

An Internship Report On
Credit Operation of Jamuna Bank Limited

*An Internship report submitted to the course instructor as a partial fulfillment of
the requirements of the BBA Program.*



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LETTER OF SUBMISSION

December 21, 2013

To

Sonia Rezina

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Subject: Submission of internship report.

Dear Madam

I am very glad to submit you my internship report on “ **Credit Operation of Jamuna Bank Limited**” I have concentrated my all endeavor to conduct the practical orientation program from Sept 15, 2013 to December 15, 2013 the most realistic & professional way.

I hope that you would be kind enough to receive this report.

Sincerely yours

Md. Shariful Islam

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CERTIFICATE OF SUPERVISOR

This is to certify that, Md. Shariful Islam, student of BBA, ID No.M21011111017, 21st Batch, School of Business Administration, Uttara University, Dhaka, Bangladesh, has completed his Internship Program entitled "Credit Operation of Jamuna Bank Limited". He has completed this internship satisfactorily under my supervision as the partial fulfillment for the award of BBA degree.

He has done his job according to my supervision and guidance. He has tried his best to do this successfully. I think his study will help him in the future to build up his career.

I wish him every success in life.

Sonia Rezina
Senior Lecturer
School of business Administration
Uttara University,
Dhaka, Bangladesh

DECLARATION

I hereby declare that the Internship Report on "Credit Operation of Jamuna Bank Limited." includes the results of my own research works, pursued under the supervision of Sonia Rezina , Senior Lecturer, School of business, Uttara University, Dhaka, Bangladesh.

I further affirm that the work presented in this report is original and no part or whole of this report has been submitted to, in any form, any other University or Institution for any degree or any other purpose.

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Program: BBA, 21st Batch

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Acknowledgment

Internship Program is a complement of the subject Management as it is provide practical knowledge to the outgoing students of BBA, as they are going to participate in Management successfully of organization in Globalization.

I express my deep gratefulness to the almighty “Allah” for giving me every assistance in the way of life.

I am highly grateful and indebted to the employees of Tongi Branch, Jamuna Bank Limited- Md. Khandakar Murshiduzzaman (SEO) Branch Manager, Md.Gious Uddin (EO) Operation Manager, Md.Mushfiqur Rahman (FEO), Ms. Rina Akter (FEO), Md. Ashrafal Alam (Offiser), Md. Ahasanul Haque (AO), & others for their excellent guidance in establishing this report. Their instruction and encouraging attitude and artistic technique of giving knowledge helped me is an outstanding way to worked out this difficult task. I have faced various kinds of problem from beginning to end. I couldn't solve all those problems without the help of their most cordial instruction, intellect advice and sympathy. They gave me valuable suggestion, note of how to prepare the report, its rule and method and analyzing system.

I am grateful to the authors of those books from where I have received necessary help in preparing this report.

My special gratitude goes to my honorable internship supervisor Sonia Rezina, Senior Lecturer, School of business Administration, Uttara University, who motivated me to choose this topic. He helped me in every step of my internship & report writing by giving proper guidance, advice, & inspiration.

Executive Summery

Internship is must to fulfill academic requirement. This internship report is based on practical experience at the Jamuna Bank Limited, Tongi Branch, Tongi, Gazipur. This study selected five major objectives i.e. to know about the organizational framework of the Jamuna Bank Ltd., to present an overview of Jamuna Bank Ltd., to acquire the knowledge about the credit system of Jamuna Bank Ltd. during the study period, to find out the SWOT Mix of the Jamuna Bank Ltd., to enhance the recommendation to remove the problems of Jamuna Bank Ltd. during the study period. In the beginning of this study contains some description about the banking sector and perspective of the Jamuna Bank Limited. I collected both primary & secondary information for fulfill this study. The next part is Historical Background of the Bank. Their corporate mission and vision. How they exercise their corporate and social responsibility. Then a brief description about the board of director and key management profile. The performance of the last few year and growth was well satisfactory. The next part is described about the product & services of the Jamuna Bank Limited. Jamuna Bank Limited offers a diversified asset and liability product. Those are broadly described in credit operation in two chapters. For the sanction of loan and some other expenditure, authorization from the Head Office is required. A target of profit is given by the Head Office and the branch is trying it best to achieve it. During my internship program in this branch I have found some lacings. I found that the credit policy is required for better performance of the bank. After that I also found that the some problems of Jamuna Bank Ltd. under the study period. It is to be mentioned that this is from my point of view. I have also pointed out some recommendations which I believe to be the best form to solving that the problems and Jamuna Bank Ltd. will be better perform in future and bank will be a great position among the all banks in Bangladesh. Finally I observed that Jamuna Bank Ltd. will ensure the better services to the people of Bangladesh and they will be more contribution on development of economy of Bangladesh.

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Chapter 1

Introduction

1.1 Prelude

We can simply say that Bank is financial organization that deals with money. But it is the precise most definition about bank. In modern age it is impossible to think a country without bank. Banks play diversified role in an economy. The most important task that is done by a bank is building of capital. That is the key factor of the development of an economy. An Industrialized nation's build their industrial sector with the help of banking sector. The growth of the economy also depends on the performance of the banking sector. Banks secure money of the society. Government takes various monetary policies. These policies are implemented with the help of banking sector. It is impossible to do foreign trade without the help of bank. Banks provide services that help the business sector a lot to carry on the business. For example, giving guarantee, different types of certificate, expertise advice to business people. Banks also help to establish good faith among businesspersons.

Jamuna Bank Limited (JBL) is a Banking Company registered under the Companies Act, 1994 with its Head Office at Chini Shilpa Bhaban, 3 Dilkusha C/A, Dhaka-1000. The Bank started its operation from 3rd June 2001.

Jamuna Bank Ltd. is a third generation bank in Bangladesh. It is playing an important role to develop the business sector. The growth of this bank is very good. Its motto is to provide a prompt and quick service to the clients. Jamuna Bank Ltd. has implemented well structured online banking systems that make it easier to provide prompt services to the customer.

This study has been prepared in the light of practical as well as theoretical knowledge. Also it is prepared under the guidance and supervision of the core teacher. During the internship program I have got a good idea about the bank and that is depicted in the report.

1.2 Origin of the Report.

The BBA (Bachelor's of Business Administration) internship program is required course for the students who are graduating from the School of Business Administration, Uttara University. It is a four credits hour course with the duration of {twelve weeks}. Students who have completed all the required courses are eligible to for this course. In this internship program, I was attached to do my internship by rotation to all departments of Jamuna Bank Limited, Tongi Branch, Bepari market, Tongi, Gazipur. Both the academic and the organizational supervisor assigned me on this project. The report is on "**Credit Operation of Jamuna Bank Limited**".

1.3 Review of the Literature.

The profit of a commercial bank depends primarily on the utilization of its fund. And the making of loan and advance is always profitable to a bank. As the bank mobilizes savings from the general people in the form of deposit, the most important task of it is to disburse the said deposit as loan or advance to the mass people for the development of commercial, industrial, who are in need of fund for investment.

A great bulk of problem loans and their ever deepen thrust on Bank credit has brought a gloomy situation in the cost of fund. Loan Default culture has started in Bangladesh mainly after the nationalization of banks. However, it was enhanced by the availability of huge amount of credit in the name of developing private and industrial sector. Industry set-up was shown as sick industry to get additional loan and relieve from interest.

Jamuna Bank Ltd. was established to provide term loan and other financial assistance to accelerate the pace of development to small industry of Bangladesh, is also prone to such disappointing features of problem loans. The report mainly focuses on the credit operating system, their credit policies and procedures of loan supervision and recovery, especially their classified loans.

1.4 Objectives of the Study

Primary objective: Primary objective is to learn the real world experience because I have gathered theoretical knowledge for BBA course and try to match real world experience with the theoretical knowledge.

Secondary Objective:

- To acquire the knowledge about the credit system of Jamuna Bank Ltd.
- To know about the organizational framework of the Jamuna Bank Ltd.
- To highlight an overview of Jamuna Bank Ltd. during 2011-2012
- To find out the SWOT Mix of the Jamuna Bank Ltd.
- To find out the Productivity, & Trend position of JBL during 2008-2012.
- To enhance the recommendation to remove the problems of Jamuna Bank Ltd.

1.5 Methodology of the Study:

- ▶ This report is the reflection of three months internship program at the Jamuna Bank Limited at Tongi branch, Tongi, Gazipur. This study covered by both the primary as well as the secondary form of data was used to prepare the report. . To prepare this internship report I have collected data and information both from primary and secondary sources. I had observed the operations and worked with the officers at the same time. I had interviewed the JBL officials for getting more information.
- ▶ For the analysis part, data have been collected from different statements and the annual report of the bank.

Sources of Information

The data collection method of study consists of both of primary and secondary sources. But majority of the information was collected from secondary sources.

Primary sources:

- ✓ Face to face conversation with the officer.
- ✓ Direct observations.
- ✓ Face to face conversation with the client.

The secondary sources of information are given below:

- ✓ Annul report of the Jamuna Bank Limited during 2011-2012.
- ✓ Outlets of Bangladesh Institute of Bank Management.
- ✓ Website of the Jamuna Bank Limited.
- ✓ Different publications of the Jamuna Bank Limited.
- ✓ Theoretical books relating banking sector.

1.6 Scope of the Study

The report commences with the outline of the organization in focus, presenting the mission and vision, individual department job responsibilities, Credit Risk Analysis related issues are discussed in detail along with their results and possibilities. In this report is all the aspect of credit risk analysis has been discussed detailed by those the management can take decisions regarding modifying their plans for granting loans and can strengthen the relationship with the business environment as well as with the stakeholders and clients.

1.7. Limitation of the Study

Three months is not enough to know about commercial banking operation through I have been received maximum assistance from the every individual of the JBL Tongi Branch. Definitely, I could not produce an outstanding report for the time limitations. Due to the time limit, the scope and dimension of the study has been curtailed.

The Term paper is likely to have following limitations:

- Since the ideal size of data could not be taken, suggested operating process may not be useful without appropriate modifications.
- Due to shortage of time, the accuracy of information may not have been completely perfect.
- The Operating Process is a theoretical suggestion. Only a practical application of this may justify its effectiveness that could not be done due to time limitation.

- Lack of comprehension of the respondents was the major problem that created many confusions regarding verification of conceptual question.
- Confidentiality of data was another important barrier that was faced during the conduct of this study. Every organization has their own secrecy that is not revealed to others. While collecting data on JBL, personnel did not disclose enough information for the sake of confidentiality of the organization.
- Rush hours and business was another reason that acts as an obstacle while gathering data.
- Observing and analyzing the broad performances of a Bank and one of its Branches, moreover when it is an AD branch, are not an easy job by this short duration of time (only three months).

However, omitting this, the report will help us understand the Credit Operation departments of the bank.

Chapter- 2

Overview of Jamuna Bank Ltd

Jamuna Bank Limited (JBL) provides commercial banking services in the Bangladesh. The bank primarily engages in corporate banking, trade finance, project finance, retail banking, small enterprise finance, consumer finance, and syndication. Its range of service offerings include cash management services, payments and clearings, safe deposit locker services, employee benefits, collection services, treasury services, asset management, services and SWIFT for foreign trade. Jamuna Bank has an investment of 390 million taka in its business.

2.1 Location

The Registered office & corporate Head Office at Chini Shilpa Bhaban, 3 Dilkusha C/A, Dhaka-1000. Its branches are situated at all the major cities of the country except 09 which are situated at rural area. The number of bank branches stood at 83.

2.2 Historical background of the company

Jamuna Bank Limited (JBL) is a Banking Company registered under the Companies Act, 1994 with its Head Office at Chini Shilpa Bhaban, 3, Dilkusha C/A, Dhaka-1000. The Bank started its operation from 3rd June 2001.

Jamuna Bank Limited is a highly capitalized new generation Bank with an Authorized Capital and Paid-up Capital of Tk.10000 million and Tk.4488 million respectively. The Paid-up Capital has been raised to 840 million and the total equity of the bank stands at 8325 million as on December 31, 2012. The Bank undertakes all types of banking transactions to support the development of trade and commerce of the country. JBL's services are also available for the entrepreneurs to set up new ventures and BMRE of industrial units. Jamuna Bank Ltd. the only Bengali named new generation private commercial bank was established by a group of winning local entrepreneurs conceiving an idea of creating a model banking institution with different outlook to offer the valued customers, a comprehensive range of financial services and innovative products for sustainable mutual growth and prosperity. The sponsors are reputed personalities in the filed of trade, commerce and industries.

The Bank is being managed and operated by a group of highly educated and professional team with diversified experience in finance and banking. The Management of the bank constantly focuses on understanding and anticipating customers needs. The scenario of banking business is changing day by day, so the bank's responsibility is to device strategy and new products to cope with the changing environment. Jamuna Bank Ltd. has already achieved tremendous progress within only twelve years. The bank has already ranked at top of the quality service providers & is known for its reputation.

Jamuna Bank Ltd. offers different types of Corporate and Personal Banking Services involving all segments of the society within the purview of rules and regulations laid down by the Central Bank and other regulatory authorities. As per the provisions of Bangladesh Bank license, the Bank has offered initially its shares to public by Pre – IPO and subsequently sold shares to the public through IPO in the year 2004. The shares of the Bank are listed with both Dhaka Stock Exchange Ltd. & Chittagong Stock Exchange Ltd.

Our Vision:

To become a leading banking institution by playing a significant role in the development of the country.

Our Mission:

The bank is committed to satisfy diverse need of its customers through an array of products at a competitive price by using appropriate technology and providing timely service so that a sustainable growth, reasonable return and contribution to the development of the country can be ensure with a motivated and professional workforce.

2.3 Strategies of Jamuna Bank Ltd.

Financing establishment of small units of industries and business and facilitate their growth Small Balance Sheet size composed of quality assets.

- To manage and operate the Bank in the most efficient manner to enhance financial performance and to control cost of fund
- To strive for customer satisfaction through quality control and delivery of timely services
- To identify customers' credit and other banking needs and monitor their perception towards our performance in meeting those requirements.
- To review and update policies, procedures and practices to enhance the ability to extend better service to customers.
- To train and develop all employees and provide them adequate resources so that customers' needs can be reasonably addressed.
- To promote organizational effectiveness by openly communicating company plans, policies, practices and procedures to employees in a timely fashion
- To cultivate a working environment that fosters positive motivation for improved performance
- To diversify portfolio both in the retail and wholesale market
- To increase direct contact with customers in order to cultivate a closer relationship between the bank and its customers.

2.4 Objectives of Jamuna Bank Ltd.

- ❖ To earn and maintain CAMEL Rating 'Strong'

- ❖ To establish relationship banking and improve service quality through development of Strategic Marketing Plans.
- ❖ To remain one of the best banks in Bangladesh in terms of profitability and assets quality.
- ❖ To introduce fully automated systems through integration of information technology.
- ❖ To ensure an adequate rate of return on investment.
- ❖ To keep risk position at an acceptable range (including any off balance sheet risk).
- ❖ To maintain adequate liquidity to meet maturing obligations and commitments.
- ❖ To pursue an effective system of management by ensuring compliance to ethical norms, transparency and accountability at all levels.

2.5 Offers of Jamuna Bank Ltd.

- ❖ Term loans especially to develop small scale enterprises and also attach special importance to technical and advisory support in order to enabling them to run their enterprises successfully.
- ❖ Full-fledged commercial banking services including collection of deposit, short-term trade finance, working capital finance in processing and manufacturing units and financing and facilitating international trade.
- ❖ Technical support to Small Scale Industries (SSIs) in order to enable them to run their enterprises successfully.
- ❖ Micro Credit to the urban poor through linkage with NGOs with a view to facilitating their access to the formal financial market for the mobilization of resources is another diversification of our services.
- ❖ In order to perform the above tasks, Jamuna Bank Ltd. works closely with its clients, the regulatory authorities, the shareholders (GOB), banks and other financial institutions.

❖ Branch Network

A great deal of investment for developing the physical resources base of the Bank has been made. Jamuna Bank Ltd. has its presence in all the major industrial and commercial centers of Bangladesh in order to cater to the need of industry and trade. , there are 83 conveniently located branches throughout Bangladesh till now. The bank has already signed an agreement with Placid NK Corporation, USA for obtaining foreign currency remittances. The bank is expected, to sign agreement with Tele Money Transfer, London, UK Money Gram International, and Minneapolis, USA in near future to ensure flow of inward remittance. Some agreement with companies located in Saudi Arabia and going to be finalized shortly.

❖ Human Resources

The Bank's ongoing success speaks to the excellence off its team. Jamuna Bank Ltd. has a well-diversified pool of human resources, which is composed of people with high academic background. Also, there is a positive demographic characteristic-most employees are comparatively young in age yet rich in experiences, hi an increasingly competitive market for highly skilled staff, Jamuna Bank Ltd. focusing on providing a stimulating corporate

environment and an attractive compensation package. At the end 2011 the total employee strength was 952.

❖ **IT Support**

The Board, attaches great importance to acquisition and use of appropriate Information Technology in the Bank. Both Windows and UNIX based Local Area Network (LAN) has been installed in the Head Office and different Branches. The Bank had its own Banking Software developed in 1991, and since then this software is used for performing normal banking transactions. Besides, SWIFT is being used in the AD Branches the Head Office of the Bank trade finance related operations. Reuters 3000extra HTA is being used at the Head Office for offering the best exchange rates to the Bank's customers.

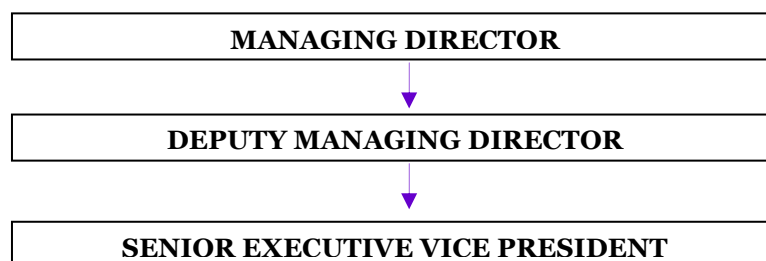
2.6 Board of Directors

The responsibility of making policies and operational guidelines is vested with the Board of Directors. The Government holds 100% ownership of the bank and the Government of Bangladesh appoints all the directors' of the Board. The Board consists of 13 members who are repected business executives and leading industrialists of the country.

2.7 Management

The Managing Director is the Chief Executive of the Bank who is an ex.-officio member of the Board. Four General Managers acting under him and nine Divisional Heads are performing daily operational activities of the Bank. The Managers of the Branches being responsible functionally to the Heads of department of the Head Office and report direct to the Managing Director.

JBL is managed by highly professional people. The present Managing Director of the bank is a forward-looking senior banker having decades of experience and multi discipline knowledge to his credit both at home and abroad. He is support by an educated and skills professional team with diversified experience in finance and banking. Jamuna bank limited has already achieved tremendous progress within a short period of its operation.



Products & Services of Jamuna Bank Ltd.

2.8 Products & Services:

Products of Jamuna Bank Ltd. can be divided into two parts. They are asset product and liability product. Generally liability product means deposits of many kinds that are payable to parties. On the other hand, asset products are the products which clients are liable to pay to bank. Different types of undertaking by the bank to the clients or on behalf of the clients are also a type of liability to bank. On the other hand a different type of promises makes by the clients to bank is considered as bank's asset.

2.9 Depository Product

- ▶ Current Account
- ▶ Savings Account
- ▶ STD (Short term deposit)
- ▶ Fixed Deposit

Savings Scheme Products

- ▶ Monthly Savings Scheme (MSS)
- ▶ Marriage Deposit Scheme
- ▶ Lakhpati Deposit Scheme
- ▶ Millionaire Deposit Scheme
- ▶ Kotipati Deposit Scheme
- ▶ Education Savings Scheme
- ▶ Monthly Benefit Scheme
- ▶ Double/Triple Growth Deposit
- ▶ Scheme

2.10 Loan Product

- ▶ Overdraft
- ▶ Cash Credit
- ▶ Term Loan
- ▶ Loan (General)
- ▶ Letter of Credit (L/C)
- ▶ Back-to Back L/C
- ▶ Local Bill Purchase (LBP)
- ▶ Foreign Bill Purchase (FBP)
- ▶ Loan against Imported Merchandise (LIM) etc.

2.11 Service

- ❖ Q-Cash ATM
- ❖ Remittance, Export & Import Business.

2.12 Asset Products

Funded: Funded means those type products in which bank directly fund. This type of product is provided against mortgage, guarantee previous performances. For example: Overdraft,

Term Loan, Time Loan, Consumer credit, Car Loan, Professional Loan and Small Business Loan. These will be described on credit part later on.

Non Funded: Non funded means when the bank provides this type of service bank need not provide immediate fund. It is a high income source for the bank. But the bank has to provide high care when provide such type of services to the clients. These types of products are LC, Bank Guarantee. Discussion on LC is later on Foreign Exchange part.

2.13 Corporate Banking

The motto of Jamuna Bank Ltd. Corporate Banking services is to provide a personalized solutions to our customers. The Bank distinguishes and identifies corporate customers' need and designs tailored solutions accordingly.

Jamuna Bank Ltd. offers a complete range of advisory, financing and operational services to its corporate client groups combining trade, treasury, investment and transactional banking activities in one package. Whether it is project finance, term loan, import or export deal, a working capital requirement or a forward cover for a foreign currency transaction, our Corporate Banking Managers will offer you the accurate solution. Our corporate Banking specialists will render high class service for speedy approvals and efficient processing to satisfy customer needs.

Corporate Banking business envelops a broad range of businesses and industries. You can leverage on our know-how in the following sectors mainly:

- ❑ Agro processing industry
- ❑ Industry (Import Substitute / Export oriented)
 - Textile Spinning,
 - Dyeing Printing
 - Export Oriented Garments, Sweater.
 - Food & Allied
 - Paper & Paper Products
 - Engineering, Steel Mills
 - Chemical and chemical products etc.
- ❑ Telecommunications.
- ❑ Information Technology
- ❑ Real Estate & Construction
- ❑ Wholesale trade
- ❑ Transport
- ❑ Hotels, Restaurants
- ❑ Non Bank Financial Institutions
- ❑ Loan Syndication
- ❑ Project Finance
- ❑ Investment Banking
- ❑ Lease Finance
- ❑ Hire Purchase
- ❑ International Banking
- ❑ Export Finance

- ❑ Import Finance

2.14 Personal Banking Division

Personal Banking Division (PBD) introduces to the customers with a variety of products. Our PBD continuously meets the challenges of developing new products and services to match the specific requirements of customers.

Personal Banking Division (PBD) issues both VISA Debit Cards and VISA Credit Cards. VISA is the renowned Card brand in the earth. Jamuna Bank Limited is a principal member of VISA Worldwide. Remittance Cell is another successful wing of the Personal Banking Division. Our product range includes:

VISA Debit Cards - You can now avail the convenience of VISA Debit Card. It is the easiest and the most secured way of utilizing your money for 24/7 retail purchases as well as cash withdrawal.

VISA Credit Cards - The JBL Credit Card gives you a fast, convenient and reliable way to pay, 24 hours a day, wherever you are in the world.

VISA Classic

VISA Gold

International Credit Cards – JBL International Credit Cards (VISA) allows you flexibility and convenience when you travel internationally. The VISA International card entitles you to exclusive discounts worldwide.

VISA Dual (Gold)

JBL Remittance Cell – “Remit Fast” is the motto of JBL Remittance Cell. It provides the best & faster services to its customers and connects the world through the renowned money exchange agencies. Such as Placid Nk Corporation, Moneygram Payment System Inc., Raffles Exchange Ltd.UK, Euro Bangla Money Transfer (UK) Ltd., Moneylink,UK, Homelink Remit (UK) Ltd., Rumana Money Services. Customers can avail improved pricing on remittance.

Bank Transfer

Instant Cash

Spot Cash, etc.

Chapter-3

Credit Operation of Jamuna Bank Ltd

Loans and advances are the heart of asset of all commercial banks. All over the world, Banks try immensely to make such a loan portfolio which helps maximize revenue at a minimum risk. Jamuna Bank continued to extend its credit facility by offering different customized loan products to business entities and individuals.

3.1 Credit Facilities of Jamuna Bank Ltd.

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

- Jamuna Bank Ltd. 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.
- Credit is also offered to major thrust sectors, as earmarked by the govt., at a reduced interest rate to develop frontier industries.
- Credit facilities are offered to individuals including housewives, 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.
- Prime customers enjoy prime rate in lending and other services.
- Quick appreciation, appraisal, decision and disbursement are ensured.
- Credit facilities are extended as per guidelines of Bangladesh Bank (Central Bank of Bangladesh) and operational procedures of the Bank.

3.2 Loans & Advances

Jamuna Bank Ltd. emphasis on credit quality and customer's services yielded the desired growth in profit, capital assets and shareholders' value. But to get the loans and advance the investors has to follow some terms and condition which falls under the policy and practice of the bank instruction booklet.

3.3 Industrial Credit

Jamuna Bank's services are directed towards the entrepreneurs in the small industries sector. A small industry, as per Industrial policy 1999 approved by the Cabinet, has been defined as an industrial undertaking whose total fixed investment is less than Tk.100 million.

The industrial loan reflected a significant growth of 22.59 % over the previous year. Total outstanding industrial loans including Agri-based industry, RMG, Textile, Ship Building, Ship Breaking & Other Manufacturing Industry stood Taka1359.29 crore at the end of 2012.

3.4 Commercial Credit

This Bank also supports development of trade, business and other commercial activities in the country. It covers the full range of services to the exporters and importers extending various facilities such as cash credit, export cash credit, packing credit, short term loans, local and foreign bills purchase facilities. At the end of 2012 total outstanding commercial loans stood at Taka 2193.92 crore including Transport, Storage, Trade Service & Commercial Real Estate financing.

3.5 Micro Credit

Jamuna Bank Ltd. launched a Micro Credit Scheme in 1994. Micro Credit Scheme provides for the poor for generation of employment and income on a sustainable basis particularly in urban and suburban areas. The Bank follows three systems of credit delivery. These are:

1. Lending to the NGOs who on-lend to their members. At present there are 15 such NGOs.
2. Lending direct to the targets groups or ultimate borrowers under the Bank's own management.
3. Lending direct to the member-borrowers and NGOs providing non financial services like group formation and monitoring and supervision on exchange for a supervision fee.

3.6 Lending Criteria

1. Entrepreneur

Entrepreneur/promoter has to be creditworthy and competent enough to run the proposed industry.

2. Viability of the project

The project should be viable from organizational, technical, commercial, financial and economic points of view.

I. Technical Viability

- ✓ The project should be technically sound and environment-friendly.
- ✓ Technology transfer in case of borrowed know-how ought to be ensured.
- ✓ Building should be well planned and well constructed.

II. Commercial viability

- ✓ Market prospect and potential for the product has to be fully assured at competitive prices.
- ✓ Marketing channel for the product should be accessible to the entrepreneur.

III. Financial Viability

- ✓ There should be reasonable debt equity ratio as determined by the Bank on individual case basis.
- ✓ Debt service coverage ratio should be at least 2.5 times at the optimum level of production.
- ✓ IRR should preferably be not less than 20 %.

IV. Economic Viability

- ✓ The project should ensure benefit to the national economy and create sufficient employment opportunity and be environment friendly.

3.7 Credit Operating System

1. Prospective Borrower

Most bank loans to individuals arise from a direct request from a customer who approaches a member of the bank's staff and asks to fill out a loan application. In the Jamuna Bank Ltd. Bank, business loan request often arise from the contacts the bank's loan officers and sales representatives make as they solicit new accounts from firms operating in the bank's market area. Sometimes loan officers will call on the same company for months before the customer finally agrees to give the bank a try by filling out a loan application.

2. Client's Interview

When a customer decides to request a loan, an interview with a loan officer usually follows right ways, giving the customer the opportunity to explain his or her credit needs. That interview is particularly important because it provides an opportunity for the bank's loan officer to assess the customer's character and sincerity of purpose. If the customer appears to lack sincerity in acknowledging the need to adhere to the terms of a loan, this must be recorded as a strong factor weighing against approval of the loan request.

3. Client's Request with FIS

The borrower is providing with an instruction paper, which help him or her to prepare the loan proposal properly. Information on loan proposal should be furnished in prescribed First Information Sheet (FIS) in triplicate properly typed in each pages / set should be duly sealed and signed by the applicant(s)/ sponsor(s).

4. Information Sheet

Complete information should be furnished in respect of each item supported by documentary evidences, wherever necessary, to avoid further reference/ delay/ rejection of the application. The bank reserves the right to reject the application forthwith if the application given in the form is incomplete and not fully documented in all respects. Information may be provided in additional sheets of papers, if required. However ensure all the pages and annexure are signed under official seal. Also ensure that all the facts/ evidences have been enclosed properly including the feasibility reports/ detailed study reports on loan proposal.

- ❖ The client are required to deposit with the application the project examination fee and also apportion of the equity at the following rate either by cheque or pay order or demand draft drawn in favor of Jamuna Bank Ltd. and payable in any scheduled Banks within the country.

- ❖ Memorandum and Articles of Association together with the certificate of registration/incorporation commencement of business of the company duly certified by an aging director of the company should be submitted.
- ❖ Certificates from the surveyor for determining the price of land of the project/price of adjacent land sold during last three years should be submitted. Also to be submitted are site/ mouza map.
- ❖ Machinery layout plan, price quotation of three suppliers together with illustrated brochures and literatures should be submitted for both import and local machinery.
- ❖ Consent letter from Power Development Board/ Rural Development Board/ Gas Authority/ Pollution Control Board should be submitted whatever required.
- ❖ Soil Test/ Water Test report (if required).
- ❖ Nationality certificate along with attested passport size photographs of the directors/partners/ proprietor should be submitted.
- ❖ Declaration of asset and liability of the proposed directors/ partners/ proprietor. Declaration of payment of income tax should be submitted.

5. Justification of Facility Requested

Compared to other financial institutions' usual two months average processing time for its medium and large loan program, the processing time for small industry loans remains well below the above processing time because of its lesser detailed studied as well as the bank considers that small entrepreneurs look for their sources of credit at their time of need.

- ❖ The processing/approval time for small industry loan is not more than two months from the date of receiving complete application from.
- ❖ Application in prescribe form of received in triplicate, duly filled in, and sealed and signed by the sponsoring directors along with their attested photographs duly affixed in the space provided for.
- ❖ Draft layout plan of the proposed building and the estimated for construction cost is obtained.
- ❖ In case of project to be located in any BSCIC industrial estate, BSCIC letter of consent particulars of the land, copy of lease deed is obtained.
- ❖ For location of industry in other areas, permission / no- objection for setting up the small industry is obtained from the appropriate authorities.
- ❖ Utility agency's letter of consent of providing necessary utility services to the unit to be obtained.
- ❖ Detailed credit report of the sponsors/ project is prepared i.e. the Bank should carry out detailed credit investigation of the promoters.
- ❖ Tentative list of machinery / work with detailed specification should be obtained supported by 3 price quotation.
- ❖ The individual project appraisal report for small scale and cottage industry may not be very elaborate and exhausted. However it covers the Jamuna Bank Ltd. area of project viability.
- ❖ Join report from the Bank and the borrower is prepared for informal sector.

6. Analysis a/Proposals

JAMUNA BANK LTD. was established to provide term loan and other financial assistance including all kinds of banking facilities to accelerate the pace of development to small industry. The financial assistance includes short term working capital loan, medium and long term finance to viable new- small scale industry (SSI) projects and BMRE of SSI projects which fulfill the banks criteria of viability and acceptability. Project appraisal/ analysis in the banking sector is needed for the following reasons:

- ❖ To justify the soundness of an investment.
- ❖ To ensure repayment of bank finance.
- ❖ To achieve organizational goals.

The entrepreneurs of small industry/ project requiring financial assistance from Jamuna Bank Ltd. need to fulfill the following criteria:

Credit Ratings

As per Bangladesh Banks mandatory requirement vide BRPD circular No. 06 dated July 05 2006 Credit Rating of Jamuna Bank Limited was done by the Credit Rating Agency of Bangladesh Limited (CRAB) on the audited Balance Sheet as on 31.12.2012 CRAB has submitted their report as under:

Credit Rating Report (Entity Rating)

	Long Term	Short Term
Current Rating 2012	AA3	ST-2
Previous Rating 2011	A-1	ST-2
Outlook	Stable	
Date of Rating	3May, 2012	

Credit rating agency of Bangladesh Limited (CRAB) Upgrades the rating of Jamuna Bank Limited to AA3 from A-1 and reaffirms short term rating to ST-2. The above rating has been done in consideration of Banks visible improvement in fundamentals such as capital adequacy, liquidity position, profitability, introduction of real time online banking etc. However, the above rating is moderated, to some extent, by limited market share, increase in NPL, high cost of fund, moderate corporate governance, dependency on team deposit etc.

Financial institutions rated in this category are adjudged to offer adequate safety to timely repayment of financial obligation. This level of rating indicates a corporate entity with an adequate credit profile. Risk factors are more variable and greater in period of economic stress than those rated in the higher categories. The short term rating indicates good certain of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.

3.8 Credit Risk Assessment

A thorough credit risk assessment should be conducted prior to the granting of loans, and at least thereafter for all facilities. The results of this assessment should be presented in a Credit Application that originates from the Relationship Manager (RM), and is recommended by Branch Credit Committee (BCC). The RM should be the owner of the customer relationship, and must be held responsible to ensure the accuracy for the entire credit application submitted for approval. RMs must be familiar with the bank's Lending Guidelines and should conduct due diligence on new borrowers, principles and guarantors. Credit Applications should summaries the results of the RMs risk assessment and include, as a minimum, the following details:

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

3.9 Sector Wise Disbursement of Loans in Jamuna Bank Ltd.:

Sl. No.	Sectoral Structure of Lending	Outstanding as on 31.12.2012	As % of Total Loans & Advances
1	Agriculture And Agro-based Industry	106.68	1.94%
2	RMG	350.77	6.39%
3	Textile	156.10	2.84%
4	Ship Building	0.00	0.00%
5	Ship Breaking	41.61	0.76%
6	Other Manufacturing Industry	41.61	0.76%
7	SME Sector	987.70	18.00%
8	Construction	313.13	5.70%
9	Power, Gas	12.52	0.23%
10	Transport, Storage and Communication	166.55	3.03%
11	Trade Service	1689.62	30.78%
12	Commercial real estate financing	83.27	1.52%
13	Residential real estate financing	85.85	1.56%
14	Consumer Credit	109.58	2.00%
15	Capital Market	87.58	1.60%
16	Credit Card	12.90	0.24%
17	Non-bank financial institutions	21.49	0.39%
18	Bank Acceptance (i.e. LDBP, FDBP)	767.28	13.98%
19	Others	188.04	3.43%
Total Loans & Advances		5488.70	100.00%

3.10 Comparative Recovery Rate of Loans

In banking environment no reward can be expected without risk. Considering the present non-performing loan position of the country, Jamuna Bank Ltd. is very much cautious about its investment. Every loan proposal is placed under careful scrutiny before approval. Internal Audit team and Recovery team exercise close monitoring on every loan transaction. All out efforts were made to improve the recovery rate and control of non-performing loans and advances.

3.11. Disbursement of Loan And Net Interest Income from Loan of JBL for the last five years.(in Million)

YEAR	LOAN ADVANCES	AND	NET INTEREST INCOME FROM LOAN
2008	21036		568
2009	32287		900
2010	49734		1481
2011	56611		2162
2012	54887		1839

3.12. How Jamuna bank recover their Loan

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

❖ Recovery Programs taken by Jamuna Bank Limited:

- ▶ Establishing credit supervision and monitoring cell in the bank
- ▶ Re-structuring the loan sanctioning and distributing policy of the bank
- ▶ Sanctioning loans and advances against sufficient securities as best as possible
- ▶ Giving more powers to the branch manager in credit management decision making process
- ▶ Offering a package of incentives to the sound borrowers
- ▶ Giving more emphasis on short term loans and advances

- ▶ Imposing restrictions on loans and advances for sick industries
- ▶ Taking legal actions quickly against unsound borrowers as best as possible within the period specified by the law of limitations.

3.13. Recovery Patterns of Loan & Advances:

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

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

Recovery Performance of Jamuna Bank Ltd. of Several Years.

(Tk in millions)

Particular	2008	2009	2010
Total disbursement	21036	32287	49734
Demand for recovery	28391	42743	54633
Recovery	24,321	34,935	51,301
Overdue	4069	7808	3332
Recovery as a percentage of DFR	85%	81%	93%
Overdue as a percentage of DFR	15%	19%	7%

Source: Annual Report 2010

3.14. Problems in Loan Recovery

Though Jamuna bank is performing better in managing loan and advances, still 12.39% of total loan and advances are classified. There are a lot of reasons for which the loan recovery

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

A. Problems created by economic environment

The following problems arise from the effect of economic environment:

- 1. Changing in the management pattern:** Changing of management patterns may delay the recovery of mature loan.
- 2. Changing in industrial patterns:** The banks sometimes sanction loan to the losing concern for further improvement of the respective sector, but in most cases, they fail to achieve progress.
- 3. Operation of open market economy:** In our country mainly industries become sick and also close their business on account of emerging of open market economy. The cost of production is high and the quality of goods is not of required of standard. As a result, they become the losing concerns and the amount of bad loan increases.
- 4. Rapid expansion of business:** There are many companies which expand their business rapidly, but the expansion is for short time. In the long run, the amount of classified loan increases.

B. Problems created by government:

The following problems are arisen by the government:

- 1. External pressure:** Jamuna Bank has also faced many problems in the loan recovery process as a part of continuous pressure from various interested groups.
- 2. Legal problems:** Existing rules and regulations are insufficient to cover the legal aspects of loan recovery. As a result, defaulters can get release easily from all charges against them.
- 3. Instability of Govt. policy:** Frequent changes in government policies in regard to recovery of loan.

C. Problems created by the bank:

The following problems are created by the banks:

- 1. Lack of analysis of business risk:** Before lending, Sometime Jamuna Bank fails to properly analyze the business risk of the borrowers and the bank cannot forecast whether the business will succeed or fail. If it fails to run well, the loan becomes classified.

2. ***Lack of proper valuation of security or mortgage property:*** In some cases, bank fails to determine the value of security against the loan. As a result, if the loan becomes classified, the bank cannot recover its loan through the sale of mortgage.

D. Other general causes of poor loan recovery:

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

1. Early sanction and disbursement of loan to the borrowers without proper inspection of the project by the bank on account of pressure from lobbying group.
2. Lack evaluation of technical and economic feasibility of the program.
3. Delay in disbursement of credit.
4. Sometime credit is not allowed to actual entrepreneurs sometime.
5. Lack of proper supervision.
6. Illiteracy of borrowers.
7. Negative attitude of borrowers to repay the loan.
8. Deterioration of the value system of the borrowers.
9. Money borrowers use their loan-money other than specified project, i.e., if the loan is sanctioned for industrial purpose; they use the money in house building or purchase of land for their own purpose.
10. Sometimes borrowers invest their money outside the country. Many borrowers transfer loan money to abroad where they deposited this money in their own account or spent some other purpose.
11. Sometimes local borrowers are found to be so much compelled to grant them loan without proper study due to some unexpected reasons. Since these borrowers are capable of getting loan by exercising their influence, they can also escape the repayment liability.
12. Problems responsible for non-implementation and delayed implementation of project for which the entrepreneurs of the project cannot repay the loan. The causes of failure may be:
 - ⇒ Failure to ascertain the economic availability of the projects
 - ⇒ Time lag between approval and sanctioning of the projects
 - ⇒ Import of machinery and raw materials both are the problems of paucity of foreign exchange and procedures of licensing.

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

- Loans are given under fictitious names and enterprise
- Loans are given in some cases without sufficient securities
- Approval of the loans in excess of the branch manager's power
- Improper monitoring and supervision of credit
- Politically misuse of loan programs
- Lack of timely action against willful defaulter
- Loans are sometimes for economically unsound project.
- The pressure to achieve targeted loan and advance given by head office to the branches

Problems in loan recovery are the outcome of the default on loans disbursements in the earlier period.

3.15. Types of loan of Jamuna Bank Limited:

Depending on the various nature of financing, all the lending activities have been brought under the following major heads:

Loan (General)

Short term, Medium term & Long term loans allowed to individual/firm/industries for a specific purpose but for a definite period and generally repayable by installments fall under this head. This type of lending is mainly allowed to accommodate financing under the categories (i) Large & Medium Scale Industry and (ii) Small & Cottage Industry. Very often term financing for (i) Agriculture & (ii) Others are also included here.

House Building Loan (General): Loans allowed to individual/enterprises for construction of house (residential or commercial) fall under this type of advance. The amount is repayable by monthly installment within a specified period. Such advances are known as Loan (HBL-GEN).

House Building Loan (Staff): Loans allowed to our Bank employees for purchase/construction of house shall be known as Staff Loan (HBL-STAFF).

Other Loans to Staff: Loans allowed to employees other than for House Building shall be grouped under head - Staff Loan (Gen).

Cash Credit (Hypo.): Advances allowed to individual/firm for trading as well as wholesale purpose or to industries to meet up the working capital requirements against hypothecation of goods as primary security fall under this type of lending. It is a continuous credit. It is allowed under the categories (i) "Commercial Lending" when the customer is other than a industry and (ii) "Working Capital" when the customer is an industry.

Cash Credit (Pledge): Financial accommodations to individual/firms for trading as well as for whole-sale or to industries as working capital against pledge of goods as primary security

fall under this head of advance. It is also a continuous credit and like the above allowed under the categories (i) "Commercial Lending" and (ii) Working Capital".

Hire Purchase: Hire-Purchase is a type of installment credit under which the Hire-Purchaser agrees to take the goods on hire at a stated rental, which is inclusive of the repayment of Principal as well as interest for adjustment of the loan within a specified period.

Lease Financing: Lease Financing is one of the most convenient sources of acquiring capital machinery and equipment whereby a client is given the opportunity to have an exclusive right to use an asset usually for an agreed period of time against payment of rent. It is a term financing repayable by installment.

Time Loan: This is one time financial accommodation for short period maximum 12 months to meet some specific purpose. The loan is adjustable within the validity and not renewable and no transaction is allowed.

Consumers Credit Scheme: It is a special credit scheme of the Bank to finance purchase of consumers' durable to the fixed income group to raise their standard of living. The loans are allowed on soft terms against personal guarantee and deposit of specified percentage of equity by the customers. The loan is repayable by monthly installment within a fixed period.

SOD (General): Advances allowed to individual/firms against financial obligation (i.e. lien on FDR/PSP/ BSP/Insurance Policy/Share etc). This may or may not be a continuous Credit.

SOD (Others): Advances allowed against assignment of work order for execution of contractual works falls under this head. This advance is generally allowed for a definite period and specific purpose i.e. it is not a continuous credit. It falls under the category "Others".

SOD (Export): Advance allowed for purchasing foreign currency for payment against L/Cs (Back to Back) where the exports do not materialize before the date of import payment. This is also an advance for temporary period which is known as export finance and falls under the category "Commercial Lending".

PAD: Payment made by the Bank against lodgment of shipping documents of goods imported through L/C falls under this head. It is an interim advance connected with import and is generally liquidated against payments usually made by the party for retirement of the documents for release of imported goods from the customs authority. It falls under the category "Commercial Lending".

LIM: Advances allowed for retirement of shipping documents and release of goods imported through L/C taking effective control over the goods by pledge in godowns under Bank's lock & key fall under this type of advance. This is also a temporary advance connected with import which is known as post-import finance and falls under the category "Commercial Lending".

LTR: Advance allowed for retirement of shipping documents and release of goods imported through LC falls under this head. The goods are handed over to the importer under trust with the arrangement that sale proceeds should be deposited to liquidate the advances within a given period. This is also a temporary advance connected with import and known as post-import finance and falls under the category "Commercial Lending".

IBP: Payment made through purchase of inland bills/cheques to meet urgent requirement of the customer falls under this type of credit facility. This temporary advance is adjustable from

the proceeds of bills/cheques purchased for collection. It falls under the category "Commercial Lending".

Export Cash Credit (ECC): Financial accommodation allowed to a customer for exports of goods falls under this head and is categorized as "Export Credit". The advances must be liquidated out of export proceeds within 180 days.

Packing Credit (PC): Advance allowed to a customer against specific L/C/firm contract for processing/packing of goods to be exported falls under this head and is categorized as "Packing Credit". The advances must be adjusted from proceeds of the relevant exports within 180 days. It falls under the category "Export Credit".

F D B P: Payment made to a customer through purchase/negotiation of a Foreign documentary bills falls under this head. This temporary advance is adjustable from the proceeds of the shipping/export documents. It falls under the category "Export Credit".

IDBP: Payment made against documents representing sell of goods to Local export oriented industries which are deemed as exports and which are denominated in Local Currency / Foreign Currency falls under this head. This temporary liability is adjustable from proceeds of the Bill.

F B P: Payment made to a customer through Purchase or Foreign Currency Cheques/Drafts falls under this head. This temporary advance is adjustable from the proceeds of the cheque/draft.

3.16. Mission Statement of the Credit Department:

To deliver credit facilities to customers of Jamuna Bank Limited with prudence and efficiency and establish JBL as the preferred credit service provider in the country in terms of wide range of credit product, competitive price, adherence to credit norms, exercising due diligence, and effective management of risk assets. Credit department of any bank is very much important. "A bank will collapse or not" this important matter depends upon the performance of the bank's credit department Responsibilities of the credit department of Jamuna Bank Ltd. are many. They have to maintain a lot of scrutiny factors. They have to use the deposit collected by the bank in a proper way by giving loans to maintain the liquidity. A huge part of the revenue is generated from the interest received from the loans and advances. Again if they give so many loans then liquidity of the bank may decrease and risk will also increase in the market.

But ultimately this is the truth that if banks don't give loan to their clients their revenue generation will be slow and ultimately the bank will be collapsed. So bank must give loans and advances to the business and the personnel. Now the question arises that how effectively they can do it. They must have to take care that the loan they are giving to the clients. Some questions must arise when Jamuna Bank Ltd. gives loan to clients.

- Is the client capable enough to repay the loan and interest?
- How it will be measured?
- On what basis the bank will give the loan to the client?
- How will the Jamuna Bank Ltd. recover the lone if it is default?

To get the answer of these questions and maintain the credit activities properly there is no alternative of Credit Risk Analysis. Analyzing the risk associated with the loan gives a clear

idea about the next step of the credit department that is what decision they will take further. I am focusing this important factor of the credit department that Credit Risk Analysis of Jamuna Bank Limited that is described broadly in the later part of the report.

3.17. Credit Principles:

In order to maximize the stakeholders' value by establishing JBL as fundamentally sound financial institution, there are ten credit principles, which should always Guide your behavior in our lending decision:

- i. The Bank shall provide suitable credit services and products for the market in which it operates. Product innovation shall be a continuous process.
- ii. Loans and advances shall normally be financed from customers deposit and not out of temporary fund or borrowing from money market.
- iii. Credit facilities shall be allowed in a manner so that credit expansion goes on ensuring quality i.e. no compromise with the Bank's standard of excellence. Credit is extended to customers who will complement such standards.
- iv. All credit extension must comply with the requirements of Bank's Memorandum and Articles of Association, Bank companies Act as amended from time to time, Bangladesh Bank's instructions Circulars, Guidelines and other applicable laws, rules and regulations.
- v. The conduct of the loan portfolio should contribute, within defined risk limitation, to the achievement of profitable growth and superior return on the Bank's capital.
- vi. Credit advancement shall focus on the development and enhancement of customer's relationship and shall be measured on the basis of the total yield for each relationship with a customer (on the global basis), though individual transactions should also be profitable.
- vii. Credit facilities will be extended to those companies/persons, which can make best use of the facility thus helping maximize our profit as well as economic growth of the country. To ensure achievement of this objective lending decision shall be based mainly on the borrower's ability to repay.

Proper staffing: Proper analysis of Credit proposal is complex and required high level of numerical as well as analytical ability and common sense. To ensure effective understanding of the concept and thus to make the overall credit port-folio of the Bank healthy, proper staffing shall be made through placement of qualified officials having appropriate background, who have got the right aptitude, formal training in Credit Risk Analysis, Bank's credit procedures as well as required experience.

One	Assess the customer's character for integrity and willingness to repay
Two	Only lend what the customer will have the capacity and ability to repay
Three	Plan for the possibility of default
Four	Only extend credit where we can sufficiently understand and manage the risk
Five	Ensure independent credit participation in the credit process
Six	Behave ethically in all credit activities
Seven	Be proactive in identifying, managing and communicating credit risk
Eight	Be diligent in ensuring that credit exposures and activities comply with JBL
Nine	Optimize risk and reward
Ten	Build and maintain a diversified Credit portfolio

3.18. Processing of Credit Approval:

Credit Risk Grading System (CGRS)

Risk is inherent in all aspects of commercial operation. However for Banks and Financial Institutions Credit risk is an essential factor that needs to be managed. Credit risk is the possibility that a borrower will fail to meet its obligation in accordance with agreed terms. Credit risk, therefore, arises from the Bank's dealings with or lending to corporate, individual and other Banks or financial institutions.

Credit risk management needs to be a robust process that enables Banks to proactively manage loan portfolio in order to minimize losses and earns an acceptable level of return for Shareholders. Central to this is a comprehensive IT system, which should have ability to capture all key customer data, risk management and transaction information. Jamuna Bank Ltd. already has real time on-line Banking system which enables to capture all key customer data. Given the fast changing dynamic global economy and the increasing pressure of globalization, liberalization, consolidation and dis-intermediation, it is essential that Banks have robust Credit risk management polices and procedures that are sensitive and responsive to these changes. At the post-sanction stage, the bank can decide about the depth of the review or renewal, frequency of review, periodicity of the grading, and other precautions to be taken. Since the two credit risk models are presently in vogue, the Governing Board of Bangladesh Institute of Bank Management (BIBM) under the chairmanship of the Governor, Bangladesh Bank decided that an integrated Credit Risk Grading Model be developed incorporating the significant features of the above mentioned models with a view to render a need based simplified and user friendly model for application by the Banks and financial institutions in processing credit decisions and evaluating the magnitude of risk involved therein.

3.19. Function of Credit Risk Grading:

Well-managed credit risk grading systems promote bank safety and soundness by facilitating informed decision-making. Grading systems measure credit risk and differentiate individual credits and groups of credits by the risk they pose. This allows bank management

and examiners to monitor changes and trends in risk levels. The process also allows bank management to manage risk to optimize returns.

Use of Credit Risk Grading

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

Number & Short Name of Grading Used in the CRG

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

GRADING	SHORT NAME	NUMBER
Superior	SUP	1
Good	GD	2
Acceptable	ACCPT	3
Marginal/Watchlist	MG/WL	4
Special Mention	SM	5
Sub standard	SS	6
Doubtful	DF	7
Bad & Loss	BL	8

Characteristics of different grades

A clear definition of the different categories of Credit Risk Grading is given as follows:

- **Superior - (SUP) - 1**
 - ❖ Credit facilities, which are fully secured i.e. fully cash covered.
 - ❖ Credit facilities fully covered by government guarantee.
 - ❖ Credit facilities fully covered by the guarantee of a top tier international Bank.
- **Good - (GD) - 2**
 - ❖ Strong repayment capacity of the borrower
 - ❖ The borrower has excellent liquidity and low leverage.
 - ❖ The company demonstrates consistently strong earnings and cash flow.
 - ❖ Borrower has well established, strong market share.
 - ❖ Very good management skill & expertise.
 - ❖ All security documentation should be in place.
 - ❖ Credit facilities fully covered by the guarantee of a top tier local Bank.
 - ❖ Aggregate Score of 85 or greater based on the Risk Grade Score Sheet

- **Acceptable - (ACCPT) – 3**
 - ❖ These borrowers are not as strong as GOOD Grade borrowers, but still demonstrate consistent earnings, cash flow and have a good track record.
 - ❖ Borrowers have adequate liquidity, cash flow and earnings.
 - ❖ Credit in this grade would normally be secured by acceptable collateral (1st charge over inventory / receivables / equipment / property).
 - ❖ Acceptable management
 - ❖ Acceptable parent/sister company guarantee
 - ❖ Aggregate Score of 75-84 based on the Risk Grade Score Sheet
- **Marginal/Watch list - (MG/WL) - 4**
 - ❖ This grade warrants greater attention due to conditions affecting the borrower, the industry or the economic environment.
 - ❖ These borrowers have an above average risk due to strained liquidity, higher than normal leverage, thin cash flow and/or inconsistent earnings.
 - ❖ Weaker business credit & early warning signals of emerging business credit detected.
 - ❖ The borrower incurs a loss
 - ❖ Loan repayments routinely fall past due
 - ❖ Account conduct is poor, or other untoward factors are present.
 - ❖ Credit requires attention
 - ❖ Aggregate Score of 65-74 based on the Risk Grade Score Sheet
- **Special Mention - (SM) - 5**
 - ❖ This grade has potential weaknesses that deserve management's close attention. If left uncorrected, these weaknesses may result in a deterioration of the repayment prospects of the borrower.
 - ❖ Severe management problems exist.
 - ❖ Facilities should be downgraded to this grade if sustained deterioration in financial condition is noted (consecutive losses, negative net worth, excessive leverage),
 - ❖ An Aggregate Score of 55-64 based on the Risk Grade Score Sheet.
- **Substandard - (SS) - 6**
 - ❖ Financial condition is weak and capacity or inclination to repay is in doubt.
 - ❖ These weaknesses jeopardize the full settlement of loans.
 - ❖ Bangladesh Bank criteria for sub-standard credit shall apply.
 - ❖ An Aggregate Score of 45-54 based on the Risk Grade Score Sheet.
- **Doubtful - (DF) - 7**
 - ❖ Full repayment of principal and interest is unlikely and the possibility of loss is extremely high.
 - ❖ However, due to specifically identifiable pending factors, such as litigation, liquidation procedures or capital injection, the asset is not yet classified as Bad & Loss.

- ❖ Bangladesh Bank criteria for doubtful credit shall apply.

An Aggregate Score of 35-44 based on the Risk Grade Score Sheet.

- **Bad & Loss - (BL) - 8**

- ❖ Credit of this grade has long outstanding with no progress in obtaining repayment or on the verge of wind up/liquidation.
- ❖ Prospect of recovery is poor and legal options have been pursued.
- ❖ Proceeds expected from the liquidation or realization of security may be awaited. The continuance of the loan as a bankable asset is not warranted, and the anticipated loss should have been provided for.
- ❖ This classification reflects that it is not practical or desirable to defer writing off this basically valueless asset even though partial recovery may be affected in the future. Bangladesh Bank guidelines for timely write off of bad loans must be adhered to. Legal procedures/suit initiated.
- ❖ Bangladesh Bank criteria for bad & loss credit shall apply.
- ❖ An Aggregate Score of less than 35 based on the Risk Grade Score Sheet.

3.20. Computation of Credit Risk Grading

So far I have discussed about the theoretical part of the Credit Risk grading. I have known in which grade what are the characteristics of the company as well as clients' profile. To measure the actual risk associated with the loan that is going to be paid by the bank to the particular client, we have to follow some steps and get a statistical parameter of the risk. There are six steps to compute credit risk grading. Those are given and described below:

Step 1: Identify all the Principal Risk Components

Credit risk for counterparty arises from an aggregation of the following:

- a) Financial Risk
- b) Business/Industry Risk
- c) Management Risk
- d) Security Risk
- e) Relationship Risk

Each of the above mentioned key risk areas require be evaluating and aggregating to arrive at an overall risk grading measure.

- a) **Evaluation of Financial Risk:** Risk that counterparties will fail to meet obligation due to financial distress. This typically entails analysis of financials i.e. analysis of leverage, liquidity, profitability & interest coverage ratios. To conclude, this capitalizes on the risk of high leverage, poor liquidity, low profitability & insufficient cash flow.
- b) **Evaluation of Business/Industry Risk:** Risk that adverse industry situation or unfavorable business condition will impact borrowers' capacity to meet obligation. The evaluation of this category of risk looks at parameters such as business outlook, size of business, industry growth, market competition & barriers to entry/exit. To conclude, this capitalizes on the risk of failure due to low market share & poor industry growth.

- c) **Evaluation of Management Risk:** Risk that counterparties may default as a result of poor managerial ability including experience of the management, its succession plan and team work.
- d) **Evaluation of Security Risk:** Risk that the bank might be exposed due to poor quality or strength of the security in case of default. This may entail strength of security & collateral, location of collateral and support.
- e) **Evaluation of Relationship Risk:** These risk areas cover evaluation of limits utilization, account performance, conditions/covenants compliance by the borrower and deposit relationship.

Step 2: Allocate weights to Principal Risk Components

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

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

Step 3: Establish the Key Parameters

Principal Risk Components	Key Parameters
a) Financial Risk	Leverage, Liquidity, Profitability & Coverage ratio
b) Business / Industrial Risk	Size of Business, Age of Business, Business Outlook, Industry Growth, Competition & Barriers to Business
c) Management Risk	Experience, Succession & Team Work
d) Security Risk	Security Coverage, Collateral Coverage and Support
e) Relationship Risk	Account Conduct ,Utilization of Limit, Compliance of covenants/conditions & Personal Deposit

Step 4: Assign weights to each of the key parameters

Principal Risk Components	Key Parameters	Weights
1. Financial Risk <input type="checkbox"/> Leverage..... <input type="checkbox"/> Liquidity..... <input type="checkbox"/> Profitability..... <input type="checkbox"/> Coverage.....	50% 15% 15% 15% 5%
2. Business / Industrial risk..... <input type="checkbox"/> Size of the business..... <input type="checkbox"/> Age of the business..... <input type="checkbox"/> Business Outlook..... <input type="checkbox"/> Industry growth..... <input type="checkbox"/> Market competition..... <input type="checkbox"/> Entry / Exit Barriers.....	18% 5% 3% 3% 3% 2% 2%
3. Management Risk..... <input type="checkbox"/> Experience..... <input type="checkbox"/> Succession..... <input type="checkbox"/> Team Work.....	12% 5% 4% 3%
4. Security Risk..... <input type="checkbox"/> Security coverage..... <input type="checkbox"/> Collateral coverage..... <input type="checkbox"/> Support.....	10% 4% 4% 2%
5. Relationship Risk..... <input type="checkbox"/> Account conduct..... <input type="checkbox"/> Utilization of limit..... <input type="checkbox"/> Compliance of covenants... <input type="checkbox"/> Personal deposit.....	10% 5% 2% 2% 1%

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

After the risk identification & weighting assignment process (as mentioned above), the next steps will be to input actual parameter in the score sheet to arrive at the scores corresponding to the actual parameters. This manual also provides a well programmed MS Excel based credit risk scoring sheet to arrive at a total score on each borrower. The excel program requires inputting data accurately in particular cells for input and will automatically calculate the risk grade for a particular borrower based on the total score obtained. The following steps are to be followed while using the MS Excel program.

- a) Open the MS XL file named, **CRG_SCORE_SHEET**
- b) The entire XL sheet named, **CRG** is protected except the particular cells to input data.
- c) Input data accurately in the cells which are **BORDERED** & are colored **YELLOW**.
- d) Some input cells contain **DROP DOWN LIST** for some criteria corresponding to the Key Parameters. Click to the input cell and select the appropriate parameters from the **DROP DOWN LIST** as shown below.

- e) All the cells provided for input must be filled in order to arrive at accurate risk grade.
- f) We have also enclosed the MS Excel file named, **CRG_Score_Sheet** in CD ROM for use.

Step 6: Arrive at the Credit Risk Grading based on total score obtained

The following is the proposed Credit Risk Grade matrix based on the total score obtained by an obligor.

Number	Risk Grading	Short Name	Score
1	Superior	SUP	<ul style="list-style-type: none"> ▪ 100% cash covered ▪ Government guarantee ▪ International Bank guarantees
2	Good	GD	85+
3	Acceptable	ACCPT	75-84
4	Marginal/Watch list	MG/WL	65-74
5	Special Mention	SM	55-64
6	Sub-standard	SS	45-54
7	Doubtful	DF	35-44
8	Bad & Loss	BL	<35

Findings and Analysis

4.1 Financial Analysis:

Table No. 1

Year	Paid up Capital	Reserved Funds	Deposits	Advances	Un-Classified Loans	Classified Loans
	1	2	3	4	5	6
2008	1313	847	27307	21036	298	296
2009	1622	2359	42356	32287	479	465
2010	2230	4178	60673	49734	718	453
2011	3648	3633	70508	56611	804	627
2012	4488	3837	79623	54887	814	1648
Avg.	2660.2	2970.8	56093.4	42911	622.6	697.8
SD	1359.64	1372.13	21211.84	15564.81	226.18	543.93
CV	51.11	46.19	37.82	36.27	36.33	77.95
Max.	4488	4178	79623	56611	814	1648
Min	1313	847	27307	21036	298	296

(Source: Annual Report of Jamuna Bank Ltd. during 2011-2012)

Financial performance of Jamuna Bank Ltd. During 2011-2012.

(Tk. In **Million**)

(Cont.)

Year	Investment s	Total Assets	Fixed Assets	Total Income	Total Expenditur e	Income from Investment
------	--------------	--------------	--------------	--------------	--------------------	------------------------

	7	8	9	10	11	12
2008	4238	31646	8138	3407	3033	666
2009	8503	48730	17571	4454	3901	1361
2010	10891	70013	25537	6319	5061	1152
2011	16314	87065	32684	9769	8356	1404
2012	39118	109678	55719	11064	9865	2007
Avg.	15812.80	69426.4	27929.8	7002.6	6043.2	1318
SD	13738.78	30770.75	18024.9	3318.09	2939.82	483.90
CV	86.88	44.32	64.54	47.38	48.65	36.71
Max.	39118	109678	55719	11064	9865	2007
Min	4238	31646	8138	3407	3033	666

Fig: Financial performance of Jamuna Bank Ltd. During 2011-201

Table No. 1: This table represents the financial performance of Jamuna Bank Ltd. during 2011-2012. This table also shows the twelve selected financial information i.e Paid up Capital, Reserved Funds, Deposits, Advances, Un-Classified Loans, Classified Loans, Investments, Total Assets, Fixed Assets, Total Income, Total Expenditure & Income from Investment during 2011-2012. Total Assets had the maximum average position i.e. Tk. 69426.4 million followed by Deposits, Advances, Paid Up Capital, Investments, Total Income, Total Expenditure, Reserve Funds, Income from Investment, Fixed Assets, Classified Loans & Unclassified Loans respectively during 2011-2012.

4.2 Trend Analysis:

Table No. 2

Trend of Selected Information Jamuna Bank Limited during 2011-2012.

Reserved Funds				Deposits				Advances				Un-Classified Loans			
Year	Y	X	Trend	Year	Y	X	Trend	Year	Y	X	Trend	Year	Y	X	Trend
	Actual				Actual				Actual				Actual		
2008	847	0	1520	2008	27307	0	29536.6	2008	21036	0	24505.80	2008	298	0	351.20
2009	2359	1	2245.40	2009	42356	1	42815	2009	32287	1	33708.40	2009	479	1	486.90
2010	4178	2	2970.80	2010	60673	2	56093.40	2010	49734	2	42911	2010	718	2	622.60
2011	3633	3	3696.20	2011	70508	3	69371.80	2011	56611	3	52113.60	2011	804	3	758.30
2012	3837	4	4421.60	2012	79623	4	82650.20	2012	54887	4	61316.20	2012	814	4	894
$Y_c = a + bx$				$Y_c = a + bx$				$Y_c = a + bx$				$Y_c = a + bx$			
Intercept	a	1520		Intercept	a	29536.6		Intercept	a	24505.80		Intercept	a	351.20	
Slope	b	725.40		Slope	b	13278.40		Slope	b	9202.60		Slope	b	135.70	

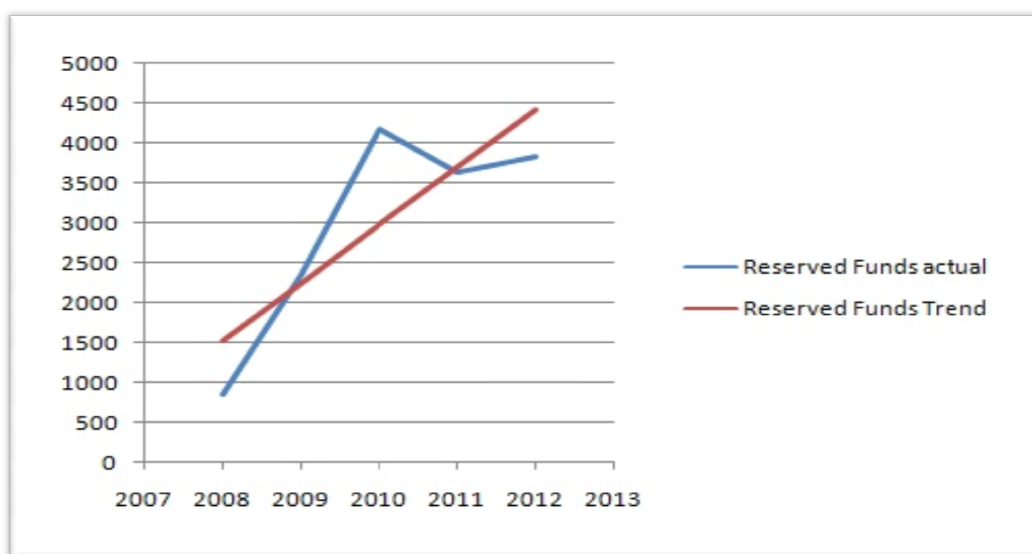


Figure 4.2.1: Trend of Reserve Fund during 2008- 2012.(Taka in Million)

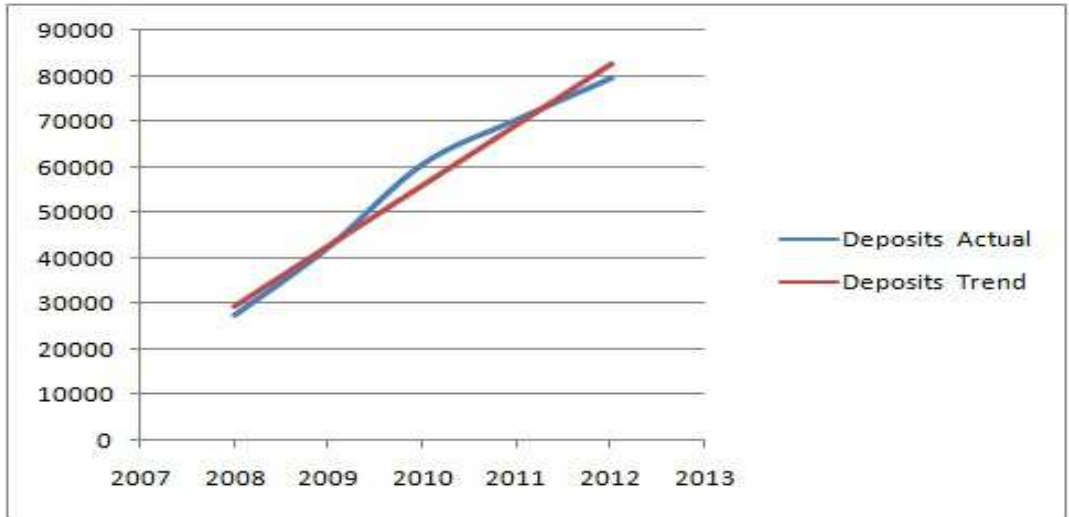


Figure 4.2.2: Trend of Deposit during 2008-2012. . (Taka in Million)

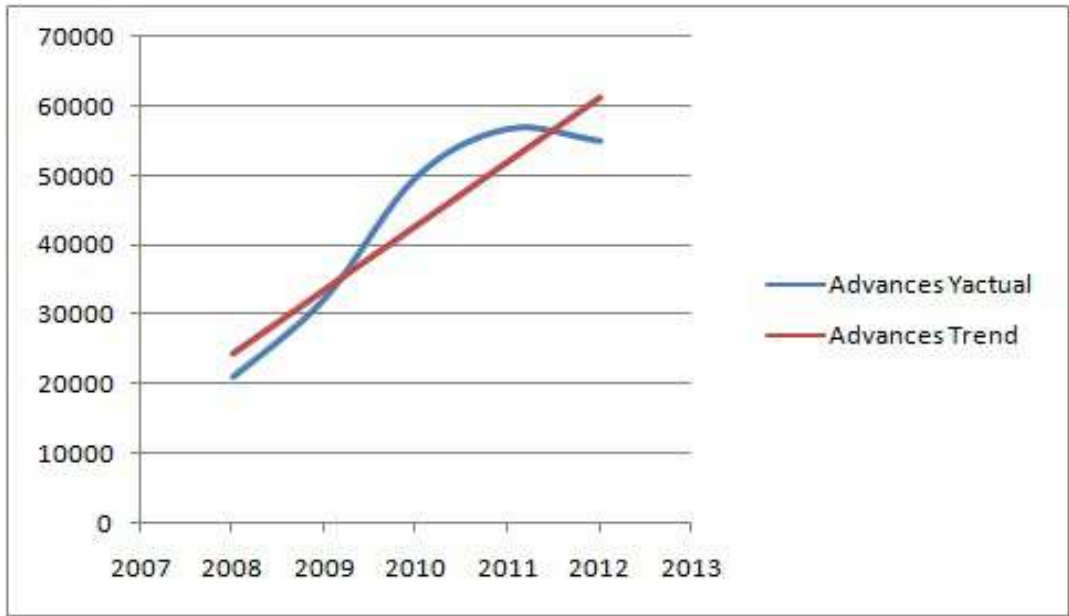


Figure 4.2.3.: Trend of Advances during 2008-2012. (Taka in Million)

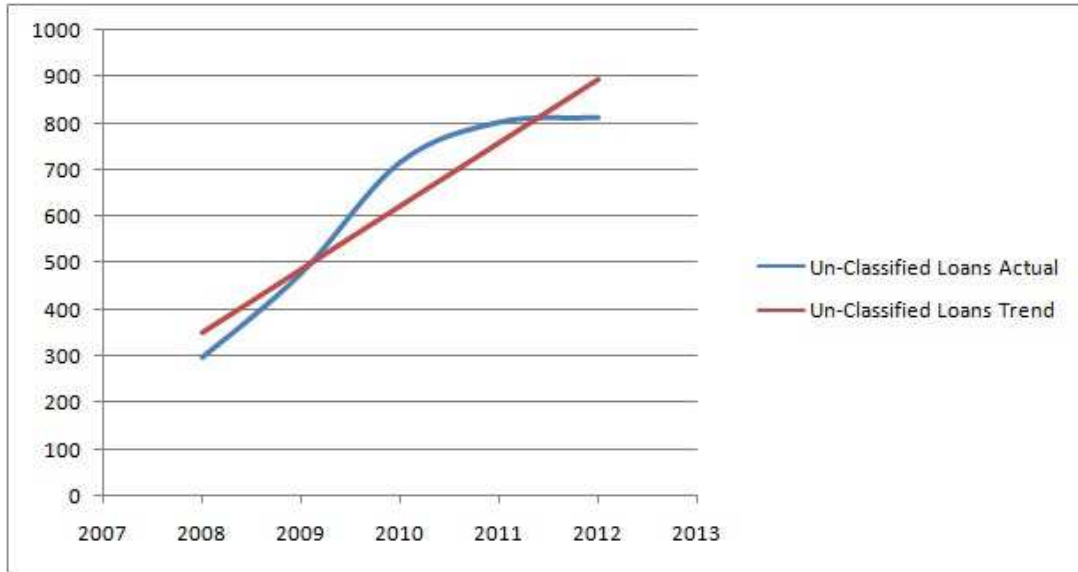


Figure 4.2.4: Trend of Un-Classified Loans during 2008-2012. . (Taka in Million)

Classified Loans				Investments				Total Assets				Income from Investment			
Year	Y	X	Trend	Year	Y	X	Trend	Year	Y	X	Trend	Year	Y	X	Trend
	Actual				Actual				Actual				Actual		
2008	296	0	124.6	2008	4238	0	298.80	2008	31646	0	30546.6	2008	666	0	773
2009	465	1	411.2	2009	8503	1	8055.80	2009	48730	1	49986.5	2009	1361	1	1045.5
2010	453	2	697.8	2010	10891	2	15812.8	2010	70013	2	69426.4	2010	1152	2	1318
2011	627	3	984.40	2011	16314	3	23569.8	2011	87065	3	88866.3	2011	1404	3	1590.5
2012	1648	4	1271	2012	39118	4	31326.8	2012	109678	4	108306.2	2012	2007	4	1863
Yc=a+bx				Yc=a+bx				Yc=a+bx				Yc=a+bx			
Intercept	a	124.6		Intercept	a	298.8		Intercept	a	30546.6		Intercept	a	773	
Slope	b	286.6		Slope	b	775		Slope	b	1943		Slope	b	272.5	

Source: Table No. 1

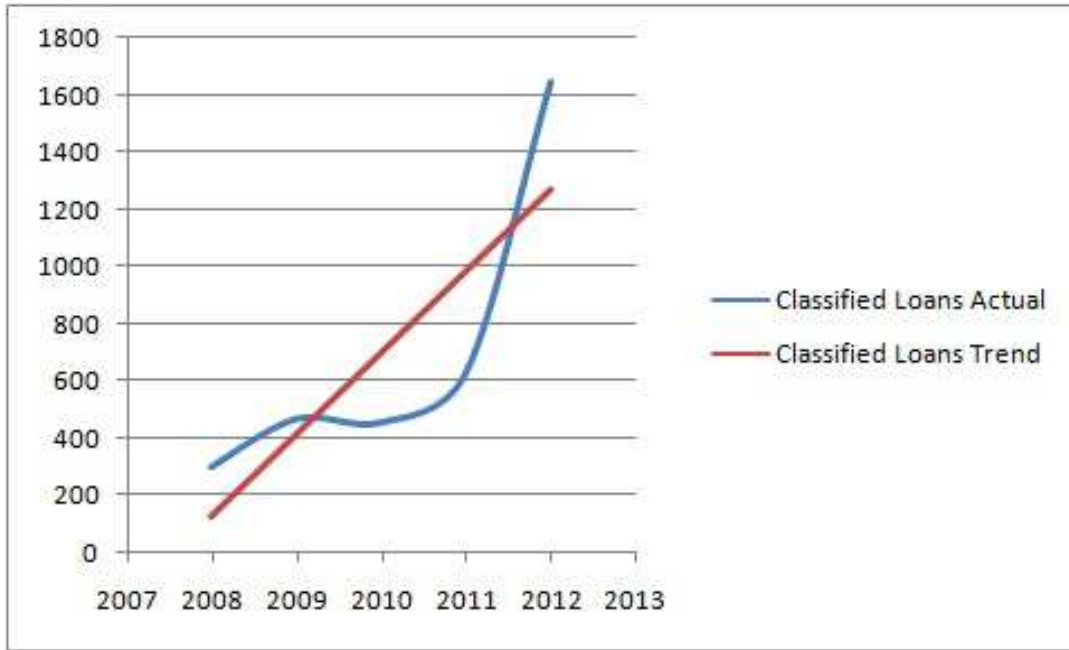


Figure 4.2.5: Trend of Classified Loans during 2008-2012. . (Taka in Million)

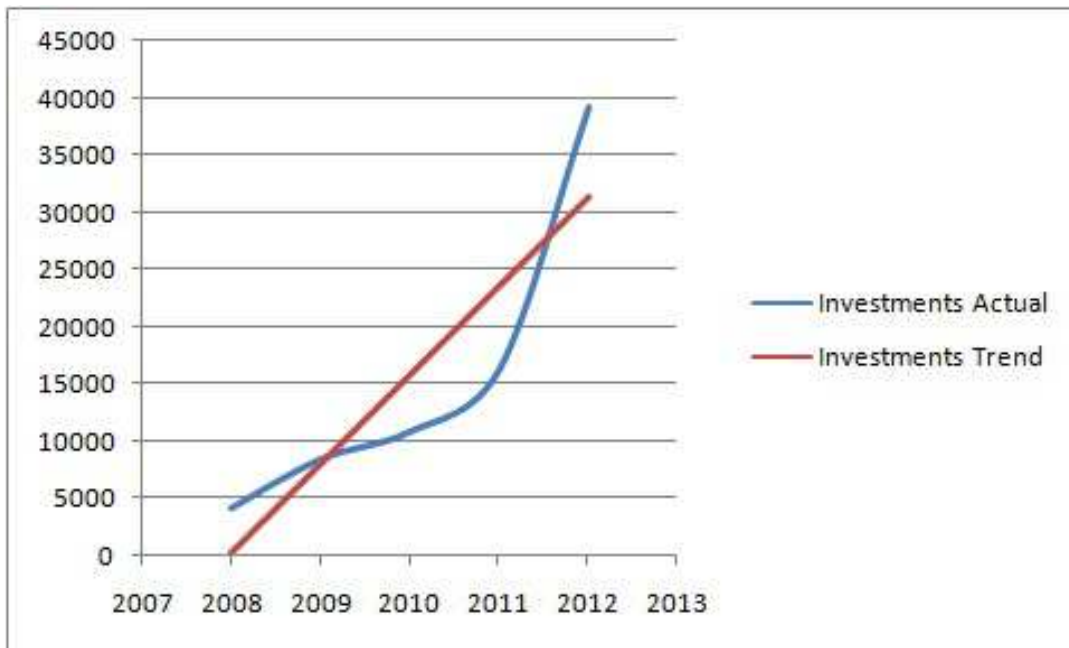


Figure 4.2.6: Trend of Investment during 2008-2012. . (Taka in Million)

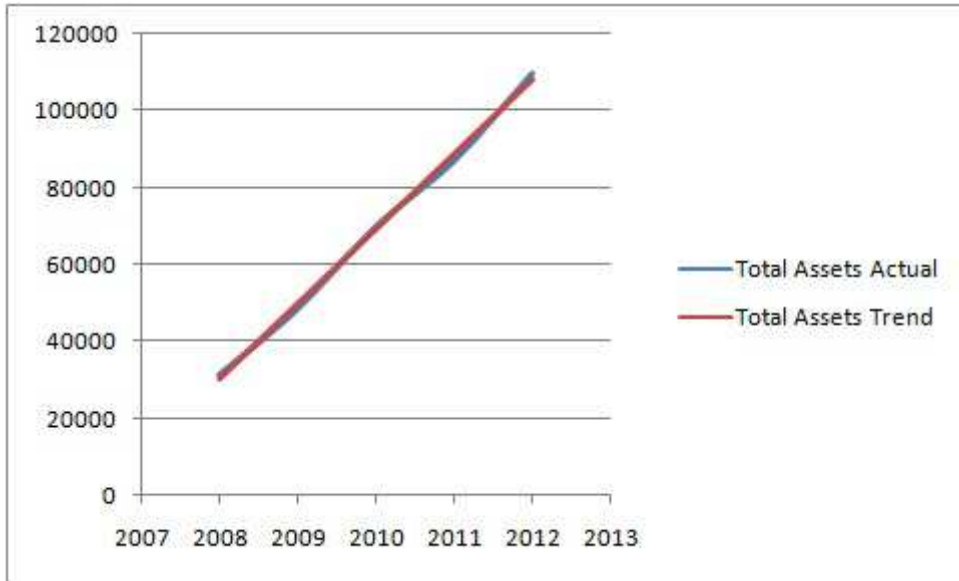


Figure 4.2.7: Trend of Total Assets during 2008-2012. . (Taka in Million)

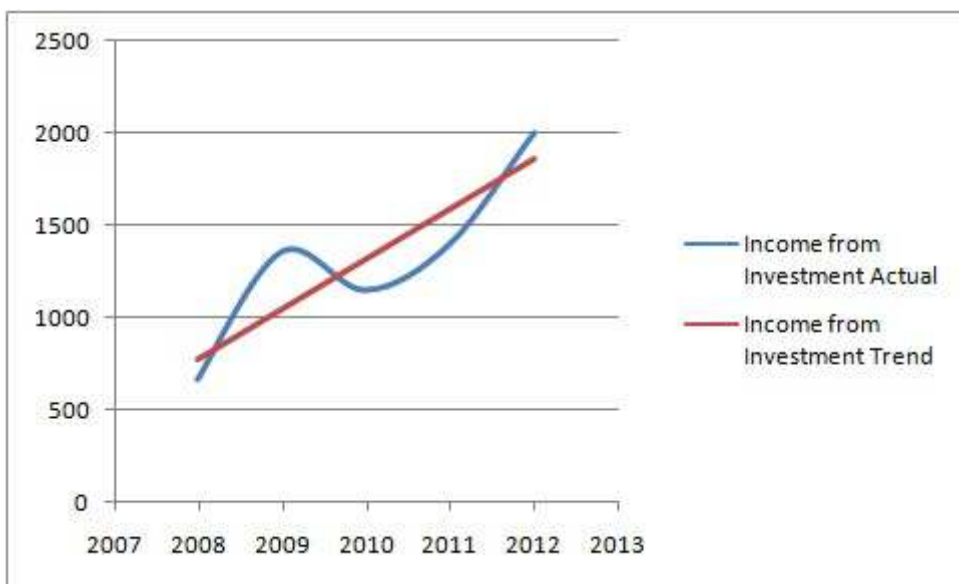


Figure 4.2.8: Trend of Income from Investment during 2008-2012. . (Taka in Million)

Table No. 2: This table shows the Trend of Selected Information of Jamuna Bank Limited during 2008-2012 including actual and trend position of the same by using the selected formula $Y_c = a+bx$, Intercept and Slope. Above trend graph we found that the all the selected variables i.e. Reserved Funds, Deposits, Advances, Un-Classified Loans, Classified Loans, Investments, Total Assets, & Income from Investment was upward trend during the study

period. So, we can say that the overall position of JBL is above satisfactory under the study period.

4.3 Productivity Analysis:

Table No. 3
Productivity Trend of Jamuna Bank Ltd. during 2008-2012.
(Tk. In Million)

Year	Total Income	Total Expenditure	$\Delta I / I$	$\Delta E / E$	Productivity	Remarks
					$(\Delta I / I) / (\Delta E / E)$	Fav. / Unfav.
1	2	3	4	5	6	7
2008	3407	3033				
2009	4454	3901	.30	.29	1.03	Fav.
2010	6319	5061	.85	.67	1.26	Fav.
2011	9769	8356	1.87	1.75	1.06	Fav.
2012	11064	9865	2.25	2.25	1.00	unFav.

Source: Table No.1

It is the rate of the incremental income and the incremental expenditure that measure the productivity of a bank. Bank's productivity is defined as percentage change in its earnings in relation to percentage change in its costs. To put it differently, the output responsiveness as measured by proportionate change in income in relation to proportionate change in expenditure, measures the productivity of commercial banks. Among the different models of productivity, particular model is followed for covering data collection.

Symbolically, $P = (\Delta I / I) / (\Delta E / E)$

Where, P = Productivity or output responsiveness change in inputs.

Δ = Delta.

I = Total income

E = Total Expenditure.

In absence of specific indicator of output and input of a bank, the above measurement of productivity is widely used. Productivity of a bank is inversely related to cost responsiveness, i.e. higher cost responsiveness leads to lower productivity and vice-versa. If the proportionate change in expenditure (E) leads to a less than the proportionate change in income (I), the cost is higher, again, if the proportionate change in (E) expenditure leads to a more than proportionate change income (I) the cost is lower. In the first case $P < I$ and in the second case $P > I$. The productivity (P) is greater than (I) one and it is a sign of good health of the (I) banks. Here first year has been assumed as base year & for $\Delta I / I$ & $\Delta E / E$ we have used the following formula: **Current year-Base year/Base year.**

Table No. 3 (Productivity Trend of Jamuna Bank Ltd. during 2008-2012): This table reveals that the overall productivity of JBL was satisfactory i.e. ($p > 1$) favorable in 2009,

2010, & 2011 except we found that the JBL was the unfavorable position in 2012 under the study period.

4.4 Graphical Presentation:

Table No. 4
Consolidated Information of Selected Variables of
Jamuna Bank Ltd. during 2008-2012.
(Tk. In Million)

Year	Reserved Funds	Deposits	Advances	Un-Classified Loans	Classified Loans	Investments	Total Assets	Income from Investment
	2	3	4	5	6	7	8	9
2008	847	27307	21036	298	296	4238	31646	666
2009	2359	42356	32287	479	465	8503	48730	1361
2010	4178	60673	49734	718	453	10891	70013	1152
2011	3633	70508	56611	804	627	16314	87065	1404
2012	3837	79623	54887	814	1648	39118	109678	2007

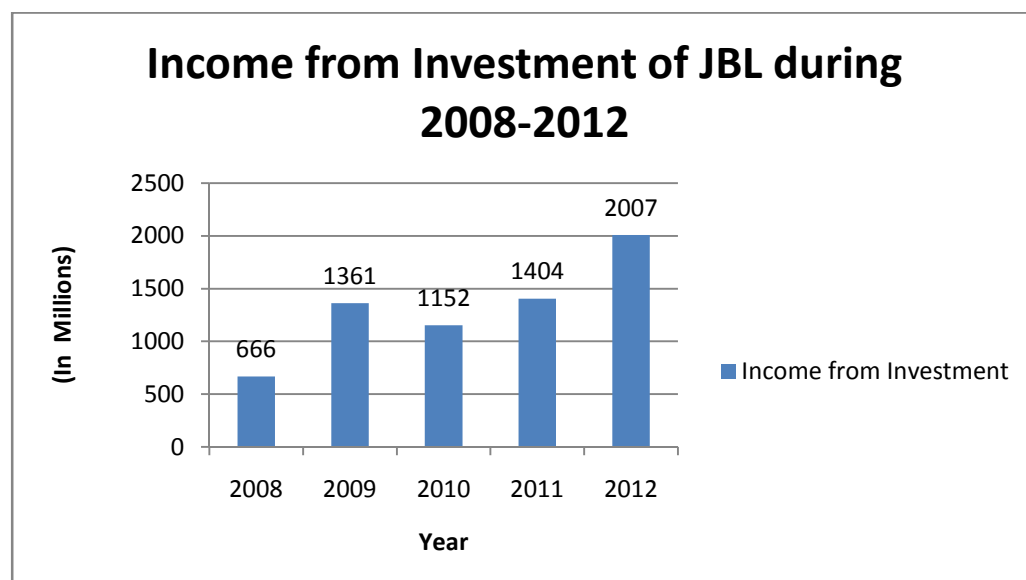


Figure 4.4.1: Income From Investment

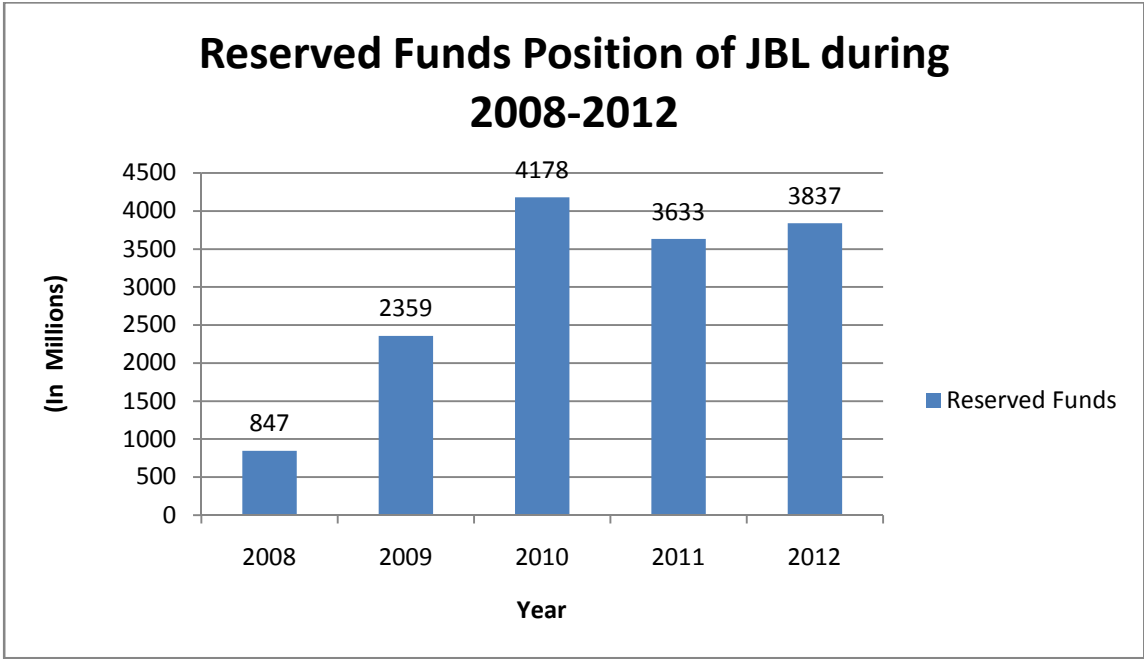


Figure 4.4.2:Reserved Funds Position

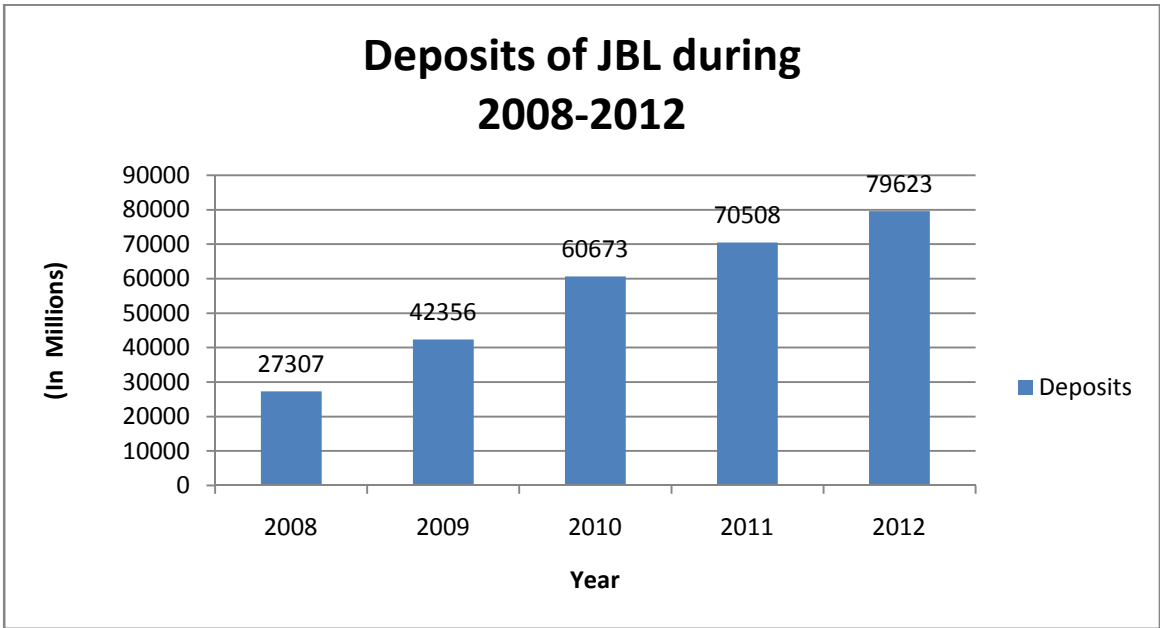


Figure 4.4.3:Deposits of JBL

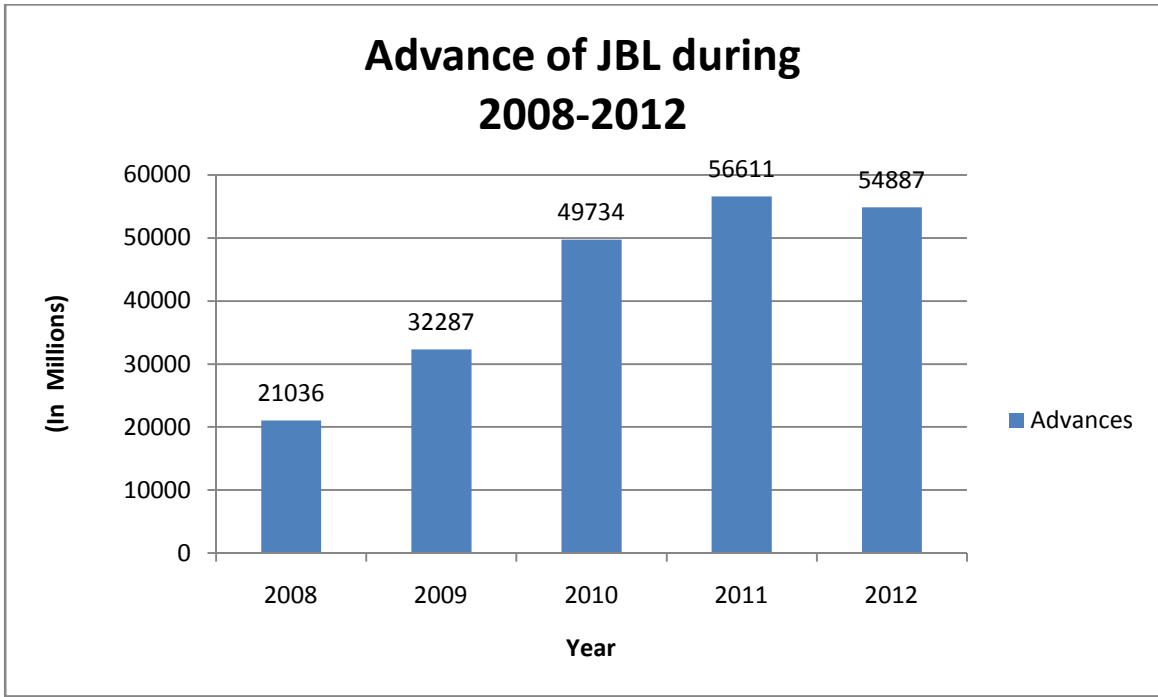


Figure 4.4.4: Advance of JBL

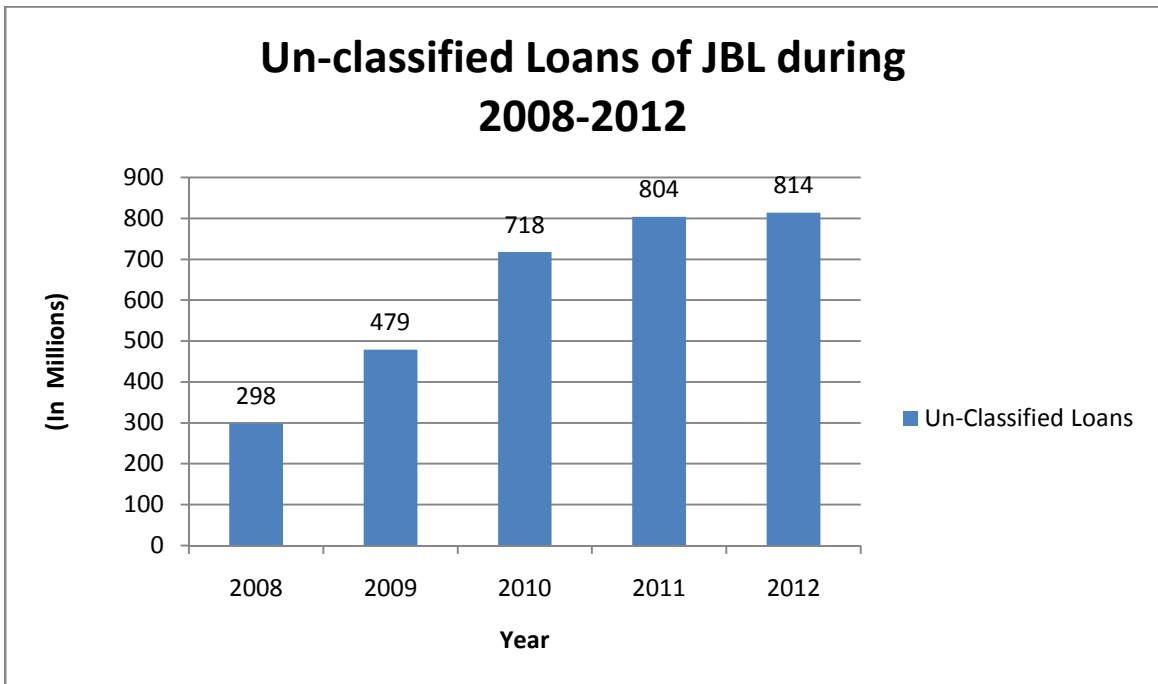


Figure 4.4.5: Un-classified Loans

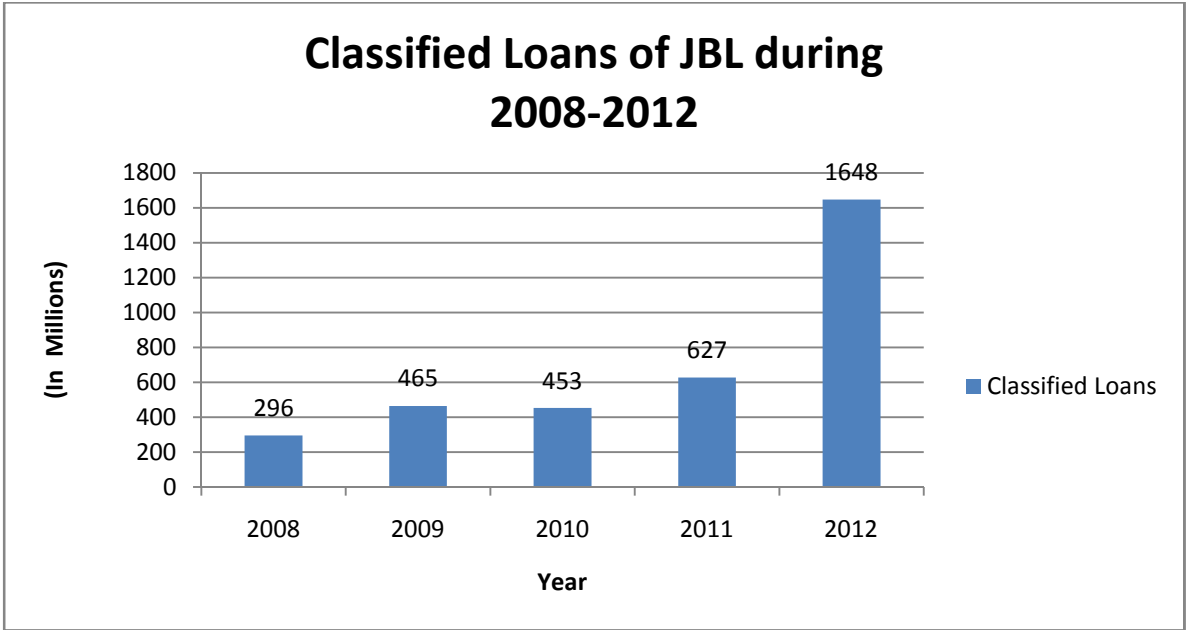


Figure 4.4.6: Classified Loans

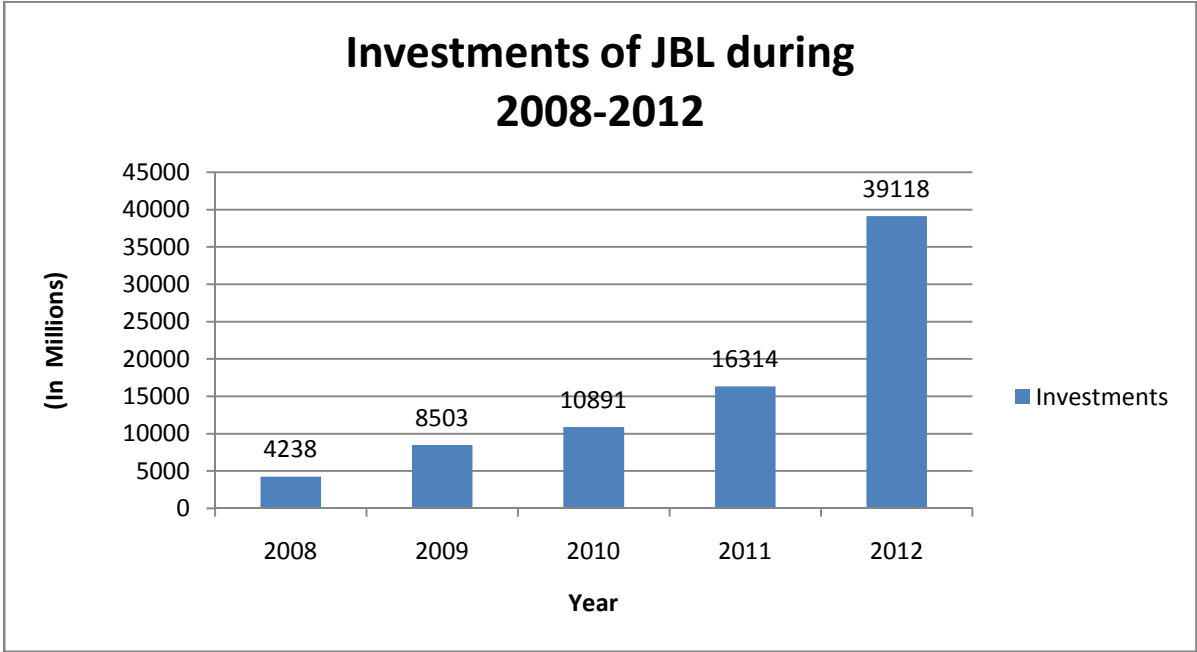


Figure 4.4.7: Investments of JBL.

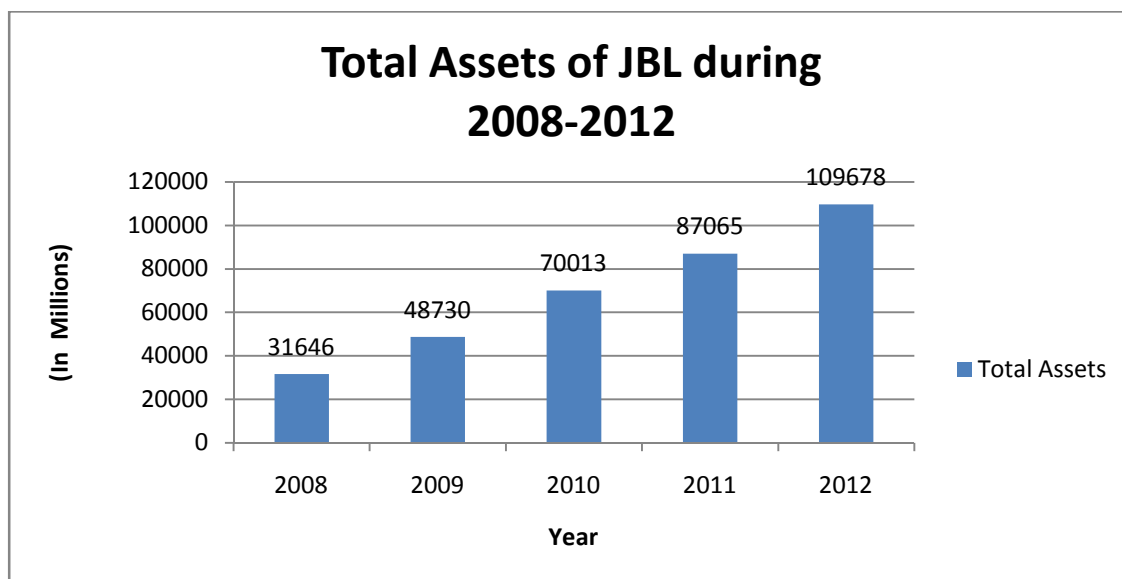


Figure 4.4.8: Total assets of JBL.

Major Findings of the Study

4.5 Findings:

The study has been made to find out the credit operating system, their credit policies and procedures of loan supervision and recovery, especially their classified loans of Jamuna Bank Ltd. And after discussing their credit system, procedure of loan recovery and analyze their performance of loan and advance department including the classified loans, the findings of the study are as following:

- Jamuna Bank, Tongi branch, Tongi, Gazipur is able to achieve excellent rating from their clients in two important criteria of branch location & comfortable interior decoration.
- Branch managers are made fully liable for the selection of the new borrower in the bank. It prohibits the way to improper selection of the new borrower by the branch manager.
- Jamuna Bank Ltd. provides working capital facilities like Cash Credit, in against of stock of manufacturing goods. And continuously supervise to ensure that appropriate stocks are there to support the financing.
- There are some cases where effective monitoring and persuasion are needed especially for substandard and doubtful cases. Persuasion and monitoring are effectively performed by the branch manager.
- In some cases those loans becomes classified which the head office has recommended. So to some extent it is true that, sometime Head office decision is also creating classified loans.

- The employees are very good in nature, highly educated and helpful, if subordinate makes a mistake, higher authority motivates politely rather than blaming.
- The employees of credit departments that are so crucial matter are highly experienced and can handle smartly the clients.
- Important factors such as- good reputation in the market, personal & corporate relationship etc.
- Number of employee in the branch is few.
- Cash limit is low; because of this sometimes clients can not get service properly.
- ATM service is week.
- The branch manager, officer and executive who have achieved target in all respect may be rewarded.
- Political interference has to be avoided in selection of employee. Because customers are very sensitive in service marketing. If they don't get right service at right time at right place by the right person they will switch over in other bank.
- Advertising and promotional activities are very effective for informing customers about new and (financial) attractive service. So, advertising campaign should be stronger for quick improvement of the bank.
- From the study it has been found that the pricing policy of JBL is not much satisfactory. For this reason they should hire marketing specialists who will help them to develop effective service strategy, different critical decision and prepare various plans.

4.7 SWOT Analysis:

SWOT analysis means analyzing the Strengths, Weakness, Opportunities and Threats of the organization to know the present condition. This is very common analysis to determine the company's capabilities of doing effective business. This help to know the possible advantages and disadvantages of the firm that it has compare to others. The SWOT analyses of Jamuna Bank Limited are briefly given in the below:

S- Strengths

- Experienced top management.
- Good operating efficiency.
- Satisfactory business growth.
- Satisfactory Non-Performing-Loan coverage.
- Satisfactory risk management structure.
- Multi product financial institution.
- Market leader in Small & Medium scale industry banking among me local banks.
- Conservative approaches to reduce the risk of classification.
- Clear specification of documentation process to reduce the risk of classification.
- Strong procedure in selection of new borrower.

W-Weakness

- Dependent on fixed deposits.
- Moderate risk management system.
- Limited delegation of power.

- Insignificant market share.
- Concentrated ownership.
- Low non-funded business.

O-Opportunities

- Creation of brand image.
- SME and Agro based business.
- Real time online banking.
- Government and International agencies positive attitude toward low classification rate.

T-Threats

- Increased competition in the market.
- Market pressure for increasing the SLR.
- Supply gap of foreign currency.

From the above analysis it was found that Jamuna Bank Ltd. has an experienced top management and efficient professionals who can easily solve the problems of classified loans or any others, such as delegating proper power or low non-funded business. So the weakness can be eliminated easily through its strength.

The credit policy of Jamuna Bank Ltd. has been perfectly designed depending on the government funds and assistance. But as it is sure that, government will sell its share in near future Jamuna Bank Ltd. has to revise its credit policy by considering alternative source of fund. International funds can be alternatives for government source if Jamuna Bank Ltd. can continuously reduce its classification rate.

Chapter-5

Conclusion & Recommendation

8.1 Recommendations

According to the Jamuna Bank Ltd. position, I will suggest to take the following aspects:

- New credit culture needs to be developed in place of default culture. Efforts to be taken as soon as possible to safeguard the interest of banking sector.
- Real value of business can come from making regular visits to the customer's place of business rather than holding all meetings in the Bank.
- For improving the recovery position and reducing huge over due loans, first action needed to attract political support and urge upon the govt. and political parties to take necessary steps for repayment of defaulted loans within a limit.
- Against big willful defaulters legal action should be taken promptly. This step should be taken as soon as one installment is defaulted without waiting for default of total loan.
- Increase branch wise promotional activities.
- Expand the facilities of on line banking all over the branches.
- Try to faster the service.
- Increase the facilities for the employees both financial and environmental.
- Jamuna Bank Ltd. should recruit more employees on the branch.
- Cash limit should be increased
- Number of ATM booth should be increased.

8.2 Conclusion:

Jamuna Bank Ltd. is a commercial bank launched its operation in 2001. It has already developed goodwill among its clientele by offering its excellent services by different divisions. This success has resulted from the dedication, commitment and dynamic leadership among its management over the periods. The working atmosphere of the Jamuna Bank Limited is very simulating. During the short span of time of its operation, the bank has been successfully to the position itself as a progressive and dynamic financial institution in the country.

The banking sector of Bangladesh is passing thorough a tremendous reform under the economic deregulation and opening up the economy. Currently this sector is becoming extremely competitive with the arrival of multinational banks as well as emerging and technological infrastructure, effective credit management, higher performance level and utmost customer satisfaction. Jamuna Bank Ltd. fairly follows the credit policy and practices set by the management of the bank. And by that they are doing well in reducing the high classification rate and in attaining the profit target of the bank. It has been observed that Jamuna Bank Ltd has been maintaining an encouraging trend of overall performance in the country. High employee efficiency, high profitability, rapid growth of deposit and advances and high loan recovery prove evidence of sound financial condition of Jamuna Bank Ltd.

The modern business world is on the fastest flow of competition which is growing wider and wider. To have sustainability in this competitive world the organization are formulating new strategies and business plan with maximum efficiency levels in all sectors.

To build a strong base for the bank and to uphold the image of bank determination of firm or customer is not an outsider on their business he she is a part of the bank. They should have decrease the knowledge gap that means the gap between customer expectation and management perception of customer expectation. They should also decrease communication gap and ultimately the bank should adjust the customer perception with their expectation. JBL is a modernized bank; goodwill of JBL is increasing day by day. Because it makes a good employment opportunity. It provides high standard and expectation facilities for their customers. It contributes in the economic development of the country. There are many services providing by JBL that is carry out good opportunity for general people of the country and also for savings. Besides the policy and strategies of JBL is high standard than other private bank. But they need to be more careful dynamic to retain the old customer and create new customer in existing competitive situation.

Abbreviations

A/C	Account
B/L	Bill of Leading
BB	Bangladesh Bank
BOE	Bill of Exchange
CB	Central Bank
CCH	Cash Credit Hypo
CCP	Cash Credit Pledge
DD	Demand Draft
ERC	Export Registration Certificate
GB	General Banking
IT	Information Technology
JBL	Jamuna Bank Ltd.
L/C	Letter of Credit
LDBC	Local Documentary Bill Collection
LDBP	Local Documentary Bill Purchase
PO	Pay order
TT	Telegraph Transfer
WB	World Bank

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