

**CREDIT MANAGEMENT POLICY & PERFORMANCE ANALYSIS
OF JANATA BANK LIMITED**

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Internship Report
On
CREDIT MANAGEMENT POLICY & PERFORMANCE ANALYSIS
OF JANATA BANK LIMITED



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LETTER OF TRANSMITTAL

25 May, 2017

To

Md. Zakir Hossain

Professor

Department of Agricultural Statistics

Sub: *Submission of Internship Report.*

Dear Sir,

With an enormous eagerness I am going to submit my Internship Report on “**Credit Management Policy and performance analysis of Janata Bank Ltd.**” I have tried my best to furnish the report with relevant data, which I have collected during my working period. My heartiest effort rendered to make the Report more informative and distract on adding the contemporary issues. I will be glad if this work contributes to its targeted purpose to any extent.

This report is connected with my academic study with practical organizational state of affairs. At some point in my working period, I have come to know actually a manufacturing company make their financial report.

I request your kind apology for the unintended errors that may take place in the report in spite of my paramount efforts. I have tried enthusiastically to make the report more informative. I look onward to that you would be kind enough to allow my Report and oblige thereby.

Yours Sincerely,

Md. Habibur Rahman

Regi. No. 09-03573

Sher-e-Bangla Agricultural University

Student Declaration

I do solemnly declare that the work presented in this internship report entitled “**Credit Management Policy and performance analysis of Janata Bank Ltd.**” has been carried out by me and has not been previously submitted to any other University/ College/ Organization for any academic qualification/ certificate/ Diploma or degree.

The work I have presented does not breach any existing copyright. I further undertake to indemnify against any loss or damage arising from breach of the foregoing obligation.

.....

Md. Habibur Rahman

Reg No: 09-03573

MBA, Internship Semester

Sher-e-Bangla Agricultural University

LETTER FROM SUPERVISOR

This is to certify that Md. Habibur Rahman, Reg No: 09-03573, has completed his INTERNSHIP REPORT titled “**Credit Management Policy and performance analysis of Janata Bank Ltd.**” This INTERNSHIP REPORT was free from plagiarism as per my knowledge.

I wish his success in life.

.....

Md. Zakir Hossain

Professor

Department of Agricultural Statistics

Sher-e-Bangla Agricultural University

Acknowledgements

As a student of MBA Program, Internship is one of the most important partial requirements of the total courses MBA program. In this regard I would like to thank all the faculties of Sher-e-Bangla Agricultural University who helps me to finish my courses.

This is a synopsis of my recent study on “**Credit Management policy and Performance Analysis of Janata Bank Limited**” as a part of the internship program. At the beginning I want to remember almighty Allah for giving me the opportunity, strength to do this work smoothly & blessings for our success.

I would like to thank my honorable teacher Md. Zakir Hossain, sher-e-Bangla Agricultural University, Faculty of Agribusiness Management, for helping me to prepare the report. I will remain indebted to him for the valuable suggestions and the time he has given in supervising my work on report.

I was placed in Shyamoli Corporate Branch of Janata bank limited to work as an intern. The members of Janata Bank Ltd. management were very co-operative and helpful. They helped me through providing various data, guidance and direction. I am grateful to all member of Shyamoli branch for their cooperation and necessary support.

I am also grateful to all other employees of the branch for their support and assistance. I humbly appreciated the patience of the entire individual at Janata Bank who spent their time in making me adapt quickly to the environment of the bank.

Lastly, I sincere gratitude to all the wonderful people of Sher-e-Bangla Agricultural University (my teacher, my classmates and others) for supports and understanding. It would be impossible without their help.

EXECUTIVE SUMMARY

The Janata Bank Limited is one of the leading public banks operating in Bangladesh. This internship report is prepared by me which was my three months efforts to work under this bank. All sorts of necessary efforts have been made to make the report as authentic as possible. 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 department, various product diversity and their facilities and recovery process of different types of loan etc have been attached to this report. Finally some recommendations are started for mending the problem, so if the authority concerned to my recommendations, they might get a positive result. Lastly I am really grateful to almighty Allah for letting me prepare such as report.

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1.1 Origin of the study

The internship program of MBA is a partial requirement to take test of real life challenge conducted by the intern. It is the important part of MBA program. This program is three month duration. During this period I have worked closely with the employee of Shyamoli Branch. This report presents the outcomes of the study during the internship- Janata Bank Limited. I was assigned to topic “Credit Management Policy and Performance Analysis of Janata Bank Limited”.

Internship Report prepared as a requirement for the completion of the MBA program of the Sher-e-Bangla Agricultural University, Bangladesh. The primary goal of internship is to provide an on the job exposure to the student and an opportunity for translation of theoretical conceptions in real life situation. Students are placed in enterprises, organizations, financial institutions, research institutions as well as development projects. The program covers a period of 16 weeks of organizational attachment.

After the completion of two-year academic MBA program I, Md. Habibur Rahman student of Sher-e-Bangla Agricultural University, Bangladesh was placed in Janata Bank Bangladesh Limited for the Internship Program. As a requirement for the completion of the program I need to submit a report, which includes “Credit Management Policy And Performance Analysis of Janata Bank Limited”.

1.2 BACKGROUND OF THE STUDY

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.



As part of the internship program of Masters of Business Administration course requirement, I was assigned for doing my internship in Janata bank Ltd for the period of three months. 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.

1.3 RATIONAL OF THE REPORT

Bank is a financial institution, which accepts money from its customers as deposit and gives money as loan to the borrowers. A bank is financial intermediary a dealer in loans and debts. ; After completing my Bachelor of Business Administration (MBA) as a student of “Sher-e-Bangla Agricultural University”, I wanted to complete my Internship program from a reputed Bank which would be helpful for my future professional career. I got the opportunity to perform my internship in the Janata Bank Limited. I was sent to Shyamoli Branch. It was three months practical orientation program. This report is originated as the requirement of Janata Bank Limited.

This is the last part of MBA program. It is essential to fulfill all, the requirements the program demand. Only after preparing & submitting the report this program becomes completed. Internship is highly needed to gain practical idea, knowledge and experience. I have selected Credit (Loan and advancement and its policies and procedures) department of Janata Bank Limited because here all loan types can be known. Beside all types, how the loans are given, what is the requirement of giving loan, how the loans can take back from the customers and many more things.

I had to prepare a report under the supervision of Md. Zakir Hossain, Professor, Department of Agricultural Statistics , Sher-e-Bangla Agricultural University Bangladesh. On the other hand, in charge of Loan and advancement department of Janata Bank Limited (Shyamoli Branch), supervised me in the organization. As an intern, I got the opportunity to perform my internship in the JBL. I was sent to Shyamoli Branch. It was three months practical orientation program. This report is originated as the requirement of JBL.

1.4 OBJECTIVES OF THE REPORT

The objectives of the report are to determine how credit policy applied in sanctioning and recovering loans and advances. Credit policy varies in terms of loan sector, status of the organization, government policy, fiscal budget and guidelines etc.



Specific objectives

- To present an overview of Janata Bank Limited.
- To measure the effectiveness of the bank in the utilization of available resources.
- To assess the credit structure & compare credit supervision of Janata Bank Limited
- To identify the recovery performance of Janata Bank Limited.
- To point out the problems in fund utilization and recovery thereon.
- To find out problems and suggesting recommendations for further improvement.

1.5 SCOPE OF THE STUDY

Janata Bank Limited is the second largest commercial Bank in Bangladesh. Janata Bank Limited operates through 907 branches including 4 overseas branches. It is linked with 1239 foreign correspondents all over the world. I am assigned to learn practical knowledge from Janata Bank Limited, at Shyamoli Branch. In this study I would try to concentrate on the theoretical aspect of credit management, that is, the definition of credit management, policy of credit management, tools for managing credit etc. I would analyze the data on the bank and various programs for loan recovery, problems in loan in loan recovery, pattern of loan recovery and the performance of the bank under study in loan recovery, the information in respect to the classification of unsound credit and provision thereon and also concentrates on the performance of the bank. And finally I would conclude with the critical evaluation of the credit management under the guidelines of the Bank Companies Act 1991 and a discussion on the major findings and recommendations.

1.6 METHODOLOGY OF THE STUDY

The study is performed based on the information extracted from different sources collected by using a specific methodology. To fulfill the objectives of this report total methodology has divided into two major parts:

Data Collection Procedure:

In order to make the report more meaningful and presentable, two sources of data and information have been used widely.

The “Primary Sources” are as follows:-

- I have discussed with officials about the credit management of JBL.
- Relevant file study as provided by the officers concerned.



- Sharing practical knowledge of officials.
- In-depth study of selected cases.

The “secondary Sources” are as follows:-

- Annual report of Janata Bank Limited
- Web sites
- Office files and documents
- Periodicals Published by Bangladesh Bank
- Study related books and journal

Data Processing & Analysis

Collected information have then processed & compiled with the aid of MS Word, Excel & other related computer software. Necessary tables have been prepared on the basis of collected data and various statistical techniques have been applied to analyses on the basis of classified information. Detail explanation and analysis have also been incorporated in the report.

1.7 LIMITATION OF THE STUDY

To prepare a report on the topic like this in a short duration is not easy task. From the beginning to end, the study has been conducted with the intention of making it as a complete and truthful one. In preparing this report some problems and limitations have encountered which are as follows:

- As the data, in most cases, are not in organized way, the bank failed to provide all information.
- Lack of opportunity to access to internal data.
- Much confidential information was not disclosed by respective personnel of the department.
- Due to time limitation, many of the aspects could not be discussed in the present report.
- Since the bank personnel were very busy, they could not pay enough time.
- I had to base on secondary data for preparing this report.
- Legal action related information was not available.

2.1 JANATA BANK LIMITED

JANATA Bank Limited welcomes you to explore the world of progressive Banking in Bangladesh. It is a state owned commercial 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.

Our commitment and the people's belief in us have given us the edge over others to earn this trust about the safe keeping of their money in the right kind of banking channel.

Janata Bank Limited, one of the state owned commercial banks in Bangladesh, has an authorized capital of Tk. 30000 million (approx. US\$ 283.33 million). The total asset of the bank in FY 2015 was BDT 683,157.58 million which was BDT 628,415.27 million in the previous year. Net profit of the bank stood at BDT 4807.88 million in the FY 2015. As a result capital adequacy ratio rose from 3.70% to 10.27%.

Janata Bank Limited operates through 907 branches including 4 overseas branches at United Arab Emirates. It is linked with 1239 foreign correspondents all over the world. Total employees of JBL is more than 15 thousands

The ***Vision*** of Janata Bank Ltd. 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 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 depositor's funds and providing a satisfactory return on equity to the owners.

The Board of Directors is composed of 13 (Thirteen) members headed by a Chairman. The Directors are representatives from both public and private sectors. The Bank is headed by the Chief Executive Officer & Managing Director, who is a reputed banker. The corporate head office is located at Dhaka with 10 (ten) Divisions comprising of 38 (thirty eight) Departments.



JANATA Bank at a glance

Name	:	Janata Bank Limited
Registered Address	:	Janata Bhaban 110, Motijheel Commercial Area Dhaka – 1000. Bangladesh
Legal Status	:	Public Limited Company 21
Date of Incorporation	:	May, 2007
Authorized Capital	:	TK. 30,000 Million
Paid up Capital	:	TK. 19,140 Million
Reserve	:	TK.10823.01 Million
Retained surplus	:	Tk. 5167.18 Million
Asset	:	Tk. 683157.58 Million
Face value of per share	:	TK. 100 per share
Shareholding Pattern	:	100% Share owned by the Government of Bangladesh

Domestic Network:

Numbers of Branch	:	907
Numbers of Divisional Office	:	10
Numbers of Area Office	:	47
Numbers of AD Branches	:	57

Overseas Network:

Numbers of Branch	:	04
Location	:	UAE – Chief Executive’s office Obeid Sayah Al – Mansuri Building Zayed the 1st Street (Electra Road) Post Box No 2630 Abu Dhabi United Arab Emirates

Subsidiaries:

1. Janata Capital and Investment Ltd.	:	Dhaka.
2. Janata Exchange Company	:	Italy
Numbers of Correspondent	:	1,239
Number of Exchange House	:	68
Departments	:	38
Numbers of Employees	:	13,498
Banking License (obtained from Bangladesh Bank)	:	31 May, 2007
Telex	:	675840 JBDBJ, 671288 JBHOB
Phone	:	PABX- 9560000, 9566020, 9556245- 49, 9565041-45, 9560027-30.
Fax	:	88-02-9564644, 9560869
E-mail	:	md@janatabank-bd.com
Website	:	www.janatabank-bd.com
SWIFT Code	:	JANB BD DH



2.2 Some Achievements

Recently The Bank has been recognized internationally and domestically for its good performance.

Best Corporate Award 2015

Janata Bank awarded the award of ICMAB best corporate award - 2015 by The Institute of Cost and Management Accountants, Bangladesh (ICMAB). As a public bank it previously also obtained this award.

International Award-The Bank of the year-2011 in Bangladesh

Janata Bank Limited has been awarded 'The Bank of the Year-2011 in Bangladesh' by the London based Financial Magazine The Banker of the Financial Times Group. This is for the sixth time the bank has been awarded 'The Bank of the Year'. Janata Bank Limited achieved remarkable progress in the year 2010.

ICMAB Best Corporate Award-2011

Janata Bank Limited has been awarded ICMAB Best Corporate Award – 2011 by the Institute of Cost and Management Accountants of Bangladesh. This Bank secured the first position among the state owned Commercial Banks in Bangladesh.

International Award -"World's Best Bank Award-2009 in Bangladesh

Janata Bank Limited was awarded Best Bank-Bangladesh in the Global Finance, World's Best Bank Awards, 2009 by New York based Financial Magazine "Global Finance". "Global Finance" has identified winning banks based on number of criteria including growth in Assets, Profitability, Strategic relationships, Customer Service, Competitive pricing and innovative products.

International Award -"World's Best Bank Award-2008 in Bangladesh

Janata Bank Limited was awarded Best Bank-Bangladesh in the Global Finance, World's Best Bank Awards, 2008 by New York based Financial Magazine "Global Finance". "Global Finance" has identified winning banks based on number of criteria including growth in Assets, Profitability, Strategic relationships, Customer Service, Competitive pricing and innovative products.



2.3 PRODUCTS AND SERVICES OFFERED BY JBL

Retail and Personal Banking

Janata Bank Limited offers all the major banking facilities and services to its customers. The Bank with its network spreading throughout the country has a unique feature of ploughing back savings from those places and then investing them into different loan portfolios.

Deposit Schemes:

- **Savings Deposit**
- **Term Deposit**
- **Janata Bank Limited Sanchaya (Savings) Pension**

2.4 Personalized Services

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

- a) Demand Draft
- b) Telegraphic Transfer
- c) Mail Transfer
- d) Pay Order
- e) Security Deposit Receipt
- f) Transfer of fund by special arrangement,
 - i) Normal transfer
 - ii) Electronic transfer through Ready Cash Card.
- g) Janata Bank Limited Ghare-Ghare (House to House)

The following branches of Janata Bank Limited will collect utility bills (e. g. Electricity, Telephone, Gas, WASA etc) from customers through agents for payments against fixed service charges: (i) Dhanmandi (ii) Gulshan Circle-II Corporate (iii) Satmasjid Road Corporate (iv) Dhaka College Gate (v) Mirpur Section-10 (vi) Uttara Model Town Corporate and (vii) Mohammadpur Corporate Branches.



One Stop Services : Janata Bank Limited, first among the Nationalized Commercial Banks in Bangladesh, has introduced **One Stop Service**. The salient features of this system are as under:

- A customer can deposit and withdraw money from a single counter.
- The system of Token and Scroll has been discontinued.
- Customers are getting prompt and personalized services from a single counter.
- Verification of signature is easy as the same is stored in the Computer.

2.5 General Credit Line

- The main focus of Janata Bank Limited Credit Line/Program is financing business, trade and industrial activities through an effective delivery system.
- Janata Bank Limited offers credit to almost all sectors of commercial activities having productive purpose.
- Janata Bank Limited offers credit to almost all sectors of commercial activities having productive purpose.
- Credit is also offered to 15 (fifteen) thrust sectors, as earmarked by the Government, at a reduced interest rate to develop frontier industries.
- Credit facilities are offered to individuals, businessmen, small and big business houses, traders, manufactures, corporate bodies, etc.
- Loan is provided to the rural people for agricultural production and other off-farm activities.
- Prime customers enjoy prime rate in lending and other services.
- Credit facilities are extended as per guide-lines of Bangladesh Bank (Central Bank of Bangladesh) and operational procedures of the Bank.

2.6 International Banking

- Janata Bank Limited has already established a worldwide network and relationship in international Banking through its 4 (four) overseas branches and 1198 foreign correspondents.
- The Bank has earned an excellent business reputation in handling and funding international trade particularly in boosting export & import of the country.
- The Bank finances exports within the frame-work of the export policy of the country.
- It is one of the pioneers in promoting back to back Letter of Credit for the RMG (Ready Made Garments) sector.



2.7 EXPORT Finance

To boost up country's Export, Janata Bank Limited has been providing different kinds of assistance to exporters. Some of which are as under:-

- Providing Pre-Shipment and Post-Shipment Finance, Export Guarantee and bonding facility etc.
- Concessional rate of interest for exports Finance.
- Back to Back L/C under bonded Warehouse facility
- Sight & Unasked L/C against Firm Contract for import of raw materials.
- Sight L/C under EDF
- Exporter's Retention Quota A/C both interest bearing and non-interest bearing.
- Export incentive Program.
- Banking at Export Processing Zone
- Scope for establishment of export oriented industry by 100% foreign investment and by joint-venture
- The sole bank to disburse Government Export Promotion Fund against export of Computer Software & Data Entry Processing
- Undergone to an agreement with Bangladesh Bank to obtain fund from Government EEF (Equity & Entrepreneurship Fund) to build up entrepreneur's equity.

Providing services to the exporter by utilizing most modernized technology like Swift, Reuters, Internet, Fax etc. Our bank E-mail no. is id-obd@janatabank-bd.com any latest business information will be available at our website; www.janatabank-bd.com

- Consultancy and advisory services by an expert group of officials.
- Special export financing program towards computer software data entry and service export.

2.8 IMPORT Finance

Through quite a good number of Authorized Dealer Branches and 1198 nos. foreign correspondents worldwide Janata Bank Limited has been extending full range import and relevant finance facilities.

- Opening of L/C at competitive/ reasonable margin and commission
- Interest at concession rate on import finance to the prime customers & interest rebate facilities.



2.9 Financing IT Sector

The importance of Information Technology and the role it can play in the socio-economic development of a nation cannot be over emphasized. The world has witnessed a phenomenal growth in IT over the last two decades, and the countries, which made a conscious decision to take advantage of such growth, have made unprecedented progress. Today we are living in the Internet world. To hasten the growth of information Technology and to attract young energetic IT professional Janata Bank Limited has launched a credit scheme titled "Financing Computer Software Development & Data Export". The maximum loan amount is Tk. 10 million, with debt to equity ratio being 80 : 20. The rate of interest is 11%. But anybody with export market exposure can get the benefit at 7% interest rate plus 1% service charge. The main feature of this scheme is to set up industrial based IT projects for development of software for data export and that too on a very soft term. Janata Bank Limited has issued detailed guidelines for facilitating IT entrepreneurs.

2.10 Financing of Industries

Janata Bank Limited entrusted with the responsibility of developing industries within the frame work of Industrial policy of the Government of Bangladesh and credit norms of Bangladesh Bank as well as by the Investment Board. If the project is managerially, marketing point of view, technically, commercially and financially viable, then Janata Bank Limited finance the project. Sponsors/companies having prior experience in the related field are given priority. Janata Bank Limited may be financed up to Tk. 129.60 million in single project a year. But if any project required above the limit, the project may be financed under consortium/syndication arrangement with other financial institutions. Normally debt equity ratio is 50:50. But higher equity ratio sharing is given preference.

2.11 Financing Small and Medium Enterprise

Janata Bank Limited has been financing Small and Medium Enterprises with a view to developing a balanced and dynamic industrial sector having a strong base of SMEs throughout the country. From the very inception of Industrial credit financing of Janata Bank (CurrentlJanata Bank Limited) SME division has sanctioned term loan in small and medium industries sector in 4535 projects of taka 941.36 crore. Among which taka 548.69 crore has been disbursed against 4310 projects. Outstanding as 31.12.2007 is taka 446.12 crore and recovery of loan is 70%.



2.12 Foreign Remittance Services

Janata Bank Limited has a network of more than **898** domestic branches in Bangladesh covering whole of the country including the rural areas. Remittance services are available at all branches and foreign remittances may be sent to any branch by the remitters favoring their beneficiaries. Remittances are credited to the account of beneficiaries instantly or within shortest possible time. Janata Bank Limited has correspondent banking relationship with all major banks & exchange houses located in almost all the countries/cities. Expatriate Bangladeshis may send their hard earned foreign currencies through those banks & exchange houses or may contact any renowned banks nearby (where they reside/work) to send their money to their dear ones in Bangladesh.

"To resolve the foreign remittance related problem/complain/enquiry, Janata Bank Limited has a 'Complain cell' at its Overseas Banking Division, Head Office, Dhaka. All Concerned are requested to contact at the following address to resolve any problem related to foreign Remittance."

NON RESIDENT FOREIGN CURRENCY DEPOSIT ACCOUNT (NFCD)

Expatriate Bangladeshi Nationals and persons of Bangladesh origin including those having dual nationality may open non- Resident Foreign Currency Deposit Account with any authorized dealer branches of Janata Bank Limited in Bangladesh for a period of one month, three months, six months or twelve months on renewable basis depositing minimum US Dollar 1000/- or Pound Sterling 500/- . The eligible persons may open this account at any time of their return to Bangladesh.

Interest on NFCD Account is applicable on the basis of Euro currency interest rate which is tax free in Bangladesh. Principal amount including accrued interest is convertible in local currency as well as repatriable to the account holder abroad. This account may be maintained as long as the account holder desires.

NFCD account opening Forms are available with authorized dealer branches of Janata Bank Limited in Bangladesh and Embassy/ High Commission Offices of Bangladesh abroad.

Rules/Procedures for Opening NFCD Account

- Application in plain paper to Manager of concern Authorized Dealer branches of Janata Bank Limited.
- Signature of the applicant verified by an official of Bangladesh Embassy /High Commission abroad or Notary Public of the country where the applicant resides and

photocopy of the pages of passport containing specimen signature of the applicant where Janata Bank Limited branches or representative offices are not available. FC Account may also be opened through our 4 (four) U.A.E. branches and 2 (two) branches of Janata Exchange Co. Italy.

- Photocopy of passport attested by officials of Embassy / High Commission Office of Bangladesh abroad or our branch officials.
- Two copies of passport size photograph.
- Letter of authority for handover of NFCD Receipt.

Resident Foreign Currency Deposit ACCOUNT (RFCD)

Persons ordinarily resident in Bangladesh may open RFCD Accounts with the foreign currencies brought in at the time of their return from abroad. This account may be opened with any authorized dealer branches of Janata Bank Limited in US Dollar and Pound Sterling. Interest is payable if the deposit is maintained for a term of not less than one month and the balance is not less than US Dollar 1000/- and Pound Sterling 500/-. RFCD account may be maintained as long as the account holder desires. Balances of such accounts are repatriable abroad.

Non-Resident Investor's Taka Account (NITA)

Expatriate Bangladeshis may invest their hard earned money in the Stock Exchange for purchase of Bangladeshi shares and securities. For this purpose, the expatriates may open NITA account with any authorized dealer branches of Janata Bank Limited. Dividends earned from shares/securities is tax-free in Bangladesh. Balance of NITA account is repatriable abroad at the prevailing rate of exchange. NITA account may be operated by the nominee. The account holders may nominate Janata Bank Limited to act as nominee also.

Wage Earners Development Bond (WEDB)

Expatriate Bangladeshi Wage Earners may invest their hard earnings in five years WEDB on renewable basis for denomination of Taka 25,000/-, Taka 50,000/-, Taka 100,000/-, Taka 200,000/-, and Taka 500,000/- or any multiple of these amounts at attractive rate (Present rate 12.00% (with effect from 1st July 2010) compoundable in every six months) of interest and the accrued interest is tax free in Bangladesh. Principal amount of WEDB is repatriable to the bond holder abroad at the prevailing rate of exchange. WEDB facilities are available in authorized dealer branches of Janata Bank Limited in Bangladesh and in our four UAE branches. Moreover, we have correspondent relationship with banks & exchange houses almost all over the world.



US Dollar Investment Bond and US Dollar Premium Bond

The Government of the People's Republic of Bangladesh has introduced US Dollar Investment Bond and US Dollar Premium Bond to facilitate investment of hard -earned foreign currency by the non-resident Bangladeshis.

Non-resident Bangladeshis are eligible to purchase US Dollar Investment Bond and US Dollar Premium Bond with the foreign currency sent to his F. C. account or with the cheque/draft in foreign currency (after collection of cheque/draft).

Common Facilities of Both USD Investment and Premium Bonds:

- i. Period : 3 years.
- ii. Interest is payable on 6 months basis.
- iii. Principal amount is repatriable abroad.
- iv. Both interest and principal amount is income tax free in Bangladesh.
- v. "CIP" facility to the purchaser of Bonds for USD.1,000,000/-(One million).
- vi. Duplicate Bond will be issued in case of lost, stolen and destroy of original Bonds.
- vii. Non-resident Bangladeshis may purchase Bonds for any amount in multiply of USD.500/-.

2.13 Utility Services

Besides normal banking operation, Janata Bank Limited offers special services to a large number of clients/agencies throughout the country. Under the network of utility service, customers of different govt. organizations, corporate bodies, local bodies, educational institutions, students, etc are continuously getting benefits from the Bank.

Bill Collection

- Gas bills of Titas, Bakhrabad and Jalalabad Gas Transmission and Distribution Companies.
- Electricity bills of Dhaka Electricity Supply Authority, Dhaka Electricity Company, Bangladesh Power Development Board and Rural Electrification Board.
- Telephone bills of Telegraph and Telephone Board.
- Water/Sewerage bills of Water and Sewerage Authority.
- Municipal holding tax of City Corporation/Municipalities.
- A pilot scheme is underway to provide personalized services to our clients.



Payments Made On Behalf Of Govt. To:

- Non- Govt. teachers salaries
- Girl Students scholarship/stipend & Primary Student Stipend.
- Army pension
- Widows , divorcees and destitute Women Allowances
- Old-age Allowances
- Food procurement Bills

2.14 Rural Banking/Credit Program

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).

CREDIT POLICY OF JBL

3.1 MEANING OF CREDIT POLICY

Policy entails projected course of action. Janata Bank Ltd. has its own policy granting credit although credit is always a matter of judgment applying common sense in the light of one's experience. A sound credit policy includes among other things safety of funds invested vis-à-vis profitability of the bank. Encouraging maximum number of small loans is better than concentration in a particular type of advances, which ensures sufficient liquidity with least incidence of bad debts.

It has to be borne in mind that a good loan allowed to a properly selected borrower is half collected. In order to make a good loan there should have a good loan policy.

3.2 OBJECTIVE OF CREDIT POLICY

There are some objectives behind a written credit policy of Janata Bank Ltd. 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 activities

3.3 FORMULATION OF CREDIT POLICY

One of questions that should arise in a discussion of credit is who should formulate the policy. Although the ultimate responsibilities lay at the highest level in the organization i.e. the board of directors. Yet the actual drafting shall have to be done by the senior lending office in consultations with the chief executive officer and with contribution from senior officers, associates and subordinates. Obviously the level of origin will vary with the size and structure of the organization.

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 substantial 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 rates 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 meticulously carried out, the best conceived loan policy will not function and inevitable, problems will develop.

3.4 LENDING GUIDELINES

As the bank have a high rate of non-performing loans. Banks risk taking applied should be contained and our focus should be to maintain a credit portfolio keeping in mind of bank's capital adequacy and recovery strength. Thus bank's strategy will be invigorating loan processing steps including identifying , measuring , containing risks as well as maintaining a balance portfolio through minimizing loan concentration , encouraging loan diversification , expanding product range , streamlining security , insurance etc. as buffer against unexpected cash flow .



3.5 Industry and Business Segment Focus

Industry segment focuses on Textile, Pharmaceuticals, Agro-based, Food and allied, Telecommunication, Power generation and distribution, Health care, Entertainment Services, Chemicals, Transport, Infrastructure development, Linkage industry, Information technology, Ceramics, Others as decided from time to time. And business segment focuses on Distribution, Brick field, Rice mill/ flour mill/ oil mill, Work order, Yarn trading, Cloth merchant, Industrial spares, Hardware, Electronic and electrical goods, Construction materials, Fish trading, Grocery, Wholesale/ retail, Others as dedicated from time to time

Types of credit facilities: Bank will go for

- A. Term financing for new project had BMRE of existing projects (large, medium, SME, SCI).
- B. Working capital for industries, trading services and others (large, medium, SME, SCI).
- C. Trade finance for import and export
- D. Lease finance
- E. Small loan for traders, micro enterprise and other productive small venture.
- F. Consumer finance
- G. Fee business

DISTRIBUTION OF FUND AMONG ECONOMY

Janata Bank Ltd. is engaged in extending long, medium and short term loans to various economic sectors in the country. As Janata Bank Ltd. extends its credit programs all over the economy such as agricultural credit program, industrial credit program and commercial financing, the bank tries to achieve significant profit from its operations and also to improve the economic conditions of the general public of the country.

3.6 NATURE WISE DISTRIBUTION OF LOANS AND ADVANCES

Sanctioning advances to customers and others is one of the principal services of a modern bank. Advances by the commercial banks are made in different forms:

- Loans
- Overdrafts
- CC
- LIM
- LTR
- Bills purchase and discounted



Janata Bank Ltd. sanctions loans under the above mentioned category. It usually grants short term advances which are utilized to meet the working capital requirements of the borrower. Only a small portion of the bank's demand and time liability are advanced on long term basis where the banker usually insists on a regular repayment by the borrower in installments. While lending fund, a banker, therefore, follows a very cautious policy and conduct his business on the basis of well-known principles of sound lending in order to minimize the risk.

3.7 MATURITY GROUPING OF DISTRIBUTION LOANS AND ADVANCES

At the very beginning of taking decision for giving credit, Janata Bank Ltd. mainly concentrates mainly on liquidity. As it is doing business by public deposits, it is bound to pay the money when people want. A sizable portion of bank advances are, therefore, granted to meet the working capital requirements of the borrower rather than to meet the fixed capital requirement, i.e., construction of building or purchase of fixed deposits. A banker would be failing in his duty to safeguard the interest of his depositors and shareholders if his credit policy does not provide a method of gradual repayment and final recovery of the money advanced.

For liquidity reasons, Janata Bank Ltd. is giving credit on short period basis and against security. Short term loans ensure liquidity to a greater extent than long term loan. We can classify the bank loans and advances under the following maturity stage:

- Payable on demand
- Payable within 3 months
- Payable within 3 months to 12 months
- Payable within 1 year to 5 years
- Payable in more than 5 years

3.8 SECURITIES IN CREDIT MANAGEMENT

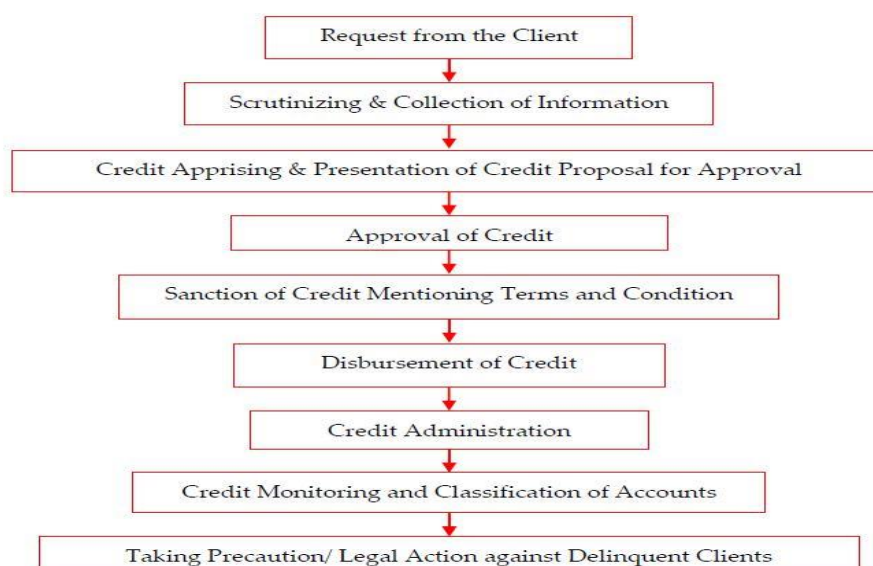
One of the most important functions of a bank is to employ its fund by way of loans and advances to its customers and a bank's strength depends considerably on the quality of its loans and advances. In order times, when the bankers knew the customers personally and intimately and had complete confidence in the integrity and honesty of a customer, they used to allow loans and advances without a security. The position is quite different today. Banks having a large number of officers over a wide area cannot allow loans and advances without retention of security in one form or the other.

Security is obtained as a line of last defense to fall back upon. It is meant to be an insurance against emergency. But taking security, bank acquires a claim upon the assets of the borrower if repayment is not made as planned. But what should be the significant securities of loans depends in the guidelines prescribed by the Bangladesh Bank through BCD circular no. 17/1977 and also the negotiation of the respective branch to its borrowers. The most significant categories of security lodged are as:

- Goods and commodities
- FDR
- Real estate
- Stock exchange securities
- Life insurance policies
- Gold and gold ornaments
- Documents of title of goods
- Supply bills

Janta Bank Ltd. keeps sufficient security before final sanctioning of loans and advances.

3.9 LOAN DISBURSEMENT PROCEDURE OF JBL



3.10 Getting Credit Information

Janata Bank collects credit information about the applicant to determine the credit worthiness of the borrower. The bank collects the information about the borrower from the following sources:

- Personal investigation.
- Confidential report from other bank Head Office/Branch/chamber of the commerce.
- CIB Report from Central Bank.



Information Collection

The loans and advances department gets a form filled by the party seeking a lot of information. The information is listed below:

- Name and address of the borrower (present and permanent).
- Constitution or status of the business.
- Data of establishment and place of incorporation.
- Particulars of properties, partners and Directors.
- Background and business experience of the borrowers.
- Particulars of personal assets, name of subsidiaries, percentage of share holding and nature of business.
- Details of liabilities in name of borrowers, in the name of any directors.
- Financial Statement of the last three years.
- Nature and details of business/products.
- Details of securities offered.
- Proposed debt equity ratio.
- Other relevant information.

Analyzing these Information

Janata Bank then starts examination whether the loan applied for, is complying with its lending policy. If comply, then it examines the documents submitted and the credit worthiness. Credit worthiness analysis, i.e. analysis financial conditions of the loan applicant is very important. If loan amount is more than 50, 00,000, then bank goes for Lending Risk Analysis (LRA) and Spreadsheet Analysis (SA) which are recently introduced by Bangladesh Bank. According to Bangladesh Bank Rules, LRA and SA are a must for the loan exceed of one crore. If these two analyses reflect favorable condition and document submitted for the loan appeared to be satisfactory, then bank goes for further action.

3.11 Lending Risk Analysis (LRA)

LRA is a very important and vital analysis for deciding whether the loan proposal is potential or not. Many types of scientific, mathematical, statistical and managerial tools and devices are required to perform this analysis. Janata Bank maintains a prescribed format for Lending Risk Analysis, which includes a spreadsheet to analyze a lot of things. It is not possible to discuss the entire LRA in this report.



Lending Risk Analysis (LRA)

A. Industry Risk:

1. Supply Risk- What is the risk of failure to disruption in the supply of input?
2. Sales Risk- What is the risk of failure due to disruptionsales?

B. Company Risk:

1. Company Position Risk:

- i. Performance Risk- What is the risk if the company position is so weak that it can not perform well enough to repay the loan, given expected external condition?
- ii. Resilience Risk- What is the risk of failure due to lack of resilience to unexpected external condition?

2. Management Risk:

- i. Management Competence Risk- What is the risk of failure due to lack of management competence?
- ii. Management Integrity Risk- What is the risk of failure due to lack of Management Integrity?

C. Security Risk:

1. Security Control Risk- What is the risk that the bank fail to realize the security?
2. Security Cover Risk- What is the risk that realized security value is less than the exposure?

3.12 Proposal Analysis

The Project Proposal is analyzed and decision about the project is taken. The loans and advance department is responsible for the analysis. After preliminary appraisal of the loan project the final approval is obtain from the manager. If the loan amount crosses a certain amount (no found), managers send the loan project to the principal office for final approval. The experts in principal office find out different projected ratios and developed and understanding about the potentiality of the project. Bank evaluates a loan proposal by considering, few predetermined variables. These are:

- Safety
- Liquidity
- Profitability
- Ø Security
- Purpose of the loans
- Sources of repayment
- Diversification of risk etc.

The most important measure of appraising a loan proposal is safety of proposal. Safety is measured by the security offered by the borrower and repaying capacity of the borrower. The



attitude of the borrower is also important consideration. Liquidity means the inflow of cash into the project in course of its operation. The profit is the blood of any commercial institution. Before approval of any loan project the bank authority has to ensure that the proposed project will be profitable venture. Profitability is assessed from the projected Profit and Loss Statement. The security is the only tangible asset remains with the banker. Securing of collateral is the only weapon to recover the loan amount. So bank has to see that the collateral is easy to sale and sufficient to recover the loan amount. Bank can not sanction loan by only depending on collateral.

3.13 Collateral Evaluation

Janata Bank is very cautious about valuation of the collateral. The bank officials simultaneously evaluate the collateral of the party offered by the private firm. The valuation of the collateral increases the accuracy of its value estimated. Three types of value of the collateral are assumed:

- Current market price
- Distressed price
- Price after five years

The legal officers of the bank check the document ascertain their impurity.

Final Decision about the Project

If the loan decision remains with the branch level, that branch sanctions the loan and if the approving authority is Head Office then the decision comes to the branch by telex or fax.

3.14 Documentation of the Loan

These are the most frequently used and common documents of above mentioned charged and for other formalities for sanctioning the loan:

- Demand Promissory Note: Here the borrower promises to pay the loan as and when demanded by the bank to repay the loan.
- Letter of Arrangement: Here the written amount of the loan sanctioned to the borrower is specified.
- Letter of Continuity: It is used to take continuous facilities as providing continuous securities.
- Letter of Hypothecation: It is the written document of the goods hypothecated thus to put in case of need.



- Stock Report: This report is used for SOD and CC. In this report information about the quality and quantity of goods hypothecated have furnished.
- Personal guarantee: It is the additional confirmation of the borrower to repay.
- Guarantee of the Directors of the company.
- Resolution of the board of directors: It is used to borrow the fund to execute Documents and complete other documents.
- Letter of disclaimer: By this letter, the borrower withdraws his all claim on the property/mortgaged.
- Letter of Acceptance: Letter indicating the acceptance of the sanction proposal by the borrower.
- Letter of Pledge: It is the written document of the goods pledge thus the legality of holding the goods.
- Letter of Disbursement: This is the document through which the payment of sanctioned loan indicates.
- Letter of partnership: In case of partnership firm, the partnership deeds are to be provided.
- Letter of Installment: The amount of installment that is to be paid at certain intervals.
- Tax Paying Certificate.
- Any document if described, as essential in the sanctioned advice sanctioned by the Head Office.

3.15 Creation of Charges for Securing Loan

For the safety of loan, Janata Bank requires security from the loaner so that it can recover the loan by selling security if borrower fails to repay. Creation of a charge means making it available as a cover for an advance. The method of charging should be legal, perfect complete. Importance of charging securities is as:

Protection of interest.

- Ensuring the recovery of the money lent.
- Provision against unexpected change.
- Commitment of the borrower.

Securities are of two types:

a) Primary Security- Security deposited by the borrower himself to cover the loan such as FDR, cash, PSS, PSP, easily cashable items.

b) Collateral Security- Any type of security on which the creditor has personal right of action on the debtor in respect of advances.

3.16 RECOVERY PERFORMANCE OF JANATA BANK

PROGRAMS FOR LOAN RECOVERY

When Janata Bank sanctions loans and advances to its customers, they clearly state the repayment pattern in the loan agreement. But some credit holders do not pay their credit in due period. The nationalized and private sector commercial banks have to face this sort of problems. This situation is, especially severe in Janata Bank. To overcome the problem of overdue loan, the bank need take particular loan recovery program.

Recovery Programs to be taken by Janata Bank

- 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.

Recovery Patterns and Loan and Advances

Generally Janata bank sanctions loans and advances to every sector of an economy. Before going into details of recovery performance, we have to be familiar with some terms used in recovery performance:

- Disbursement: highest outstanding balance on any date during the reporting period minus outstanding balance at the end of the preceding period.
- Demand for recovery: overdue at the end of the reporting period plus recovery during the reporting period.
- Recovery: highest outstanding balance on any date during the reporting period minus outstanding balance at the end of the recovery period.
- Outstanding: Outstanding figures in the ledger at the end of the reporting period.
- Overdue: Demand for recovery minus recovery.

3.17 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,

- 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 of analysis of business risk
- 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.
- Lack of proper valuation of security or mortgage property
- 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.
- Sometimes local borrowers are found to be so much compelled to grant them loan without proper study due to some unexpected reasons. Since these borrowers are capable of getting loan by exercising their influence, they can also escape the repayment liability.
- 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:
 1. Failure to ascertain the economic availability of the projects
 2. Time lag between approval and sanctioning of the projects
 3. Import of machinery and raw materials both are the problems of paucity of foreign exchange and procedures of licensing.



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
- Approval of the loans in excess of the branch manager's power
- Improper monitoring and supervision of credit
- Political misuse if loan programs operated by the public sector banks
- Lack of timely action against willful defaulter
- Loans are sometimes for economically unsound project.

THE CREDIT RISK MANAGEMENT (CRM)

The Credit Risk Management Division is vital for the efficient functioning of JBL. It critically scrutinizes the credit proposals from risk weighted point of view before sanctioning approvals ensuring a high quality credit portfolio. The goal of credit risk management is to maximize a bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. Banks need to manage the credit risk inherent in the entire portfolio as well as the risk in individual credits or transactions.

4.1 CREDIT RISK

Credit risk is the possibility of failure of a borrower to meet agreed obligation. With the present days de-regulation and globalization, the bank's range of activities has increased. Expansion of the bank's lending operations, covering a risk areas and therefore to work out robust credit risk management policy.

At JBL, credit risk may arise in the following forms –

- Default Risk
- Exposure Risk
- Recovery Risk
- Counter Party Risk
- Related Party Risk
- Legal Risk
- Political Risk

To mitigate credit risks, following measures are in place at JBL:

- a) Mission, Vision and objectives
- b) Credit principles
- c) General policy guidelines in conformity with BB guidelines and industry best practices.
- d) Rigorous credit process
- e) Sector wise lending caps
- f) Lending policy and strategy to different areas
- g) Collecting CIB of BB
- h) Critical assessment of repayment capacity in pre-investment analysis stage
- i) Credit Risk grading of the client
- j) Provision for Insurance coverage
- k) Taking Collaterals
- l) Annual credit review



- m) Vigorous monitoring follow up
- n) Periodic review of market situation and industry exposure

4.2 CREDIT PRINCIPLES

In managing credit risk effectively JBL:-

- Maintains a judicious ratio between Loan and Deposit
- Pursues a credit that aims at credit expansion by maintaining credit quality
- Does not compromise with standards of excellence
- Ensures that all credit extensions comply with regulatory norms, prevailing laws, rules and regulations
- Extends credit facilities in such a manner that each extension become rewarding and ensures superior return on capital
- Extends credit facility upon adequate pre-investment analysis and repayment capacity of the client
- Avoids credit concentration through rational diversification of credit
- Avoid name lending. Credit is allowed on business consideration, after ascertaining viability, credit requirement, and quality of advance, security offered, cash flows and risk level

Credit risk management is processed through various steps but mainly it is performed in four key parts. These are –

- 1. Credit Analysis**
- 2. Credit Disbursement**
- 3. Credit Monitoring**
- 4. Credit Recovery**

These parts are performed through different steps starting from the collection obligors' data to disbursement throughout various calculations, and then monitoring transaction through creating loan classification and provisioning and at last process of recovery. An important part of credit risk management is to measure it. This requires a credit assessment of loan applicants. The bank employ credit analyst who review the financial information of a corporation applying for loans and evaluate their creditworthiness. The evaluation should indicate the possibility of that a firm meet its loan payment so that the bank can decide whether to grant the loan. A brief description of Credit Risk Management from BB context is the main subject matter of this section.

4.3 Credit Analysis

The term credit analysis is used to describe any process for assessing the credit quality of the borrower or obligor. While the term can encompass credit scoring, it is more commonly used to refer to processes that entail human judgment. One or more people, called credit analysts, will review information about the counterparty. This might include its balance sheet, income statement, recent trends in its industry, the current economic environment, etc. They may also assess the exact nature of an obligation.

When a customer requests for a loan, bank officers analyse all available information to determine whether the loan meets the bank's risk-return objectives. Credit analysis is essentially default risk analysis in which a loan officer attempts to evaluate a borrower's ability and willingness to repay. In accordance with BB guidelines here are steps briefly discussed -

4.4 Lending Guidelines

In credit analysis part, at first the loan officers/ risk managers have to judge the collected information through credit application from the RM (relationship manager) according to lending guidelines i.e. the credit policies of the banks. These policies should include the following:

- Industry and business segment focus - where a clear identification of the business/industry should be provided so that it constitutes the majority of the bank's loan portfolio.
- Types of loan facilities – a clear identification of the types of loan that should be permitted.
- Single Borrower/Group Limits/Syndication - details of the bank's Single Borrower/Group limits should be included as per Bangladesh Bank guidelines.
- Lending Caps - Banks should establish a specific industry sector exposure cap to avoid over concentration in any one industry sector.
- Discouraged Business Types - Banks should outline industries or lending activities that are discouraged. For example, as a minimum, the following should be 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 defaulters
- Counterparties in countries subject to UN sanctions
- Share Lending
- Taking an Equity Stake in Borrowers
- Lending to Holding Companies
- Bridge Loans relying on equity/debt issuance as a source of repayment.
- Loan Facility Parameters - facility parameters (e.g., maximum size, maximum tenor, and covenant and security requirements) should be clearly stated.
- Cross Border Risk - Borrowers of a particular country may be unable or unwilling to fulfill principle and/or interest obligations. It is distinguished from ordinary credit risk because the difficulty arises from a political event, such as suspension of external payments, synonymous with political & sovereign risk and Third world debt crisis. For example, export documents negotiated for countries like Nigeria

4.5 Credit Assessment:

In Credit risk assessment, RMs originate all the assessment results in the form of Credit Application prior to the granting of loans, and at least annually thereafter for all facilities which is approved by the CRM. The RM is held the owner of the customer relationship, and responsible to ensure the accuracy of the entire credit application submitted for approval. RMs must be familiar with the bank's Lending Guidelines and should conduct due diligence on new borrowers, principals, and guarantors. All banks should have established Know Your Customer (KYC) and Money Laundering guidelines which should be adhered to at all times.

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

- Amount and type of loan(s) proposed.
- Purpose of loans.
- Loan Structure (Tenor, Covenants, Repayment Schedule, Interest).
- Security Arrangements.

In addition, following risk areas are also addressed-

- Borrower Analysis - The majority shareholders, management team and group or affiliate companies should be assessed.
- Industry Analysis - Any issues regarding the borrower's position in the industry, overall industry concerns or competitive forces should be addressed and the strengths and weaknesses of the borrower relative to its competition should be identified.
- Supplier/Buyer Analysis - Any customer or supplier concentration should be addressed, as these could have a significant impact on the future viability of the borrower.



- Historical Financial Analysis - An analysis of a minimum of 3 years historical financial statements of the borrower should be presented. The analysis should address the quality and sustainability of earnings, cash flow and the strength of the borrower's balance sheet. Specifically, cash flow, leverage and profitability must be analyzed.
- Projected Financial Performance - A projection of the borrower's future financial performance should be provided for the term facilities (tenor > 1 year), indicating an analysis of the sufficiency of cash flow to service debt repayments, insufficient projected cash flow for repaying debts will not be granted.
- Account Conduct - For existing borrowers, the historic performance in meeting repayment obligations (trade payments, cheques, interest and principal payments, etc) should be assessed.
- Adherence to Lending Guidelines - Credit Applications should clearly state whether or not the proposed application is in compliance with the bank's Lending Guidelines which should be approved by the Bank's Head of Credit or Managing Director/CEO.
- Mitigating Factors - Mitigating factors for risks identification in the credit assessment should be identified. Possible risks include, but are not limited to: margin sustainability and/or volatility, high debt load (leverage/gearing), overstocking or debtor issues; rapid growth, acquisition or expansion; new business line/product expansion; management changes or succession issues; customer or supplier concentrations; and lack of transparency or industry issues.
- Loan Structure - The amounts and tenors of financing proposed should be justified based on the projected repayment ability and loan purpose. Excessive tenor or amount relative to business needs increases the risk of fund diversion and may adversely impact the borrower's repayment ability.
- Security - A current valuation of collateral should be obtained and the quality and priority of security being proposed should be assessed. Loans should not be granted based solely on security. Adequacy and the extent of the insurance coverage should be assessed.
- Name Lending - Credit proposals should not be unduly influenced by an over reliance on the sponsoring principal's reputation, reported independent means, or their perceived willingness to inject funds into various business enterprises in case of need.

4.6 Risk Grading

Credit risk grading is an important tool for credit risk management as it helps the Banks & financial institutions to understand various dimensions of risk involved in different credit transactions. The aggregation of such grading across the borrowers, activities and the lines of business can provide better assessment of the quality of credit portfolio of a bank or a branch. 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 loan price, what should be the extent



of exposure, what should be the appropriate credit facility, what are the various facilities, what are the various risk mitigation tools to put a cap on the risk level.

Credit Disbursement

Credit disbursement occurs after assessing all the formal documents like credit application, other business documents of the borrower, financial sheets, CIB report, CRG score sheet etc. According to BB guidelines the disbursement procedures take place in the following ways-

- Security documents are prepared in accordance with approval terms and are legally enforceable. Standard loan facility documentation that has been reviewed by legal counsel should be used in all cases. Exceptions should be referred to legal counsel for advice based on authorization from an appropriate executive in CRM.
- Disbursements under loan facilities are only be made when all security documentation is in place. CIB report should reflect/include the name of all the lenders with facility, limit & outstanding. All formalities regarding large loans & loans to Directors should be guided by Bangladesh Bank circulars & related section of Banking Companies Act. A sample documentation and disbursement checklist is attached, which banks may wish to use to control disbursements.

After disbursement procedure the approval procedures take place. The approval process must reinforce the segregation of Relationship Management/Marketing from the approving authority. The responsibility for preparing the Credit Application should rest with the RM within the corporate/commercial banking department.

4.7 Credit Monitoring

To minimize credit losses, monitoring procedures and systems should be in place that provides an early indication of the deteriorating financial health of a borrower. At a minimum, systems should be in place to report the following exceptions to relevant executives in CRM and RM team:

1. Past due principal or interest payments, past due trade bills, account excesses, and breach of loan covenants;
3. Loan terms and conditions are monitored, financial statements are received on a regular basis, and any covenant breaches or exceptions are referred to CRM and the RM team for timely follow-up. Timely corrective action is taken to address findings of any internal, external or regulator inspection/audit.
4. All borrower relationships/loan facilities are reviewed and approved through the submission of a Credit Application at least annually.

4.8 Credit Recovery

The Recovery Unit (RU) of CRM should directly manage accounts with sustained deterioration (a Risk Rating of Sub Standard (6) or worse). Banks may wish to transfer EXIT accounts graded 4-5 to the RU for efficient exit based on recommendation of CRM and Corporate Banking. Whenever an account is handed over from Relationship Management to RU, a Handover/Downgrade Checklist should be completed. The RU's primary functions are:

- Determine Account Action Plan/Recovery Strategy.
- Pursue all options to maximize recovery, including placing customers into receivership or liquidation as appropriate.
- Ensure adequate and timely loan loss provisions are made based on actual and expected losses.
- Regular review of grade 6 or worse accounts.



5.1 Performance Analysis of JBL

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 2011 to 2015 and after that compare it with South East Bank Limited:

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:

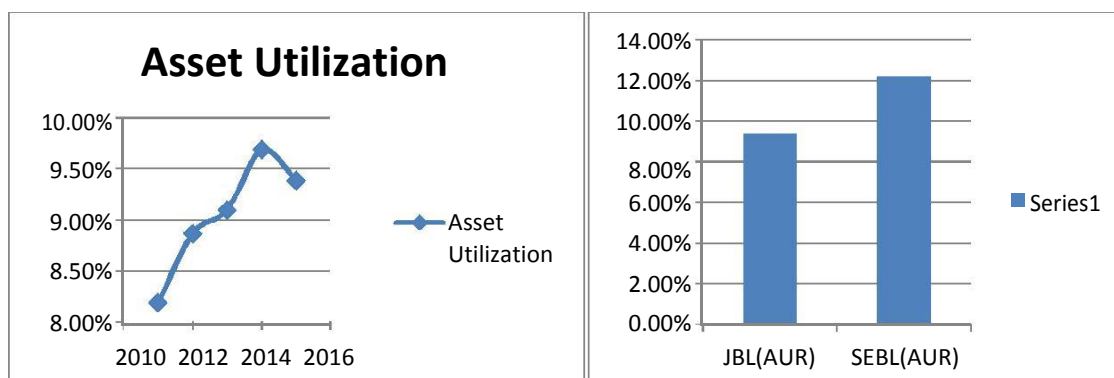


Fig: Asset Utilization Ratio

Fig: AUR between JBL & SEBL in the year 2015

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	2011	2012	2013	2014	2015	SEBL(2015)
Net Bank Operating Margin	2.91%	3.49%	3.52%	2.84%	2.07%	3.03%

Interpretations

- In 2015 net operating margin is lower among all the years
- The net operating margin of Janata Bank is also higher in 2014 than in 2015, so the profit earned by Janata bank was higher in year 2014.
- The NBOM is satisfactory of SEBL than JBL

Graphical Representation of Net Bank operating Margin (NBOM) from 2011 to 2015:

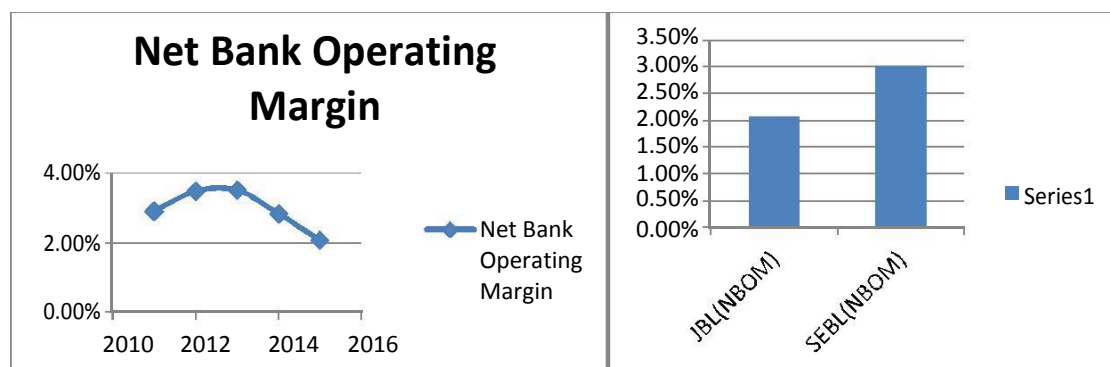


Fig: Net Bank Operating Margin

Fig: NBOM between JBL & SEBL in the year 2015

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



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.

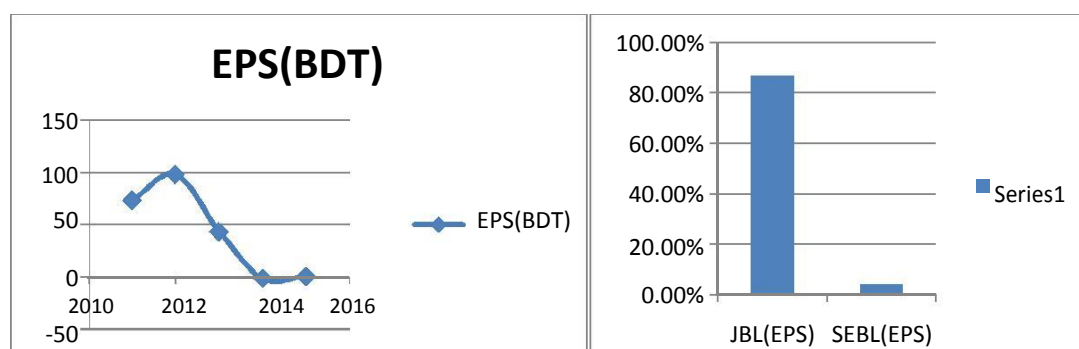
Earnings per Share= Net Income after Taxes/ Common equity shares outstanding

Year	2011	2012	2013	2014	2015	SEBL(2015)
EPS	79.3%	98.16%	43.46%	(138.91)	83.31%	3.86%

Interpretations:

- Earnings per share are positive for the shareholders.
- The earnings per share of Janata Bank Ltd. in year 2015 are 83.13 where in year 2014 it was negative. It indicates the better performance of this bank in 2015.

Graphical Representation of EPS from 2011 to 2015:



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 2014
- ER is more higher of SEBL

Graphical Representation of Efficiency Ratio from 2011 to 2015:

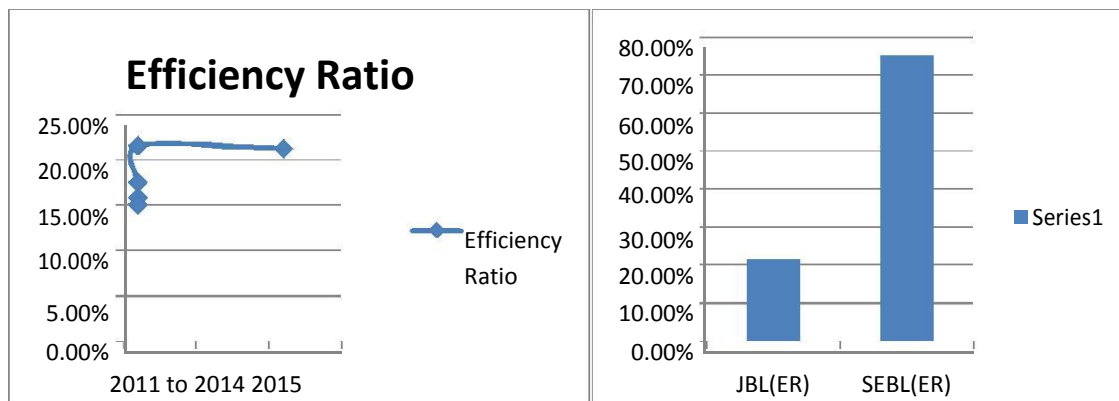


Fig: Efficiency Ratio

Fig: Comparison Ratio in the yr 2015

6.1 FINDINGS AND ANALYSIS

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

- If we look at the historical background of Janata Bank, we see that, the objective of Janata Bank Ltd is to earn profit as well as to improve the economic welfare of the people as a whole.
- Janata Bank Ltd. has a significant role in long term project financing in both agriculture and industrial sectors. Again Janata Bank Ltd has a deep concern for rural farmers.
- Private sector usually concentrates in the urban areas where as public sector i.e. Janata Bank Ltd spread their banking network all over the world.
- With a view to implementing government policies, Janata Bank Ltd has been maintaining its position in extending credit to government bodies, sector corporations and private enterprises.
- Though bank required both quantitative and qualitative analysis but for big loans bank emphasizes on the (LRA). The LRA is not a perfect measure of credit analysis. Because businessmen in our society are usually tempted to take resort of window- dressing that means accounts are so manipulated that the vital facts are concealed and facts presented are superficial. So banks have to go through both quantitative and qualitative analysis.
- Janata Bank Ltd does not keep enough provisions against classified loans and advances.
- According to the standard and bank's credit procedure, credit operation is started from the customer application to the branch for the loan. But in most cases, many customers go directly to the directors of the bank and directors send them to the branch offices with his/her reference. In these cases, proper appraisal is not possible as directors the most powerful persons and bank management must give priority towards the decision of the directors. This phenomenon is very common in the bank which hampers the spontaneous procedure of credit appraisal.
- Janata Bank Ltd distributes loans without sufficient security in some cases. This is violation of the Bangladesh bank order.
- The recovery performance of Janata Bank Ltd is not in a satisfactory level at all and the position of those in that respect deteriorated heavily during last two phases. The recovery performance in agriculture is worse than in other sectors. On the other hand, as



private sector banks distribute more loans on short term basis and relatively better than public sector. But if we compare it from the efficiency point, then it is clear that they are not still efficient in credit management as they are unable to recover half of their distributed loan in different sectors.

- Classified loans of Janata Bank are decreasing
- Private sector banks are relatively efficient in processing and executing legal actions against defaulters for their nonpayment of loans and advances in due time that of public sector bank.

6.2 RECOMMENDATION

Based on My experience in working Janata Bank Ltd. as an intern, I would like to put some of my Suggestions such as

1. Janata Bank should increase their Credit Monitoring speed.
2. Should design to summarize the financials and necessary information of the clients
3. Janata can become flexible in their interest rate.
4. Janata bank can also increase their loan product in different sectors so that they can earn more profit.
5. Janata Bank can take necessary steps to promote their Credit card service which is becoming popular day by day.
6. Janata Bank should provide easier Credit system then other competitive Bank.
7. The employee of Credit committee of JBL Try to develop their system.
8. Credit committee can try to develop employees' skills so that they can provide better customer services.
9. Credit department service can be faster with honesty.
10. Sufficient Workforce are required to allocate a standard Risk Assessment time.

6.3 CONCLUSION

As an organization Janata Bank Limited has earned the reputation of top banking operation in Bangladesh. The organization is much more structured compared to any other public commercial bank in Bangladesh. It is relentless in pursuit of business innovation and improvement. It has a reputation as a partner of consumer growth.

With a bulk of qualified and experienced human resource, Janata Bank Limited can exploit any opportunity in the banking sector. It is pioneer in introducing many new products and services in the banking sector of the country. Moreover, in the overall-banking sector, it is unmatched with any other banks because of its wide spread branch networking thought the country.

The current situation of Janata bank Limited is satisfactory. But in the age of competition if the bank does not provide extra ordinary that means superior services than it will be difficult to continue banking because everybody wants to maintain quality. In loan and advancement portion Janata Bank Limited has some problem. On the other hand in Ratios – liquidity, efficiency and leverage ratio of Janata Bank Limited is satisfactory which indicates better position of Janata Bank Limited. But profitability ratio of the bank is not satisfactory so Janata Bank Limited should take necessary steps to beat the overall problem as early as possible. And when Janata Bank Limited is able to overcome this type of problem then it would be more structured compared to any other bank operating local or foreign in Bangladesh.



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Questionnaire for Customer

Date:

Name:

Designation:

Occupation:

Age:

Sex:

	Strongly Agree	Agree	Nutral	Disagree	Strongly Disagree
Janata bank Limited has strong Brand name & reputation	√				
JBL takes short time to sanction loan		√			
Service charge in JBL is high			√		
Loan processing time is lengthy				√	
One stop service is updated				√	
Employees are friendly & courteous manner		√			
Fast And efficient services				√	
JBL has suitable branch location	√				
JBL has sufficient ATM booth			√		
Willingness to listen and response to customer need		√			
Technological advancement in transaction		√			
Loan packages are attractive		√			
Recognition everyone as valued customer			√		
Online and internet banking available			√		
Provide alternate financial services		√			