Internship Report On

Analysis of Loan and Advance Activities of Janata Bank Limited

Submitted To:

Department of Business Administration

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Major: Finance

Semester: Spring 2022

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Submitted for the partial fulfillment of the degree of Bachelor of Business Administration

INTERNSHIP REPORT

ON

ANALYSIS OF LOAN AND ADVANCE ACTIVITIES OF JANATA BANK LIMITED

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Semester: Spring 2022

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Date of submission: 12th May, 2022

LETTER OF TRANSMITTAL

May 12, 2022

Md. Shahbub Alam
Lecturer
Department of Business Administration
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Subject: Submission of the Internship report.

Dear Sir,

With due respect, I would like to inform you that it is a great pleasure for me to submit the internship report on ***"Analysis of Loan and Advance Activities of Janata Bank Ltd.".*** As it is a fulfillment of partial requirement to achieve BBA degree under the curriculum of Sonargaon University, Bangladesh. To prepare this report, I have gathered what I believe to be the most complete information available on the loans and advances activities of Janata Bank Limited.

The experience I have gathered during this period will remain as an invaluable asset of immense useful in my life. I have tried my level best to complete the report on the due date with my little knowledge. I also apologize for any kinds of errors and mistakes.

I humbly request you to accept this report for your kind evaluation.

Sincerely,

Md. Sazzad Hossain

ID: BBA1803015022
Department of Business Administration
Sonargaon University (SU)

STUDENT'S DECLARAION

I, the undersigned, a student of Business Administration Department of BBA program, Majon in Finance of Sonargaon University (SU) do hereby declare that the internship report on "Analysis of Loan and Advance Activities of Janata Bank Limited" is the original one and has been prepared by myself and has not been submitted anywhere for any degree, diploma, title or recognition.

The report was prepared under the supervision of Md. Shahbub Alam, Lecturer, and Department of Business Administration of Sonargaon University (SU).

Sincerely,

_____

Md. Sazzad Hossain
ID No: BBA1803015022
Department of Business Administration
Sonargaon University (SU)

LETTER OF AUTHORIZATION

Certified that this project report titled "Analysis of Loan and Advance Activities of Janata Bank Limited" is the bona fide work of **Md. Sazzad Hossain**, who carried out the study under my supervision. Certified further that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which degree or award was conferred on an earlier occasion on this or any other candidate.

_____

Md. Shahbub Alam
Lecturer
Department of Business Administration
Sonargaon University (SU)

ACKNOWLEDGEMENT

At first, I want to express my deepest gratitude to the Almighty, the most merciful for His kindness to give me the ability to complete this report successfully. I extend my deep gratitude to my supervisor Md. Shahbub Alam, Lecturer, Department of Business Administration of Sonargaon University (SU) for his guidance, suggestions, and encouragement for the preparation of this report. Without his guidance I could not have finished this work on time. He provide me full support and ideas necessary in analyzing the industry and thus to accomplish my goal. To conclude, I am also grateful to all of the respected teachers of the Bachelor of Business Administration for their continuous inspiration, assistance throughout these years.

` *EXECUTIVE SUMMARY*

Commercial banks lend money to different categories of borrowers for various purposes with a view to generating revenue. Accordingly, while processing and appraising a loan proposal, banks essentially analyze the information relating to borrowers, assess the purposes of loan and determine the viability of the loan proposal. If the proposal is sound and safe for lending, loan is sanctioned and disbursed. The report discusses about the management practices of different credit facilities, approval process, monitoring and performance of the bank under study. Janata Bank Limited is the second largest Government owned Bank. It operates credit facilities for business purpose as well as welfare of the economy. Bank has finance at the rural level at a very low interest rate. It has also Special loan procedures for the rural farmers. This helps for the development of the rural economy of the country.

This report is categorized in four different chapters. Firstly, it contains the introduction of the study, secondly, the overview of the organization. Thirdly, Concept and Analysis of the impact of loans and advances and also contain Bangladesh Bank guidelines. Next discussion is the analysis and findings about different variables of facilities. At the end, the report makes some valuable policies implication from the analysis.

The introduction part of the report discussed about the origin of the report where mentioned that this report is a part of the fulfillment required to complete the BBA degree under the Sonargaon University curriculum. The objective of the report is to analyze the loan activities in Janata Bank Limited. In this report, I have used mainly secondary data. But I have also used some primary data. To prepare this report I have faced some difficulties and limitations like insufficient of current information, relevant to the report. All required information was not available in any specific branch of the bank and there was also limited opportunity to visit more than one branch.

In the next chapter, I have made an overview of Janata Bank Limited. Here I have tried to focus the bank's history of the organization, its mission and vision, organizational hierarchy, network, major products and services, SWOT analysis of the Janata Bank Limited.

In the third chapter, I have done some analysis in terms of loan and advances. The analysis of this report shows different comparisons among the amount of loan disbursement, provision for loan, loan recovery and earnings from loan. This report also shows the trend of deposit collection, approval of loans and advances.

In this report, it has been found that the increasing amount loan disbursement also increases its operating income and the recovery rate is also increasing. Even if the rates are increasing, operating profit did not come up to the expected level in 2020 due to decrease in interest income and increase of interest expenses as compare to those previous years. Loans and advances yield is also lower in 2019 which stood 11.44% compared to 12.39% in 2018. But the management of the bank is now very concern and proactive about recovery of loans. So, the percentage of recovery is increase in 2020 but still they have to work a lot on it as Janata Bank Ltd. is highly suffers on loan default.

At the last chapter this report contains the findings, policy implications from the analysis and conclusion about the Loans and Advances procedure of Janata Bank Limited. Due to lower demand of loan, the business of JBL has also been obstructed in 2020. So, JBL should take proactive measure to mitigate various sort of risk in changing business environment which includes credit risk, liquidity risk, and operational risk are comprehensively dealt with and systematically managed by reasonable limit and control. This bank should more conscious about analyzing the ability of the repayment of the borrower, the value of the collateral and the risk involved with it.As a government owned bank, Janata Bank Ltd. faces different problems for loan facilities. But still it has more transparent Credit program than other government banks. It has improved its recovery program and this provide its operating profit 2059260.40 Crore in 2020 Year.

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1.1 Introduction

Banks are profit- earning concern. The word "Bank" refers to the financial institution deals with money transaction. Banks collect deposits at the lowest possible cost and provide loans and advances at higher cost. The difference between two is the profit for the bank. Commercial banks as the most important functionary of the financial system play a dynamic role in the economic development of Bangladesh through mobilization of savings and allocation of credit to productive sectors. However, they should increasingly involve themselves in development financing in order to gain long-term viability benefitting themselves as well as the economy, but that should not occur at the cost of viability of the total financial intermediation process.

1.2 Origin of the Report

Internship program is a partial requirement for all students of Bachelor of Business Administration (BBA) under Sonargaon University (SU). During the schedule of BBA program I gathered theoretical knowledge and at the end of the program I need to have a practical experience. A classroom discussion single-handedly cannot make me deal with the real competitive world. It creates an opportunity for me to be familiar with the real life blended with academic knowledge and findings of real life qualitative and quantitative research. Based on this experience I will submit a report to their University. My internship report is based on ***"Analysis of Loan and Advance activities of Janata Bank Ltd".*** Janata Bank Limited, one of the state owned commercial banks in Bangladesh. Janata Bank has already made significant progress. The bank has been graded as a top class bank in the country through internationally accepted CAMEL rating. The bank has already occupied an enviable position among its competitors after achieving success in all areas of business operation. The goal of this bank is to provide mass financing to enable mass production and mass consumption, and thereby contribute to the development of Bangladesh.

1.3 Purpose of the Report

Bangladesh is one of the poorest countries of the world. Her socio-economic development depends on rural development, 85% of its total population being dispersed in 88,000 villages and about 50% living below poverty line. The literacylevel in the country is very low; consequently the skill of the labor forces is also low. So entrepreneurship is essential for Bangladesh and also essential for productive investment, which in turn contributes to capital formation. It is a strategy factor between productive investment and capital formation. Bangladesh Government and Bangladesh Bank have undertaken various credit programs for the development of small-scale industries. Janata Bank Limited gives loan to those rural landless people who are socially, economically and politically backward and desperately in need of credit and who generally remain outside the orbit of the traditional Banking system. The present study has been undertaking with a view to overall activities especially in loan and advance of Janata Bank Limited.

1.4 Scope of the Study

This report specially focuses on the operations of loan and advance of Janata Bank. There is huge opportunity for me to learn as well as collect information from the bank. Hence the working areas of my internship will mainly in functions of Loans and Advances department in the Janata Bank Ltd. Amin Bazar Branch.

My report will cover the organizational structure, background and objective, functional, departmental and business performance of JBL as a whole and the main part covers loan and advance of JBL. This report consists of my observation and job experience during internship period in the Amin Bazar Branch. The report emphasizes on the sequential activities involved and used by JBL for all transactions related to Loans and Advances.

1.5Objectives of the Study

The objective of the study can be divided into two different areas-

General Objective of the study:

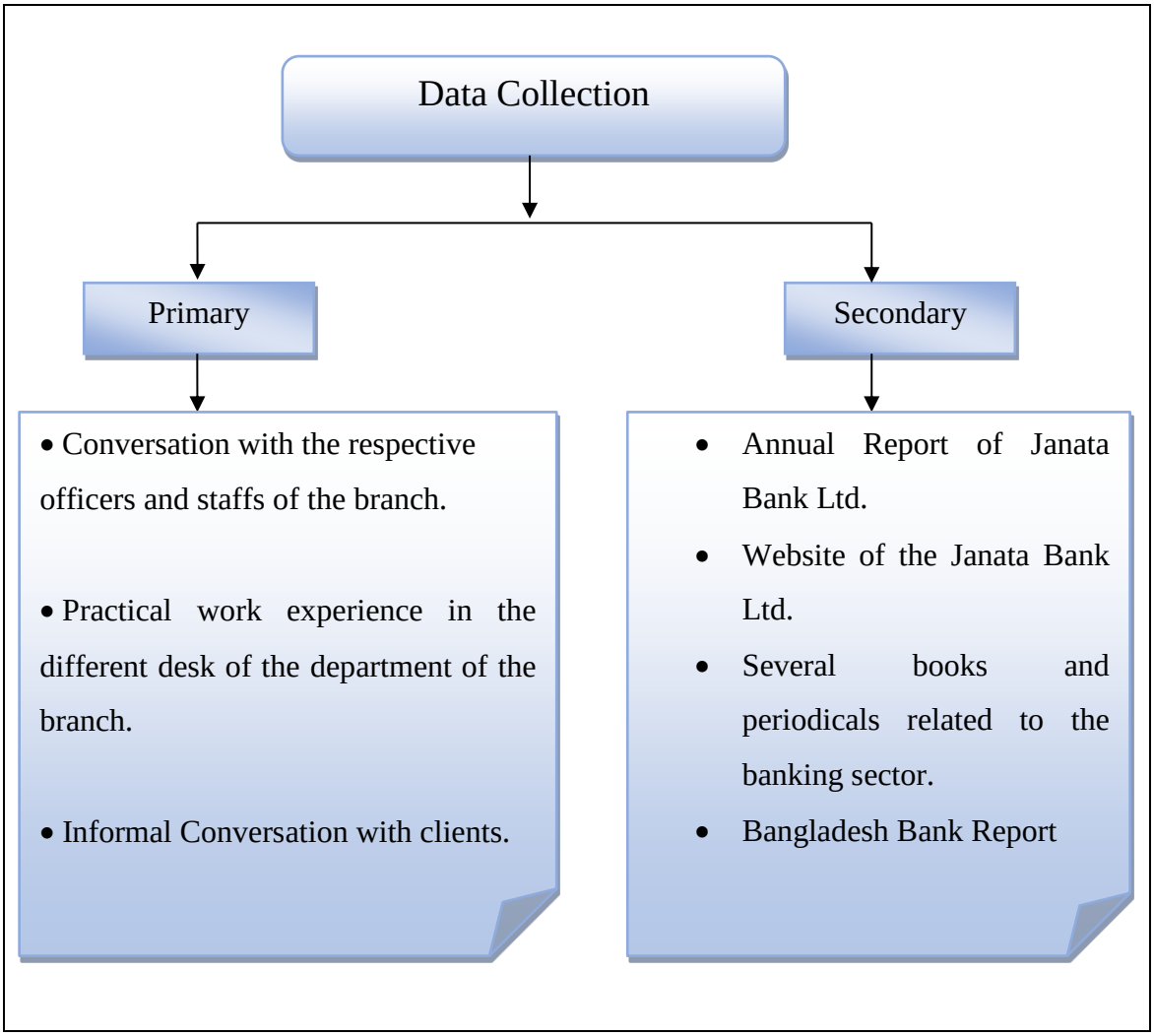
- ✓ The primary purpose of the study is to prepare a report to fulfill the partial requirement for obtaining BBA degree under the Sonargaon University.

Specific Objective of the study:

- ✓ To have idea regarding various types of Loan and Advance of Janata Bank Ltd.
- ✓ To identify the loan sanction procedure in different sectors in last some years.
- ✓ To identify the credit approval, their securities and monitoring process of Janata Bank Ltd.
- ✓ To know the loan and advances activities of Janata Bank Ltd. at Amin Bazar Corporate branch.
- ✓ To identify the recovery rates of the loans in different sectors in last some years and have a comparison among them.
- ✓ To identify the problems regarding loan and advance and give some recommendations for improving the effectiveness and efficiency of loan and advances.

1.6 Methodology of the Study

This report contains descriptive analysis and theoretical approach as it is based on the analysis of the loan and advance activities of JBL. In order to make the study more meaningful and presentable different types of charts, graphs, figures are used. Software like Microsoft Word, Microsoft Excel, and Microsoft PowerPoint etc. is also used to represent the report. Data and information are required to meet the goal of this report. These data and information were collected from various sources which are shown below-



Graph 01- Sources of Data

1.7 Research Design:

A research design is a systematic plan to study a scientific problem. The design of a study defines the study type (descriptive, correlational, semi-experimental, experimental, review, meta-analytic) and sub-type (e.g., descriptive-longitudinal case study), research question, hypotheses, independent and dependent variables, experimental design, and, if applicable, data collection methods and a statistical analysis plan. Research design is the framework that has been created to seek answers to research questions.

Design types and sub-types

There are many ways to classify research designs, but sometimes the distinction is artificial and other times different designs are combined. Nonetheless, the list below offers a number of useful distinctions between possible research designs.

• Descriptive (e.g., case-study, naturalistic observation, Survey)
• Correlational (e.g., case-control study, observational study)
• Semi-experimental (e.g., field experiment, quasi-experiment)
• Experimental (Experiment with random assignment)
• Review (Literature review, Systematic review)
• Meta-analytic (Meta-analysis, i.e., using statistical methods for contrasting and combining results from different studies to identify patterns among study results, sources of disagreement among those results, or other interesting relationships that may come to light in the context of multiple studies). I completed report by descriptive research. Descriptive research is best research.

1.8 Sources of Information

1.8.1: SAMPLE INFORMATION

Main source of the information is annual report of Janata Bank Limited, report of annual meeting, brochures and web sites. The information incorporated in this report is heavily collected both from the primary sources and as well as from the secondary sources.

1.8.2: PRIMARY SOURCES OF DATA

I have collected data directly from the different sectors of Janata Bank head office. This is called primary source of data.

1.8.3: SECONDARY SOURCES OF DATA

The secondary data is collected from annual report, distinguished conceptual matters, websites and several published matter as articles in different versions of printings. Secondary Sources are:

• Annual Reports of different years of Janata Bank Limited. • Annual Report of Bangladesh Bank. • Other published documents of Janata Bank Limited. • Respective sectors of foreign matter of the head office

1.9 Limitations of the Study

Objective of the practical orientation program is to have practical exposure for the students. Our tenure was for two months only, which was somehow not sufficient. After working whole day in the office it was very much difficult, if not impossible to study again the theoretical aspects of banking.

Other limitations are as follows:

- For the lack of our practical knowledge, some shortcoming may be available in the paper.
- The bank has naturally shown us some indifference connecting its most confidential information.
- The executives of Janata Bank Limited were too busy to spare time for the internee.
- The duration of our internship program is only 2 months. The allocated time is not sufficient for us to gather knowledge and to make the study a complete and fruitful one.
- The study also suffered from inadequacy of data provided by Janata Bank Limited.

2.1 Literature Review

Janata Bank is whether geographic diversification can create a spillover effect, in which adverse loan supply shocks in one regions lead to decreased bank lending in other regions. The primary objective of social control and nationalization is to ensure a better alignment of the commercial banking system to meet the needs of the economy. It is the duty of the banks to see that credit flows into channels that are most productive and most helpful to our growth and development. To promote the welfare of the people who are socially and economically backward, the concept of priority sector lending was evolved. Quantitative targets were set for lending to priority sector and separate sub-targets were also set for lending to agriculture and weaker sections of the society. As a result, lending to the borrowers in priority sectors have increased substantially. Increased flow of credit to the different sectors assisted the developmental activities and thereby expanded the income as well as the standard of living of the people. Several studies on this subject in a restricted sense have been undertaken by particular bank group of banks, individuals and organizations. Number of Committees appointed by the Government of Bangladesh have also studied the banking problems of the country. Presented below is the review of such literature.

P N Joshi (1972): Remarks that Commercial Bank are reluctant to give loans and advances to the priority sector, including self-employment schemes. This is mainly due to the reason that the banks have no clear and precise role about the scope of lending to the priority sector. He has also argued that the Reserve Bank of Bangladesh should give a clear definition of the different components of the priority sector, which will enable the commercial banks to increase their participation in lending to priority sector.

M.A.Ommen (1972): States that commercial banks have an important role in financing SSI units in Dhaka. Though the financial institution at state level and all Bangladesh level provided financial assistance to SSI units for meeting their fixed and working capital requirements, the major part of the financial requirements of SSI units are satisfied by the loans and advances of commercial banks.

Purohit M, C (1973): In his study on Small Artisans and Potential for Bank Financing, conducted in Dhaka City, states that the working capital requirement alone accounts for 89 per cent of the total financial requirements. The share of raw material in the total working capital requirement is substantial. He adds that 36 per cent of the artisans run their units with borrowed 'funds. These artisans who borrowed funds had mainly relied upon non-bank financing intermediaries No artisan has borrowed from any co-operative agency or governmental agency, a few relied on commercial banks. Ignorance about the facilities provided by the commercial banks and the. In ability of the artisans to fulfill the bank requirements to avail easy loans have forced

the artisans to take financial assistance from non-banking financial institutions at a higher rate of interest.

C. L. Kheman and K. V. Balakrishnan (1981): In their study on the importance of consumption credit to weaker sections states that the target group under the sponsored schemes should be granted consumption loans for their specific needs while granting the consumption loans, the capacity of the borrowers to repay the loans should be considered. They also remark that the very objective of priority sector lending cannot be said to be achieved if the beneficiaries under the sponsored schemes are approaching the money lenders for their consumption credit.

Raut (1984): Conducted a study on scope and problems of financing tribal farm development by Land Development Banks and indicates that the problems of overdue IS mainly due to misutilisation of loans by tribal farmers. The tendency to misutilise the loan is due to the fact that the consumption priorities of tribal farmers are of more urgent nature than asset building priorities

S.B Dangat. S.R Radkar and M.P.Dhongada (1986): Conducted a micro level study on the utilization of fund borrowed under medium and long terms loans. In the study they state that most of the borrowers use the medium and long term loans are for their personal and unproductive purposes. The funds are mainly used by the borrowers for conducting marriages and other functions, construction of buildings for residential purposes, repayment of earlier debts, etc. Proper appraisal, guidance and supervision by the bank personnel are essential to ensure that the borrowers utilize the amount borrowed by them for productive purposes.

B. Ramachandra Rao (1987): Conducted a study on the Evaluation and monitoring of Priority Sector advances. In the study he suggests that the priority sector advances should be given at low rate of interest only to the deserving people. The object of the scheme cannot be achieved if such loans are provided to the financially sound persons. Better monitoring and supervision by the banks will be required to ensure that the funds are disbursed to the right persons and it is utilized for the right purpose. This will in turn increase the profitability of the banks.

Economic Research Department of the State Bank of India, Central Office. Bombay (1987): Conducted an observe study on the impact of bank credit on the weaker sections in Kerala. The study reveals that the financial assistance from the banks has helped many poor and efficient workers to start self-employed business units. The study also reveals that the bank loans help to generate employment opportunities and income of the people thereby increases the standard of living of the poor.

C Rangarajan (1988): Remarks that diversion of bank credit for productive purposes is essential for economic development. Banks are more rigid in lending activities and therefore the deserving

and needy people are not getting financial assistance. New measures are essential to ensure that the bank loans reach the deserving hands.

Muhammad Yunus (1988): Opines that financial assistance provided by the banks to the poor is not charity hence the banks should ensure that the loans granted to the weaker sections are repaid in time. He adds that loans without strict control will lead to rnis-utilisation of fund and the result will be default in repayment of the loans for which the lending institution is responsible and not the borrower.

K.K Ammannaya (1989): Opines that to solve the problem of poverty, the poorest among the poor should be identified and they should be provided with financial asistance against viable projects. They should also be provided with adequate training for the proper utilization of loan amount and be informed about the responsibility in repayment of the loan.

U.K. Sarma (1989): Conducted a study on the Role of Bank in rural development and states that bank loans for the development of rural areas will increase the rural indebtedness unless such loans are utilized for productive purposes. Banks should be more careful in dealing with rural credit and they should ensure that loans are sanctioned against viable projects and amount is disbursed in time. Adequate and timely credit may help increased productivity and profitability He adds that loans utilized for productive purpose will be repaid in time.

Manmohan Singh Gill (1990): Conducted a study on the problems of the borrowers in obtaining bank loans and impact of bank loans on their economic and social status. The study reveals that most of the loans under the sponsored schemes are sanctioned on the recommendations of the political leaders and officials and that the beneficiaries have given bribe to these leaders and officials for obtaining loans The study also reveals that though there is no much progress in the social status, the loans have helped the beneficiaries to improve their income status.

S.S. Kalra (1990): Opines that the recovery of loans under the sponsored schemes is a difficult task of the banks and they should develop new and improved techniques in credit recovery. He suggests that follow up and supervision will facilitate better utilization of bank credit and its recovery in time.

Dr S.N.Bansal and Dr. V.K.Agarwal (1991): Are of the view in their article "Why world bank is against priority sector lending" that the recovery aspect is equally important to its lending counterpart, the lending of money to the rural masses alone is not going to deliver the goods unless it is accompanied by an equally fast pace of recovery in our country. The recovery of loan especially in rural areas is lagging behind the lending operations. They are also of the view that the government policy of waiving of loans make recovery of bank loans more difficult. The

beneficiaries who are regularly repaying the loans will refrain from repaying the loans and this will result in non-recycling the loan for further lending. Ultimately such policy affects the economic progress.

Chowdhury and Islam (2007): Stated that deposits and loan advances of Nationalized Commercial Banks (NCBs) are less sensitive to interest changes than those of Specialized Banks (SBs). So SBs should not make abrupt change in lending or deposit rates by following the NCBs. If NCBs change their lending or deposit rates, their deposits or loans and advances will be affected less than those of SBs. Moreover, deposits of NCBs have higher volume and higher volatility than those of SBs. On the other hand, loans advances of NCBs show a higher volume and higher volatility than those of SBs. However, SBs offer higher deposit rates and charge higher lending rates than NCBs. That is why the interest rate spread of SBs was higher than that of NCBs.

Kahlily (1997): Observed that unlike urban credit market, rural credit market is generally repressed. Financial policies for agricultural credit are more subject to distortions. The major policies are: interest rate, loan targeting, refinancing of loans and interest and loan forgiveness program. Policies are formulated by Bangladesh Bank. These policies influence the behavior of agricultural credit in formal financial markets.

According to Khalily, Huda and Lalarukh (1997): Cedit is necessary for agricultural development vis-à-vis rural economic development. But loan recovery rate is low. This has adverse impact on revolving of loan able fund.and viability of rural financial system. Poor performance of lenders in agricultural credit does affect viability of rural financial system. A quick estimate shows that social cost of forgiveness program has been twenty five percent of loan outstanding. On the other hand continued interest of the political lenders in interest and loan forgiveness program also affects expected recovery behavior of the borrowers. Burden of social cost for agricultural or rural credit cannot be fully attributed to crop loans as it constitutes only forty percent of the total agricultural credit. Non crop loans are likely to be less risky. Therefore, the problem of high social cost for agricultural credit can perhaps be linked to institutional behavior.

3.1 History of Janata Bank Ltd.

Janata Bank Limited, one of the state owned commercial banks in Bangladesh, has an authorized capital of Tk. 800 core (approx. US$ 116.79 million), paid up capital of Tk. 259.39 core (approx. US$ 37.87 million) and reserve of Tk.292.67 core (approx. US$ 42.73 million). The Bank has a total asset of Tk. 24406.11 core (approx. US$ 3562.94 million) as on 31st December 2008. Immediately after the emergence of Bangladesh in 1971, the erstwhile United Bank Limited and Union Bank Limited were nationalized and renamed as Janata Bank Limited

Janata Bank Limited operates through 848 branches including 4 overseas branches at United Arab Emirates. It is linked with 1198 foreign correspondents all over the world. The Bank employs more than 13(Thirteen) thousand persons. 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 11 (eleven) 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 35 (thirty five) Divisions. Janata Bank has already made significant progress. The bank has been graded as a top class bank in the country through internationally accepted CAMEL rating. The bank has already occupied an enviable position among its competitors after achieving success in all areas of business operation. Janata Bank will promote broad-based participation in the Bangladesh economy through the provision of high quality banking services Janata Bank will do this by increasing access to economic opportunities for all individuals and business in Bangladesh with a special focus on currently under-served enterprises and households across the rural – urban spectrum.

3.2 Vision of Janata Bank Ltd.

Janata Bank will be a unique organization in Bangladesh. It will be a knowledge-based organization where the Janata Bank professionals will learn continuously from their customers and colleagues worldwide to add value. They will work as a team, stretch themselves, innovate and

break barriers to serve customers and create customer loyalty through a value chain of responsive and professional service delivery. Continuous improvement, problem solution, excellence in service, business prudence, efficiency and adding value will be the operative words of the organization. Janata Bank will serve its customers with respect and will work very hard to instill a strong customer service culture throughout the bank. It will treat its employees with dignity and will build a company of highly qualified professionals who have integrity and believe in the Bank's vision and who are committed to its success. Janata Bank will be a socially responsible institution that will not lend to businesses that have a detrimental impact on the environment and people.

3.3 Mission of Janata Bank Ltd.

Janata Bank will adhere to highly professional and ethical business principles and internationally acceptable banking and accounting standards. Every Janata Bank professional will need first of all a commitment to excellence in all that he/she does, a keen desire for success, a determination to excel and a drive to be the best. They will individually and jointly learn continuously from customers and professional colleagues around the globe to improve the way they do business so that they are the best. They will walk that extra mile with enthusiasm and empathy to serve our customers and to solve problems together so that their customers succeed in their business and remain loyal to the Bank. They will set up goals for ourselves and then exceed the goals that we set up. They shall not accept failure.

3.4Janata Bank Ltd at a glance:

Features	Values
Genesis	Janata Bank Ltd. is the 2nd largest State Owned Commercial bank in Bangladesh, is playing pivotal role in overall financial activities of the country.
Registered Address	Janata Bhaban, 110, Motijheel Commercial Area, Dhaka-1000, Bangladesh.

Legal status	Public Limited Company
Chairman	Shaikh Md. Wahid-uz-Zaman
Date of Incorporation	21May 2007
Authorized Capital	BDT 30000 million
Paid up capital	BDT 19450 million
Face Value per share	BDT 100 per share
Shareholding pattern	100% Share owned by the government of Bangladesh
No of Employees	14151 (As on 03.02.2016)
Banking License Obtained from Bangladesh Bank	21 May 2007

Table 01: Janata Bank at a glance

3.5 Corporate Rating Status

Entity Rating	"A +" in the long run AR-2 in the short run
As Govt. owned bank	"AAA" in the long run AR-1 in the short run

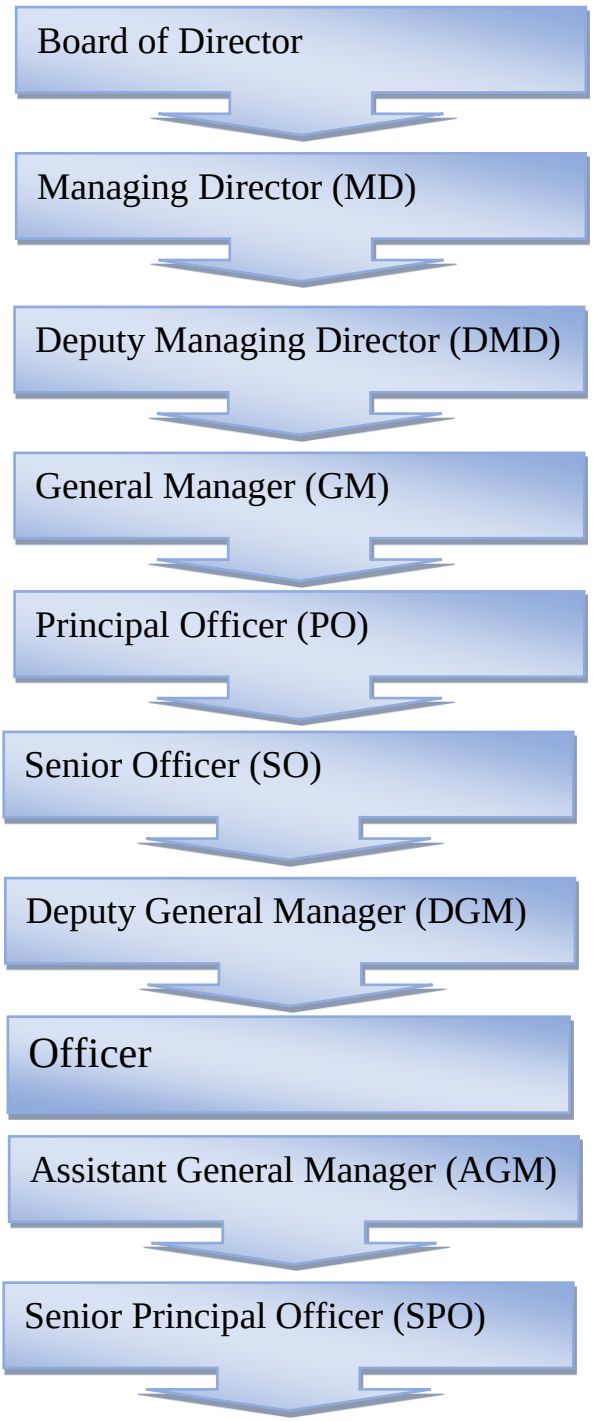
Table 02: Corporate Rating Status

3.6 Management system

The Bank's present Board of Directors comprises of One Chairman and Six Directors appointed by the Government. They are-

Chairman	Shaikh Md. Wahid-uz-Zaman
Director	Mr. Md. Emadul Haque
Director	Mr. A.K.M. Kamrul alam
Director	Mr. Md. Mahbubul Rahman Hiron
Director	Mr. Manik Chandra Dey
Director	Khondoker Sabera Islam
Director	Mr. Md. Mofazzal Hossain
Director	Mr Md. Abbas Salam

3.7ORGANIZATIONAL STRUCTURE OF JANATA BANK LTD.



Graph 02: Organization's structure of Janata Bank Ltd.

3.8 Products

Deposit	Loans and Advances	Special Products
• Current Deposit • Savings Deposit • Short Notice Deposit • Fixed Deposit Scheme	• Agriculture Loans • Term Loan for Large and Medium Industries • Working Capital Loan • Import Loans • Export loans • Financing in Green Banking • Term loan for Micro and cottage industries • Other Loans • Other Commercial Loans • Other Programs	• Product List

Services:

E service	Modern Banking	Others
• ATM • Q- Cash • Automated Branch Banking • Green banking	• Online Banking • Personalized Services • One Stop Services • JB Green Communication	• Deposit • Remittance • Taking utility bills • Account Opening Form • Loans and Advances • Salaries and Allowance • Schedule of Charges

• Janata Bank e library • JBL data Bank • OMIS	• JB remittance	

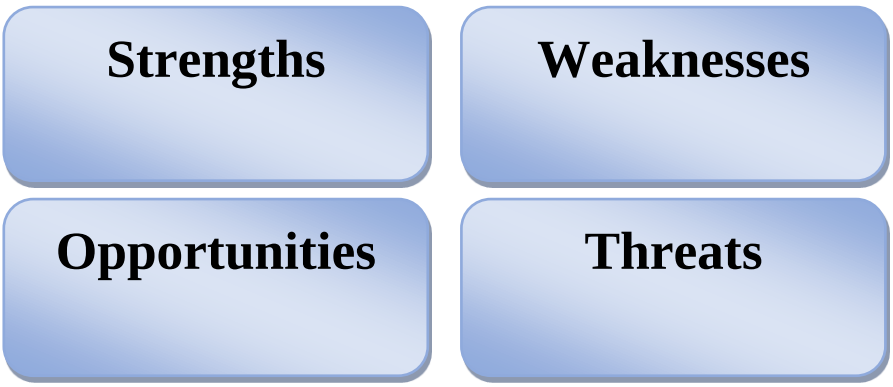
3.9 SWOT Analysis

Strengths:

- The bank has highly visible top management, which may work as unique selling points to pursue clients' services.
- Janata Bank Limited has a vast line of services, which can attract people of different segment of the society.
- Informal working environment.
- Low bureaucracy.
- Innovativeness and flexibility.

Weaknesses:

- Janata Bank Limited currently does not have any strong marketing activities through mass media for example: Television.
- Lower standardization.
- Little use of advance technology.
- Most of the work is done manually.
- Lack of skills.
- Lack of sales people who can sell products for Janata Bank Limited.
- Competitors give more benefit and attractive packages in providing services.



Graph 03: SWOT analysis

Opportunities

- The opportunity of Janata Bank Limited should be its competitors' vulnerabilities.
- Major contract with big corporate houses as well as middle class people might be a good market to exploit.

Threats

- The main threat for Janata Bank Limited is a wide range of competitors.
- Janata Bank Limited Head Office takes so longer time in processing and approval of loan, cheque book issues etc.
- In providing service Janata Bank Limited does not comply with the requirement of its policy and Bangladesh Bank guidelines exactly.
- Lack of information on loan application requirement among the loan seekers

3.10 Business Area of Janata Bank Ltd.

There are mainly three major business areas where the Janata Bank Ltd. is performing with high reputation. These areas are:

1. General Banking
2. Foreign Exchange
3. Small & Medium Scale Enterprise (SME)
4. Large Scale Industries
5. Agriculture Sector
6. Transport Sector
7. Financing in Housing Sector & Land Developing

8. Finance in Home Appliance

Since I completed my internship on loans and advances, it would be convenient for me to focus on the operation of loans and advances of Janata Bank.

4.1 Loans and Advances

Loans and advances granted by bank are highly beneficial for firms, individuals, companies and industrial concerns. Loan may be regarded as credit granted where the money is disbursed and its recovery is made on a later date. It is a debt for the borrower. Advance is a credit facility granted by the bank. Bank granted advances for short term purposes. Loan and advances granted by banks help in meeting short term and long term financial needs of business enterprises. Loan and Advances comprise the most important asset as well as the primary sources of earning of the bank .On the other hand; loan is also the major sources of risk for the bank management. A prudent bank management should always try to make an appropriate balance between return and risk involved with the loan portfolio and unregulated bank might be with unregulated risk for maximizing its potential return .In such a situation, bank might find itself in a serious financial distress instead of improving its financial health .Consequently not only the depositors but also the general shareholders will be deprived of getting back their money from the bank.

Loans and advances mean lending made by the bank to weak clients for earning interest. Main objective of the loans and advances is to earn profit for the bank. On an average of **75%to 80%** of the banks earning come from interest received against the loans and advances of a bank.

The role played by banks in business world by way of loans and advances are as follows-

- Bank does not interfere with the use, management and control of borrowed money but takes care to ensure that the money lent is used only in business purpose.
- Loan and advances are utilized for making payment of current liabilities, wages and salaries of the employees and also the tax liability of business.

- Loans and Advances from banks are found to be economical for traders and businessman because banks charge a reasonable rate of interest on such loans and advances.
- Loans and advances can be arranged from banks in keeping with the flexibility in business operation.
- Loans and advances by Banks generally carry element of secrecy with it. Banks are duty-bound to maintain secrecy of their transactions with the customers.

4.2 Types of Loans and Advances of Janata Bank Ltd.

Janata bank has different type of loans. As per banking company act 1991 every company has to maintain a specified minimum (presently 16%) of the total of its demand and time liabilities in the form of cash and approved securities with Bangladesh Bank. This percentage or ratio is termed statutory liquid ratio 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. The loan portfolio of the Bank encompasses a wide range of credit programs covering about 200 items. 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. Loan pricing system is customer friendly and the prime customers enjoy prime rate in lending and other services. Quick appreciation, appraisal, decision and disbursement are also ensured. Credit facilities are extended as per guide-lines of Bangladesh Bank (Central Bank of Bangladesh) and operational procedures of the Bank. The rates may, however, change from time to time depending on the level of competition in the financial sector

Janata bank limited, Amin Bazar Branch is situated in Amin Bazar, Dhaka which is very important place in Dhaka city. It is a very big and important branch of JBL. These branches give different type of loans to its borrower. These are;

- Term Loan
- Small and Medium Enterprise Loan
- Continuous Loan
- Rural & Agro Credit
- Poverty Alleviation Program
- Specialized Loan Program
- Micro & Cottage Industries Loan
- Import & Export Finance
- Letter of Credit

4.3 Sector wise Loans and Advances are shown below:

Year	**2018**	**2019**	**2020**
Industries	12367204.30	17075000	6220295.71
Jute Trade	224059.14	319354.84	214381.72
Tannery (Industry & Trade)	7144892.47	6347446.24	5510752.69
Textile (Industry & Trade)	7611021.51	10016155.91	10487231.18
Transport	41935.48	42741.94	43279.57
Steel & Engineering	2980779.57	3664650.54	3580107.53
Tea	117876.34	118951.61	119220.43
Sugar Mills	3981182.81	5094220.43	5016397.85
House Building	1558467.74	2032392.47	2004166.67

Bricks	1617338.71	1918682.81	2019489.25
Cold Storages	89650.54	383064.52	643145.16
Food (Industry & Trade)	2207930.11	2547983.87	2802419.35
Rural Credit	17278091.41	19594354.84	21978763.44
Export Credit	25648790.32	37992607.53	51338172.04
Import Credit	43958064.52	70913978.49	81496908.60
Industrial Credit	30069986.56	53836021.51	55848118.31
Others	66703534.92	71508951.66	97183951.65
Total	223600806.45	303403225.81	346506720.43

Table 3: Sector wise Loans and Advances

4.4 Risk Management

Risk management is a discipline at the core of every financial institution which encompasses all the activities that affect its risk profile. It involves identification, measurement, monitoring and controlling risks to ensure proper management of risks related to bank business. The objective of risk management is to identify and analyze risks and manage their consequences. Perhaps the banking sector has the most specific focus on the management of financial risks.

Bangladesh Bank advised the banking industry to identify the risk factors associated with their business and to take effective measures in the functional process to minimize and control the risks in the area of lending, internal control, liquidity and treasury management. Introduction of risk analysis culture, loan classification and ratings are the broad schemes for assessing the risk status of banking assets. Janata Bank Ltd has compiled different Risk Manuals and several Instruction Circulars have been issued to handle the issue of risk management. Besides, Risk Management Policy has already been formed and is being updated from time to time. There are the mandatory Six Core Risk Guidelines with which all are already familiar.

6 C's of Credit Risk Management

The 6 C's of credit is a method used by lender to determine the credit worthiness of potential borrowers. The system weighs six characteristics of the borrower, attempting to gauge the chance of default. 6 C's is the key criteria that lenders use when assessing loan and credit appliance.

1. **Character:**

   We have good character when we live up to financial and credit agreement. Paying bills on time and meeting financial obligations are signs of good character. Credit score and credit history are good ways for a lender to learn about your character or credit reputation.

2. **Capacity:**

   Capacity is your ability to repay a loan or other financial agreement. A potential lender wants to see that we will have enough cash leftover after paying our fixed monthly expenses to repay a new loan.

3. **Capital:**

   A potential lender also will assess capital. Subtracts all your debts from assets, including any property that he may own. Default risk may impact all credit-sensitive transactions, including loans, securities and derivatives.

4. **Conditions:**

   The risk associated with any single exposure or group of exposures with the potential to produce large enough losses to threaten a bank's core operations. It may arise in the form of single name concentration or industry concentration.

5. **Collateral:**

   The risk of loss arising from a debtor being unlikely to pay its loan obligations in full or the debtor is more than 90 days past due on any material credit obligation. Default risk may impact all credit-sensitive transactions, including loans, securities and derivatives.

6. **Cash Flow:**

   We have good character when we live up to financial and credit agreement. Paying bills on time and meeting financial obligations are signs of good character. Credit score and credit history are good ways for a lender to learn about your character or credit reputation.

4.5 Types of Credit Risk Management

Credit risk can be classified in the following way:

Credit default risk- The risk of loss arising from a debtor being unlikely to pay its loan obligations in full or the debtor is more than 90 days past due on any material credit obligation.

Default risk may impact all credit-sensitive transactions, including loans, securities and derivatives.

Concentration risk - The risk associated with any single exposure or group of exposures with the potential to produce large enough losses to threaten a bank's core operations. It may arise in the form of single name concentration or industry concentration.

Country risk - The risk of loss arising from sovereign state freezing foreign currency payments (transfer/conversion risk) or when it defaults on its obligations (sovereign risk).

4.6 Objectives of Loans and Advances 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

4.7 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 again unexpected cash flow . 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

4.8 Types of credit facilities:

Bank will go for

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

4.9 Essential Components of Loans and Advances Policy:

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

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

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

- **Types of credit extension:** One of the most substances parts of a loan is a delineation of which types of loans are acceptable and which type are not.

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

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

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

- **Credit Granting procedures:** This subject may be covered in separate manual, and usually is in larger banks. At any rate, it should not be overlooked because proper procedures are essential in loan establishing policy and standards. Without proper procedure for granting credit and constant policing to ensure

4.10 Loan Sanction Activities

The respective unit office sanctions loan to the clients if it is between 2 & 5 laces and then send the sanction letter including all necessary charge documents to the asset operation division for disbursement the loan. If the amount is higher than 5 laces then the respective unit office sends the proposal to SME head office for sanction. The head of SME sanctions the loan and sends the sanction letter including all documents to the AOD for disbursement and inform the respective unit office regarding sanction of the loan.

Select potential enterprise: For loan, in this step the CRO conduct a survey and identify potential enterprise. Then they communicate with entrepreneurs and discuss the loan program.

Loan Presentation: The function of CRO is to prepare loan presentation based on the information collected and provided by the entrepreneur about their business, land property *(Where mortgage is necessary).*

Collect confidential information: Another important function of a CRO is to collect confidential information about the client from various sources. The sources of information are suppliers regarding the client's payment, customers regarding the delivery of goods of services according to order, various banks where the client has account which shows the banks transactions nature of the client.

Open client's accounts in the respective bank: When the CRO decided to provide loan to the client then he/she help the client to open a bank account where Janata bank has a STD.A/c. Janata bank will disburse the loan through this account. On the other hand the client will repay by this account. Although there is some exception occur by the special permission of the authority to repay by a different bank account.

Fill up CIB form: CRO gives a CIB form to the client and the client fill and sign in it. In some cases, if the client is illiterate then the CRO fill the form on behalf of the client. Then CRO send the filled and signed form to the SME, head office.

Sending CIB to Bangladesh Bank: The SME, head office collects all information and sends the CIB form to Bangladesh Bank for clearance. Bangladesh Bank return this CIB form within 10-12 days with reference no.

CIB report from Bangladesh Bank: In the CIB report Bangladesh Bank uses any of the following reference no:

- NIL: If the client has no loan facility in any bank or any financial institution then BB (Bangladesh Bank) use 'NIL' in the report

- UC (Unclassified): If the client has any loan facility in any bank or financial institution and if the installment due 0 to 5.99 then BB use UC in the report.
- SS (Substandard): If the client has any loan facility in any bank or financial institution and if the installment due 6 to 11.99 then BB use SS in the report.

- DF (Doubtful): If the client has any loan facility in any bank or financial institution and if the installment due 12 to 17.99 then BB use DF in the report.

- BL (Bad lose): If the client has any loan facility in any bank or financial institution and if the installments due for more than 18 or above months then BB use BL in the report. This report indicates that the client is defaulter and the bank should not provide loan the client.

4.11 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.

4.12 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

4.13 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. Though the banks are now expected to lay greater emphasis on the purpose for which the borrower needs rather than security he can afford to give, security continues to be one of the most important factors which determines to a significant extent the banker's willingness to lend money. 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

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

4.14 Basel II Compliancy:

Basel II is the second of the Basel Accords, which are recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision. Basel II, initially published in June 2004, was intended to amend international standards that controlled how much capital banks need to hold to guard against the financial and operational risks banks face. These rules sought to ensure that the greater the risk to which a bank is exposed, the greater the amount of capital the bank needs to hold to safeguard its solvency and economic stability. To cope with the international best practice and to make the bank's capital more risk sensitive as well as more shock resilient. "Guideline on the Risk Based Capital Adequacy (RBCA) for banks" 2010, Basel II became mandatory. The qualitative and quantitative disclosures of the bank under Basel- II requirements based on the audited financial statements are prepared as per the guidance of Bangladesh Bank on "Risk Based Capital Adequacy for Banks" to establish more transparent and more disciplined financial market.

A. Core capital (basic equity or Tier 1)

The key element of capital is the only element common to all countries' banking systems; it is wholly visible in the published accounts and is the basis on which most market judgments of capital adequacy are made; and it has a crucial bearing on profit margins and a bank's ability to compete.

JBL meets its minimum capital requirement as per Basel II framework. Maintained capital adequacy ratio of JBL on 31 December 2014 is 10.30% & 10.25% in solo and consolidated basis. Tier 1 capital of JBL TK. 28,579.60 million which is 80.69% of Minimum Capital Requirement (MCR).

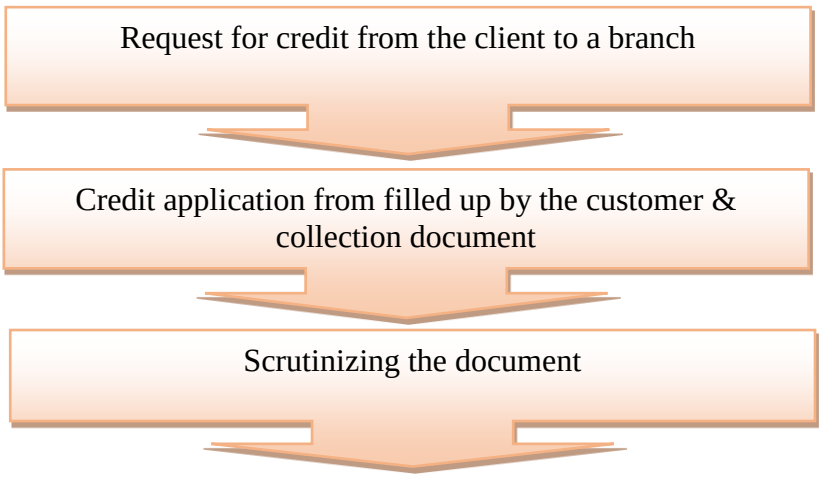
B. Supplementary capital (Tier 2)

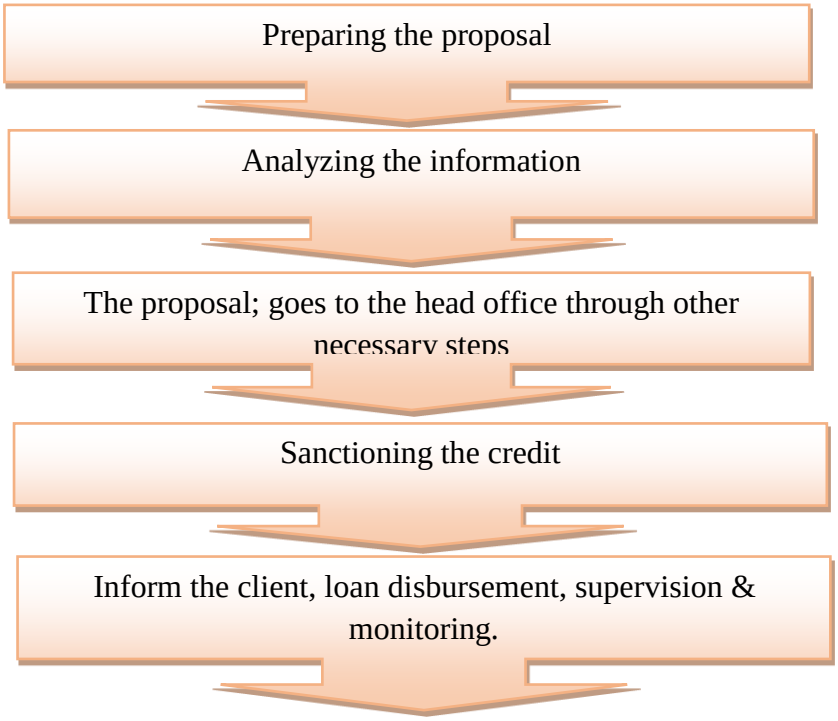
General provisions or general loan-loss reserves are created against the possibility of losses not yet identified. Where they do not reflect a known deterioration in the valuation of particular assets, these reserves qualify for inclusion in Tier 2 capital. Maintained Tier -2 capital is limited to 100% of Tier-21 capital on 31 December 2014 on JBL where, however, provisions or reserves have been created against identified losses or in respect of an identified deterioration in the value of any asset or group of subsets of assets, they are not freely available to meet unidentified losses which may subsequently arise elsewhere in the portfolio and do not possess an essential characteristic of capital.

C. Short-term subordinated debt covering market risk (Tier 3)

Banks will be entitled to use Tier 3 capital solely to support market risks. This means that any capital requirement arising in respect of credit and counterparty risk in the terms of this Framework, including the credit counterparty risk in respect of OTCs and SFTs in both trading and banking books. There is no Tier-3 capital instrument at this moment.

4.15 Diagrammatically the whole loan appraisal and approval process is below:





Graph 4: Loan appraisal and approval process

4.16 Procedure of Loan Disbursement of Janata Bank Ltd.:

Getting credit information

Janata Bank Ltd. 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.

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 Ltd. 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)

- *Industry Risk:*
- *Company Risk*:
- *Security Risk*:

Collateral evaluation:

Janata Bank Ltd. 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

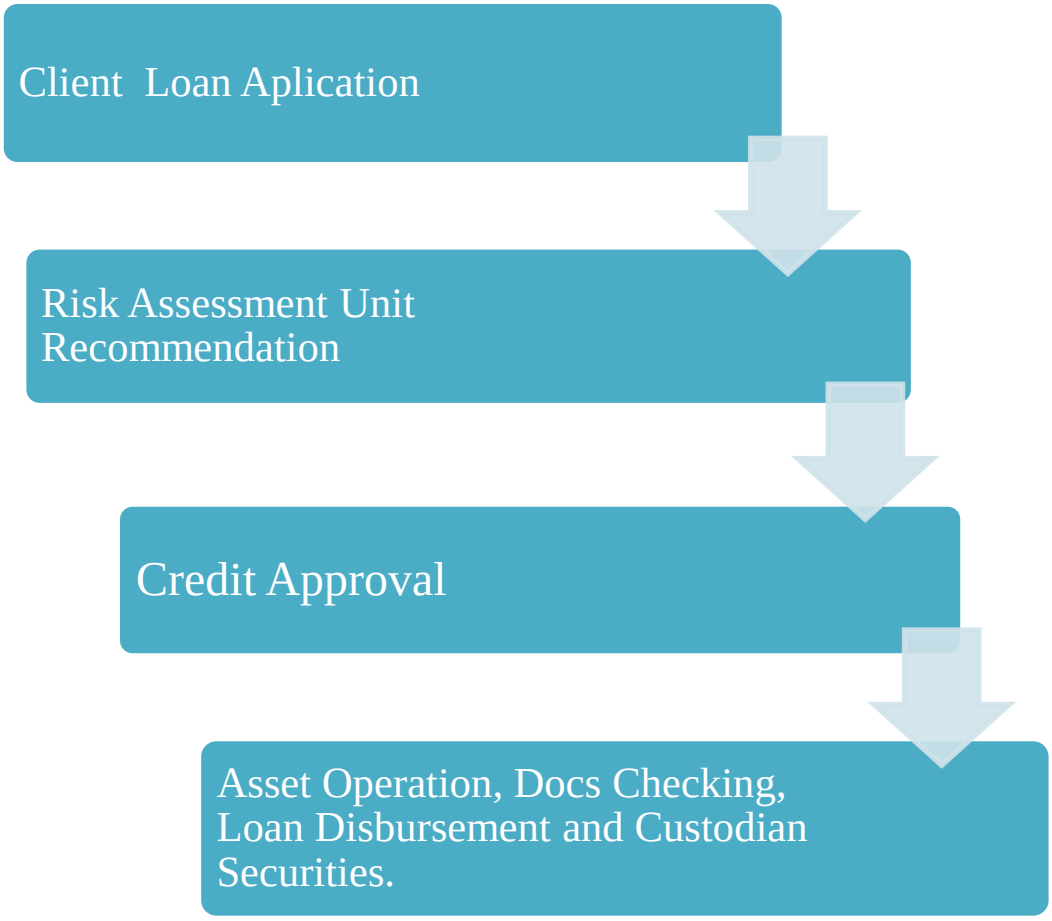
If the loan decision remains with the branch level, that branch sanctions the loan and if the approving authority is Head Office then the decision comes to the branch by telex or fax.

Proper supervision of the project

If such provision is kept in the sanction contracts, the Janata Bank Ltd. officials go to the project area to observe how the loan is utilized. If no such clause to supervise the loan is added, even then the bank can see the performance of the project.

4.17 Loan Disbursement Procedure

The following diagram shows the flow chart of the loan disbursement procedure.



Graph 5: Loan Disbursement Process

4.18 Loans and Advances of last five years

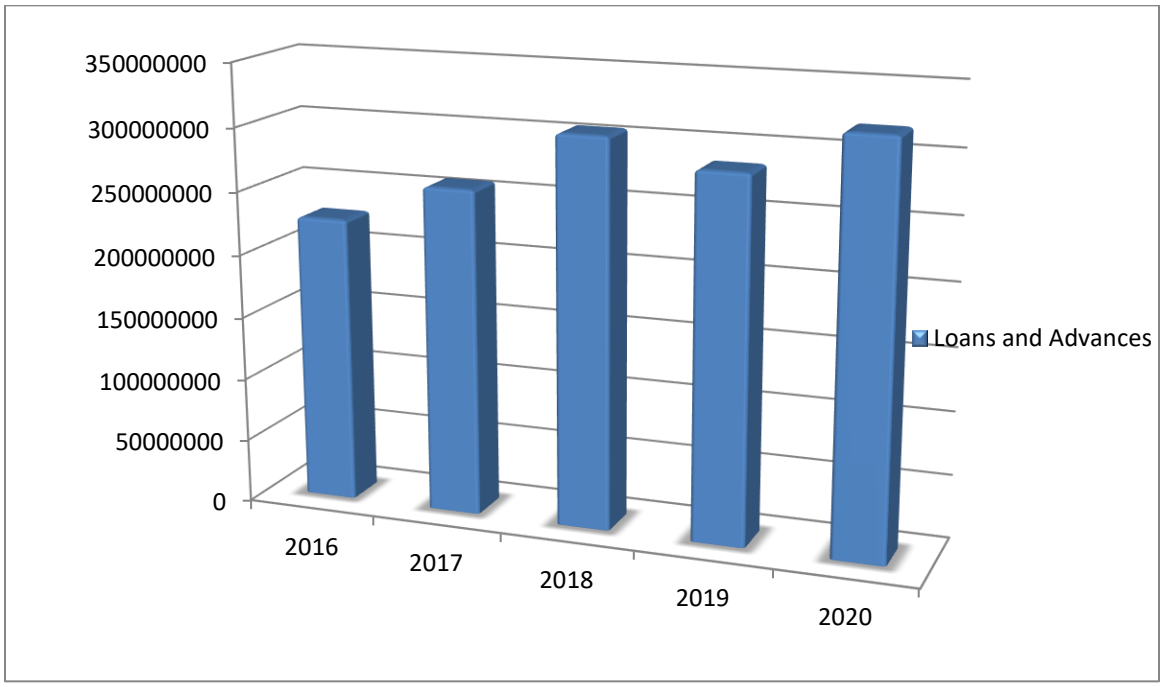
Total loans and advances performed by JBL Bank ltd. are quite satisfactory and are maintaining an increasing trend over the years. The below graph shows, in 2014, the amount increased significantly than the previous years.

Year	***Loans and Advances of Janata bank as a whole(tk. in millions)***
2016	226777857.82
2017	258140019.62
2018	305807489.36

2019	285747654.32
2020	319773246.47

Source: Annual Report of Janata Bank

Table 4: Loans provided by bank on different year



Graph 6: Comparative amount of Loans and Advances.

Comment: The above graph shows the comparative amount of provided Loans of Janata Bank from 2010 to 2014. Here, we can observe that in 2010 bank provide 226777857.82 million taka and in 2011 it increases to 258140019.62 million taka. In 2012 it also increases to 305807489.36 million taka but in 2013 it decreases to 285747654.32 million taka. In 2014 it provide highest amount of loan.

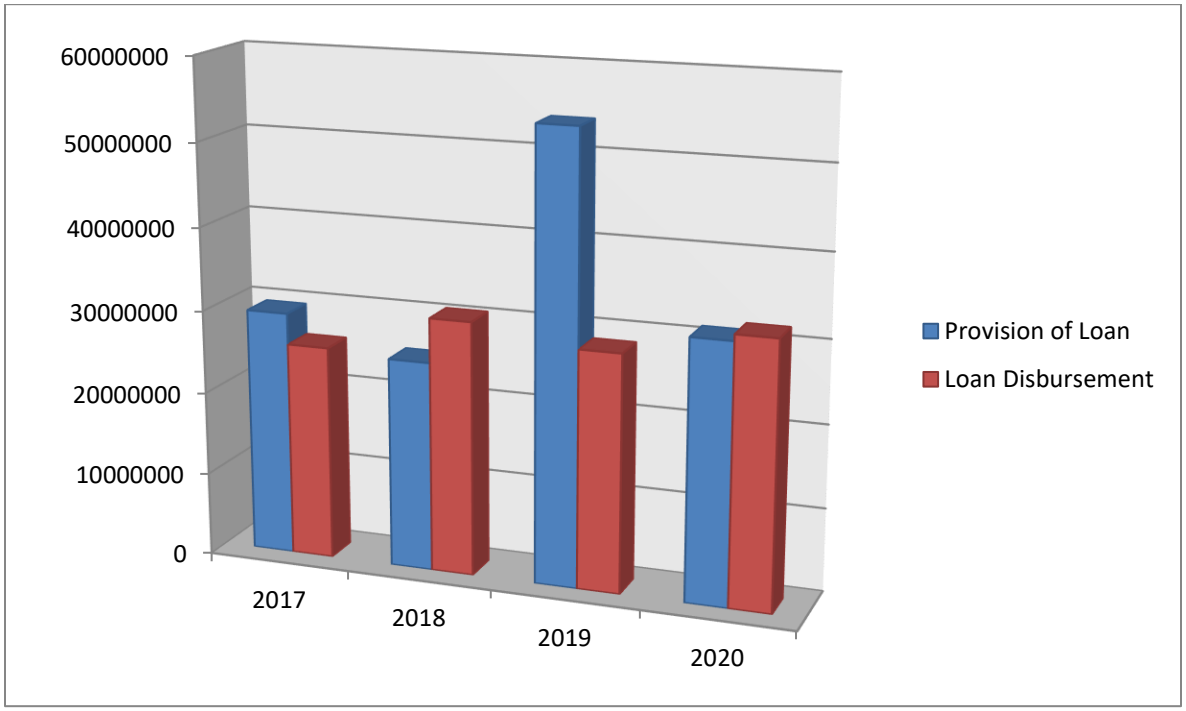
4.19 Provision for Loans and Advances:

Provision against loans and advances has increased to BDT 1947.36 million in 2014 against that of the earlier year. As percentage of classified loans compared to that in 2013 increased, provision also increased in 2014.The bank also able to recovered BDT 7337.30 million to December 2014 which is 97.72 percent of the recovery target.

Year	*Provisions For Loans and Advances of Janata bank as a whole(tk. in millions)*	*Loan Disbursements of Janata bank as a whole(tk. in millions)*
2017	29529606	25814001
2018	25239711	30580748
2019	53919355	28574765
2020	31196949	31977324

Source: Annual Report of Janata Bank

Table 5: Provisions for loan and loans provided by bank on different year



Graph 7: Comparison of Provision for Loans and Advances and Loan Disbursement.

Comment: The above graph shows the comparative amount of provisions of Loans and Advances and Loan Disbursement of Janata Bank from 2017 to 2020. Here, we can observe that in 2017 bank's provisions was 29529606 million taka and it provided 25814001 million taka. In

2018 decreases its provisions but increases its disbursement. In 2019 it increases its provision to 53919355 million taka but decreases its disbursement to 285747654.32 million taka. In 2020 it provides more amount of loan than the provision.

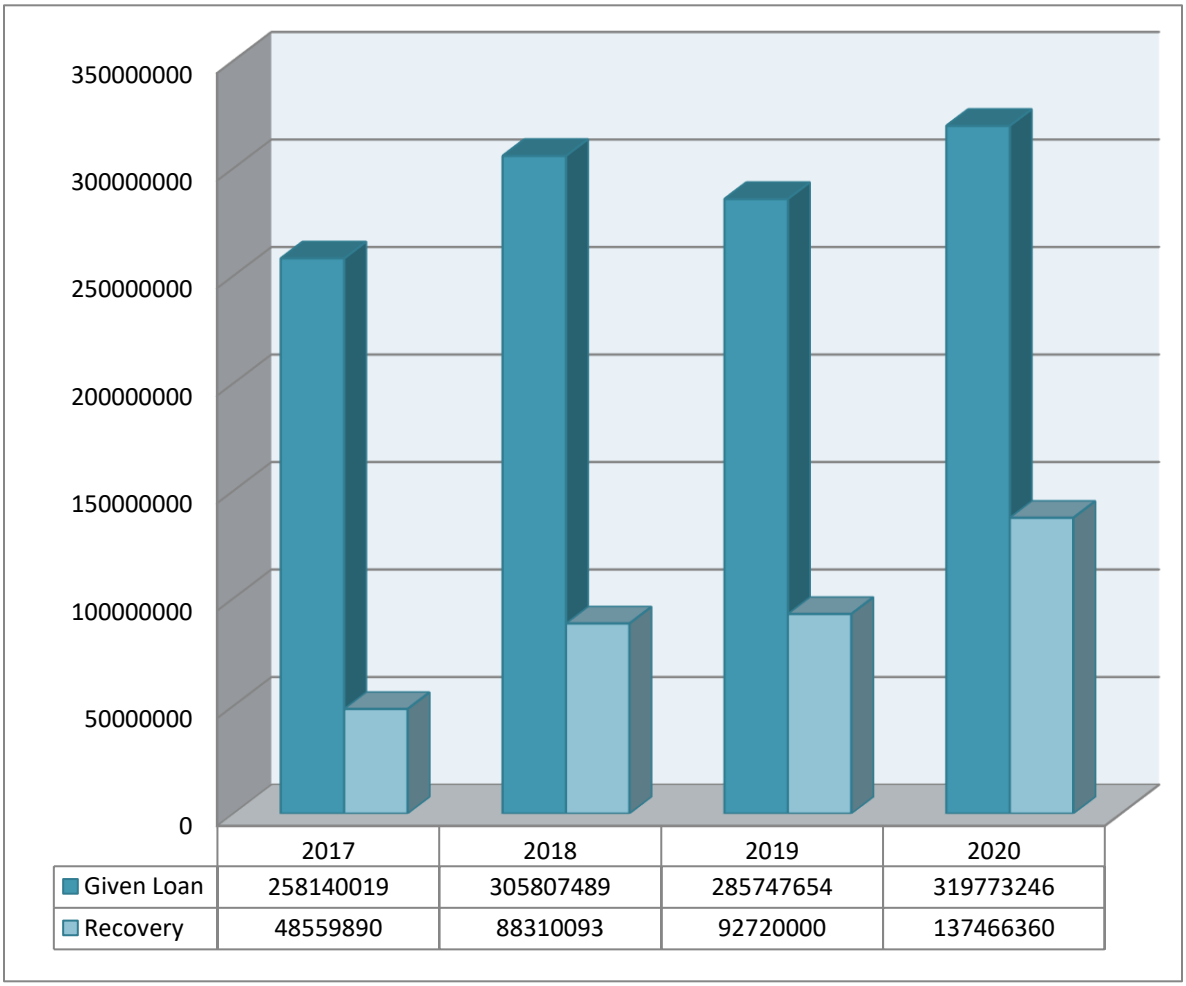
4.20 Recovery of Loan:

The target for total cash recovery against loans was BDT 8000 million for 2020. The bank was able to recovered BDT 7337.30 million to December 2020 which is 91.72 percent of the recovery target. In 2019, the bank has recovered BDT 5757.10 million.

Year	***Recovery (tk. in millions)***	***Given Loans (tk. in millions)***
2017	485598.90	258140019
2018	883100.93	305807489
2019	927200.01	285747654
2020	1374663.60	319773246

Source: Annual Report of Janata Bank

Table 6: List of amount of recovery and amount of given loans of Janata bank on different year.



	2017	2018	2019	2020
Given Loan	258140019	305807489	285747654	319773246
Recovery	48559890	88310093	92720000	137466360

Graph 8: Comparison of given loan and recovery.

Comment: The above graph shows the loan recovery in terms of given of Janata Bank from 2017 to 2020. Here, we can observe that in 2017 bank's recovery was 485598.90 million taka and it provided 25814001 million taka. In 2018 increases its recovery to 883100.93 million taka but it also increases its loan disbursement. In 2019 it recovers 927200.01 million taka. In 2020 it recover highest amount of loan than the given loan.

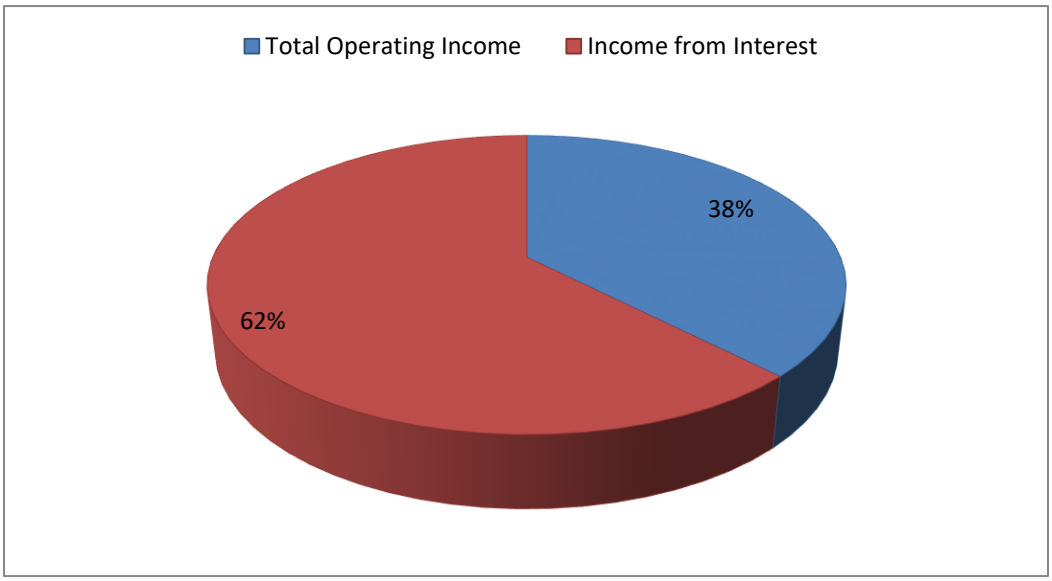
4.21 Income from Interest:

In 2020, operating profit cut a figure of BDT 10,683.34 million. Operating profit did not come up to the expected level due to decrease in interest income and increase of interest expenses as compare to those of previous year.

Year	*Income from Interest (tk. in millions)*	*Total Operating Income(tk. in millions)*
2017	26335634	25114480
2018	34219016	38920468
2019	36189684	21118341
2020	33734428	20592603

Source: Annual Report of Janata Bank

Table7: Income from interest and Total Operating Income of bank on different year



Graph 9: Percentage of interest income in terms of operating income in 2020

Comment:

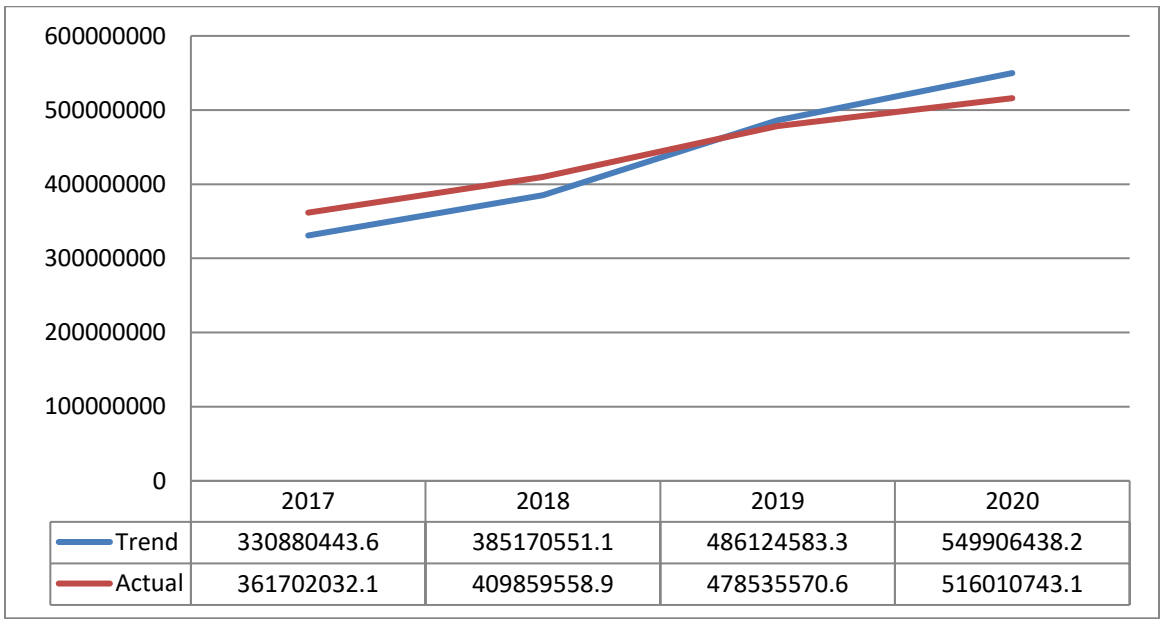
The above table shows the comparative amount of interest earned from Loans of Janata Bank from 2017 to 2020. In the pie chart we can observe the percentage of interest income in terms of operating income in 2020 which is 38% of total operating income. The main operating income of Janata Bank is come from the interest earning. So, bank should provide loan to the sector that provide more interest income.

4.22 Trend analysis:

As aspect of technical analysis that tries to predict the future movement profit on past data.Trend analysis is based on the idea that what has happened in the past gives traders an idea of what happen in the future.

Trend Analysis on Deposit:

Fitting straight line trend by the method of least squares we find the following line:-



	2017	2018	2019	2020
Trend	330880443.6	385170551.1	486124583.3	549906438.2
Actual	361702032.1	409859558.9	478535570.6	516010743.1

Graph 10: Trend analysis on Deposit

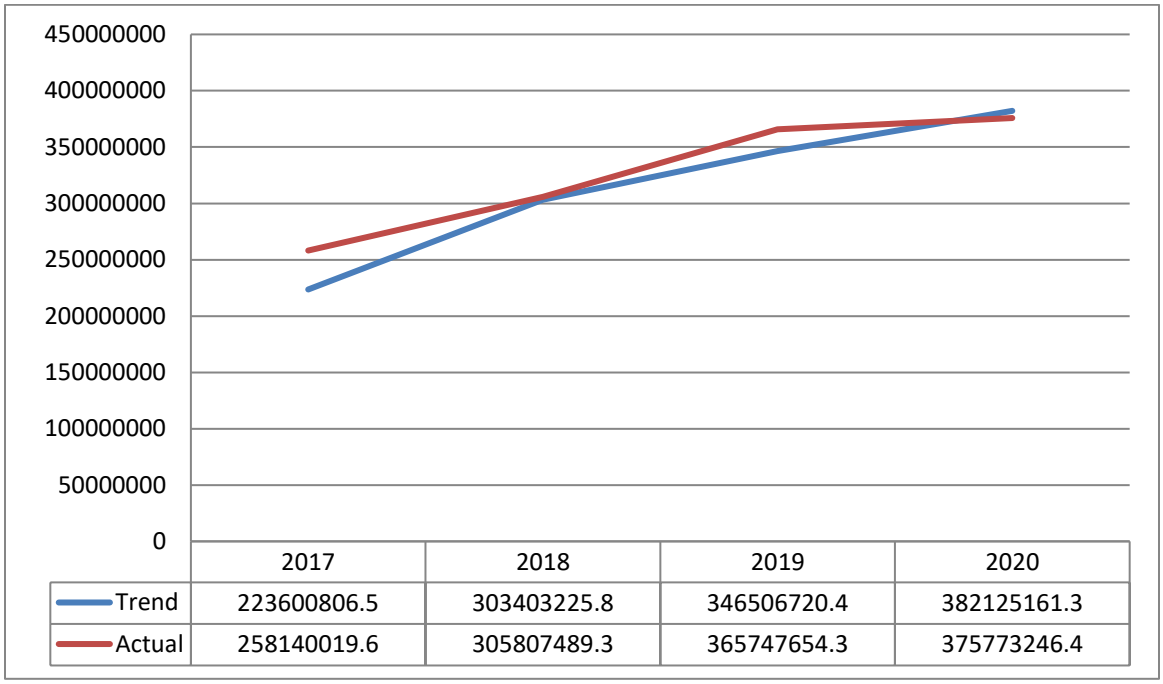
Comment:

Here the value of x is constant and the value of y is slope. The positive value of y means positive slope and the negative value of y means negative slope.

From the above graph we see that the bank increases deposits day by day. So, we can say that deposit level is satisfactory.

Trend Analysis on Loans and advances:

Fitting straight line trend by the method of least squares we find the following line:-



Graph 11: Trend analysis on Loans and Advances

Comment:

Here the value of x is constant and the value of y is slope. The positive value of y means positive slope and the negative value of y means negative slope. From the above graph we see that the bank increases loans and advances day by day.

4.23 Performance of JBL

Measuring Liquidity:

Particulars	2017	2018	2019	2020
1. Loan to Total Deposit ratio: $\frac{\textit{Total Loans \&Advances}}{\textit{Total Deposit}}$	$\frac{346506767.99}{486124589.53}$ =0.71	$\frac{303403506.09}{385170551.66}$ =0.79	$\frac{223601459.17}{330903157.17}$ =0.68	$\frac{194459923.91}{297494288.61}$ =0.65
2.Loan to Liabilities ratio: $\frac{\textit{Total Loans \&Advances}}{\textit{Total Liabilities}}$	$\frac{346506767.99}{551393083.75}$ =0.63	$\frac{303403506.09}{436617743.43}$ =0.69	$\frac{223601459.17}{376078512.04}$ =0.59	$\frac{194459923.91}{346901786.76}$ =0.56
3. Asset to Liabilities ratio: $\frac{\textit{Total Asset}}{\textit{Total Liabilities}}$	$\frac{591921195.07}{551393083.75}$ =1.07	$\frac{464024096.98}{436617743.43}$ 1.06	$\frac{396238451.84}{376078512.04}$ =1.05	$\frac{359082388.34}{346901786.76}$ =1.035

Comments:

A higher Liquidity ratio indicates a less Risk & Less Profitability of a Bank. The Bank has the Loan Deposit ratio in 2018 is 0.79, But in 2020 the proportion of loan amount gradually decrease in respect to Deposit collection. In the year 2020, Janata Bank grant taka 0.71 of loan in respect of deposit taka 1.07, which show a greater utilization of Deposit money. Furthermore Bank's Loan

to Liabilities ratio is also decreases from 2019 to 2020, which indicate lower default risk. Finally Janata Bank's Asset level also increase in respect with total Asset in last year.

Classified Loans & Bangladesh Bank Guidelines

Classified of Loans

Banks are financial service firm, producing and selling professional management of the public's funds as well as performing many other roles in the economy. But now- a-days commercial banks are not performing their activities smoothly for a large burden of default loan. Every year Janata Bank distributes thousand core taka among individuals, organizations etc. but a large sum of these distributed fund cannot be recovered in due time. The Bank has to classify this loan. In this chapter I would like to concentrate on classification procedure, provision making for particular classification, performance of the bank regarding classified loan and recovery of such classified loan.

Loan Classification System

Length of overdue	Status of classification	Rate of provision
All loans except Agricultural loans:		Annual provision
Less than 1 year	Unclassified	1%
Loans overdue for 1 year but less than 3 years	Substandard	10%
Loans overdue for 3 years but less than 5 years	Doubtful	50%
Loans overdue for 5 years or more	Bad/loss	100%
For agricultural loan: Loans not overdue for 5 years or more	Classified, substandard, doubtful	5%
Loans overdue for 5 years or more	Bad/ loss	100%

Sub Standard (SS) When degree of risk for non-payable is high but there is reasonable respect that the loan condition can be improved	Continuous/demand/ term Loan (less than 5 years) more than 5 years short term agri. credit and micro credit	 overdue is more than 3 months but less than 6 months if default amount of installment is equal to installment payable in 6 months If default amount of installment is equal to installments payable in 12 months. overdue is more than 12 months but less than 36 months
Doubtful (DF) When chance of recovery is uncertain	Continuous and demand Term loan less than 5 years More than 5 years Short term agri. credit and micro credit	overdue is more than 6 months but less than 9 months If default amount of installment is equal to installments payable in 12 months. If default amount of installment is equal to installments payable in 12 to 18 months. Overdue is more than 36 months but less than 60 months.
Bad/ loss (BL) No security held, borrower not traceable, time barred loans, no hope of recovery	Continuous and demand Term loan (up to 5 years) more than 5 years	overdue is more than 12 months If default amount of installment is equal to installment payable in18 months. If default amount of installment is equal to installment payable in 24 months. overdue is more than 60 months

Source: Bangladesh Bank, BRPD Circular No. 5 of 2006

Table 8: Loan Classification System

According to this circular loans and advances were classified on a loan by loan basis rather sample classification. This process was continued till 1994. Bangladesh Bank further issued a circular in1995 (BCD circular#20/1994). The title of the circular was "Revised rules of classification and provisioning of loans and advances," which came into implementation from January 1, 1995.

a. types of classification	**1st stage**	**2nd stage**	**3rd stage**	**4th stage**	**5th stage**
	Period overdue	Period overdue	Period overdue	Period overdue	Period overdue
Unclassified	Less than 18 months	Less than 12 months	Less than 19 months	Less than 6 months	Less than 3 months
Substandard	18 months or more but less than 36 months	12 months or more but less than 24 months	9 months or more but less than 24 months	6 months or more but less than 12 months	3 months or more but less than 6 months
Doubtful	36 months or more but less than 48 months	24 months or more but less than 36 months	12 months or more but less than 24 months	9 months or more but less than 12 months	3 months or more but less than 6 months
Bad	More than 48 months	36 months or more	12 months or more but less than 24 months	9 months or more but less than 12 months	3 months or more but less than 6 months

Unclassified	1%	1%	1%	1%	1%
Substandard	10%	10%	10%	10%	10%
Doubtful	50%	50%	50%	50%	50%
Bad	100%	100%	100%	100%	100%
c. period of classification	Annual basis	Half yearly basis	Half yearly basis	Quarterly basis	Quarterly basis

*Source: Studies in Bangladesh Banking, BIBM

Table 9: Schedule of loan classification and provision program

5.1 Findings

Based on observation and interpretation I found some positive and negative side of JBL. Those are given below:

- Bank follows the overall credit assessment and risk grading process according to the sales of Bangladesh Bank.
- Loan & the advances are vital to finance the projects. An appropriate credit distribution system and monitoring will ultimately lead to the profit maximization of banks. It is evident from that the size of JBL loans & advances are increasing over the years.
- The credit growth in the banking sector did not increase due to lower demand of loan.
- Sometime the loan documentation is not fairly done by the branch.
- Operating profit did not come up to the expected level due to decrease in interest income and increase of interest expenses as compare to previous years.
- Sometime the document verification is done after loan sanctioning the loan.
- Sometimes it is difficult to collect formal documents and financial statements from the client, means the non-availability of client's detailed information.
- Processing cost is higher compared to the other large-scale loan services provided by the bank because close monitoring and supervision of the credit operation becomes necessary.
- There is Shortage of manpower and Lack of proper training for the employees in credit section of the branch.
- The recovery performance of JBL 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.

- Every bank has its own budget and plan regarding loan portfolio. This loan portfolio must be diversified so that bank could diversify its risk. A proper and preplanned portfolio can eliminate the risk of huge classified loan or bad loans as this aspect is very much sensitive toward many external and internal factors. The bank under study i.e. Janata Bank Ltd. does not have any proper guide line where to invest; moreover they do not do any future plan to maintain a well-structured portfolio to decrease the possibility of classified loan. This type of practice is working as an obstacle in smooth credit disbursement as well as in credit appraisal system.
- In many cases bank face this problem because bank's credit officer fails to value collateral property. Proper valuation means collateral will exactly cover the risk of bad loan.
- JBL does not keep enough provisions against classified loans and advances.
- 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.
- The credit management of JBL are not fully conformity with the guidelines prescribed in the Bank Companies Act 1991 and International Accounting Standerd-30(IAS-30)

5.2 Analysis

The Following policies can be prescribed for the JBL, like:

- Central Bank should take proper actions for ensuring equivalent distribution of loans and advances.
- Lending policies in our country should be geared to growth potential rather than being determined by the pre-existing collateral.
- Changes in lending policies will not suffice the purposes unless it is followed by a change in the attitude and outlook of both the borrowers and the bankers.

- Improvement of credit management depends on the development of relevant, adequate, proper and reliable data base at the public sector banks as well as private sector banks in Bangladesh.
- Publishing the names of defaulter as well as good and regular payers in various dailies and granting various sorts of facilities to good borrowers will create a moral persuasion on the borrowers. This may decrease the number of defaulters and the volume of large outstanding loan amounts as well.
- Pressure from outsider and influence extorted by borrowers are also a great impediment in the smooth functioning of loan recovery process. The role of government in this case is the most important factor required to solve these sorts of problem.
- More and more competent personnel must be recruited to reduce the weakness of credit management. Competent executives will ensure the reduction of wrong appraisal and evaluation of projects.
- Prompt legal actions should be taken against willful loan defaulters.
- The new entrepreneurs should be encouraged in disturbing loans and those who have the records of regular payment, should be given preference.
- Steps should be taken so that guarantors cannot avoid their responsibility.
- It is observed that the defaulters generally get various sorts of exemptions as declared by the government from time to time. Government must not show any kind of mercy to the

defaulters in any way which may encourage the default culture. This type of action may discourse the borrowers to become willful defaulters.

- ❖ The attempt to encourage banks to require borrowers comply with banking laws and regulations and clear up industrial properties prior to granting a loan.
- ❖ JBL should follow some straight ward mechanical procedures in assessing the risk of a borrower.
- ❖ The formulation of a sound credit policy in the possibility of default loans
- ❖ The formulation of a sound credit policy in the banking sector as a whole has to take into account all these factors and each bank has to attempt to work out for itself what it is capable of doing so as best as possible.
- ❖ The existing huge amount of classified loans demand for special and corrective attention for example:

1. By obtaining suitable reduction on amount.
2. Additional security.
3. More complete financial data concerning the obligor's condition or
4. Other such action as the specific circumstances may require.

6.1 Recommendation

- The procedure of loan sanctioning should be automated to make sanctioning of loan less time consuming and reducing the risk of losing documents of disbursed loans.

- To create better client the bank should decrease the rate of interest on different sector, especially in Uttaran House Repairing Loan and Small Business Loan.

- The bank should diversify its loans more to finance small entrepreneurs for better growth of the country.

- The bank can provide student loan, doctors loan etc. This may encourage the students to come forward to do something for the economy. And also increase the amount of personal loan and consumer loan.

- Strong promotional activities should be increased to motivate its present potential loans related clients. More loans can be granted for new entrepreneurs, new businessman and new companies etc., which ultimately reduce "class banking"

- The law and order should be easier for the bank to liquidate the collateral, so that the borrower can be able to pay the debt easily.

- Maximum number of the loan is provided in the long-term industrial loans. Bank's clients are also limited. So, they can't serve the economy of the country that much. So, they should diversify their loans more in agriculture, forestry, fishing and new industries etc. for better economic growth of the country.

- Installment period and installment time duration should be increased so that the borrower can utilize their debt facility properly for profit maximization.

- In case of some mortgage problem such as acquisition, proprietorship and problem of asset, the bank should try to avoid this type of loan sanction.

- The bank should try to increase its recovery amount since loan amount each year has been increased. The bank should induce quality client and select best project for risk free rate of interest.

- The bank should update its loan and advances strategy in sustainable and appropriately enough to survive in the market.

- The bank should provide more loans of small scale in different sectors though it will decrease the profit a little. But it will be very safe.

- In a competitive financial market, the bank should innovate its products & services need to be focused more on customers' needs.

- JBL has 886 branches all over the country. It is very hard to provide full range services with those branches. The bank needs to pay more attention toward the expansion of the branch network. The bank should develop quality service in respect of speedy disposal both at branch head office regarding loan and advances operations. A consistent relationship with customers should be improved & maintained.

- For surviving in the market, online banking facilities, ATM services and mobile Banking facilities should be provided.

- The bank should formulate the ethical banking or green banking both internally and externally.

5.2 Conclusion

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

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Appendix

Annual Report 2014:

Janata Bank Limited and its subsidiaries
Consolidated Statement of Cash Flows
For the year ended 31 December 2014

	2020 Taka	2019 Taka
A. Cash flows from operating activities		
Interest received	***32,571,900,529***	***35,487,533,378***
Interest paid	***(35,261,292,343)***	***(33,435,595,212)***
Dividend received	1,286,758,746	1, 387,780,906
Fees and commission receipt in cash	2,648,888,700	2, 459,177,870
Cash paid to employees	(6,752,067,181)	(6,165,487,868)
Cash paid to suppliers	(228,159,319)	(238,209,856)
Income from investment	14,701,697,555	10,488,665,971
Receipt from other operating activities	1,796,629,300	1, 336,211,306
Paid for other operating activities	(2,823,342,121)	(1,719,801,198)
Recoveries of previously		
Written-off loans & advances	1,374,663,600	9 27,200,000
Income tax paid	(2,590,610,295)	(3,507,537,195)
Cash generated from operating activities	**6,725,067,171**	**7, 019,938,101**

Janata Bank Limited

Statement of Financial Position (Balance Sheet)

As at 31 December 2014

	Note	2020 Taka	2019 Taka
Loans and advances	**7.00**	**319,773,246,472**	**285,747,654,328**
Loans, cash credit, overdrafts etc.		**303,089,102,311**	**266,471,223,106**
Bills purchased and discounted		**16,684,144,161**	**19,276,431,222**
Fixed assets including land, building,			
Furniture and fixtures	8.00	9,729,017,933	9,724,837,749
Other assets	9.00	45,882,223,602	49,283,171,120
Non-banking assets	10.00	-	-
TOTAL PROPERTY AND ASSETS		629,454,138,033	586,082,985,719

Janata Bank Limited and its subsidiaries

Consolidated Statement of Comprehensive Income (Profit and Loss Account)

For the year ended 31 December 2020

	Note	2020 Taka	2019 Taka
Operating income			
Interest income	24.00	33,642,548,911	36,203,647,402
Interest paid on deposits and Borrowings etc.	25.00	35,986,817,134	34,215,363,219
Net interest income		**(2,344,268,223)**	**1,988,284,183**
Investment income	26.00	16,949,536,937	13,894,964,599
Commission, exchange and brokerage	27.00	4,190,705,336	3,856,258,688
Other operating income	28.00	1,796,629,300	1,378,834,048
Total operating income (A)		**20,592,603,350**	**21,118,341,518**
Operating expenses			
Salary and allowances	29.00	6,747,515,569	6,154,145,696
Rent, taxes, insurance and Electricity etc.	30.00	911,436,051	793,386,480
Legal expenses	31.00	25,750,899	22,527,918
Postage, stamp, Telecommunication etc.	32.00	45,901,136	26,508,577
Stationery, printings, Advertisements etc.	33.00	228,159,319	238,209,856
Chief Executive's salary and fees	34.00	4,551,612	11,342,172
Directors' fees	35.00	3,916,500	3,457,267
Auditors' fees	36.00	6,695,204	3,985,070
Depreciation, repairs And maintenance	37.00	591,217,372	511,622,109
Other operating expenses	38.00	1,272,187,353	1,106,340,401

Total operating expenses (B)		**9,837,331,015**	**8,871,525,546**
Profit/ (loss) before			
Provision& tax (C) = (A-B)		**10,755,272,335**	**12,246,815,972**
Provision for loans and advances	39.00	3,119,694,903	53,919,355
Provision for off balance sheet			
Exposures	40.00	-	-
Provision for other assets	41.00	-	13,908,114
Provision for employees benefit	42.00	1,740,000,000	1,139,137,905
Provision for diminution			
Value of investment		-	-
Other provisions	43.00	121,084,492	323,866,670
Total provision (D)		**4,980,779,395**	**1,530,832,044**
Total profit/ (loss) before tax (E) = (C-D)		**5,774,492,940**	**10,715,983,928**
Provision for taxation (F)	44.00	**1,943,397,140**	**1,107,603,183**
Current tax		2,090,433,173	823,016,258
Deferred tax		(147,036,033)	284,586,925
Net profit/ (loss) after tax (G) = (E-F)		**3,831,095,800**	**9,608,380,745**
Net profit attributable to:			
Equity holders of the Bank		3,831,095,800	9,608,380,745
Non-controlling interest		-	-
		3,831,095,800	**9,608,380,745**
Net profit for the year		**3,831,095,800**	**9,608,380,745**