

**STATUS OF SME FINANCING ACTIVITIES OF JANATA BANK LIMITED: A CASE
STUDY ON SHILPO NAGARI BRANCH, RANGPUR.**

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DHAKA-1207**

Internship Report

On



Supervised By

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Submitted By

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MBA (Agribusiness)

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Internship Report

On

By

Sharmin Ara

Registration No: 10-03977

An Internship Report

Submitted to the Faculty of Agribusiness Management,
Sher-e-Bangla Agricultural University, Dhaka,
in partial fulfilment of the requirements
for the degree of

MASTER OF BUSINESS ADMINISTRATION IN AGRIBUSINESS

SEMESTER: JULY-DECEMBER, 2016

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Letter of Transmittal

21.9.2017

To

Dr. Ashoke Kumar Ghosh
Associate Professor
Department of Development and Poverty Studies
Faculty of Agribusiness Management
Sher-e-Bangla Agricultural University
Dhaka-1207, Bangladesh

Subject: Submission of the internship report entitled “Status of SME financing Activities of Janata Bank Limited: A Case Study on Shilpo Nagari Branch, Rangpur”.

Dear Sir,

It’s my honor to let you know that I have furnished a report based on my practical experience under your supervision; during the internship period I had the opportunity to gather experience in Credit and Advances Division and General Banking Division. My topic has been decided **“Status of SME financing Activities of Janata Bank Limited :A Case Study on Shilpo Nagari Branch, Rangpur”**.I have tried to write this report on the basis of my experience in the Bank.

I therefore, pray and hope that you would be kind enough to accept this report as fulfillment of the requirement of my post graduation.

Yours sincerely,

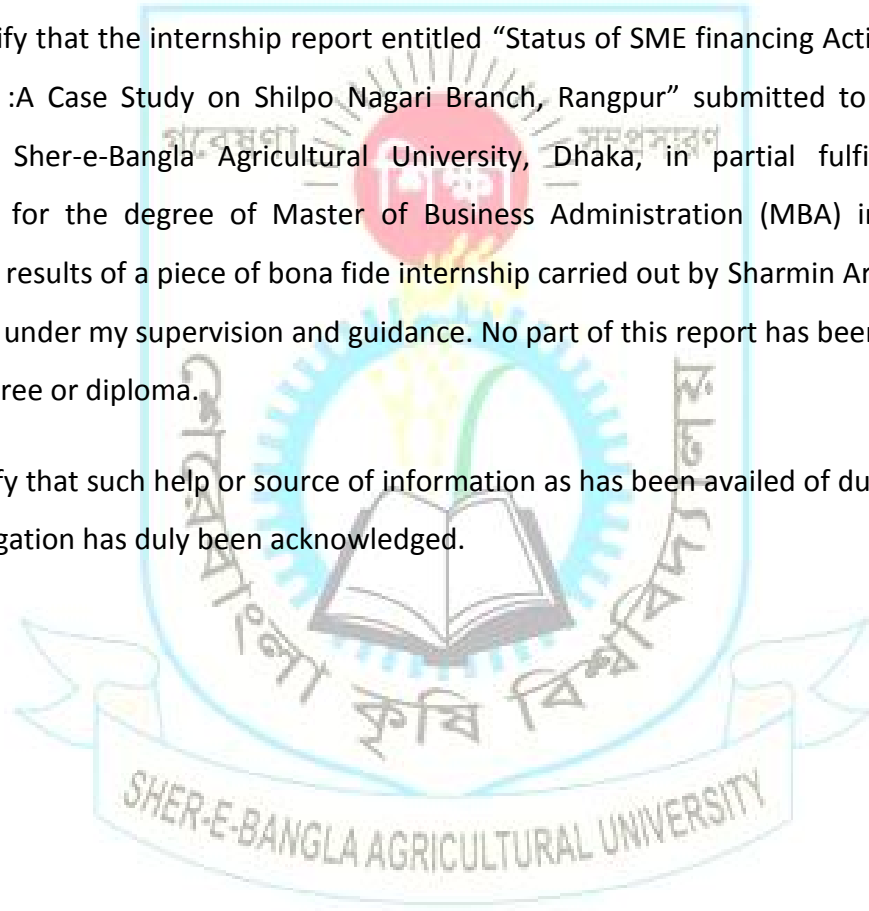
.....

Sharmin Ara
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SUPERVISOR'S CERTIFICATE

This is to certify that the internship report entitled “Status of SME financing Activities of Janata Bank Limited :A Case Study on Shilpo Nagari Branch, Rangpur” submitted to the Faculty of Agribusiness, Sher-e-Bangla Agricultural University, Dhaka, in partial fulfillment of the requirements for the degree of Master of Business Administration (MBA) in Agribusiness, embodies the results of a piece of bona fide internship carried out by Sharmin Ara, Registration. No. 10-03977 under my supervision and guidance. No part of this report has been submitted for any other degree or diploma.

I further certify that such help or source of information as has been availed of during the course of this investigation has duly been acknowledged.



Dated:21.9.2017

Dr. Ashoke Kumar Ghosh

Dhaka, Bangladesh

Associate Professor

Department of Development and Poverty Studies

Faculty of Agribusiness Management

Sher-e-Bangla Agricultural University

Dhaka-1207, Bangladesh



Janata Bank Limited

your committed partner in progress

Janata Bank Limited Date: 28/05/2017

Shilpo Nagari Branch, Rangpur

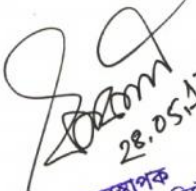
CERTIFICATE

ON

Internship Program

This is to certify that **SHARMIN ARA SHATHI**, Daughter of **MD. SHAHABUDDIN** and **MOMTAZ ARA**, Under the Department of MBA (AGRIBUSINESS) in Sher-e-Bangla Agricultural University, Sher-e-Bangla Nagar, Dhaka-1207. Reg No-10-03977, Participated in the 4 (four) Months internship program 15th January 2017 to 15th May 2017 in our branch.

She has successfully completed Internship program. I wish better success in her life.


28.05.17
ব্যবস্থাপক
জনতা ব্যাংক লিমিটেড
শিল্প নগরী শাখা, রংপুর

Student Declaration

I hereby declare that, the internship report entitled “**Status of SME financing Activities of Janata Bank Limited: A Case Study on Shilpo Nagari Branch, Rangpur.**” has been prepared by me under the supervision of Dr. Ashoke Kumar Ghosh , Associate Professor, Faculty of Agribusiness Management , Sher-e-Bangla Agricultural University.

I also declare that the matter embodied in this report is original and neither this report nor any part of this report has been submitted elsewhere for the award of any other degree or any other purpose.

.....

Sharmin Ara
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Dedicated To
My
Beloved Parents

Acknowledgement

At first I present my due regards to almighty ALLAH, who provided me the excellent opportunity to build and complete this internship report entitled “**Status of SME financing Activities of Janata Bank Limited: A Case Study on Shilpo Nagari Branch, Rangpur**”.

I am deeply indebted to my supervisor Dr. Ashoke Kumar Ghosh, Associate Professor, Department of Development and Poverty Studies, Faculty of Agribusiness Management Sher-e - Bangla Agricultural University, for his whole-hearted supervision during my organizational attachment period. His suggestions and comments were a great source of spirit to make the report a good one.

My special gratitude goes to Md.Aminul Islam, General Manager (GM) of Janata Bank Limited, Shilpo Nagari Branch, Rangpur. Additionally, I am also grateful to Md.Harun-or-Rashid, Md. EliashHossain, AmritLal Roy and KaziFarhanaKarim for giving their advice to complete my report. I am deeply indebted to all senior officers and officers and all other employees of Janata Bank Limited, Shilpo Nagari Branch for their friendly and sincere cooperation during my organizational attachment period.

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**“STATUS OF SME FINANCING ACTIVITIES OF JANATA BANK LIMITED: A CASE STUDY
ON SHILPO NAGARI BRANCH, RANGPUR”.**

ABSTRACT

SME financing is an important sector of banking activities. It is said that Small and Medium Enterprises (SME) account for about 50 percent of GDP and 60 percent of employments. SMEs are projected to contribute between 25 and 35 percent of world manufactured exports. Financial Institutes around the world are relentlessly trying to enhance the SME exposure in their groups. Over the years Janata Bank Limited has expanded the financing exposure all over Bangladesh. SME sector is one of them. Although all over the world, the importance of SME financing is highly appreciated and entertained, this sector lacks proper boost from the government and attention of financial organizations. There are many reasons that financial organizations especially banks are unwilling in financing to the small and medium enterprises. Janata Bank Limited is currently motivated hard to enhance the SME exposure of the bank. According to The Dhaka Tribune (2015) Janata Bank Limited achieved 98.61% of its target in SME financing.

The internship report entitled **“Status of SME Financing Activities of Janata Bank Limited :A Case Study on Shilpo Nagari Branch, Dhaka”**. The main objective behind this report is to know about the SME financing activities of Janata Bank Limited, Shilpo Nagari Branch and also to determine how well Janata Bank performs in this sector. The survey is conducted on 30 respondents (sample) those represent the total general customers segment. This report consists of seven chapters. The first chapter deals with introduction of report, essential of the study.” The second chapter contains review of literature. The third chapter deals with methodology. In this research simple random sampling method was used to select the sample respondents. The fourth chapter deals with Organization profile. The fifth chapter describes SME financing procedure of Janata Bank Limited, Shilpo Nagari Branch, Rangpur. The sixth chapter contains result and discussion of the report. The sixth chapter deals with findings, conclusion of the report with recommendations. From my overall study it is concluded that, Janata Bank Limited, Shilpo Nagari Branch, Rangpur should possess a more attractive and standard SME financing procedure by solving the problems which dissatisfied the customers.

CHAPTER 1

INTRODUCTION

1.1 Origin of the Study

As a qualification of obtaining Masters of Business Administration (MBA) degree, every student has to go through an internship program. The main reason of this course is to experience the reality of the corporate life and relate it with the knowledge get from academic curriculum with practical situation. This course is taken as a four months program which creates opportunities for every student to work different organizations where they work different working environment and gather practical knowledge.

This report entitled “**Status of SME Financing Activities of Janata Bank Limited : A Case Study on Shilpo Nagari Branch, Rangpur**” has been made as a part of my internship at Janata Bank Limited. The report includes my work experiences at Shilpo Nagari Branch of Janata Bank Limited as an intern. During this period I learned how the host organization works with the help of the internal supervisor. On the basis of working experience in this period I have prepared this report and I have tried my level best to relate the theoretical knowledge with the practical work situation. And during my internship, I had to prepare a report under the supervision of Dr. Ashoke Kumar Ghosh.

1.2 Objectives of the Study

The objectives of the report are divided in two parts. One is general objectives and another one is specific objectives.

General Objective

The overall objective of this report is to know the SME financing activities of Janata Bank Limited , Shilpo Nagari Branch, Rangpur.

Specific Objectives

Specific objectives of this report are -

1. To examine bank's overall credit policy towards SME financing.
2. To find out the problems related to smooth flow of SME loan.
3. To find out the year wise SME loan disbursement and percentage of SME loan to total loan of Janata Bank Limited , Shilpo Nagari Branch, Rangpur.
4. To make some recommendations to solve the problems.

1.3 Significance of the Study

In modern banking concept one of the most important concepts of Bank or any financial institutions is proper management of credit risks. As SME is one of the most important and significant sectors of credit, risks involved in this type of financing is highest importance. In this study, a conceptual study has been conducted on the SME financing of Janata Bank Limited, Shilpo Nagari Branch, Rangpur. A survey has been conducted to find out the proprietors view on the SME service of Janata Bank Limited, Shilpo Nagari Branch, Rangpur. This study also consists year wise SME loan position of Janata Bank Limited, Shilpo Nagari Branch, Rangpur. This study will help those who want to conduct further research on the prospect of SME financing in Bangladesh.

1.4 Scope of the Study

The main function of the bank is borrowing money from the people by accepting deposits and lending them for development of trade, commerce, industry and agriculture. A Bank is thus a dealer of money and credit. Banks act as financial intermediaries between savers and investors. It is a profit seeking business concern as any other commercial or industrial organization. SME loan is an important mode of investment for the financial organizations. In recent years the financial organizations especially the banks are trying hard to maximize the SME loan exposure. This study covers the aspect of SME credit management policy of Janata Bank Limited, Shilpo Nagari Branch, Rangpur.

1.5 Limitation of the Study:

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 cannot provide due to security and other corporate obligations.
- Credit management in SME is a vast area of studying. To identify the SME risk management procedure, much longer time and vast publicity is needed. Time limitation is also one of the main reasons so for that more detailed study was not possible
- In this report, the work is done on a sample of small respondents. It is not possible to collect whole data within a short time for survey.
- Since the bank personnel were very busy, they could not provide enough time to me.
- Lack of opportunity to visit more than one branch.
- Lack of knowledge and experience among the officials.
- Analyzing with financial data is much more confusing and complicated than any other data.
- Large-scale research was not possible due to constraints and restrictions posed by the organization.

CHAPTER 2

LITERATURE REVIEW

Akterrujjaman (2010) conducted a study where major findings are related to the high interest and loan duration rates, reasons for SMEs relatively informal way of doing business in contrast to bank's formal procedures and prerequisites, bank's relative inexperience in this field.

Chowdhury (1985) made a commendable contribution to the literature in this field. In his study he observed that the rates of interest charged under different credit programmed were high and the security policy was rigid and cumbersome. The negative and restrictive conditions of the credit policies hampered the smooth running of the enterprises of the borrowers.

Chowdhury and Ahmed (2011) observed that non availability of adequate credit, complex loan granting procedure, inadequate infrastructure facilities, problems of collateral requirements, paucity of working capital, non availability of skilled work force; poor salary structure, lack of coordination among SME related organizations, lack of appropriate marketing strategies etc. are the major hindrances to the development of the SMEs in Bangladesh. They recommended easy loan application and disbursement procedure; fix the minimum salary, adequate finance for modernization, expansion and technological advancement of SMEs etc for the development of SMEs.

Jesmin and Rubayat (2009) found that , Strengthening the financial sector is one of the most important issues for enabling Small Scale Industries (SSIs) to perform successfully. Most of the commercial banks as well as other financial institutions are somewhat reluctant to provide loans from own funds to SSIs due to the high credit risk associated with such lending. To overcome this problem a mechanism can be devised to set up a special insurance scheme with funds from the government, donors and even, may be contribution from local financial institutions. This fund can be used to cover, say 70% of the risks.

Khanam and Hasan (2016) conducted a study. The main findings of the study are i) the investment of BASIC bank in the Industrial sector occupies the first position and SMEs get the highest loans (on an average 57%) from the bank over the study period. ii) It is seen that the productivity performance in terms of working fund to total expenses and total income to total expenses have been satisfactory in most of the banks during the study period. iii) It is also observed that the profitability performance in terms of total income, working fund and total deposits have been satisfactory of all the sample banks during the study.

Raquib (1993) wrote and tried to analyze the role and performance of PCBs. In this paper, the role and performance of private sector banks during 1983-1992 has been analyzed in terms of growth of capital and reserves, deposits, loans and advances, quality of lending portfolio, branch expansion, profitability, value of shares, and employment generation. He showed the growth trends of capital and reserves, deposits, loans and advance branch, expansion, profitability, value of shares and employment generation in the PCBs. During the study period from 1983 to 1992, he found a satisfactory performance of the PCBs. He mentioned that about 30 percent of the advanced loans were adversely classified and some of the banks were failing to maintain adequate provision for the classified loans.

Uddin (2014) observed that diverse hurdles like limited financing, high interest rate, poor infrastructure, credit information gap etc. make the performance of SMEs below the global standard in Bangladesh. This study was an analysis to identify some of the constraints related with SMEs financing and some policy implications for the future.

Zaman and Islam (2011) found lack of investment finance and working capital finance, inability to market SME product, lack of skilled technicians and workers, nontariff barriers) and changes in world trade regimes are the major financing constraints faced by SMEs in Bangladesh. and suggested enhancing access to SME finance, development of SME infrastructure, quality of SME products, and training facilities for SME workers and entrepreneurship etc are as some policy measures to overcome those constraints.

CHAPTER 3

METHODOLOGY

The study requires a systematic procedure from selection of the topic to preparation of the final report. To perform the study, the data sources were to be identified and collected, to be classified, interpreted and presented in a systematic manner and key points were to be found out. The overall process of methodology has been given as below.

3.1 Research Design

This is an descriptive type of research. Information collected to furnish this report is both from primary and secondary sources.

3.2 Sources of Data

i) The Primary Data Sources

Questionnaire Survey on Customers of Janata Bank Limited, Shilpo Nagari Branch, Rangpur.

ii) The Secondary Data Source

- Annual reports of Janata Bank Limited.
- Different publications regarding Banking functions by Janata Bank Limited.
- Official website of the Janata Bank Limited.

3.3 Sampling Technique

- **Target Population:** Customers of Janata Bank Limited, Shilpo Nagari Branch, Rangpur.
- **Sample Size:**30
- **Sampling Method:** Simple random sampling method was used as I collected data from the 30 respondents from Janata Bank Limited, Shilpo Nagari Branch, Rangpur.

3.4 Method of Data Collection

For the purpose of the study, the following methods have been applied to collect primary data:

- Questionnaire method to contact with the respondents.
- Face to face conversation with the officers and clients during internship period at Janata Bank Limited, Shilpo Nagari Branch, Rangpur.
- Working experience at different desks in Janata Bank Limited Shilpo Nagari Branch, Rangpur.

3.5 Analytical Technique and Tools

All the necessary data are taken and analyzed in a systematic manner. Mainly Microsoft office, Microsoft excels are used for data analysis and making all the graphs and charts to the related parameter.

CHAPTER 4 ORGANIZATIONAL PROFILE

4.1 History of Janata Bank Limited

After independence in 1971, all banks were nationalized and reorganized into distinct new banks in terms of Nationalization order 1972 of Bangladesh Bank, which was promulgated on 26 March, 1972. Following the order, the erstwhile United Bank Limited and Union Bank Limited were merged and renamed as Janata Bank. Later on, the bank was corporatized and renamed as Janata Bank Limited on 15 May, 2007 with a mission to be the largest commercial bank in the country.

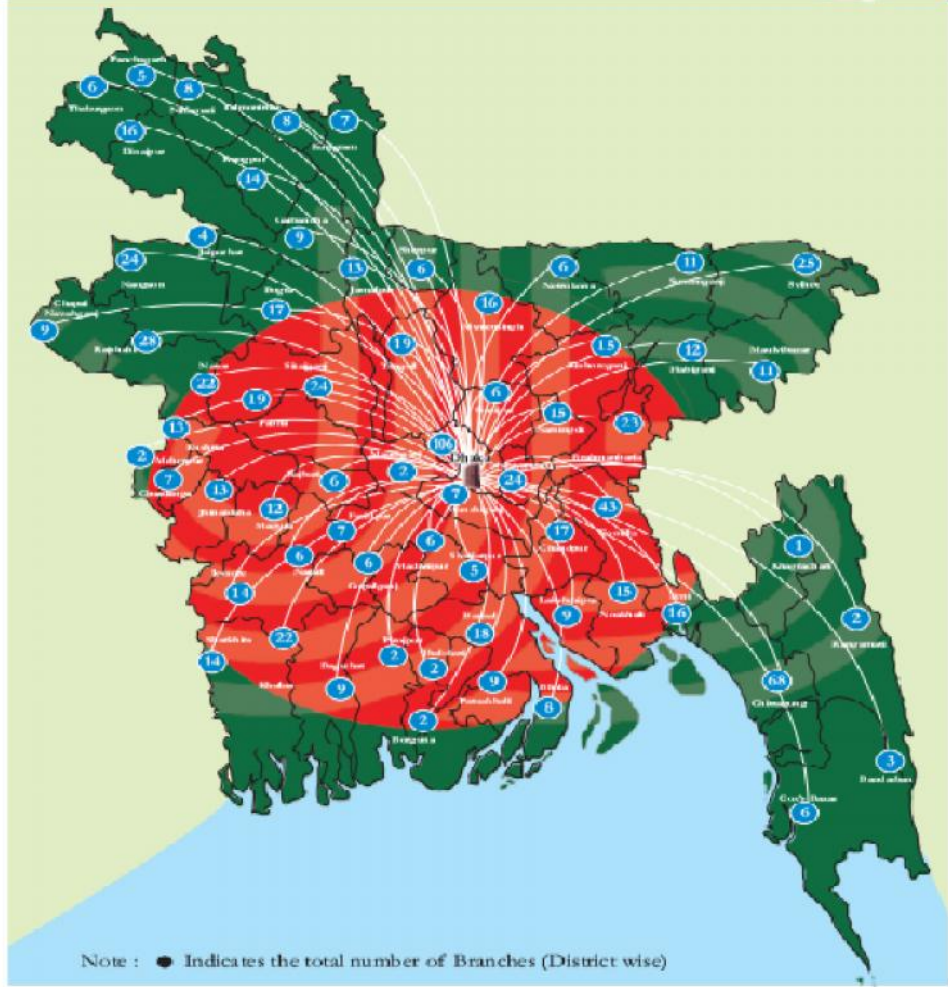
4.2 Branches of Janata Bank Limited

Table 4.1:List of Branches

Branch	Number
Overseas	4
Specialized corporate	2
Corporate-1	25
Corporate-2	74
Grade-1	205
Grade-2	223
Grade-3	273
Grade-4	102
Total	908

Source: Annual Report of Janata Bank Limited, 2016

JBL Network in Bangladesh Map



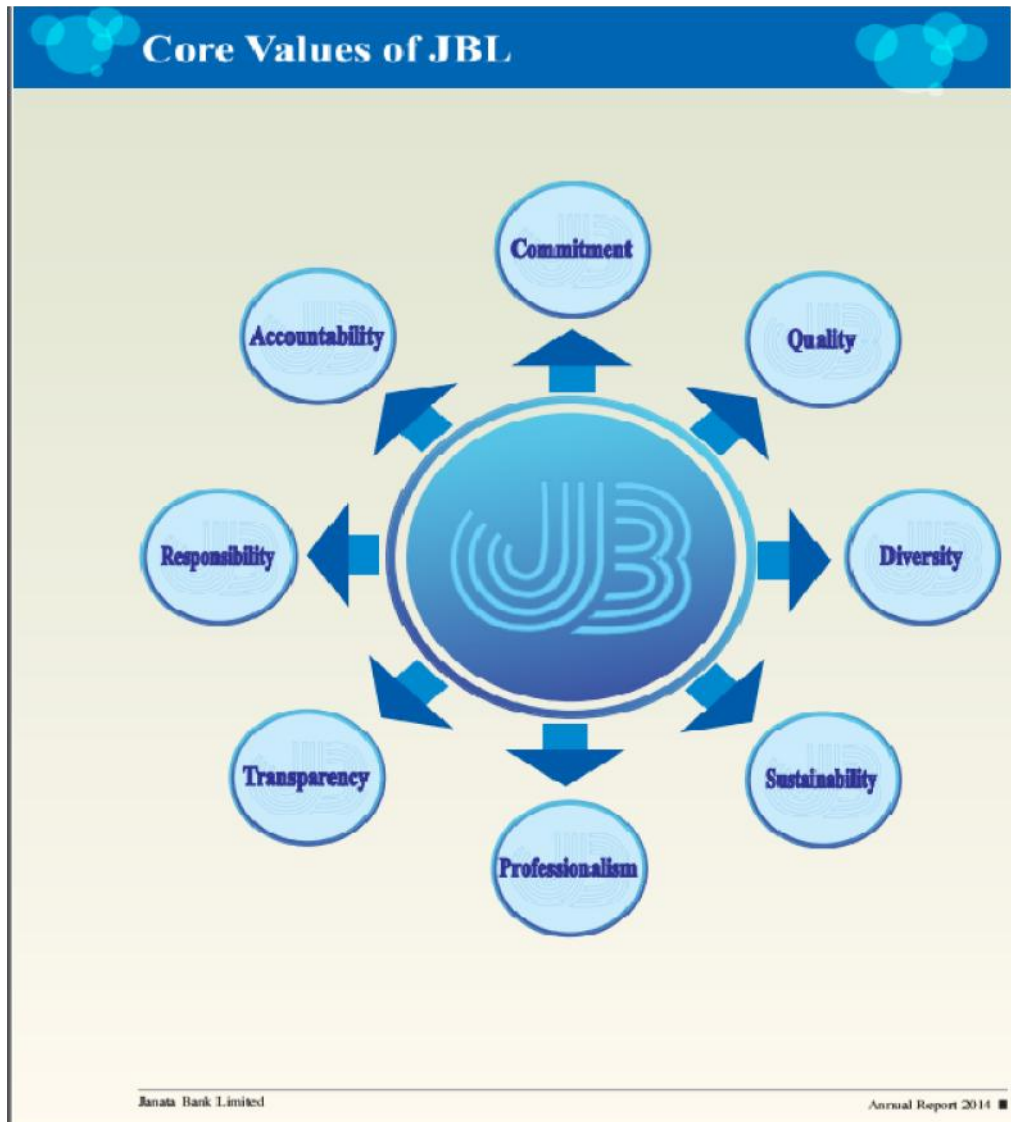
Janata Bank Limited

Annual Report 2014 ■

4.3 An Overview of Janata Bank Limited

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.
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 30,000 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	13,498(As on 31.10.2016)
Banking license obtained from Bangladesh Bank	31 May 2007
Phone	+88 02-9560000, 9566020, 9556245-49, 9565041-45, 9560027-30
Fax	88-02-9554460, 9553329, 9552078
SWIFT	JANBBDDH
Website	http://jb.com.bd
E-mail	md@janatabank-bd.com

4.4 Core Values of Janata Bank Limited



4.5 Vision of Janata Bank Limited

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.

4.6 Mission of Janata Bank Limited

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.

4.7 Objectives of Janata Bank Limited

The objective of JBL is to become the largest commercial bank in Bangladesh by playing significant roles in the banking sector as well as, in the National economy.

Strategically Objectives

Janata Bank Limited has

- Concern
- Commitment
- Competence

Janata Bank Limited needs

- Maintain strong capital
- Sense of belonging (ownership)
- Team spirit
- Human touch with clients
- Managerial efficiency
- Innovative thinking
- Free from corruption
- Improve online banking
- Improvement of IT infrastructure
- Introduction of mobile banking
- Broadening of deposit base
- Expedite cash recovery
- Making all branch profitable
- Improved training program
- Boost up foreign remittance
- Ensure chain of command and discipline
- Correct estimation of borrowers demand
- Proper valuation of security
- Customers preference
- Synthesis of mass banking and elite banking

- Avoid loan sanctioning bureaucracy
- Aware gender sensitivity
- Aesthetic branch infrastructure
- Service mind set

4.8 Ethical Principle of Janata Bank Limited

Bank deals with public money where ethical compliance is very important. Janata Bank Limited maintains its reputation as a law-abiding organization and a good corporate body. Employees are properly guided to conduct business in compliant manner. The policy and procedures regarding Janata Bank's business process are prepared in adherence to the laws and regulations. Janata Bank Limited follows and maintain ethical principles in every sphere of its banking operation and customer services. The main features of employees code of ethics and business conducts are as follows:

- Implement justice and fairness;
- Ensure optimal customer services;
- Maintain privacy and secrecy of customer's information; But at the same time it complies with The Right to information Act-2009;
- Prevent money laundering and corruption;
- Protects and upholds corporate values;
- Maintain accuracy and transparency in financial reporting;
- Protect natural environment;

4.9 Organizational Organogram



Figure 4.1: Organizational organogram of Janata Bank Limited

4.10 Products and Services of Janata Bank Limited

There are many state owned and private commercial Bank in Bangladesh. Among all JBL is the second largest state owned commercial Bank. JBL provide both corporate and retail banking services with a strong focus on socio economic development of the country. The bank typically provides short term working capital loan and limited long term credit exposure. Moreover, JBL offers micro enterprise and special credit as well as rural banking. Under corporate banking services, JBL provides trade finance, consumer finance, project finance and syndicate finance. On the other hand, various deposit scheme and remittance facilities are delivered through retail banking.

4.10.1 Products

Deposits	Loans & Advances
<p>Current & Call Deposits</p> <ul style="list-style-type: none"> • Current Deposit • Call Deposit • Deposit in Foreign Currency • Resident Foreign Currency Deposit • Deposits in FC(WES) • Convertible Taka A/C Deposit <p>Saving Bank Deposits</p> <ul style="list-style-type: none"> • Saving Bank Deposits • Q-Cash Deposit • NRB FC Deposit • School Banking Deposit <p>Term Deposits</p> <ul style="list-style-type: none"> • Fixed Deposit • JB Double Benefit Scheme • JB Monthly Benefit Scheme • Retirement Savings Scheme • JBL Retirement Savings Scheme • Continuous Benefit account <p>Monthly Deposit Scheme</p> <ul style="list-style-type: none"> • Deposit Pension Scheme • JB Savings Pension Scheme • Medical Deposit Scheme • Education Deposit Scheme • GhoreGhoreSanchay • JB Special Deposit Scheme <p>Special Notice Deposit</p> <ul style="list-style-type: none"> • Convertible taka A/C (SND) 	<p>Term Loan</p> <ul style="list-style-type: none"> • Industrial Credit (IC) • Housing Building Loan • Agro based Industry/Project Loan • Loan for Overseas Employment • Consumer Credit <p>Small and Medium Enterprise Loan</p> <ul style="list-style-type: none"> • Manufacturing Sector Loan • Trading Sector Loan • Service Sector Loan <p>Continuous Loan</p> <ul style="list-style-type: none"> • Cash Credit • Export Cash Credit (ECC) • Secured Overdraft (SOD) <p>Rural & Agro Credit</p> <ul style="list-style-type: none"> • Crop Loan • Fishery Loan • Animal Husbandry Loan • Agricultural Machineries Loan • Rural Transport Loan <p>Poverty Alleviation program</p> <ul style="list-style-type: none"> • Small Farmers & Landless Laborers • Self Employment Scheme <p>Specialized Loan Program</p> <ul style="list-style-type: none"> • Special Credit Program for women Entrepreneurs <p>Micro & Cottage industries loan</p> <ul style="list-style-type: none"> • Dairy/Poultry/Fish Culture

4.10.2 Services

Financial Services (Inland Remittance)

- Demand Draft (DD)
- Telephonic Transfer (TT)
- Mail Transfer (MT)
- JB remittance payment system

(Deposit/withdrawal from any branch)

Financial Services (Foreign Remittance)

- Online Speedy Remittance
- Maintaining NRT Account
- Foreign MT
- Foreign Remittance
- Foreign Demand Draft
- Collection of Draft, Cheque, TC
- Foreign Currency Endorsement

Other Financial Services

- Pay Order
- Pay Slip
- Security Deposit Receipt (SDR)
- Locker Service

Utility Services

- Gas Bills Collection
- Electricity Bills Collection
- Telephone Bills Collection
- Water/Sewerage Bills Collection
- Municipal Holding Tax Collection
- Port Bill Collection
- Land Rent Collection

ATM Service

- Cash withdrawal
- Balance inquiry
- Mini statement of accounts
- Point of Sale (POS)

Welfare Service

- Payment of Non- Govt. Teachers' Salaries
- Payment of Primary and Secondary Girl Students Stipend
- Payment of Army Pension/Civil Pension
- Payment of Widows, Divorcees and Destitute Women Allowances
- Payment of Old-age/Disabled Allowances
- Food procurement bills

Service to the Government

- Sale of Prize Bond
- Sale of Wage Earner Bond (WEB)
- Sale of SanchayPatra (SP)
- VAT collection
- Tax collection
- Excise duty collection

Other Service

- SMS banking
- Sale of Lottery Ticket
- Foreign Currency Buying and Selling
- Bangladesh Electronic Fund Transfer Network (BEFTN)
- Bangladesh Automated Clearing House (BACH)

Internet based Foreign Remittance Cash Payment Services:

- Speedy Remittance Cell
- Western Union
- IME
- Placid NK Corporation
- X-Press Money
- NBL Quick-Pay
- Prabhu Group Inc
- Trans Fast Remtt
- Ria Financial service
- Marchentrade
- EZ Remtt
- CBL Money Transfer

4.11 Contribution of Janata Bank Limited in Banking Sector of Bangladesh:

Banking sector of Bangladesh operates consisting of 56 banks having more than 9 thousand branches. Along with maximum contribution to the socio-economic development of the country, Janata Bank Limited has earned 10,720.50 million operating profit in 2015 which is the highest among the State Owned Commercial Banks. Data as on 31 December 2015 shows 8.36% of assets, 7.76% of deposit, 5.83% of loans and advances of the banking sector are possessed by JBL. Details are narrated below:

Table 4.2.:Contribution of Janata Bank Limited

Sl.	Component	Amount (Taka in million)	Market Share (%)
1	Loan and Advances	349,861.30	5.83
2	Deposits	568,911.14	7.76
3	Total Assets	683,157.58	8.36
4	Import	147,181.80	5.19
5	Export	145,373.60	5.79
6	Foreign Remittance	101,348.20	9.48
7	Branches (number)	908	10.00
8	Manpower (number)	14,151	8.00

Source: Annual Report of Janata Bank Limited, 2015

4.12 Forward Looking Statements of Janata Bank Limited

Forward looking statements of Janata Bank Limited comprehends management views and advance thinking based on the hypothesis of business condition, future expectation etc. Where economic scenario of the country and sustainability which are subject to some known & unknown risk. As a result concrete performance or results may be adverse or materially different from original plan due to a variety of factors including those without limitation to the followings:

- Variations in fiscal, monetary and trade policies;
- Variations in national economic and financial conditions;
- Modifications in regulatory guidelines and government policy issues;
- Alterations in accounting standards;
- Changes in corporate tax structure;
- Modifications in legislation and regulation of VAT on banking services;

- Refinement in confidence and behavior of customers;
- Instability in capital markets;
- Volatility of interest rate and money market;
- Changes in socio-economic condition arises from natural calamity and political disturbance;
- Global embargo/unrest in various countries affecting flow of remittances and trade;
- Changes in market structure and increases of business competitor;
- Adverse impact of inflationary pressure;
- Increase of provision requirement;
- Unforeseen natural disasters;
- Directives to reduce the lending rates to finance essential commodities.

CHAPTER 5

SME FINANCING ACTIVITIES OF JANATA BANK LIMITED

5.1 Small and Medium Enterprise (SME)

SME can be defined by a simple sentence “Small Business with Big Opportunity”.

Table 5.1:New Definition of SMEs on the Basis of Business Size

Business Segment	Business Type	Defining Criteria	
		Fixed asset at cost (Excluding land & building)	Manpower
Small	Manufacturing	Tk. 50 Lac-Tk. 10 Crore	25-99
	Service	Tk. 5 Lac-Tk. 1Crore	10-25
	Trade	Tk. 5 Lac-Tk. 1Crore	10-25
Medium	Manufacturing	Tk.10 Crore-Tk. 30 Crore	100-250
	Service	Tk.1Crore-Tk.15 Crore	50-100
	Trade	Tk.1Crore-Tk.15 Crore	50-100
Cottage	Manufacturing Predominant family	Up to 50,000	10
Micro	Manufacturing	Tk.5lac-Tk.50 lac	10-24
	Service	Less than Tk.5 lac	10
	Trade	Less than Tk. 5 lac	10

(Source: Bangladesh Bank SMESPD Circular No.01)

5.2 SME Finance

SME Finance is the funding of small and medium sized enterprises and represents a major function of the general business finance market – in which capital for different types of firms is supplied, acquired and cost/priced.

5.3 SME Financing of Janata Bank Limited

Janata Bank Limited is actively involved in SME financing. Through providing credits in this sector the bank plays a crucial role in income generation in rural and sub-urban areas through creation of employment opportunities. The bank extended term loans and working capital to different producers, business people and service providers under this sector. The industries that are notable belong to such sectors as, textiles, jute, garments, environment friendly brick production, light engineering, cottage industries, handicraft, accessories of readymade garments etc.

Table 5.2: Year Wise SME Financing of Janata Bank Limited

Year	Disbursement(taka in million)
2010	19596.10
2011	22081.70
2012	24418.60
2013	25117.50
2014	34269.50
2015	39252.20

Source: Annual Report of Janata Bank Limited

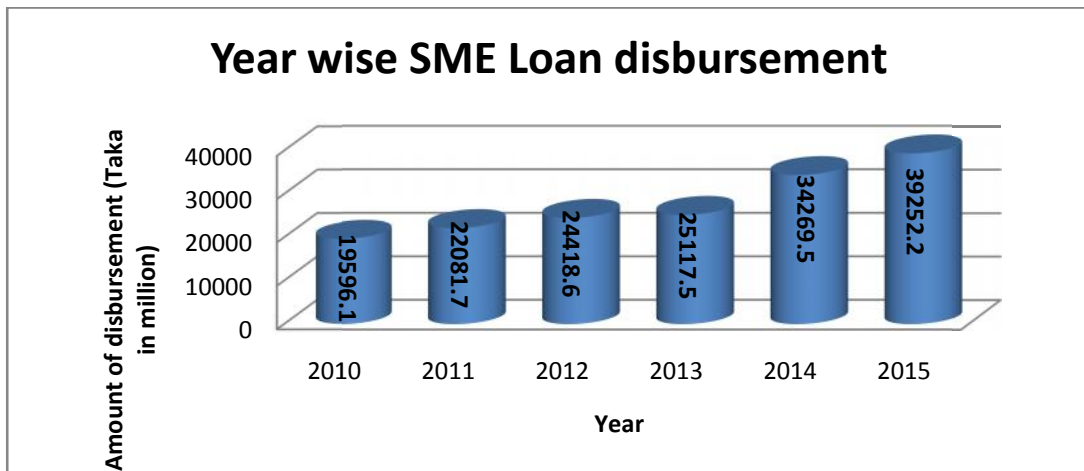


Figure 5.1: Year wise SME Financing of Janata Bank Limited

Janata Bank Limited is continuously trying to increase its loan portfolio in various sectors. Over the last few years the management of Janata Bank Limited is trying hard to enhance the SME exposure. The portion of SME Loan over the last few years reflects the fact.

5.3.1 Purpose of SME Loan:

- Working capital.
- Purchasing of capital machinery.
- Delivery Van /Transport for business purpose.
- Renewing office/ Business premises.
- Purchase of commercial land, possession for new venture.
- Other eligible portfolio of the bank.

5.3.2 Structure of SME Division

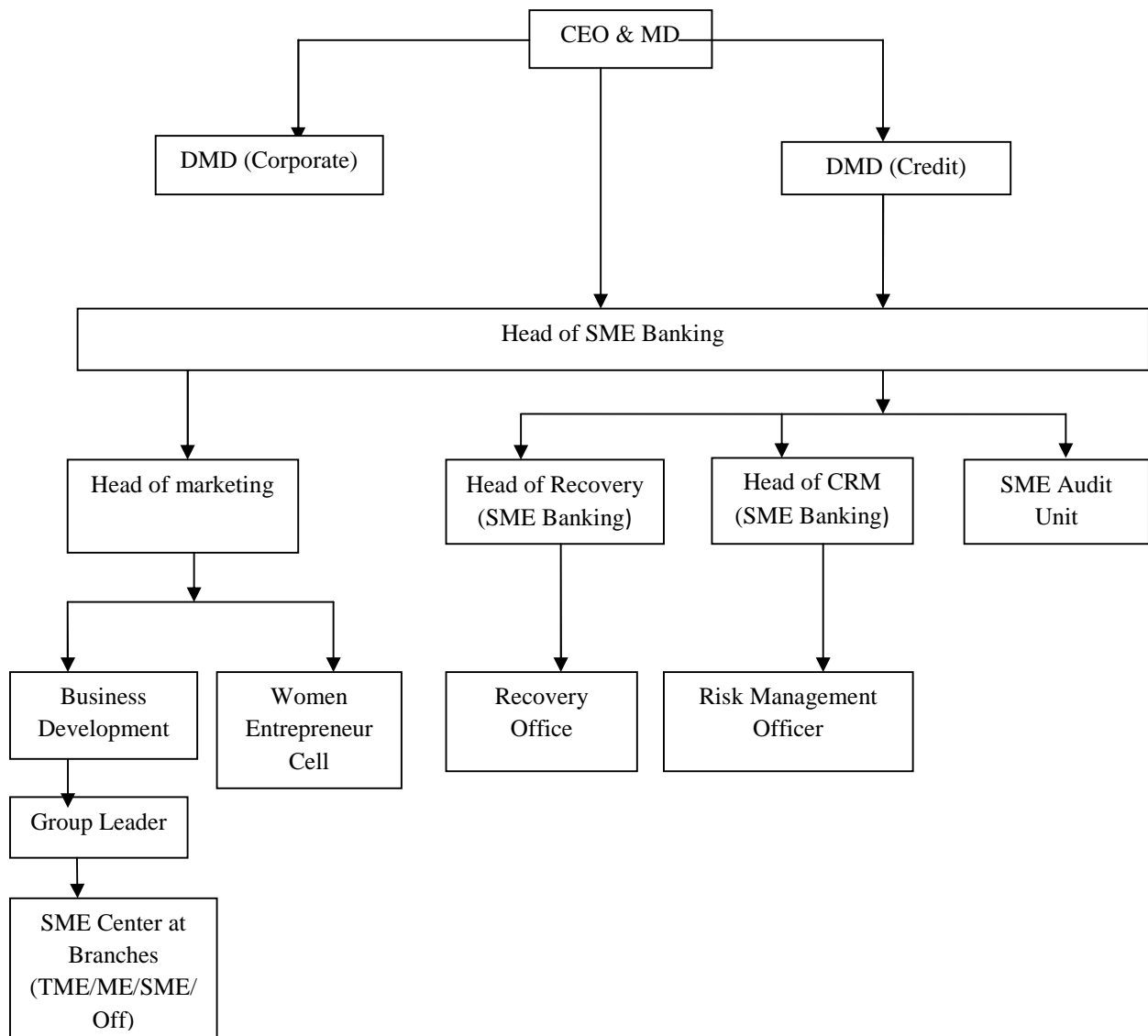


Figure 5.2: Structure of SME Division

5.3.3 Criteria and Conditions of SME Loan

5.3.3.1 Acceptable Entrepreneur

- Entrepreneurs must be Bangladeshi citizen.
- Age must be above 18 years.
- The entrepreneur should have related professional experience, good managerial ability, adequate capital, financial solvency, good repayment behavior, technical & marketing related knowledge, training.
- The entrepreneur should have capability of utilization and repayment of loan.
- Must have acceptable CIB report from Bangladesh Bank.
- Defaulters of any bank or financial institution are not considered under this lending program.

5.3.3.2 Credit Duration

- Short term loan (up to 12 months).
- Medium term loan of 4 years duration including six months grace period. Total amount with interest to be refunded in seven installments.
- Loans are renewable given satisfactory dealing.

5.3.3.3 Credit Limit

- Small Industry: Tk 2.00 lac to TK 50.00 lac.
- Medium Industry: Tk 51 lac to TK 1000.00 lac.
- Cash Credit: Maximum 100% of current capital or 75% of total inventory and receivables.

5.3.3.4 Debt-Equity Ratio

- From TK. 2.00 lac to TK. 10.00 lac - 50:50
- From TK. 10.00 lac to TK. 1000.00 lac - 60:40
- The entrepreneurs putting high equity are preferred.

5.3.3.5 Guarantee

For SME credit above TK. 50,000 collateral security should be taken covering the loan amount.

5.3.3.6 Rate of Interest

1. Small Industry: 13%
2. Medium Industry: 13%

5.3.3.7 Approved SME Credit Sector

According to SME development policy -2005 of Ministry of Industry, the following sectors are selected for targeted development:

1. Software Development.
2. Agro-processing/Agri-business/plantation agriculture/tissue culture.
3. Leather Goods.
4. Health services and Diagnostics.

5.3.4 SME Loan Disbursement System of Janata Bank Limited

5.3.4.1. Terms and Conditions of SME Loan Disbursement

At the time of lending, bank judges the customer's credit worthiness. Bank collects information from various sources for the security of credit information which is very essential for unsecured loan. Bank can collect information from the following sources-

1. SME Loan application form.
2. Ownership and changes there in.
3. Analysis of financial statement.
4. Analysis of past transaction made with the bank.
5. Credit Information Bureau Report (CIB Report)
6. Personal interview.

5.3.4.2 Credit Granting Process:

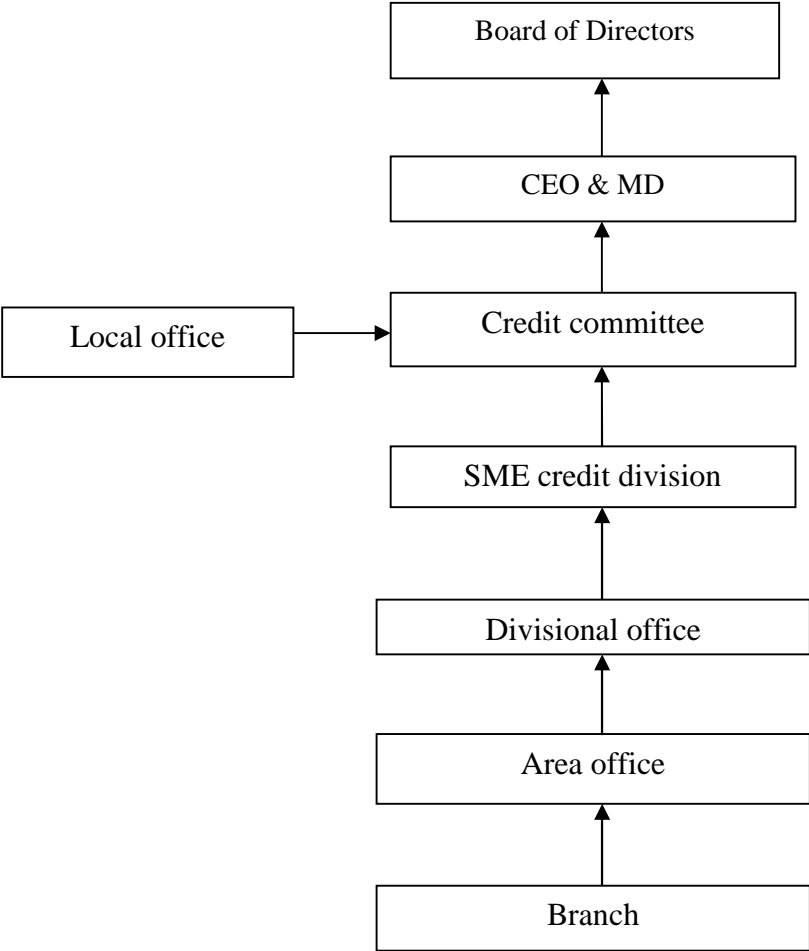


Figure 5.3: Credit Granting Process

5.3.4.3 Diagrammatically Loan Disbursement Procedure

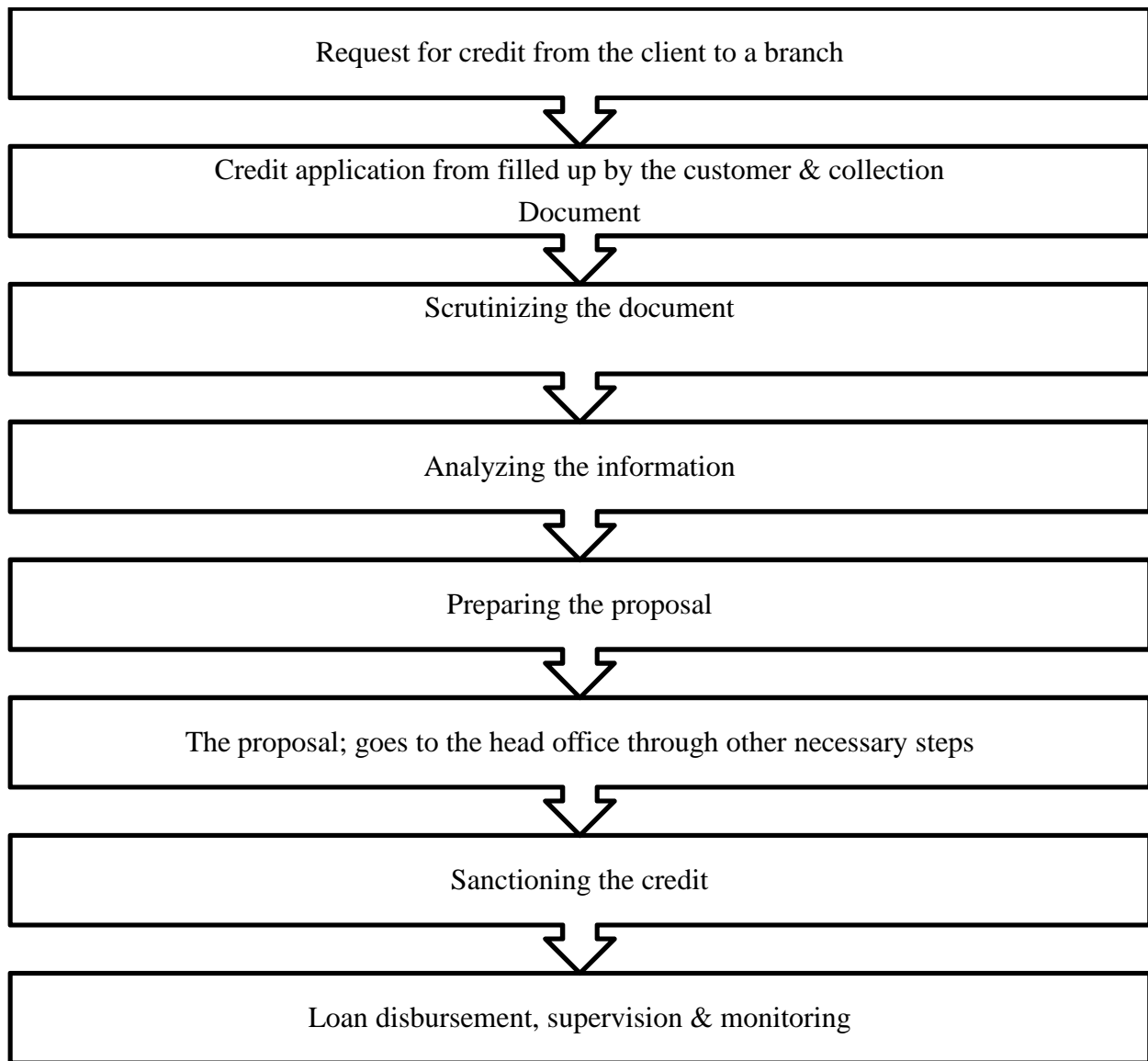


Fig 5.4: Loan Appraisal and Approval Process

5.3.4.4 Marketing Process Related to SME Loan

5.3.4.4.1 Marketing Process

In terms of marketing the SME loans the financial institutions start out with extensive business and marketing plans to attract potential customers. A good marketing plan starts with segmenting the potential market and then start to provide service. The marketing structure of Janata Bank Limited is as follows:

Geographic Segmentation: In terms of SME Loan, it targets every region around the country in terms of small business. The dedicated SME marketing officer is attached with all the branches to hunt the SME clients and nurture the existing ones which means each and every branch of Janata Bank Limited acts like a dedicated SME office.

Demographic Segmentation: The demographic segmentation is of very importance in SME loan disbursement in Janata Bank Limited. For example, the age of the SME clients must range between 20 to 60 years.

Psychographic Segmentation: In terms of SME Loan, clients are different in attitudes, interest and activity like some are time constrained and some are money constrained. So bank always tries to focus these things and then very carefully provide the loans to the clients.

Behavioral Segmentation: In terms of SME loan, few clients would be found who are very much highly educated like graduate or post graduate. In the present scenario of Bangladesh, the highly educated people don't get attracted to SME loans. That is why the behavioral segmentation plays a major role in determining which segment of prospective customers to go for while selecting the client.

5.3.4.4.2 Target Marketing

There are too many different types of customers with too many different kinds of needs. In terms of SME loans, target market of Janata Bank Limited is small and medium enterprise. There are three sectors of target marketing which SME follows: Trading, Manufacturing and Service.

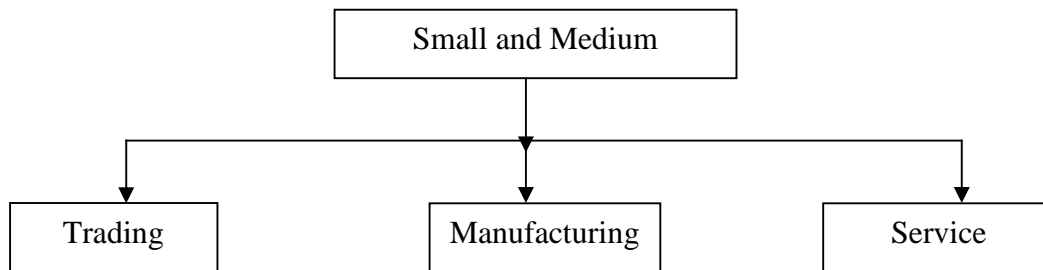


Figure5.5: Target Marketing of Janata Bank Limited for SME financing

As the sectors of loan disbursement are different, there are different strategies before and after loan disbursement. The marketing officers are chosen in such a way that they can handle different types of customers.

5.3.4.4.3 Market Positioning

In Bangladesh, there are banks and non banking financial organizations which are relentlessly trying to market their loan products to customer. That is why Janata Bank Limited has taken some innovative strategies to make a strong position in the market. The marketing officers are very customer friendly.. For market positioning Janata Bank Limited SME division provides the services like:

- **Rescheduling System-** If after taking SME loans any customer gets any problem in repaying the loan then the rescheduling process is made for the ease of the customer.
- **Direct Service-** To get the loan the marketing officers do all the hard work. They provide the service in the holidays for the clients' support.

5.3.4.4 Developing Marketing Mix

Janata Bank Limited SME division plans to mix its products in the following manner:

a. Product: In view of the SME loan, Janata Bank Limited has 2 types of loan: Short term loan and mid term loan. Short term loan product means 12 months tenor and mid-term means tenor up to 36 months.

b. Price: In terms of SME Loan, Janata Bank Limited receives a certain amount of processing fees and stamp charge for giving loan to customer.

c. Place: Janata Bank Limited SME division is always active in reaching the customers point of contact as much as they can. Dedicated SME officers are deployed in each and every corner of the country.

CHAPTER 6 RESULT AND DISCUSSION

6.1 Analysis of Data on the Basis of Customer Responses

Data analysis is done on the basis of responses of customers indifferent questions and it is given below.

6.1.1 Age Limit of the Clients

The following table shows age limit of clients who take SME loan from Janata Bank Limited , Shilpo Nagari Branch, Rangpur.

Table 6.1: Age limit of the clients

Particular	Frequency
Below 30 years	2
30-50 years	24
Above 50 years	4

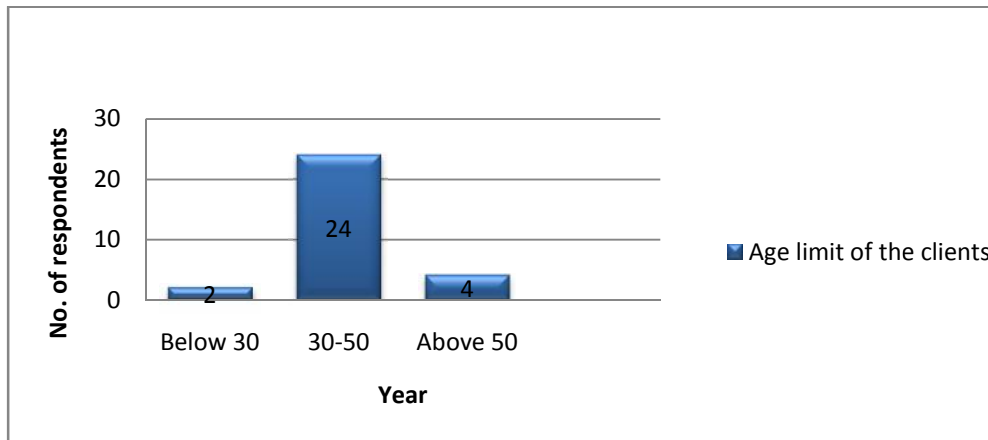


Figure 6.1: Age limit of the clients

In this survey, it was found that 80% (24) of the surveyed clients are between 30-50 years. For SME banking in Bangladesh, it would be risky to provide loans above 60 aged clients and Janata Bank Limited SME authority also discourages the loan to the proprietors aged above 60.

6.1.2 Educational Qualification of the Clients

The following table is showing educational qualification of clients who get the facility of SME financing by Janata Bank Limited , Shilpo Nagari Branch, Rangpur.

Table 6.2: Educational qualification of the clients

Particular	Frequency
<10 years	3
10years	8
12 years	11
16 years	6
>16 years	2

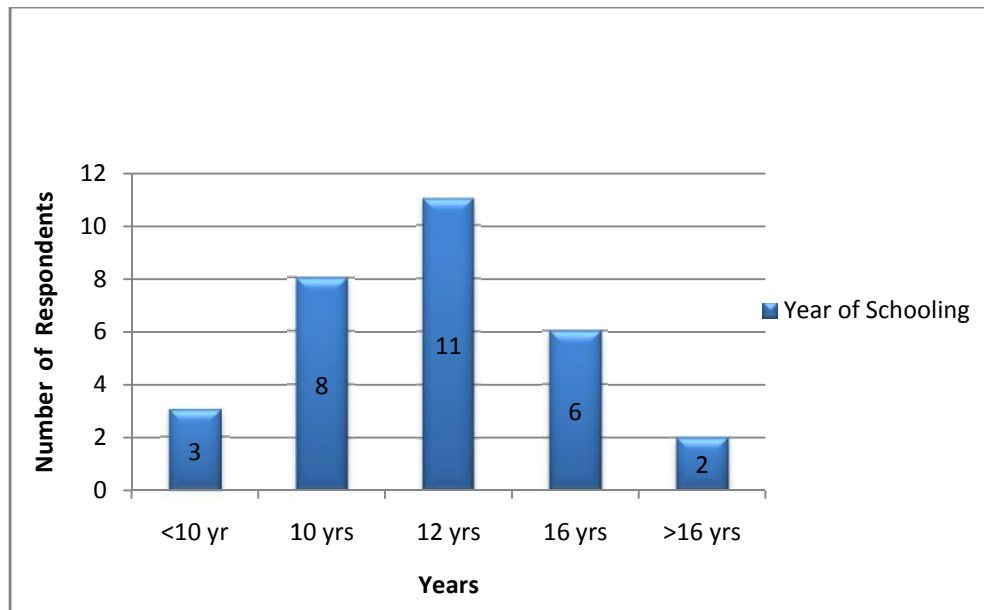


Figure 6.2 : Educational qualification of the clients

In the survey, it was found that educational qualifications of most of the proprietors are 12 years. In Bangladesh, a common perception about the SME customers is that educationally they are not much advanced. The result of the surveyed clients also reflects that perception.

6.1.3 Enterprise Profile

The following table shows enterprise profile of the proprietors who take SME loan from Janata Bank Limited, Shilpo Nagari Branch, Rangpur.

Table 6.3: Enterprise profile of the proprietors

Particular	Frequency	Percentage
Trading	16	53.3%
Manufacturing	10	33.3%
Service	4	3.3%

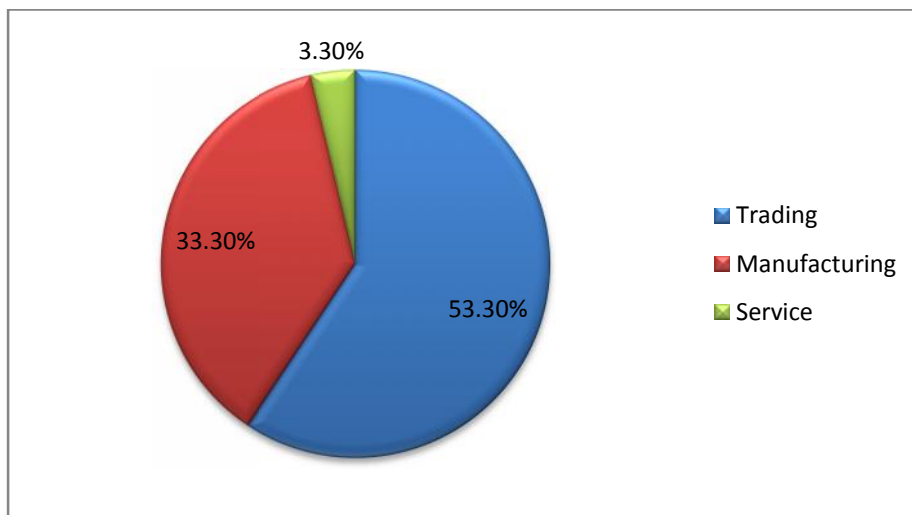


Figure 6.3: Enterprise profile of the proprietors

In the survey, it was found that trading concern is the major portion of the interviewed SME proprietors. 53.30% of the proprietors run the trading business while manufacturing percentage is 33.30% and service is only 3.30%.

6.1.4 Business Experience of the Proprietors

To know about business experience of the proprietor's five ranges of years are used and it is shown in following table.

Table 6.4: Business Experience of proprietors

Particulars	Frequency
<5 years	6
5-10 years	13
11-15 years	8
16-20 years	2
More than 20 years	1

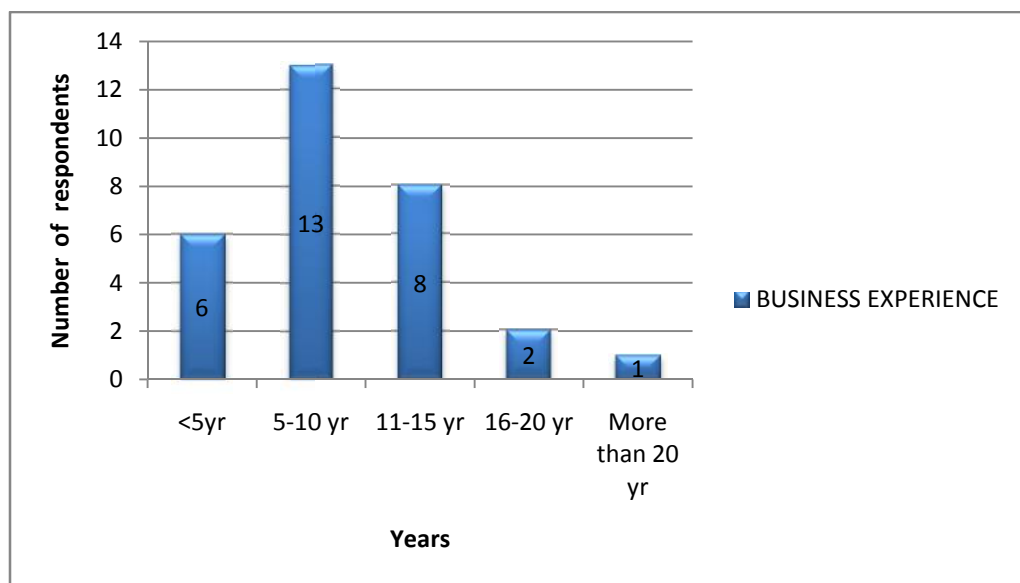


Figure 6.4: Business Experience of proprietors

In the survey, it was found that the maximum portion of the sample lies in the range of 5-10 years (13), the second highest is 5-10 years (8).

6.1.5 Most Common Obstacles in Business

SME business persons have to face different obstacles. The following table shows some such obstacles faced by the clients of Janata Bank Limited, Shilpo Nagari Branch, Rangpur.

Table 6.5: Most common obstacles in business

Particular	Frequency	Percentage
High cost of inputs	7	23.3%
Fluctuations in sales	5	16.7%
Increasing competition	7	23.3%
Political unrest	8	26.6%
Other	3	10%

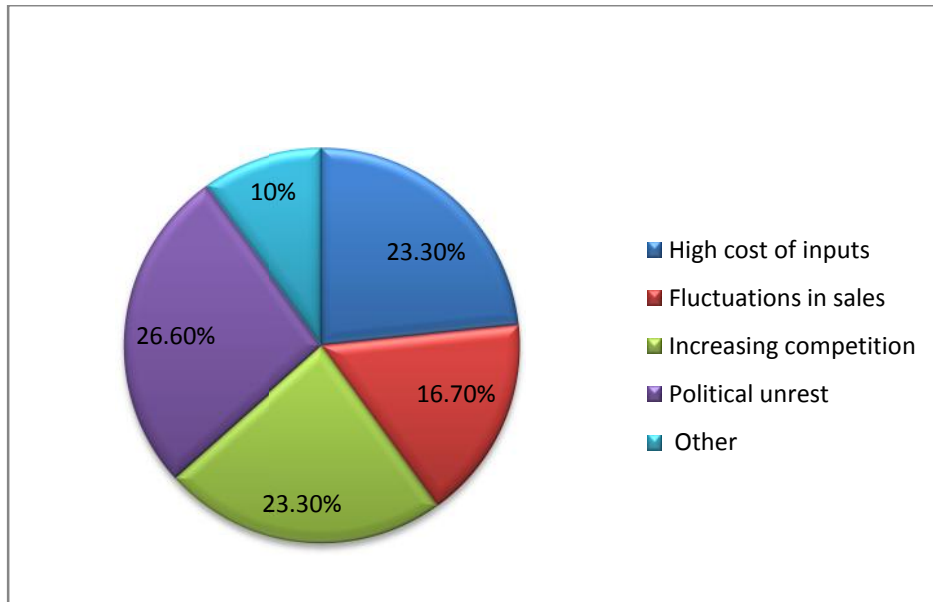


Figure 6.5: Most common obstacles in business

From the responses obtained, most number of respondents marked political unrest as the most common problem. 26.60% responses were obtained in favor of that cause. The second most important reason was found both increasing competition and high cost of inputs (23.30%). The third cause was fluctuations in sales (16.70%). Rest of the respondents were given other choices.

6.1.6 Major Use of the SME Loan

Different clients use SME loan for different purposes. The following table shows the major uses of SME loan.

Table 6.6: Major Use of the SME loan

Particular	Frequency	Percentage
Raw material purchase	15	50%
Salary	6	20%
Daily expenses	3	10%
Salary & daily expenses	4	13.3%
Pay creditors	2	6.7%

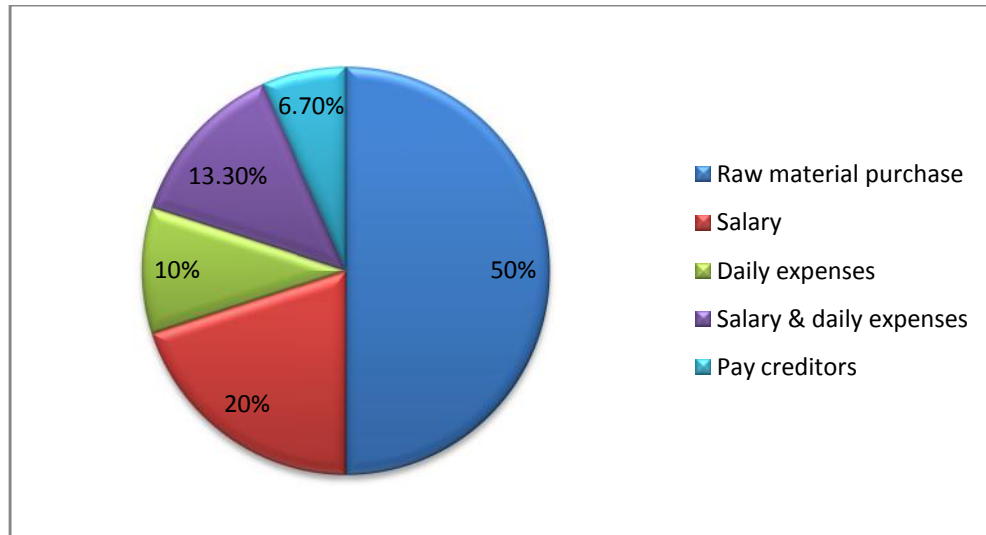


Figure 6.6: Major Use of SME loan

From the responses obtained, it is observed that the loan is mostly used for purchasing raw materials. 50% respondents agreed that the most use of this loan is for purchase of raw materials. Salary (20%) is second most used purpose of the loan. 10% and 13.30% of respondents use loan for daily expenses and salary & daily expenses respectively. Paying the creditors' is another use of the loan. 6.70% respondents agreed to the fact.

6.1.7 Repayment Pattern of SME Loan

Repayment pattern of loan varies client to client who take SME loan from Janata Bank Limited, Shilpo Nagari Branch, Rangpur. The following table shows repayment pattern of SME loan.

Table 6.7: Repayment Pattern of SME Loan

Particular	Frequency	Percentage
Regular	17	56.6%
Irregular	9	30%
Overdue	4	13.3%

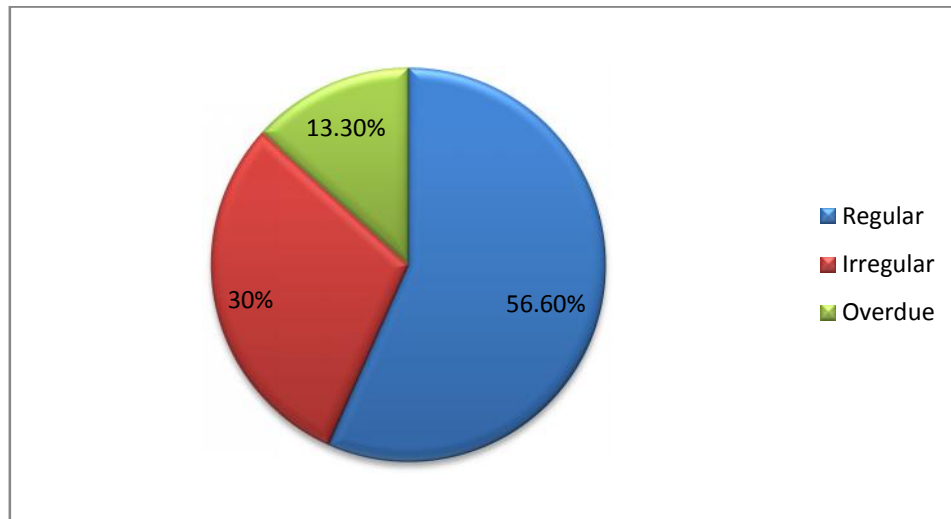


Figure 6.7: Repayment pattern of SME loan

Here 56.6% people are regular to repay their loan but the rest are irregular and overdue.

6.1.8 Reasons for Default in Repayment

The clients of Janata Bank Limited, Shilpo Nagari Branch, Rangpur were unable to repay the loan for various causes. The following table shows the reasons for default in repayment.

Table 6.8: Reasons for default in repayment

Particular	Frequency	Percentage
Shortage of time	8	26.6%
Lack of profit	7	23.3%
Due to high interest rate	6	20%
Lack of Government incentive	9	30%

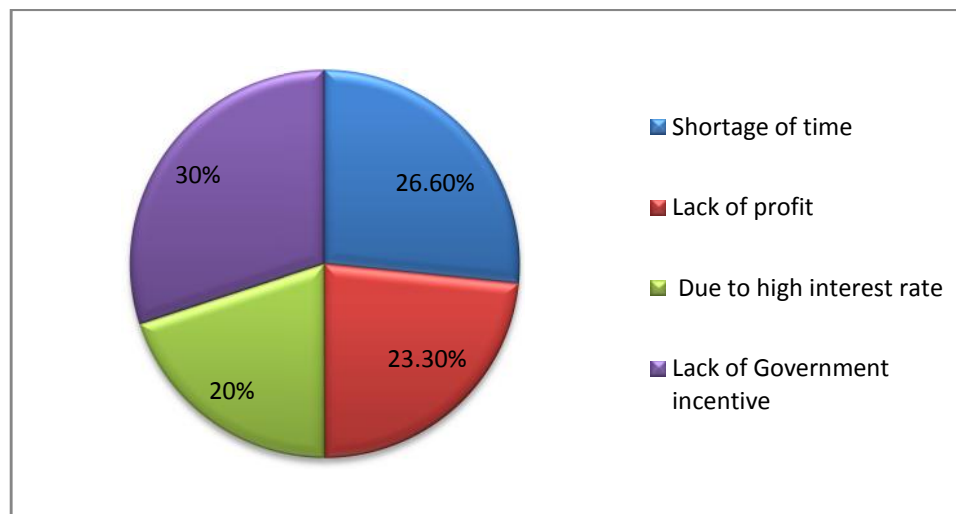


Figure 6.8: Reasons for default in repayment

Here 30% people default because of lack of government incentives, 26.60% of people due to shortage of time, 23.30% lack of profit and 20% are because of high interest rate.

6.9 Analysis of Services of Loan Division of Janata Bank Limited, Shilpo Nagari Branch, Rangpur:

Table 6.9: Analysis of services of Janata Bank Limited Loan Division in (%)

Statements	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
Employees behavior with customers is good	16.7%	26.7%	16.7%	20.0%	20.0%	100.0%
Service charge is reasonable	20.0%	36.7%	13.3%	20.0%	10.0%	100.0%
The processing of providing loan is quick	13.3%	3.3%	16.7%	30.0%	36.7%	100.0%
Procedure of getting loan is easy	10.0%	13.3%	26.7%	23.3%	26.7%	100.0%
The terms and conditions regarding loan sanction are satisfactory		11.3%	23.3%	65.3%		100.0%
The bank keeps customers informed about when loans and advances are provided.		33.3%	40.0%	23.3%	3.3%	100.0%
Your loan transaction with JBL is safe	30.0%	13.3%	13.3%	30.0%	13.3%	100.0%
The bank's authority tries to provide its services at the same time it promises to do so.	10.0%	16.7%	6.7%	30.0%	36.7%	100.0%
The formalities followed by the bank providing loan are necessary.	43.3%	56.7%				100.0%
When problems arising from loan facilities the JB authority shows sincere concern on it	16.7%	20.0%	33.3%	20.0%	10.0%	100.0%
The loan interest rate is competitive	23.3%	10.0%	33.3%	13.3%	20.0%	100.0%

**Graphical Analysis of Services of Janata Bank Limited, Shilpo Nagari Branch, Rangpur
Loan Division:**

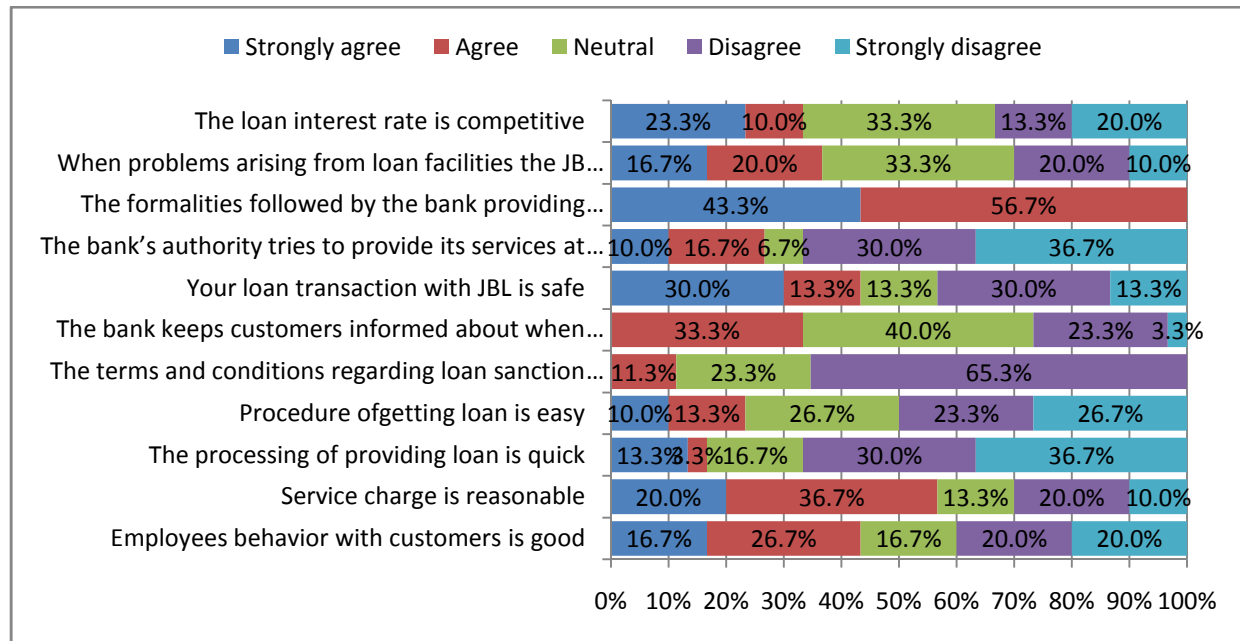


Figure6.9: Analysis of Services of Janata Bank Limited Loan Division

- i. 43.4% people are positive about employee's behavior with customer.
- ii. 36.7% customer agree and 20% strongly agree with that service charge is reasonable.
- iii. 36.7% customer strongly disagrees and 30% customer disagree with that the processing of providing loan is quick.
- iv. 50% customers give negative opinion about processing of getting loan.
- v. The bank keeps customers informed about when loans and advances are provided-in that question 40% people is neutral.
- vi. The formalities followed by the bank providing loan are necessary in that question 100% respondents are agree and strongly agree.
- vii. The bank's authority tries to provide its services at the same time it promises to do so- in that question most of the respondents (66.7%) are negative.
- viii. When problems arising from loan facilities the Janata Bank Limited authority shows sincere concern on it in that question most of customer (33.3%) are neutral.
- ix. .About competitiveness of loan interest rate 33.33% of customer is neutral.

6.2 Loans And Advance Position of Janata Bank Limited, Shilpo Nagari Branch, Rangpur:

Janata Bank Limited is currently poised among the top ranked banks in Bangladesh. Their relentless endeavor to succeed leads them to enhance their loan portfolio each and every year. From the following table it can be observed that, the total advance of Janata Bank Limited, Shilpo Nagari Branch, Rangpur increased from 2010 to 2015.

Table 6.10: Year wise total Loan disbursement

Year	Disbursement(taka in millions)
2010	2537.65
2011	3268.77
2012	4633.26
2013	50,38.78
2014	6323.14
2015	72,73.54

Source: Loan and Advances Balancing Report of Janata Bank Limited, Shilpo Nagari Branch, Rangpur, 2015

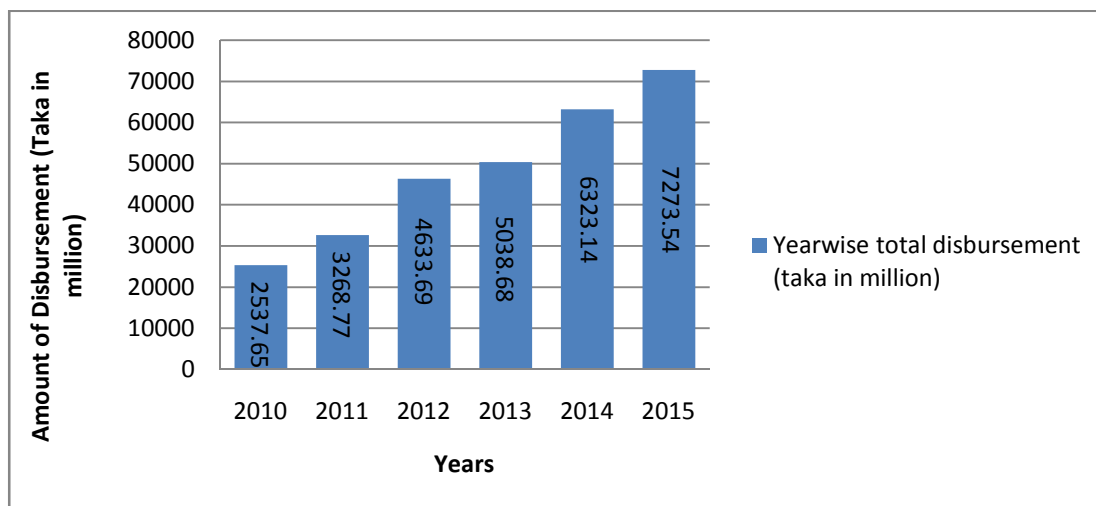


Figure 6.10: Disbursed total loan position in last 6 years

6.3 Performance of Janata Bank Limited in SME Sector at Shilpo Nagari Branch, Rangpur

Table 6.11: Year wise SME Loan disbursement

Year	2010	2011	2012	2013	2014	2015
Disbursement (taka in million)	87.60	127.75	212.17	265.12	328.89	505.13
Number of borrower	16	22	25	30	42	51

Source: Loan and Advances Balancing Report of Janata Bank Limited, Shilpo Nagari Branch, Rangpur, 2015

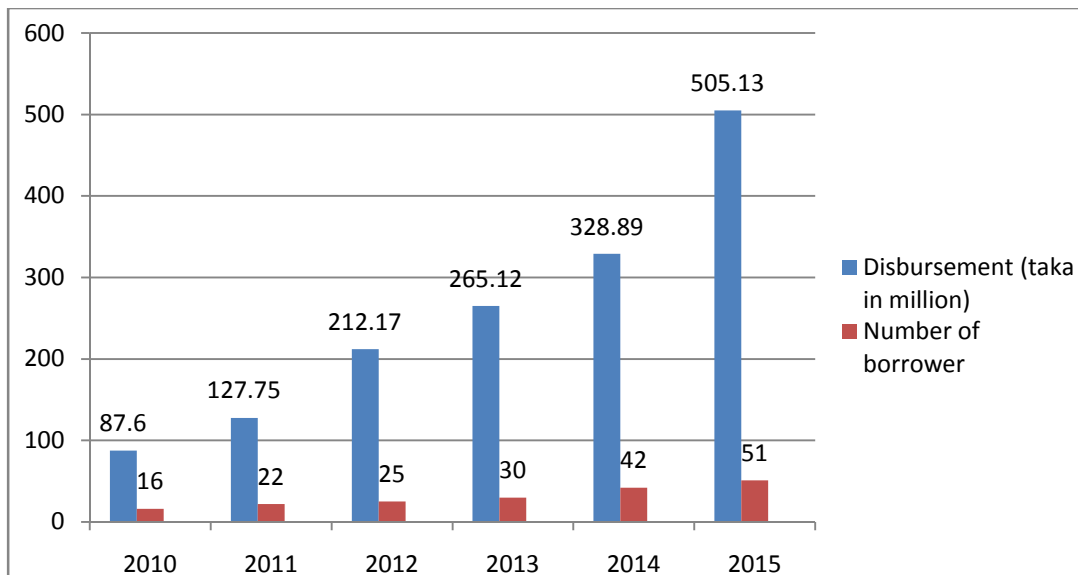


Figure 6.11: Year wise SME Loan disbursement

In SME, they are also trying to increase their financing. In 2010, the SME loan disbursement was 87.60 million taka. in 2015 it became 505.13 million taka. The figure shows the year wise steady growth of SME in last 6 years starting from 2010 to 2016.

6.4 Percentage of SME Loan to Total Loan of Janata Bank Limited

Year	Total loan Disbursement(taka in millions)	SME loan Disbursement(taka in millions)	Percentage of SME Loan to Total Loan
2010	2537.65	87.60	3.45%
2011	3268.77	127.75	3.91%
2012	4633.26	212.17	4.58%
2013	50,38.78	265.12	5.26%
2014	6323.14	328.89	5.20%
2015	72,73.54	505.13	6.90%

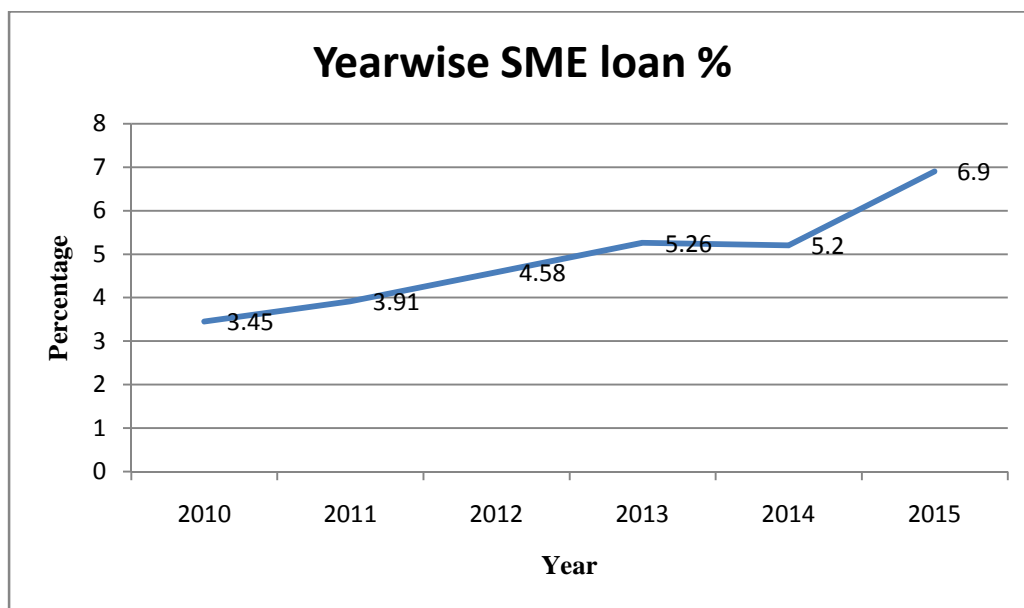


Figure 6.12: Year wise trend of percentage of SME Loan to Total Loan of Janata Bank Limited

From the above figure it can be said that, though percentage of SME loan to total loan is increasing yearly. But compared to total loan disbursement SME loan disbursement is very poor.

CHAPTER 7

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

7.1 Findings of the Study:

Every bank has its own SME financing procedure. As the objective of my report is to make a clear idea about SME financing of Shilpo Nagari Branch of Janata Bank Limited. 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:

2. From this study it is observed there are three types of target market of Janata Bank Limited for SME financing. It is found that 53.3% of SME loan takers are involved in trading. Overall credit policy towards SME financing of Janata Bank Limited is good.

2. From this study it is observed that

- Most number of respondents marked political unrest as the most common problem.
- There are also some reasons behind default of loan, Here main cause is lack of government incentives and second cause is due to shortage of time.
- Processing of getting loan and timing of providing loan is lengthy. Therefore, sometimes valuable clients are lost.
- Janata Bank Limited provides loans without sufficient security in some cases.
- The website of Janata Bank Limited does not contain all required information about SME loan.

Above reasons are the obstacles for the smooth flow of SME loan.

3. It is found that Compared total loan disbursement Janata Bank Limited has not been successful in increasing their SME Portfolio over the years, but the growth they are showing is good.

7.2 Conclusion

Janata Bank Limited has a good possibility to be a leading bank in the economy of Bangladesh. To achieve that, they need to find out the areas where they can expand. According to The Dhaka Tribune (2015) Janata Bank achieved 98.61% of its target. In recent years, their performance in SME sector compared to other banks is not so much satisfactory, but they showed a regular growth from 2010 to 2015. This means that they have the possibility to be one of the best banks in SME sector. SME is a successful sector in Bangladesh which can be important for all the banks in the near future. All the banks are always trying to maximize their SME collection. That is why, to keep up with other banks in Bangladesh, Janata Bank Limited need to know the problems of the future SME clients and try to find the best possible way which will make good connection with their new clients and achieve their goals.

7.3 Recommendations

For achieving the best possible targets, the bank should take following some steps. These can be-

1. The SME financing policy and loan sanction procedure should be made flexible and easy.
2. Regular checking of the SME portfolio should be made more successful.
3. Interest rate of SME should be made more competitive in order to expand the SME portfolio.
4. Loan documentation process needs to be more effective in order to reduce guarantee risk and loan default. 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.
5. Janata Bank Limited authority should provide adequate training to their SME officers so for that they can get new SME clients and also credit analysts should be recruited to reduce pressure on existing employees.
6. The website of the bank should be more informative that customers get the all information about the different activities and facilities of the bank.
7. The banking industry is extremely competitive and continuously changing. Competitor banks are introducing new products and services and taking new actions to man risk. So, Janata Bank Limited should put more time and money in developing new SME products.
8. Processing of providing loan should be quick.

From my overall study I can say that The Janata Bank Ltd should possesses a more attractive and standard SME loan disbursement procedure by solving the problems which dissatisfied the customers.

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APPENDICES

Appendix –A

Questionnaire for Customer

1. Name:
2. Age:
3. Educational Qualification:....(year of schooling)
4. Enterprise Profile
 1. Trading
 2. Manufacturing
 3. Service
5. Owner experience in business: years
6. Most common obstacles in business:
 1. High cost of inputs
 2. Fluctuations in sales
 3. Increasing competition
 4. Political unrest
 5. Other
7. Major Use of this loan:
 - 1.purchase of raw material
 - 2.salary of employee
 - 3.daily expenses
 - 4.salary of employee & daily expenses
 - 5.pay creditors
8. Waiting period between loan application and sanction:.....days
9. Repayment pattern of loan
 1. Regular
 2. Irregular
 3. Overdue
10. Reasons for default in repayment
 1. Shortage of time
 2. Lack of profit.
 3. Due to high interest rate .
 4. Lack of Government incentive.

Information of services of loan department of Janata Bank Limited

(Shilpo Nagari Branch, Rangpur)

Statements	Strongly agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly disagree (1)
Employees behavior with customers is good					
Service charge is reasonable					
The processing of providing loan is quick					
Procedure of getting loan is easy					
The terms and conditions regarding loan sanction are satisfactory					
The bank keeps customers informed about when loans and advances are provided.					
Your loan transaction with JBL is safe					
The bank's authority tries to provide its services at the same time it promises to do so.					
The formalities followed by the bank providing loan are necessary.					
When problems arising from loan facilities the JBL authority shows sincere concern on it					
The loan interest rate is competitive					