collected information form observing their financial status, their organizational culture, from different group discussion, observing the process of managing the liquid money & assets of the bank.

Secondary Source:

1. Annual Reports of The Janata Bank Limited of the year 2011, 2012, 2013, 2014, 2015
2. The basic idea about The Janata Bank Limited was taken from its website
3. Papers and Journals of central bank relating to credit management system
4. CMS solution of Janata Bank limited.
5. Analyzing all the annual reports from 2011 to 2013, 2014, 2015 I tried to identify all the elements of liquidity and prepared the report

3.8: Data Collection Process:

Mainly, the purpose of data collection is to obtain information to keep on record, to make decisions about important issues, to pass information on to others. Primarily, data is collected to provide information regarding a specific topic. A formal data collection process is necessary as it ensures that data gathered is both defined and accurate and that subsequent decisions based on arguments embodied in the findings are valid. However, I've collected both primary & secondary data by different processes. Those are described below:

A. Primary Data:

Primary data are collected by different group discussions, personal observation of the organizational culture, their internal process of managing liquidity & from different statistical measures & analysis that I've shown later on in this report.

B. Secondary Data:

From working in this organization, I've got the facility to go through maximum of the record file related to the liquidity issue. So many important data were been collected from there. Some other data I've collected from the website. Other than that, it was easy for me to make a positive relation with the manager of finance department & to collect all annual report from him.

3.9: Techniques & Tools:

Data-collection techniques allow us to systematically collect information about our objects of study (people, objects, phenomena) and about the settings in which they occur. In the collection of data we have to be systematic. If data are collected haphazardly, it will be difficult to answer our research questions in a conclusive way. However, I've used some statistical techniques to analyze the data. Those are

- Trends Analysis.
- Ratio Analysis.

Tools:

The tool those I've used to implicate the techniques for analyzing data, are simple MSWord & MS Excel.

3.10: Limitations of the Report:

Though I have given utmost effort to prepare this paper but there are some limitations of the Study. Such are as follows-

- The main constrain of the study was insufficiency of information, which was required for the study. There are various information the bank employee can't provide due to security and other corporate obligations.
- Due to time limitation many of the aspects could not be discussed in the present report. Learning all the functions within just 90 days is really tough.
- Since the bank personnel were very busy, they could not provide enough time to me. Lack of opportunity to visit more than one branch.
- The functions and activities of Dhaka Bank are too vast, so they change their strategy day by day. As a result I can't collect update information & strategy.

Chapter 04: Credit Management Policy of Janata Bank Ltd.

4.1: Credit Management policy of Janata Bank Limited

Commercial Bank performs various responsibilities now a day. Providing Loans and Advances is one of the main duties among them. Basically credit is the institutional arrangement of lending funds mainly to the traders and industrial entrepreneurs by the banking company. The major portion of bank's funds is employed by various ways of loans and advances, which is the most profitable employment of its funds. The major part of bank income is earned from interest and discount on the funds so lent. The job in this department starts from the application made by the client; approve the same, which is disbursed to customers.

4.2: Importance of Credit:

Bank gives interest at a fixed rate to the different types of depositor. Moreover Bank needed huge money for maintaining administrative expenses. Banks have to make profit after meeting these expenses and also providing the interest to the depositor. Bank cannot make equal profit the entire loan. It depends on the right use and principles of the loan. All depositors do not want money at a time. If bank give the entire deposit at a time then bank can't meet the demand of the customer on the other hand all the deposit to keep as a reserve is prohibited by it principle. So, banks to make combination between them.

4.3: Objective of the Credit Policy:

There are some objectives behind a written credit risk management of Janata Bank that are as follows:

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

4.4: Sources of Credit:

The sources of providing loan of a bank are given below:

- Different types of deposit
- Paid up Capital
- Retain earning
- Loans from Bangladesh Bank and other Bank

Among these sources different types of deposits are the main sources. Because of bank can't use the other sources as like as the different types of loan. Bank faces many problem if use other sources as a loan.

4.5: Classification of Loans:

Mainly two types of loans:

4.5.1. Secured:

Secured loans are those loans that are protected by an asset or collateral of some sort. The item purchased, such as a home or a car, can be used as collateral, and a lien is placed on such item. The finance company or bank will hold the deed or title until the loan has been paid in full, including interest and all applicable fees. Other items such as stocks, bonds, or personal property can be put up to secure a loan as well. Different types of secured loans are:

- ❖ Loans
- ❖ Over Draft
- ❖ Cash credit
- ❖ Bill purchase

4.5.2.: Unsecured:

On the other hand, unsecured loans are the opposite of secured loans and include things like credit card purchases, education loans, or personal (signature) loans. Lenders take more of a risk by making such a loan, with no property or assets to recover in case of default, which is why the interest rates are considerably higher. If you have been turned down for unsecured credit, you may still be able to obtain secured loans, as long as you have something of value or if the purchase you wish to make can be used as collateral.

- TOD
- Clean OD
- Clean loans

4.6: Sound Principles of Lending:

It is necessary to develop a sound lending principle and modern lending techniques to ensure the performances of the credit provided by the bank. Credit is very much dependent on the judgment of the sanctioning authority. Banker's ability in taking proper prior measures to minimize the risk is very important. To do this a Bank must follow the "Guiding Principles of Sound Lending" which include:

Principle of Safety:

The first lending Principle of sound lending is safety. The very existence of a bank depends upon the safety of its advances. Safety should not be sacrificed for profitability. So utmost care should be exercised to ensure that the funds go to the right type of borrower, are utilized in such a way that they remain safe and the repayment comes in the normal course.

Principle of Purpose:

The Bank should not lend money for any purpose for which the borrowers demand loan, the purpose should be productive. So another important point to be considered by a credit officer before lending is the purpose for which the loan is required and also the resources through which the borrower is expected to repay.

Principle of Liquidity:

The banker while making advance must see to it that the money lent is not locked up for a long time because, majority of Bank's liabilities are payable either on demand or after short notice. So the banker should make sure that the loans are liquid enough to meet the banks liability structure. Liquidity means availability or readiness of bank funds on short notice. The liquidity of advance means its repayment on demand on due date or after a short notice. The loan must have fair chances of repayment according to repayment schedule. Otherwise, the liquidity position of a bank may be threatened.

Principle of Security:

The security offered by a borrower for an advance is insurance to the banker. It serves as the safety value for an unforeseen emergency. So another principle of sound lending is the security of lending. The security accepted by a banker to cover a bank advance must be adequate, readily marketable, easy to handle and free from any encumbrance.

Principle of Profitability:

Commercial Banks obtain funds from shareholders and if dividend is to be paid on such shares it can only be paid by earning profit. Even in the case of public sector banks although they work on service motive they also have to justify their existence by earning profit. This is not possible unless funds are employed profitably. So the fund should be employed in reliable and profitable sources, but for the sake of profitability, the other two principles safety and liquidity cannot be sacrificed.

Principle of Diversification:

The advance should be as much broad based as possible and must be in conformity with the deposit structure. The advances should not be in one particular direction/ industry/ activity or one or few borrowers because adversity faced by that particular industry will have serious adverse effect on the bank.

Principle of National Interest:

The development of banking has reached a stage where a banker is required to identify his business with national policies. Banking Industry has significant role to play in the economic development of a country. So, the savings of the people which are mobilized by banks must be distributed to those sectors which require development in the country' Planning Program.

4.7: Creditworthiness of a borrower:

Character:

- To determine whether the borrower has a responsible attitude towards borrowed funds and whether he will have every effort to repay what is owed.
- Responsibility, truthfulness, serious purpose, and serious intention to repay loans make up the characters of the borrower

Capacity:

- Whether customer requesting loan has the authority to request loan and have the legal standing to sign loan agreement and documents.

Economic Condition/ Assets:

- Whether borrower has sufficient assets to repay the loan.
- Other loans and liabilities of the borrower

Credit History/Credit Habit:

- Whether loans borrowed by the customers previously and how those earlier loans were handled.
- Whether there is any loan default earlier
- Whether legal action has ever been taken against him for recovery of default loan.

Credit Rating:

- Credit Ratings of the borrower by credit rating agencies

4.8: Policy Guidelines of Credit Management:

Credit Management Policy for any commercial bank must have been prepared in accordance with the Policy Guidelines of Bangladesh Bank's Focus Group on Credit and Risk Management with some changes to meet particular bank's internal needs. Credit management must be organized in such a process that the bank can minimize its losses for payment of expected dividend to the shareholders. The purpose of this process is to provide directional guidelines that will improve the risk management culture, establish minimum standards for segregation of duties and responsibilities, and assist in the ongoing improvement of concerned bank.

The guidelines for credit management may be organized into the following sections:

4.8.1: Lending Guidelines:

The lending guidelines include the following:

- Industry and Business Segment Focus
- Types of loan facilities
- Single borrowers/ group limits/ syndication
- Lending caps
- Discouraged business types

As a minimum, the followings are discouraged:

- Military equipment/ weapons finance
- Highly leveraged transactions
- Finance of speculative investments
- Logging, mineral extraction/ mining, or other activity that is
- ethically or environmentally sensitive
- Lending to companies listed on CIB black list or known
- Counter parties in countries subject to UN sanctions
- Lending to holding companies.

4.8.2: Credit Assessment:

A thorough credit and risk assessment should be conducted prior to the granting of loans, and at least annually thereafter for all facilities.

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

Environment or social risk inputs

Amount and type of loan (s) proposed Purpose of loans

Loan structure (tenor, covenants, repayment schedule, interest) Security arrangement

Any other risk or issue

Risk triggers and action plan-condition prudent, etc.

4.9: Components Required for a Sound Credit Policy:

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

Legal Consideration: The bank's legal lending limit and other constraints should be set forth to avoid inadvertent violation of banking regulations.

Delegation of Authority: Each individual authorized to extend credit should know precisely how much and under what conditions he or she may commit the bank's funds. These authorities should be approved, at least annually, by written resolution of the board of directors and kept current at all times.

Types of Credit Extension: One of the most substances parts of a loan is a delineation of which types of loans are acceptable and which type are not.

Pricing: In any profit motivated endeavor, the price to be charged for the goods or services rendered is of paramount without it, individuals have few guidelines for quoting retag or fees, and the variations resulting from human nature will be a source of customer dissatisfaction.

Market Area: Each bank should establish its proper market area, based upon, among other things, the size and sophistication of its organization its capital standpoint, defining one's market area is probably more important in the lending function than in any other aspect of banking.

Loan Standard: This is a definition of the types of credit to be expended, wherein the qualitative standards for acceptable loans are set forth.

Credit Granting Procedures: This subject may be covered in separate manual, and usually is in larger banks. At any rate, it should not be overlooked because proper procedures are essential in loan establishing policy and standards. Without proper procedure for granting credit and constant policing to ensure that these procedures are meticulous carried out, the best conceived loan policy will not function and inevitable, problems will develop.

4.10: Process/Steps of Credit Disbursement:

- Credit Processing/Appraisal
- Credit Approval/ Sanction
- Credit Documentation
- Credit Administration
- Disbursement
- Monitoring and control individual credit
- Monitoring the overall credit portfolio
- Credit Classification
- Managing credit problem/Recovery

4.10.1: Credit Processing/Appraisal:

Credit processing is the stage where all required information on credit is gathering and applications are screened. Credit application forms should be sufficiently detailed to permit gathering of all information needed for credit assessment at the outset. In this connection, financial institutions should have a checklist to ensure that all required information is, in fact, collected. Financial institutions should set out pre-qualification screening criteria, which would act as a guide for their officers to determine the types of credit that are acceptable. For instance, the criteria may include rejecting applications from blacklisted customers. These criteria would help institutions avoid processing and screening applications that would be later rejected. The next stage to credit screening is credit appraisal where the financial institution assesses the customer's ability to meet his obligations. Institutions should establish well designed credit appraisal criteria to ensure that facilities are granted only to credit worthy customers who can make repayments from reasonably determinable sources of cash flow on a timely basis.

In the case of loan syndication, a participating financial institution should have a policy to ensure that it does not place undue reliance on the credit risk analysis carried out by the lead underwriter. The institution must carry out its own due diligence, including credit risk analysis, and an assessment of the terms and conditions of the syndication. As a general rule, the appraisal criteria will focus on:

- amount and purpose of facilities and sources of repayment Janata Bank Limited
- integrity and reputation of the applicant as well as his legal capacity to assume the credit obligation;
- risk profile of the borrower and the sensitivity of the applicable industry sector to economic fluctuations;
- physical inspection of the borrower’s business premises as well as the facility that is the subject of the proposed financing;
- current and forecast operating environment of the borrower;
- Management capacity of corporate customers

4.10.2: Credit-Approval/Sanction:

A financial institution must have in place written guidelines on the credit approval process and the approval authorities of individuals or committees as well as the basis of those decisions. Approval authorities should be sanctioned by the board of directors. Approval authorities will cover new credit approvals, renewals of existing credits, and changes in terms and conditions of previously approved credits, particularly credit restructuring, all of which should be fully documented and recorded. Prudent credit practice requires that persons empowered with the credit approval authority should not also have the customer relationship responsibility. Depending on the size of the financial institution, it should develop a corps of credit risk specialists who have high level expertise and experience and demonstrated judgment in assessing, approving and managing credit risk. An accountability regime should be established for the decision-making process, accompanied by a clear audit rail of decisions taken, with proper identification of individuals/committees involved. All this must be properly documented.

4.10.3: Credit Documentation:

Documentation is an essential part of the credit process and is required for each phase of the credit cycle, including credit application, credit analysis, credit approval, credit monitoring, and collateral valuation, and impairment recognition, foreclosure of impaired loan and realization of security. The format of credit files must best and standardized and files neatly maintained with an appropriate system of cross-indexing to facilitate review and follow up. The Bangladesh Bank will pay particular attention to the quality of files and the systems in place for their maintenance. Documentation establishes the relationship between the financial institution and the borrower and forms the basis for any legal action in a court of law. Institutions must ensure that contractual agreements with their borrowers are vetted by their legal advisers For security reasons, financial institutions should consider keeping only the copies of critical documents (i.e., those of legal value, facility letters, and signed loan agreements) in credit files while retaining the originals in more secure custody. Credit files should also be stored in fire-proof cabinets and should not be removed from the institution's premises. Financial institutions should maintain a checklist that can show that all their policies and procedures ranging from receiving the credit application to the disbursement of funds have been complied with.

4.10.4 Credit Administration:

Financial institutions must ensure that their credit portfolio is properly administered, that is, loan agreements are duly prepared, renewal notices are sent systematically and credit files are regularly updated. An institution may allocate its credit administration function to a separate department or to designated individuals in credit operations, depending on the size and complexity of its credit portfolio

A financial institution's credit administration function should, as a minimum, ensure that:

- credit files are neatly organized, cross-indexed, and their removal from the premises is not permitted;
- the borrower has registered the required insurance policy in favor of the bank and is regularly paying the premiums;
- credit facilities are disbursed only after all the contractual terms and conditions have been

met and all the required documents have been received;

- collateral value is regularly monitored;
- the borrower is making timely repayments on interest, principal and any agreed to fees and commissions;
- the established policies and procedures as well as relevant laws and regulations are complied with; and
- On-site inspection visits of the borrower's business are regularly conducted and assessments documented.

4.10.5: Disbursement:

Once the credit is approved, the customer should be advised of the terms and conditions of the credit by way of a letter of offer. The duplicate of this letter should be duly signed and returned to the institution by the customer. The facility disbursement process should start only upon receipt of this letter and should involve, inter alia, the completion of formalities regarding documentation, the registration of collateral, insurance cover in the institution's favor and the vetting of documents by a legal expert. Under no circumstances shall funds be released prior to compliance with pre-disbursement conditions and approval by the relevant authorities in the financial institution.

4.10.6: Monitoring and Control of Individual Credits:

To safeguard financial institutions against potential losses, problem facilities need to be identified early. A proper credit monitoring system will provide the basis for taking prompt corrective actions when warning signs point to deterioration in the financial health of the borrower. Examples of such warning signs include unauthorized drawings, arrears in capital and interest and deterioration in the borrower's operating environment Financial institutions must have a system in place to formally review the status of the credit and the financial health of the borrower at least once a year. More frequent reviews (e.g. at least quarterly) should be carried out of large credits, problem credits or when the operating environment of the customer is undergoing significant changes.

In broad terms, the monitoring activity of the institution will ensure that:

- funds advanced are used only for the purpose stated in the customer's credit application;
- financial condition of a borrower is regularly tracked and management advised in a timely fashion;
- collateral coverage is regularly assessed and related to the borrower's financial health;
- the institution's internal risk ratings reflect the current condition of the customer

4.10.7: Monitoring the Overall Credit Portfolio (Stress testing):

An important element of sound credit risk management is analyzing what could potentially go wrong with individual credits and the overall credit portfolio if conditions/environment in which borrowers operate change significantly. The results of this analysis should then be factored into the assessment of the adequacy of provisioning and capital of the institution. Such stress analysis can reveal previously undetected areas of potential credit risk exposure that could arise in times of crisis possible scenarios that financial institutions should consider in carrying out stress testing include:

- Significant economic or industry sector downturns;
- Adverse market-risk events; and
- Unfavorable liquidity conditions.

4.10.8: Classification of Credit:

It is required for the board of directors of a financial institution to "establish credit risk management policy, and credit impairment recognition and measurement policy, the associated internal controls, documentation processes and information systems. Credit classification process grades individual credits in terms of the expected degree of recoverability. Financial institutions must have in place the processes and controls to implement the board approved policies, which will, in turn, be in accord with the proposed guideline. They should have appropriate criteria for credit provisioning and write off. International Accounting Standard 39 requires that financial institutions shall, in addition to individual credit provisioning, assess credit impairment and ensuing provisioning on a credit portfolio basis. Financial institutions must, therefore, establish appropriate systems and processes to identify credits with similar characteristics in order to assess the degree of their recoverability on a portfolio basis. Financial institutions should establish appropriate systems and controls to ensure that collateral continues to be legally valid and enforceable and its net realizable value is properly determined. This is particularly important for any delinquent credits, before netting off the collateral's value against the outstanding amount of the credit for determining provision. As to any guarantees given in support of credits, financial institutions must establish procedures for verifying periodically the net worth .

4.10.9: Managing Problem Credits/Recovery:

A financial institution's credit risk policy should clearly set out how problem credits are to be managed. The positioning of this responsibility in the credit department of an institution may depend on the size and complexity of credit operations. The monitoring unit will follow all aspects of the problem credit, including rehabilitation of the borrower, restructuring of credit, monitoring the value of applicable collateral, scrutiny of legal documents, and dealing with receiver/manager until the recovery matters are finalized. The collection process for personal loans starts when the account holder has failed to meet one or more contractual payment (Installment). It therefore becomes the duty of the Collection Department to minimize the outstanding delinquent receivable and credit losses. This procedure has been designed to enable the collection staff to systematically recover the dues and identify / prevent potential losses, while maintaining a high standard of service and retaining good relations with the customers. It is therefore essential and critical, that collection people are familiar with the computerized system, procedures and maintain effective liaison with other departments within the bank (Prudential regulations for consumer financing 2004, Bangladesh Bank).

4.11: Credit Risk Management:

Credit risk is the risk of loss arising from the failure of a borrower, issuer, counterpart or customer to meet its financial obligations to the Bank. The Bank's credit risk policies define different level risk parameters under which credit risk is monitored and controlled.

Credit exposures are controlled by a system of limits/caps based on internal risk grading. This system applies to all credit exposures, foreign exchange settlement exposures and exposures arising from settling securities trades for customers.

The Bank's Credit Committee chaired by the Deputy Managing Director, Credit Division, regularly reviews the creditworthiness of issuers, counter parties and customers to whom the Bank provides credit. The committee makes recommendations to the approving authorities through the respective department. Credit risk is managed by ensuring that exposures are sometime fully collateralized with appropriate higher margin. All such exposures are monitored on a regular basis and additional margin is called as required.

4.11.1: Objectives of Credit Risk Management:

Strengthen credit management system Reducing

Loss

Optimum Profit

Formation of ICT based credit management

Risk Management & Risk grading of borrowers having limit 50.00 lac & above.

Formation of credit Management considering Globalization,

Formation of strong credit policy

Segregation of duties

Develop risk Management culture

4.11.2: Lending Guidelines:

Ensure profitability

Socio- economic development, poverty alleviation & employment generation

Credit assessment & risk Grading Segregation of duties

Allocation of credit budget Lending cap

Prevention of credit centralization & credit diversification

Competitive rate of interest

Analysis of nature of credit Security

Decentralization of delegation of business power & proper credit monitoring

Supervision & Recovery

Bangladesh Bank has made risk grading mandatory for Banks & Financial institutions for loan amount of BDT 1.00 core and above.

4.12: Credit Risk Assessment:

A through credit risk assessment should be conducted prior to the sanctioning of credit facilities. Thereafter it should be done annually for each relationship. The result of this assessment shall be presented in the credit proposal originated from the Relationship Manager (presently branch).
The Relationship Manager (presently Head of Branch) should be the owner of the customer relationship and must ensure the accuracy of the entire credit proposal submitted for approval. Relationship Manager must be familiar with the Bank's Lending Guidelines and should conduct due diligence on the borrower, principals and guarantors. They must conduct necessary KYC (Know Your Customer) part on the customer and Money Laundering Guidelines be adhered to.

Following risk areas in the credit proposal should be addressed and assessed before sending to Head Office.

i. **Borrower Analysis:**
    a) Share holding
    b) Reputation
    c) Education
    d) Experience - success history
    e) Net worth
    f) Age etc.

i. **Industry s Analysis:**
    i. Industry Position/Threat/Prospect.
    ii. Risk factors pertaining to the industry.
    iii. Borrower's position / share in the industry.
    iv. Strength, weakness of the borrower compared to the competitors etc.

ii. **Teams Competence**

iii. **Seas Debt- Supplier/ Buyer Risk Analysis:**

iv. **Demand Supply position**

v. **Technical feasibilities / Infrastructural facilities**

vi. **Management Equity Ratio**

vii. Seasonality of demand

viii. Historical financial analysis:

a. An analysis of 3 years historical financial statements.
b. Earning - its sustainability.
c. Cash flow
d. Leverage
e. Profitability
f. Strength and reliability of Balance Sheet etc.

4.12.1: Segregation of Duties-

Applicable for limit 50.00 and above

Segregation-1: Assessment of credit proposal and recommendation (Signed by Relationship Manager countersigned by BM/AGM/ DGM)

Segregation-2: Credit Approval (Signed by Approval Officer & Credit Manager, Consigned by BM/AGM/DGM)

Segregation-3: Disbursement & Documentation (Singed by Credit Administration Manager, Countersigned by BM/AGM/DGM)

Segregation-4: Recovery & Supervision

Signed by Credit Recovery officer & Credit Recovery Manager, Countersigned BM/AGM/DGM)

4.13: Credit Risk Grading

4.13.1: Background:

Credit risk is the primary financial risk in the banking system. Identifying and assessing credit risk is essentially a first step in 1993, BB as Suggested by Financial Sector Reform (FSRP) first introduced and directed to use Credit Risk Grading system in the Banking sector of Bangladesh under the caption “Lending Risk Analysis (LRA).” Credit Risk Grading is a dynamic process and various models are followed in different countries & different organizations for measuring credit risk. The risk grading system changes in line with business complexities. A more effective credit risk grading process needs to be introduced in the Banking sector of Bangladesh to make the credit risk grading mechanism easier to implement. Keeping the above objective in mind, the Lending Risk Analysis Manual of BB has been amended, developed and reproduced in the name of **"**Credit Risk Grading Manual**"**

4.13.2: Credit Risk Grading:

Credit Risk Grading is an important tool for credit risk management as it helps a Bank to understand various dimensions of risk involved in different credit transactions. The credit risk grading system is vital to take decisions both at the pre-sanction stage as well as post-sanction stage. At the pre-sanction stage, credit grading helps the sanctioning authority to decide whether to lend or not to lend, what should be the pricing for a particular exposure, what should be the extent of exposure, what should be the appropriate credit facility and the various risk mitigation tools. At the post-sanction stage, the bank can decide about the depth of the review or renewal, frequency of review, periodicity of the grading, and other precautions to be taken. Having considered the significance and necessity of credit risk grading for a Bank, it becomes imperative to develop a credit risk grading model which meets the objective outlined above. This manual describes in detail the process required to spread and analyze the financial statement of a bank, identify the critical risk elements, mitigate these risk and provide appropriate weightage and marking to the risk element and thereby arrive at a systematic risk grading for an effective credit decision.

4.13.2: Definition of Credit Risk Grading:

The Credit Risk Grading (CRG) is a collective definition based on the pre-specified scale and reflects the underlying credit-risk for a given exposure.

4.13.3: Uses of credit risk Grading:

The Credit Risk Grading matrix allows application of uniform standards to credits to ensure a common standardized approach to assess the quality of an individual obligor and the credit portfolio as a whole. As evident, the CRG outputs would be relevant for credit selection, wherein either a borrower or a particular exposure/facility is rated. The other decisions would be related to pricing (credit-spread) and specific features of the credit facility. Risk grading would also be relevant for surveillance and monitoring, internal MIS and assessing the aggregate risk profile. It is also relevant for portfolio level analysis.

4.13.4: Number and short name of grades uses in the CRG:

The proposed CRG scale for the banks consists of 8 categories with Short names and Numbers are provided as follows:

Grading	Short Name	Number
Superior	SUP	1
Good	GD	2
Acceptable	ACCPT	3
Marginal/Watch list	MG/WG	4
Special Mention	SM	5
Sub standard	SS	6
Doubtful	DF	7
Bad & Loss	BL	8

4.13.5: How to Compute Credit Risk Grading of a Bank:

Step 1: Identify all the principle risk components

Credit Risk for counter party arises from an aggregation of the following:

Financial Risk Business/ Industry Risk Management Risk
Security Risk

Relationship Risk
Each of the above mention key areas requires be evaluating and aggregating to arrive at an overall risk grading measure.

Step 2: Allocate weightages to Principal Risk Components

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

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

Step 3: Establish the Key Parameters

Principle Risk Component	Key Parameters
Financial Risk	Leverage, Liquidity, Profitability and Coverage Ratio
Business /Industry Risk	Size of Business, Age of Business, Business outlook, Industry Growth, Competition and Barriers to business
Management Risk	Experience, Succession, & team work
Security Risk	Security Coverage, Collateral Coverage & Support
Relationship Risk	Account Conduct, Utilization of Limit

Step 4 : Assign weightages to each of the key parameters.

Once the above mentioned key risk parameters are evaluated, analyzed and reviewed properly the next step will be to further assign weightage against each key parameter depending on its strength and merits.

Step 5: Input data to arrive at the score on the key parameters.

After the risk identification & weightage assignment process (as mentioned above), the next steps will be to input actual score obtained by the Bank (under review process) against the key parameters in the score sheet to arrive at the total scores obtained.

Step 6 : 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	100% cash covered Government guarantee International Bank guarantees
2	Good	GD	85+
3	Acceptance	ACCPT	75-74
4	Marginal/Watch list	MG/WL	65-74
5	Special Mentioned	SM	55-64
6	Sub-Standard	SS	45-54
7	Doubtful	DF	35-44
8	Bad & Loss	BL	<35

4.14: Recovery Performance of Janata Bank Ltd.:

JBL management was very much concerned and proactive about recovery and reduction of classified loans (CL) from the beginning of the year 2015. So, keeping eye on the recovery of the broad spectrum of default loans, bank designed various action plans and also took all out efforts to substantially in 2015. The savings deposits of the bank increased by BDT 4,070.66 million to BDT 93,526.88 million in 2015 from BDT. 89,456.22 million In the preceding year showing a growth of 4.55 percent. The share of high cost fixed deposits increased to 66.93 percent of total deposits in 2015 from 62.71 percent of the preceding year while the absolute amount of fixed deposits increased by BDT 63,313.84 million. Deposit growth and mix Deposit mix at the end of 2015 and 2014 are furnished below: (BDT in Million)Outstanding amount Growth Deposit mix (%)implement the same for reducing classified loans and increased cash recovery as well. In 2015, despite of the adverse effects of political turmoil, bank was able to recover and reduce classified loans for BDT 27,678.40 million where cash recovery was BDT 5,757.10 million which is 107 percent higher than recovery target. As a result, the rate of classified Loans of the bank came down to 11.12 percent in 2015 from17.42 percent in 2014. Apart from this, the bank also recovered BDT 130 million from write off loans.

4.14.1: Recovery Program to Taken by Janata Bank Limited:

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

4.14.2 Problems in Loan Recovery:

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

4.14.3: Problems Created by Economic Environment:

The following problems arise from the effect of economic environment:

- the expansion is for short time. In the long run, the amount of classified loan increases. Changing in the management pattern: Changing of management patterns may delay the recovery of mature loan.
- Changing in industrial patterns: The nationalized banks sometimes sanction loan to the

losing concern for further improvement of the respective sector, but in most cases, they fail to achieve progress.

- Operation of open market economy: In our country mainly industries become sick and also close their business on account of emerging of open market economy. The cost of production is high and the quality of goods is not of required of standard. As a result, they become the losing concerns and the amount of bad loan increases.
- Rapid expansion of business: There are many companies which expand their business rapidly, but

4.14.4: Problems Created by Government:

The following problems are arisen by the government:

External Pressure: Janata Bank Ltd. has also faced many problems in the loan recovery process as a part of continuous pressure from various interested groups.

Loan to Government Organization: Janata Bank Ltd. is bound to sanction loan to government organization, though these are losing concern. For this reason, banks faced problems in loan recovery.

Legal Problems: 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.

4.14.5: Problems Created by the Bank:

The following problems are created by the banks:
Lack of analysis of business risk: Before lending, Janata Bank Ltd. does not 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.
Lack of proper valuation of security or mortgage property: In most 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.

4.15.6: Other General Causes of Poor Loan Recovery:

Apart from the specific reasons creating problems to recoup loan, there exists some other general causes which have a great impact on creating the problems which are faced by the Janata Bank Ltd. under study in the loan recovery process. These are:

- Early sanction and disbursement of loan to the borrowers without proper inspection of the project by the bank on account of pressure from lobbying group.
- Lack evaluation of technical and economic feasibility of the program.
- Delay in disbursement of credit.
- Credit is not allowed to actual entrepreneurs.
- Lack of proper supervision.
- Illiteracy of borrowers.
- Negative attitude of borrowers to repay the loan.
- Deterioration of the value system of the borrowers.
- Money borrowers use their loan-money other than specified project, i.e., if the
- Loan is sanctioned for industrial purpose; they use the money in house building or purchase of land for their own purpose.
- Sometimes borrowers invest their money outside the country. Many borrowers transfer loan money to abroad where they deposited this money in their own account or spent some other purpose.
- Problems responsible for non-implementation and delayed implementation of project for which the entrepreneurs of the project cannot repay the loan. The causes of failure may be:

Failure to ascertain the economic availability of the projects Time lag between approval and sanctioning of the projects Import of machinery and raw materials both are the problems of paucity of foreign exchange and procedures of licensing.

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

- Loans are given under fictitious names and enterprise
- Loans are given without sufficient securities

Chapter 05: Performance Analysis of Janata Bank Limited

5.1: Performance Analysis of Janata Bank Limited

Banks today are great pressure to perform to meet the objectives of their stock holder, employees, depositors and borrowing customers, while somehow keeping government regulators satisfied that the banks policies, loan and investments are sound. A commercial bank is simply a business corporation organized for the purpose of maximizing the value of the shareholders wealth invested at the firm at an acceptable level of risk. To evaluate the banks' performance financial statements, particularly its reports of condition and reports of income are prepared. How its management deal with when the bank face serious problem. Bank performance must be directed toward specific objectives. A fair evolution evaluation of any bank's performance should start by evaluating whether it has been able to achieve the objectives its management and shareholders have chosen. To evaluate the performance of Janata Bank limited some ratios are calculating given below from 2009 to 2013 and after that compare it with South East Bank Limited.

5.2: Return on Equity:

Among the most important ratio measures of bank profitability used today are following ROE measures the rate of return on the ownership interest (shareholders' equity) of the common stock owners. It measures a firm's efficiency at generating profits from every unit of shareholders' equity (also known as net assets or assets minus liabilities:

Return on Equity (ROE) = Net income after taxes/ Total equity capital.

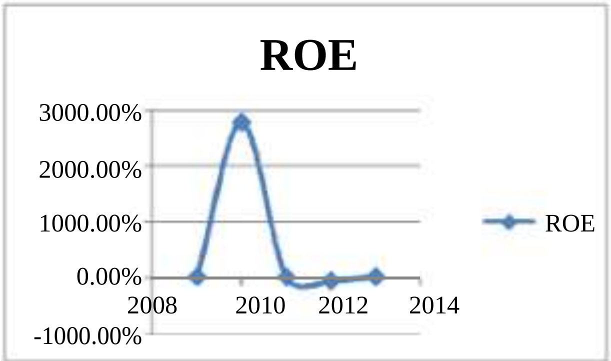
Year	2011	2012	2013	2014	2015	South East Bank(2015)
ROE	23.3%	27.80%	16.32%	(49.74%)	30.09%	16.2%

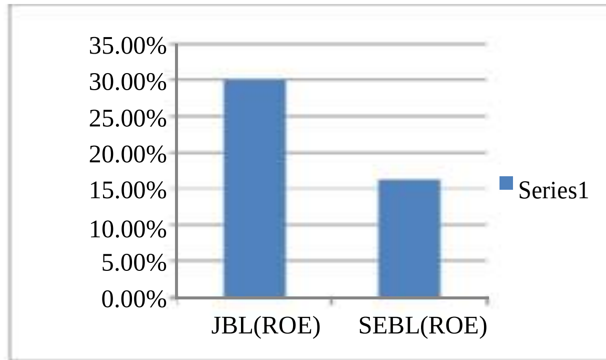
Interpretations:

- The ROE of Janata Bank Limited in 2015 is very satisfactory
- ROEs of Janata Bank in 2015 is far better than that of 2014.

The ROE of Janata Bank is higher than SEBL

Graphical Representation of ROE from 2011 to 2015:





5.3: Return on Asset:

ROA is primarily an indicator of managerial efficiency; it indicates how capably the management of the bank has been converting the institution of assets into net earnings. The ratio of a bank's net after tax income divided by its total equity capital

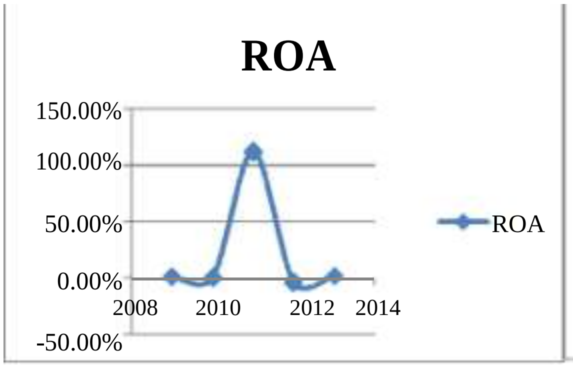
Return on Asset (ROA) = Net income after tax / Total Asset

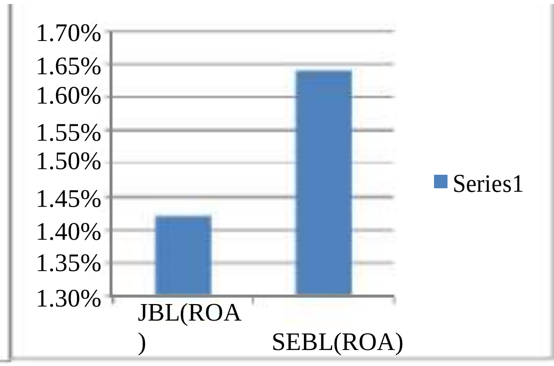
Year	2011	2012	2013	2014	2015	SEB(2015)
ROA	1.00%	.77%	1.12%	(3.50%)	1.42%	1.64%

Interpretations:

- Return on assets gives an indication of the capital intensity of the company, which will depend on the industry; companies that require large initial investments will generally have lower return on assets.
- The ROA of Janata Bank in 2015 is also far better than 2014.
- ROA of SEBL is slightly better than JBL

Graphical Representation of ROA from 2011 to 2015:





5.4: Net Interest Margin:

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

Net Interest Margin= (interest income from loans security investment)-(interest expense on deposits and other debt issue)/ Total Asset

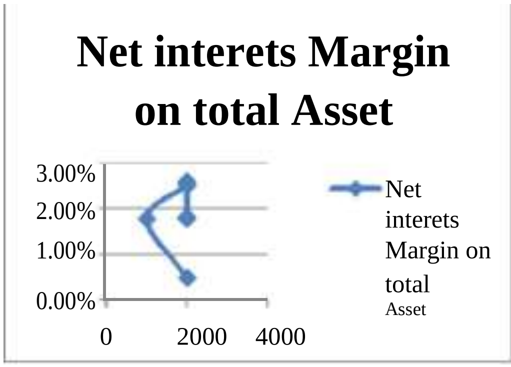
Year	2011	2012	2013	2014	2015	SEBL(2015)
Net interest Margin	1.8%	2.61%	2.53%	1.78%	.47%	.89%

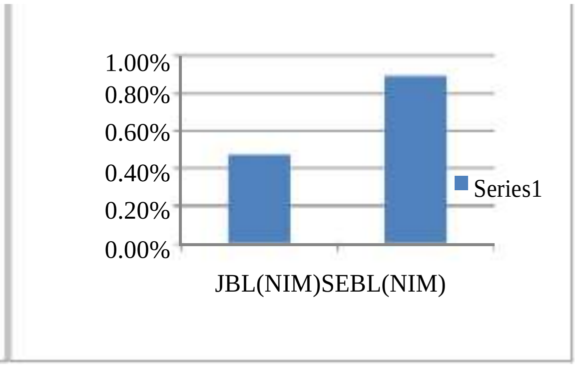
Interpretations:

- Net interest margin in 2015 is very close to zero
- From the financial report of Janata Bank it can be said that the net interest margin in year 2014 was far better than year 2015.

SEBL NIM is better than JBL

Graphical Representation of Net Interest Margin from 2011 to 2015:





5.5: Net Non Interest Margin:

The noninterest margin, in contrast, measure the amount of noninterest revenues stemming from deposit service charges and other service charges other services fees the bank has been able to collect relative to the amount of noninterest cost incurred.

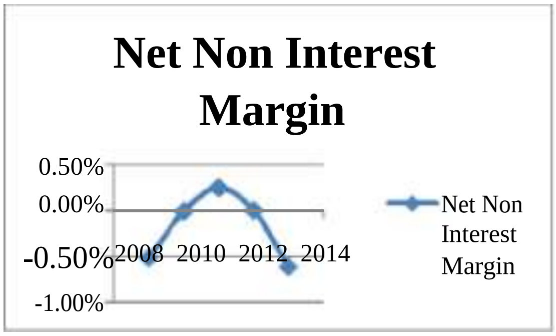
Net non-interest margin= Noninterest Revenue-noninterest expense/Total Asset

Year	2011	2012	2013	2014	2015	SEBL(2015)
Net noninterest margin	(.51%)	(.0058%)	.25%	.0034%	(.61%)	Unavailable Data

Interpretations:

- In 2015 net noninterest margin is negative
- In 2014 it was little bit better than 2015 because of positive figure
- The non interest margin of SEBL is very much satisfactory than JBL

Graphical Representation of Net Noninterest Margin from 2011 to 2015:



5.6: Net Bank Operating Margin:

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

Net Bank Operating Margin= (Total operating revenue)-(Total operating expense)/Total Asset

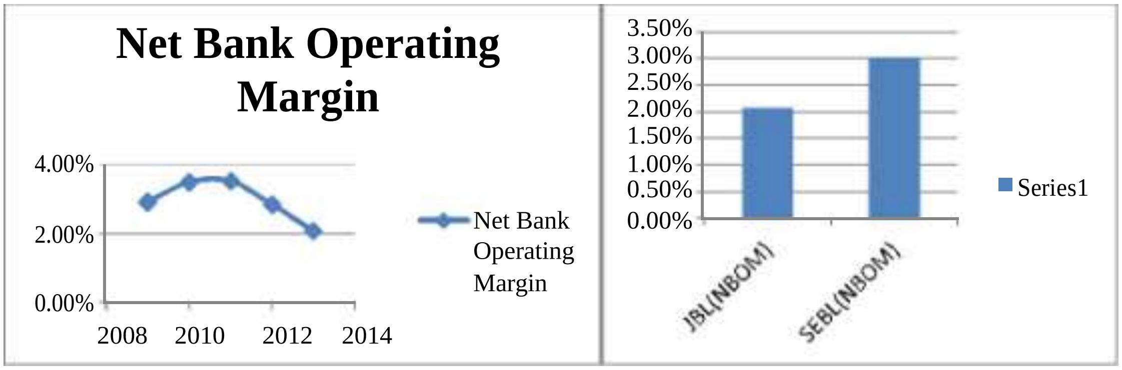
Year	2009	2010	2011	2012	2013	SEBL(2013)
Net Bank Operating Margin	2.91%	3.49%	3.52%	2.84%	2.07%	3.03%

Interpretations:

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

The NBOM is satisfactory of SEBL than JBL

Graphical Representation of Net Bank Operating Margin from 2011 to 2015:



5.7: Earnings per Share (EPS):

The portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability.

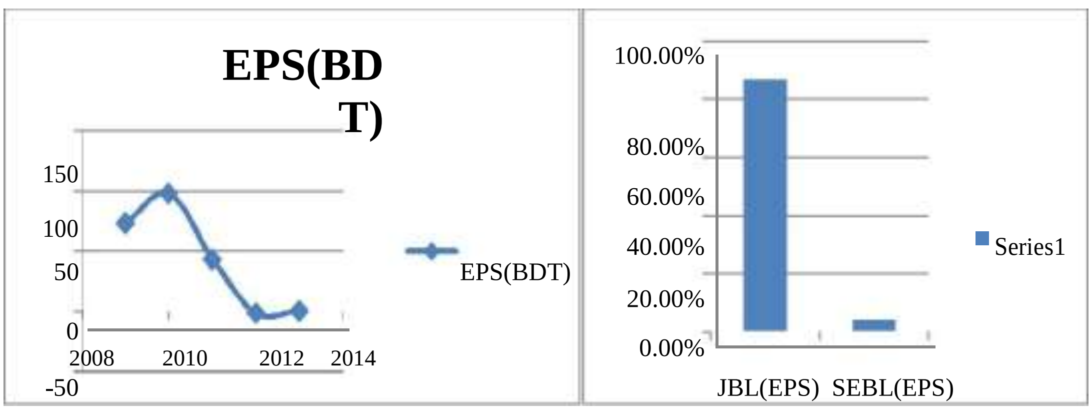
Earnings per Share= Net Income after Taxes/ Common equity shares outstanding

Year	2011	2012	2013	2014	2015	SEBL(2015)
EPS	79.3%	98.16%	43.46%	(138.91)	86.31%	3.86%

Interpretations:

- Earnings per share are positive for the shareholders.
- The earnings per share of Janata Bank Ltd. in year 2015 are 86.13 where in year 2014 it was negative. It indicates the better performance of this bank in 2013.

Graphical Representation of EPS from 2011 to 2015:



5.8: Net Profit Margin:

Net profit margin is the percentage of revenue remaining after all operating expenses, interest, taxes and preferred stock dividends (but not common stock dividends) have been deducted from a company's total revenue.

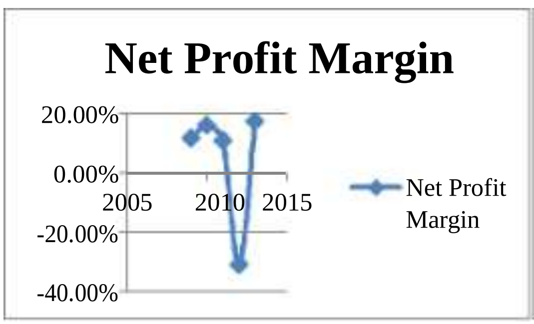
Net Profit Margin= Net income after taxes/ Total operating revenue

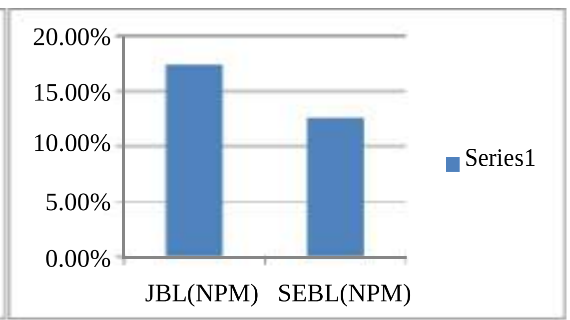
Year	2011	2012	2013	2014	2015	SEBL(2015)
Net profit margin	11.64%	16.03%	10.93%	(30.86%)	17.37%	12.55%

Interpretations:

- Net profit margin is better than all previous year
- Net profit margin is 17.37% in 2015 where in 2014 it was negative.
- NPM of janata bank is 17.37 where're the SEBL is more about 5% less

Graphical Representation of Net Profit Margin from 2011 to 2015:





5.10: Asset Utilization:

The asset utilization ratio measures management's ability to make the best use of its assets to generate revenue. The more effectively that the equipment is used, the more profitable the company will be.

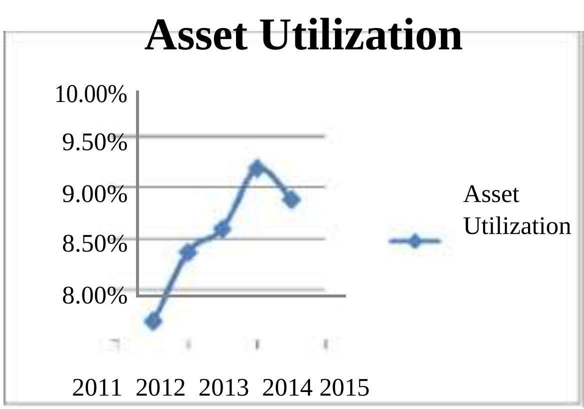
Asset Utilization= Total operating revenues/Total Asset

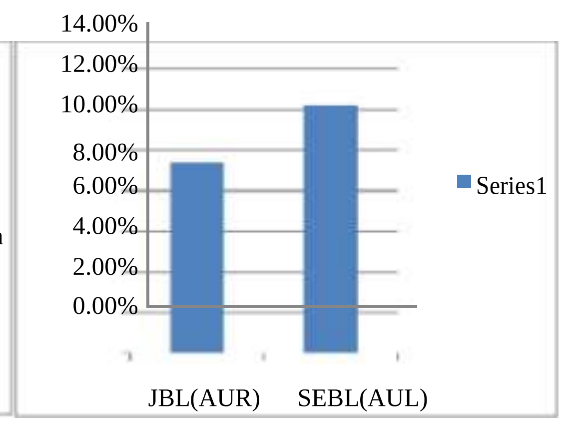
Year	2011	2012	2013	2014	2015	SEBL(2015)
Asset utilization	8.19%	8.87%	9.10%	9.69%	9.39%	12.18%

Interpretations:

- Asset utilization ratio is not enough good in 2015
- In 2015 the ratio lower than 2014 which indicates assets are not properly used in 2014
- The AU ratio of SEBL is higher than JBL

Graphical Representation of Asset utilization Ratio from 2011 to 2015:





5.11: Efficiency Ratio:

Efficiency ratios also called activity ratios measure how well companies utilize their assets to generate income.

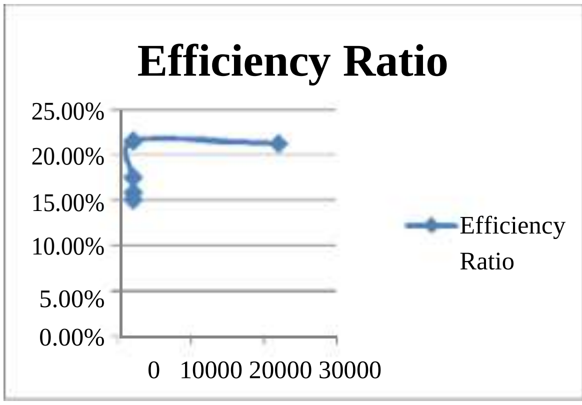
Efficiency Ratio= Total operating expenses / Total operating revenues

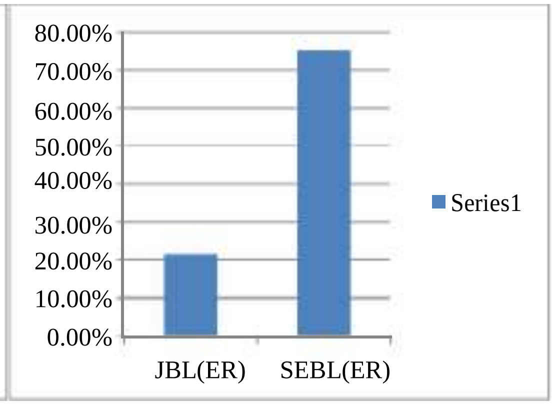
Year	2011	2012	2013	2014	2015	SEBL(2015)
Efficiency Ratio	15.86%	15.11%	17.54%	21.61%	21.26%	75.11%

Interpretations:

- Efficiency ratio is not good
- In 2015 the ratio is slightly fall than 20124
- ER is more higher of SEBL

Graphical Representation of Efficiency Ratio from 2011 to 2015:





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

5.12: JBL's Significant Achievements:

JBL is one of the leading state owned commercial bank in the country in terms of asset quality, profitably, product diversification, capital adequacy, service portfolio etc. Inspire of persisting numerous challenges in overall banking sector, the bank has performed successfully. The major achievements of JBL in key areas during 2013 were:

In 2013, net profit after tax and provision appeared as BDT 9,551.39 million.
In 2013, the capital sufficiency of the bank is higher than the rate of 10% that prescribed by Bangladesh Bank. In 2013, earnings per share (EPS) are BDT 86.31 which was negative in 2012.

Chapter 06: Findings, Recommendation and Conclusion

6.1: Findings and Analysis:

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

- The bank follows the overall credit assessment and risk grading process according to the rules of Bangladesh Bank in a somewhat manner.
- With a view to implementing government policies, JBL has been maintaining its position in extending credit to government bodies, sector corporations and private enterprises.
- But in practice credit officers do not fill up the proposal form properly. Most of the cases, they use assumption rather than exact figure. This practice might end up with bad or classified one.
- JBL distribute loans without sufficient security in some cases. This is violation of the Bangladesh bank order.
- Sometime the document verification is done after loan sanctioning the loan.
- There is shortage of manpower and lack of proper training for the employees in credit section.
- The credit proposal evaluation process is lengthy .Therefore, sometimes valuable clients are lost.
- The website of JBL does not contain all required information about loan and advance.

- In many cases bank face the problem of recovery because the credit officer fails to value collateral property. Proper valuation means collateral will exactly cover the risk of bad loan. Officials must do it with due care.

JBL is not efficient in processing and executing legal actions against defaulters for their nonpayment of loans and advances.

6.2: Recommendations:

To improve the risk management culture further, Janata Bank Limited should adopt some of the industry's best practices that are not practiced currently. These are:

- Continuous monitoring of the customer should be conducted so that loan cannot be classified.
- The bank should emphasis more on loan diversification like loans on different promising sectors and newly invented thrust sectors in the economy.
- Political intervention should be avoided while approving and sanctioning loan.
- Every day the business environment is changing and so the risk. So the bank should be developed as a dynamic organization to adapt with the changing circumstances.
- All the loan documentations have to done honestly. The bank should concentrate more on proper documentation of all types of loans to make the department trustworthy & healthy.
- The documents supporting the security against the loan have to be verified properly by the bank before sanctioning the loan.
- An Early Alert Account system should be introduced to have adequate monitoring, supervision or close attention by management
- There should be a Recovery Unit to manage directly the account with sustained deterioration. To encourage Recovery Unit ,incentive program may also be introduced
- Janata Bank Ltd. should provide short-term scheme like Micro credit for poor people.
- it may be a fair deal if the high-risk borrowers and the low risk borrowers should not have to pay the same interest rate. Interest rate could be arranged according to the sum they borrow
- JBL should built separate loan recovery division if it happen then their classified loan amount will reduce.
- JBL should give the competitive interest rate, so that the clients are not shifting their accounts to other bank
- The amount of non-performing loan should be reduced by analysis proper evaluation of loan proposal and monitoring.

6.3: Conclusion:

It goes without saying that credit policy cannot be isolated from the broader monitory policy of the country. Like any other segment of the economic policy, credit is very important for any financial institution as it generates profit and gear up economic activities of the country. In other words, credit is business and it is input in the production process of the country. Since credit has an inherent risk, therefore proper utilization of the loans are essential to meet the requirements of the borrower. The loan applied for by the borrower must not be employed for unproductive purpose. In this regard, the Janata Bank Limited must closely follow the progress of the loan and the way the borrower is utilizing the funds. In this way the Janata Bank Limited will deter any fake activities on the part of the borrower Credit evaluation system of Janata Bank Limited I is very lengthy process. It has been revised time to time in response to the respective circular of Bangladesh Bank. The overall credit activity of Janata Bank Limited is composed of corporate credit division and credit administration. The credit management system of Janata Bank Limited is more or less effective as recovery position of classified loan is high and classified loan has been decreasing gradually during the year. They always trying to improve their credit policy for minimizing loss and maximizing profit and various measures are undertaken to develop the credit management system

6.4: Appendix: Abbreviation

A/C	**Account**
AGM	**Assistant General Manager**
ATM	**Automated Teller Machine**
BB	**Bangladesh Bank**
BAB	**Bangladesh Association of Banks**
CC	**Cash Credit**
CIB	**Credit Information Bureau**
DD	**Demand Draft**
EXP Form	**Export Form**
IMP Form	**Import Form**
JBL	**Janata Bank Limited**
L/C	**Letter of Credit**
PO	**Pay Order**
TIN	**Tax Identification Number**
TT	**Telegrafic Transfer**

6.5: References:

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- Bank Management And Financial Services By Peter S. Rose, Seventh Edition
- www.janata bank ltd.
- www.jb.com.bd

Questionnaire for Customer

Date:

Name:

Designation:

Occupation:

Please read the question carefully and put tick mark in respective box and give your judgments where necessary

1. How Janata Bank is different from other bank?

    a) Low interest rate
    b) Ease loan disbursement
    c) SME and others

2. Opinion regarding service charge
    a) High
    b) Medium
    c) Low

3. The loan processing time is lengthy
    a) Fully agree
    b) Agree
    c) Disagree
    d) Fully disagree

4. The loan packages are attractive
    a) Yes
    b) No
5. Area they should take care of
    a) Interest rate
    b) Installment
    c) Service Charge
    d) Loan processing time

6. What do you think about technological advancement in transaction of JBL
    a) Slow
    b) Medium
    c) Fast

7. How long it takes to sanction credit in JBL?
    a) Short time
    b) Average time
    c) Long time

In term of service you received from the lending officer's how satisfied you with the following:

	Satisfied	Very Satisfied	Neutral	Dissatisfied
Friendly and Courteous manner				
Knowledge of Bank Products & Service				
Willingness to listen and response				
Fast and efficient Service				
Recognition of you as valued customer				
Offer of other services and alternative means to meet your needs				