



**Daffodil**  
*International*  
**University**

**INTERNSHIP REPORT  
ON  
CREDIT RISK MANAGEMENT OF JAMUNA BANK LIMITED**

**Submitted To**

Sabrina Akhter  
Assistant Professor  
Department of Business Administration  
Faculty of Business & Entrepreneurship  
Daffodil International University

**Submitted By**

Tanisa Islam Nity  
ID: 182-11-5892  
Batch: 50<sup>th</sup>  
Department of Business Administration  
Faculty of Business & Entrepreneurship  
Daffodil International University

**Date of Submission: 23-01-2023**

# Letter of Transmittal

Date: 23-01-2023

To  
Sabrina Akhter  
Assistant Professor  
Faculty of Business & Entrepreneurship  
Daffodil International University

Subject: Submission of internship report entitled “CREDIT RISK MANAGEMENT OF JAMUNA BANK LIMITED”.

Dear Ma’am,

I would like to submit my study entitled “INTERNSHIP REPORT ON CREDIT RISK MANAGEMENT OF JAMUNA BANK LIMITED”. This report has been prepared as a part of the requirement for BBA program of Daffodil International University.

I completed my internship paperwork successfully. Working on this report has been a great learning experience for me as I studied the difference between the theoretical and practical work. I hope the report is objective, systematic and accurate.

I would like to thank you for giving support and guidelines that you have provided me.

Sincerely yours,



---

Tanisa Islam Nity  
ID: 182-11-5892  
Major in Finance  
Bachelor of Business Administration (BBA)  
Department of Business Administration  
Faculty of Business & Entrepreneurship  
Daffodil International University

## Student's Declaration

I, Tanisa Islam Nity, now affirm that I alone am the author of the study titled " INTERNSHIP REPORT ON CREDIT RISK MANAGEMENT OF JAMUNA BANK LIMITED." No portion of this report has ever been submitted to another university, institution, or organization for a degree, certificate, or certification in academic study.

I further certify that this paper was written only for academic purposes and not for any other reason. It might not be utilized in the corporation's opposition party's best interests.



---

Tanisa Islam Nity  
ID: 182-11-5892  
Major in Finance  
Bachelor of Business Administration (BBA)  
Department of Business Administration  
Faculty of Business & Entrepreneurship  
Daffodil International University

## Certificate of Approval

This is to certify that the internship report entitled “CREDIT RISK MANAGEMENT OF JAMUNA BANK LIMITED” is prepared by Ms. Tanisa Islam Nity, ID No. 182-11-5892, as a requirement BBA program under the Department of Business Administration and the Faculty of Business and Entrepreneurship at Daffodil International University.

I wish her every success in life.



---

Sabrina Akhter  
Assistant Professor  
Department of Business Administration  
Faculty of Business & Entrepreneurship  
Daffodil International University

## Acknowledgement

The value of practical knowledge cannot be overstated in the context of a world that is changing so quickly. In light of this, Daffodil International University's Department of Business Administration constantly encourages students to develop their abilities and productivity. I'm learning as I go. Therefore, whatever the outcome, this report surely enhanced my learning by providing me with a wealth of information that isn't available in the conventional educational system. I want to take this opportunity to thank my respected supervisor for everything.

I want to extend my heartfelt gratitude to the person I met, who greatly assisted me in the preparation of this report by giving me helpful information, as well as adequate papers and theories. I think that the next students who are going to do more research in this significant topic will find this report to be useful. Last but not least, I want to thank the Almighty Allah, without whose will and assistance nothing in this world would be possible.

## **Executive Summary**

The report is the result of my internship, which I finished in order to fulfill the criteria for my BBA degree. My three-month internship at Jamuna Bank Ltd. served as the basis for the report that follows. In the office, I was never angry or bored. The atmosphere at Jamuna Bank Ltd is friendly and kind. The staff is well-versed in their fields, productive, and under the management's watchful eye. One of Bangladesh's most well-known public banks is Jamuna Bank Ltd. All aspects of JBL's credit and risk management are covered in this report, including, but not limited to, regulatory activities, rules, the credit operation department, loan approval procedures, the credit collection department, a wide range of product and service options, and the loan recovery procedure. The study's objectives are to gain knowledge of various credit schemes, lending protocols and approval processes, credit evaluation and risk management systems, identify problems with loan management, and provide solutions. I may have made a lot of mistakes, but I hope the suggestions would help the bank find a solution to their problem.

## Table of Contents

Topics	Pages
Title page	i
Letter of Transmittal	ii
Student's Declaration	iii
Certificate of Approval	iv
Acknowledge	v
Executive Summary	vi
Table of Contents	vii-viii
<b>Chapter-1 (1-4)</b>	
1.1 Introduction of the report	2-3
1.2 Scope of the Study	3
1.3 Objectives of the Study	3
1.4 Methodology	3-4
1.5 Limitation of the Study	4
<b>Chapter 2 : Overview of the Organization (5-10)</b>	
2.1 History & Overview	6-7
2.2 Vision	7
2.3 Mission	7
2.4 Company Objectives	7-8
2.5 Values	8
2.6 Company Slogan	8
2.7 Strategic Marketing Plan	8
2.8 Strategies	9
2.9 Corporate Culture	9
2.10 Products and Services	9-10

<b>Chapter 3: Credit Risk (11-21)</b>	
3.1 Concept of Credit Risk	12-13
3.2 Principles for Credit Risk Management	13
3.3 Credit Risk of Jamuna Bank	13
3.4 Credit Committee	13-14
3.5 Head Office Credit Review Committee (HOCRC)	14
3.6 Policies and Procedures for Credit Risk Management	14-15
3.7 Measuring Credit Risk Methods	15-16
3.8 Credit Risk Management System	16-17
3.9 Sanctioning Loans and Advance	17-21
<b>Chapter-4: Financial Analysis of JBL (22-26)</b>	
4.1 Total Capital Fund	23
4.2 Equity Capital	24
4.3 Total Deposit	25
4.4 Total loan and advances	26
<b>Chapter 5: Findings, Recommendations &amp; Conclusion (27-30)</b>	
5.1 Findings	28
5.2 Recommendations	28-29
5.3 Conclusion	29-30
Bibliography	30
Appendix	31-33



# **Chapter 1**

## **Introduction of the Report**

## 1.1 Introduction

In general, we may clearly deduce from the name "bank" that the institution works with money. Nevertheless, there are several other kinds of banks, including central banks, commercial banks, savings banks, investment banks, industrial banks, cooperative banks, and others. However, when the word "Bank" is used without any qualifiers or prefixes, it refers to commercial banks. A nation's economy is mostly supported by commercial banks. Commercial banks are thus for-profit companies that hold customer and business deposits in checking and savings accounts before using these money to generate loans. Because banks are profit-driven organizations, they solicit deposits at the lowest feasible rate in order to provide loans and advances at a greater cost. The difference between the two is advantageous to the bank. As the need for high-quality services increases daily, they are developing fresh, innovative ideas for products and services. Both financial institutions are looking for ways to provide their consumers with better services in order to thrive in the competitive banking industry. As a result, everyone now has to have a fundamental knowledge of banks and banking practices. A broad collection of people from many sectors of banking, trade, and industry worked together to create Jamuna Bank Limited. It was established as a commercial bank in 2001 in accordance with the Companies Act of 1994. The bank launched its banking activities on June 3, 2001. Since its foundation, JBL's goal has been to distinguish itself as a unique commercial bank by providing its cherished clients with a wide range of innovative services. The ultimate goal is to increase the degree to which SWIFT and financial treasury resources are mutually sustainable for international trade. The bank has achieved excellent achievements in all areas of company operations, making significant progress in a short period of time and carving out a desirable position among its competitors. Currently, Bangladesh is home to 112 branches of the bank. As a new generation private commercial bank in the area, JBL provides its customers with all conventional banking services. Additionally, a variety of products and services based on deposits and credit are available. such includes services for managing funds, processing payments, providing safe deposit boxes, and providing perks to employees. Commercial banking services are offered by Jamuna Bank Limited. The Bank also engages in other 3 operations, such as offering its clients Islamic financial services through Islamic Banking offices. Two of the bank's industrial sectors are conventional banking and Islamic banking. Working capital financing, encompassing working capital methods like time loans and cash credits; offers for importers, including loan

against trust receipt and time loans; and offers for exporters, including over draft and packing in It offers a range of services, such as bid bonds, overdrafts, value guarantees, and security bonds, to suppliers and manufacturers. Jamuna Bank Capital Management Limited and Jamuna Bank Securities Limited are its subsidiaries.

## **1.2 Scope of the Study**

The purpose of the study is to get more knowledge regarding the total loan operating procedure at Jamuna Bank Limited. The study is supported by material from both primary and secondary sources. This research is limited to Jamuna Bank Limited's loan operations and management, showcasing the company's capability to recognize reliable lending sectors. Additionally, it highlights areas in need of development. There are also certain restrictions brought on by a lack of knowledge and time.

## **1.3 Objectives of the Study**

Generating a proper report on the matter of Credit Risk Management of Jamuna Bank Limited.

- i) To know about the credit products and services and overall activities of Jamuna Bank Limited;
- ii) To identify the credit risk management of JBL;
- iii) To analyze credit related terms and appraisal procedures of JBL;
- iv) To identify problems with banking and loan activities, and making recommendations to fix the problems.

## **1.4 Methodology of the Study**

The methodology of the study refers to the procedure of gathering information and structuring it in accordance with the crucial areas of the investigation. It was made in a way that it coincides with the objective of the study. The study requires a methodical strategy from choosing the subject to finishing the final report. This study is based on information that was developed with a certain method utilizing data acquired from various sources.

## **Data sources:**

### **Primary sources:**

- Officers of the branch
- Clients of the branch

### **Methods of data collection:**

- Personal interview: face to face chat or conversation and in-depth interviews with the various offices and clients of the branch.
- Personal observation: observation of the credit managing activities

### **Secondary sources:**

- Annual report of Jamuna bank limited
- Different publications of Jamuna bank limited
- Different manuals and publications of Bangladesh bank
- Daily monthly and yearly statement ledger received from different section
- Different textbooks
- Official website of Jamuna Bank Limited

## **1.5 Limitation of the Study**

Being given the chance to work as an intern has been a great experience that has allowed me to learn a lot and jump start my career in credit risk management. However, the subject of credit risk management is so extensive that a little period of time spent as an intern and studying a few portfolios is insufficient to fully appreciate how the bank's business is conducted. The author has made a significant effort to acquire information that is pertinent to the creation of this report and is based on his personal experience and knowledge.

**Chapter Two**

**ORGANIZATIONAL  
OVERVIEW OF JAMUNA  
BANK LIMITED**

## 2.1 History & Overview:

Jamuna Bank Limited began operations on June 3rd, 2001. It was initially registered under the Bank Companies Statute of 1991, and then under the act of 1994 it was formed as a public company limited by shares. Jamuna Bank Limited is regarded as a third generation digital bank in Bangladesh, according to the banking generations in that country. With an authorized capital of Tk. 2424.00 million, the bank began its adventure as a private bank, leaving a mark on how it has entered a new age of banking. The bank employs highly qualified employees with a range of banking and finance backgrounds. The bank is run by the Managing Director, who has extensive banking expertise, and an effective Board of Directors makes incredible policies at the top. Understanding and foreseeing consumer demands is the bank's management's ongoing attention. Jamuna Bank Limited is always working to develop a plan for the most recent features of changing business and meeting the issues that have been recently brought. Over the years, it has gained a ton of recognition and advancement, which has allowed the bank to rank among the top providers of excellent services. While one of Jamuna Bank's main objectives is to increase the variety of goods and services available in every industry to have a positive social and economic impact. It already has widespread recognition for the high quality of the financial goods and services it commits to offering. Import, export, trade, and commerce all make a substantial contribution to GDP development, and a well-organized lending system may speed up the process by expanding job opportunities for younger generations and starting new businesses, among other things.

According to the most recent report, the bank has 122 branches nationwide, has more than Tk. 167571.33 million in deposits, Tk. 19894.12 million in total capital, and Tk. 3.29 in earnings per share, all of which point to the bank's highly solid history. JBL is looking for various types of business people, businesses, and the general public to offer services to. According to the most recent report, the bank's total asset is Tk.197058.54, a significant increase over the prior year. Due to its partnership with Money Gram, a well-known worldwide money transfer company, for quick international money transfers, JBL has gained recognition on a global scale as well. In addition to being a well-known bank and having a corporate setting, the workplace offers a library with a variety of books, periodicals, and professional publications so employers may learn more.

Additionally, it features real-time online banking branches and a strong IT infrastructure to support any sort of transaction or information exchange with no interruptions. It has a large presence in

rural regions, with around 48 branches, and 74 branches in urban areas, for improved assistance and an increased focus on being a trustworthy bank for the customers. Typically, office hours are from 10:00 AM to 6:00 PM. Sunday through Thursday, the bank is open, while it is closed on Fridays and Saturdays.

## **2.2 Vision:**

By providing goods and services in the best possible ways and using cutting-edge methods to address various problems, we plan to become a leading financial institution and contribute significantly to the growth of the nation.

## **2.3 Mission:**

As said, the bank is dedicated to meeting the demands of its clients by offering a variety of goods at a price that is competitive, while also utilizing suitable technology and prompt service. So that with a motivated and skilled workforce, a sustainable growth, acceptable return, and contribution to the development of the nation may be secured.

## **2.4 Company Objectives:**

- To obtain and keep a CAMEL "Solid" rating. 9
- By putting strategic marketing plans into action, foster relationship banking and improve the standard of your services.
- To continue being one of Bangladesh's most successful banks with a strong emphasis on asset quality.
- The introduction of fully integrated processes will be made possible by the use of information technology.
- To maintain a fair risk position and to guarantee an appropriate rate of return on investment.
- Upholding proper checkpoints and transparent procedures.
- Create and keep up a top-notch staff with an integrated human resources management system.

## **2.5 Values**

- Prioritize the needs and happiness of the customer and offer specialized banking products and services.

- Value creation for all parties involved by achieving excellence in banking operations.
- Make a substantial contribution to society's advancement.
- Ensure that our human capital is more motivated, that they work in a respectful setting, and that they have a healthy work-life balance.
- Devoted to environmental preservation and sustainability.
- The shared values of JBL employees contribute to the development of the JBL culture.
- The customer is priority one.
- Look for excellence in the workplace.
- Making decisions quickly.
- Adaptability and promptness.

## **2.6 Corporate Slogan:**

“Your Partner for growth”

## **2.7 Strategic Marketing Plans**

- Maintain a position as one of Bangladesh's top banks in terms of profitability and asset quality; implement completely integrated business procedures through information technology integration.
- Find a return on investment rate that is adequate.
- Maintain a believable level of danger (including any off-balance sheet risk).
- Make sure you have enough money on hand to carry out your obligations and pledges as they arise.
- Maintain the optimal portrait while ensuring continuous market growth.
- Maintain clear procedures and sufficient monitoring systems.
- Build and maintain a high-quality staff using an integrated human resources management system, and make sure that all offered services are fully utilized.



## 2.8 Strategies:

- ❖ In order to increase financial efficiency and keep track of fund expenses, the Bank must be managed and corporates as efficiently as possible. Its general banking operations must also be focused on via quality assurance and prompt service.
- ❖ Determining the credit and other banking needs of consumers and monitoring their assessments of how successfully we met those needs.
- ❖ To research and update procedures, policies, and practices to increase the likelihood of delivering high-quality customer service.
- ❖ To properly serve customers, it is important to educate, develop, and supply enough services to all staff members.
- ❖ To create an environment at work that encourages positive motivation for better performance.
- ❖ To diversify one's assets both in the wholesale and retail markets.

## 2.9 Corporate Culture of JBL:

The shared ideals of JBL employees contribute to the development of the JBL culture.

The customer comes first.

- Find the best professionals in your field.
- A willingness to consider novel concepts and novel ways to foster creativity.
- Flexibility and response-promotion.
- A sense of moral responsibility.

## 2.10 Products and Services:

The Bank's role is to offer financial solutions while taking into consideration diverse socioeconomic issues. The bank serves as the primary facilitator of economic growth by directing deposits toward successful investment development. Jamuna Bank emphasizes the value of integrating individuals from all spheres of life into the financial system. Jamuna Bank launched a number of products and services after its foundation. The following customer-focused and

differentiated goods and services are presently offered by Jamuna Bank. The following services are provided by JBL to its loyal clients:

- a) Deposit Schemes.
- b) Remittance and Collection.
- c) Import and Export handling and finance.
- d) Loan syndication.
- e) Project finance.
- f) Investment Banking.
- g) Lease Finance.
- h) Hire Purchase.
- i) Personal Loan for Woman.
- j) 24-hours banking: Q-Cash ATM facility.
- k) Islamic Banking.
- l) Corporate Banking.
- m) Consumer Credit Scheme.
- n) International Banking.

# **Chapter-Three**

# **CREDIT RISK**

### 3.1 Concept of Credit Risk

The idea of credit introduces the idea of lending the borrower some goods or services and then calculating the possibilities of loss that may occur if the borrower is unable to repay the loan or fulfill the future promises of goods or services. Since the banking industry is well-established and supports many facets of human existence, lending and borrowing are the main sources of revenue for all banks. This partnership between lenders and borrowers is based on trust, precisely as the Latin root of the term "credit," which means "I believe."

Typically, a bank makes money by borrowing money from and lending it to funds, businesses, and in many other ways, all in accordance with an agreement, and receiving repayment for the money it lends. Banks are the ideal medium because they effectively use their capital. When a bank lends money, it will subsequently get extra things in exchange at a mutually convenient moment. The bank will then lend money to another company or firm and will receive the same kind of commodities in return. The entire process is continued so long as the bank continues to expand its own earnings in exchange for receiving new products from the borrower to send in return. Therefore, if a bank is unable to recover its outstanding capital, it will not be able to produce revenue to support other businesses, which would result in a substantial loss for the bank and might lead to its closure.

There is a proper way to manage credit risk and what the reasons it may occur so it can create a system for dealing with any hazardous situation against the sustainability for the bank. This is done to ensure that it receives the capital in return as promised and that the entire process of generating revenue continues to be alive with the existence of the bank. To reduce losses, credit management must be proactive and involve portfolio management.

As a result of the debtor's failure to pay the bank and its obligations, credit risks have significant negative impacts on bank capital and other outcomes, including financing. Credit risk may be examined from a variety of perspectives, including:

- i) **Concentration Risk:** This can happen when the bank is exposed to a comparable form of risk, either directly or indirectly.
- ii) **Country Risk:** This risk pertains to the country of origin of the borrower, to which the bank is exposed, and it has a negative impact on the capital of the bank because the bank

may be unable to collect the debt due to the borrower's country of origin's political, economic, or other circumstances.

- iii) **Transfer Risk:** Due to currency conversion outside, there is a chance that a foreign government may impose a loss, which will cause money to be moved out of the nation.
- iv) **Settlement Risk:** Also known as default risk, this occurs when one party cannot make the agreed-upon payment for their debts at the time of settlement. This also causes time to move as a result of both sides' incapacity.

### 3.2 Principles for Credit Risk Management:

Following some of the guidelines that have become common across banks would help the bank manage credit risk in the proper manner. These guidelines are:

- i) Enough details on the borrower's history
- ii) The borrower's capacity and total assets
- iii) Any obligations or health or political concerns
- iv) Appropriate police confirmation
- v) The need's rationale
- vi) The method of payment

### 3.3 Credit Risk of Jamuna Bank

There are several active committees that keep watch of various issues and monitor risk to ensure risk and reduce loss on lending capital, allowing the bank to remain viable in the dangerous and competitive market of today.

### 3.4 Credit Committee

There are many committees for various risk measures across the entire hierarchy of risk management at Jamuna Bank. The Credit Committee, which is responsible to the higher level hierarchy for its interpretations on reports and data, measures credit risk. To maintain it, the Jamuna Bank's credit committee performs the following duties:

- By keeping an eye on credit risks, developing plans for credit policy and procedures
- Examining the bank's exposure to and appetite for credit risk.

- Upholding the BOD's approval of the credit limitations.

### **3.5 Head Office Credit Review Committee (HOCRC)**

The branch group recommends that HOCRC scrutinize customer credit applications before approving them. HOCRC's responsibilities also include recommending credit applications and plans to the appropriate approving authorities. In addition, the committee examines and updates the credit policy, making recommendations for the Board of Directors' approval. The committee evaluates the sufficiency of loan loss provisioning and credit risk management as well. Executives from several divisions of Head Office make up HOCRC. The MD/CEO appoints the HOCRC's chairperson. If they have ideas in the HOCRC for consideration, the head of the SME division and the head of the retail banking division attend meetings.

### **3.6 Policies and Procedures for Credit Risk Management**

Maximizing the return of the loan commodities for the shareholders is the aim of credit management. For this reason, there must be a reliable processing system that enables proactive management of the relevant portfolios to reduce loss as much as feasible. In order to make it happen, Jamuna Bank Limited has a robust IT system with the capacity to collect all client data as well as pertinent vital information, such as risk management and transaction data. As the world becomes more digitalized, Jamuna Bank offers a real-time online banking system that is essential for producing massive amounts of data. There must be very effective rules and processes in place to maintain and manage the entire credit risk management system, given how quickly the world is changing and the numerous other effects it has.

The Board of Directors' 59th meeting on August 1, 2006, accepted the Credit Policy's basic parameters. Later, on April 24, 2017, during the 305th meeting, it was reviewed. Jamuna Bank has consistently been receptive and improved it in order to comply with the terms and conditions of the Bangladesh Bank regarding credit risk management.

The JBL Credit Policy Guidelines include a broad variety of topics connected to credit operations and have been continuously updated to stay at the forefront of continuing banking industry reform. Some of the main areas JBL concentrates on when it comes to credit policy:

- Organizational Design
- Separation of Duties
- Implementation of the Relationship Banking idea
- Credit Facilities Parameter
- Credit Guidelines
- Examining the Concentration of Large Loans
- Review of the Moderate Credit Position
- Classification Position and Target Review
- A sector-specific credit budget
- Business Was Discouraged
- Documentation and the Disbursement Process
- System of Credit Risk Grading
- Emphasizing Secured Lending
- Credit operation procedures, including credit evaluation
- Credit Monitoring
- Delegation of Lending Authority Policy

### 3.7 Measuring Credit Risk Methods

One of the most common techniques used by banks and the financial industry to forecast the score that helps to gauge the dependability of the settlement with the borrower is credit risk grading. It is useful to recognize various dimensions effects on various occasions for various transactions. This aids in evaluating the bank's branch's credit portfolio by taking into account various operations and business lines. The more a grading system encourages educated decision-making, the more it contributes to bank safety and soundness. Grading systems measure credit risk and categorize individual credits and groups of credits according to the level of risk they represent. This procedure aids in producing returns that are optimal.

Financial risks, management risks, relationship risks, industrial risks, commercial risks, and security risks are among the areas where various weights are applied based on how serious the risk is. They are split up. A detailed credit risk assessment is carried out prior to granting of loan facilities and is completed annually for each partnership. The Relationship Manager will then

include the evaluation result in the credit proposal. Several components of the credit sanctioning procedure are being addressed prior to the assessment:

- i) **Analysis of the Borrower:** The Borrower's reputation, education, experience, age, success record, and net worth. Complex ownership structures are addressed in borrower analysis, which also lacks managerial depth.
- ii) **Industry Analysis:** Jamuna Bank analyzes the industry's status, risks to it, borrower positions within the sector, and risk factors associated with it.
- iii) **Historical Financial Analysis:** The borrower must provide a minimum of three years' worth of financial history, which helps the analysis analyze the borrower's strength, cash flow, and quality and sustainability of earnings.
- iv) **Projected Financial Performance:** The borrower's future financial performance has been predicted.
- v) **Infrastructural Facilities:** To evaluate credit risks, seasonality of demand, debt-to-equity ratio, borrower account behavior, security, and other pertinent variables are taken into consideration.

### 3.8 Credit Risk Management System

One of Jamuna Bank's most encouraging features has been its system for managing credit risk so that it can manage the loan portfolio to reduce loss. It has enhanced cost computation speed in such a manner that it has made it possible to set a standard for the division of labor in relation to credit operation. The risk management system is being implemented by Jamuna Bank in certain significant phases.

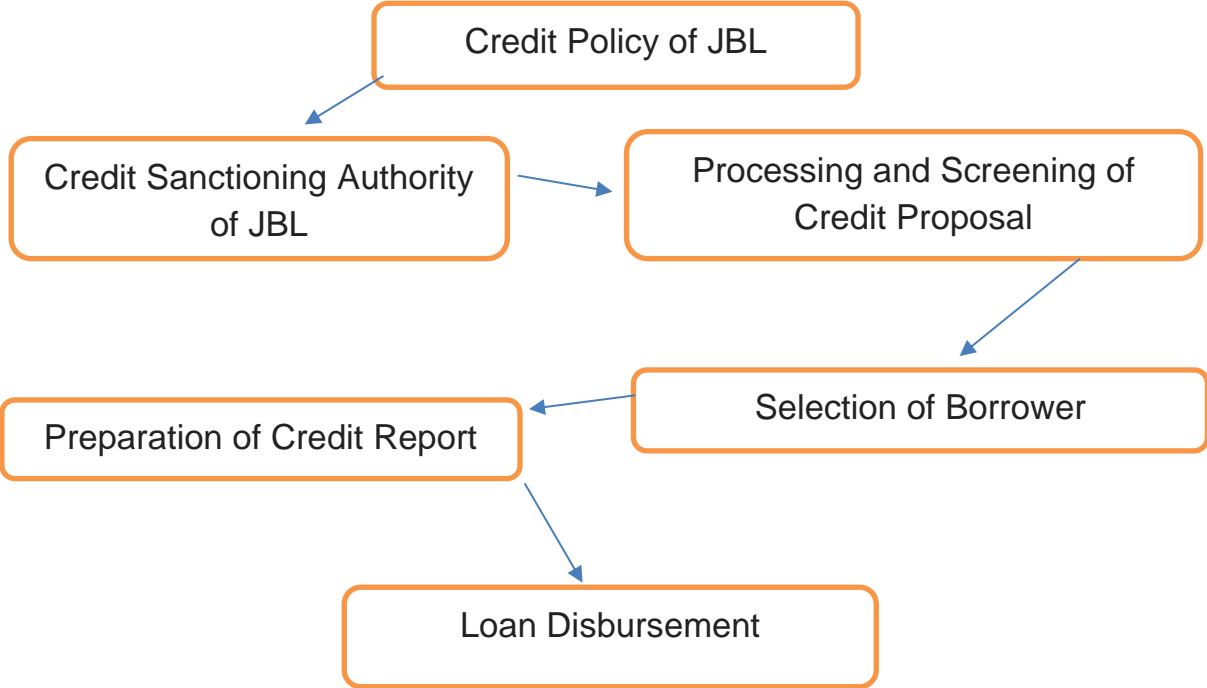
- In accordance with Bangladesh Bank's risk criteria, it has developed its own Credit Policy.
- To increase transparency, the risk grade being created is allocated and accurately noted in the credit proposal.
- All types of disbursements are permitted through the central computer system, but if all the documentation needed to comply with a sanction is not given, there is no scope for disbursement without the competent authority's consent, which has been expressly outlined in the policy.
- As said, another credit monitoring department oversees the portfolio of loans.



According to the policies established by the central bank, Jamuna Bank Limited always tries to adapt to the changing world while upholding the previously established regulations. There are several other features, such as Asset impairment Policy, to finish the entire task after the processes listed above. Quantitative disclosures include total gross credit exposures broken down by major credit types, credit exposure when risk weight is added, and geographic distribution of loans and advances. JBL continuously tries to identify fraudulent transactions and risks measuring for the purpose of improving revenue generation.

### 3.9 Sanctioning Loans and Advance

To have a clear idea about the credit management of JBL the following points are essential:



### Credit Policy of the Bank

JBL Credit Policy includes opinions on the nation's overall macroeconomic development. Overall, JBL reaches out to all facets of society through its credit business by contributing financially to trade, commerce, and industry. They provide funding for big and medium-sized businesses, as well

as for industry. In addition, they support entrepreneurs through the use of lease financing, various forms of microcredit, small loan programs, etc. The bank has developed a program where women would receive financial assistance for their growth and self-employment.

## **Credit Sanctioning Authority of JBL**

The approved executives are required to responsibly use their delegated authority while keeping the bank's best interests in mind. Authorized executives are also required to follow credit restrictions, tools, and rules established by the Banking Company Act, Bangladesh Bank, and other customary credit standards while executing the power thus delegated.

The executives of JBL are, nevertheless, required to abide by the following rules while using the power that has been granted to them.

- The borrower must be a trustworthy individual with a solid reputation in the marketplace.
- The borrower must possess the aptitude and ability to appropriately and productively use credit.
- The borrower's business must be sustainable and lucrative, and the borrower's proposal must be thoroughly and correctly assessed to determine its viability. The business must produce enough revenue to cover debt payments and servicing.
- A consumer who is to be given credit should be as far away from the command area as practicable.
- No sanctioning officer may grant credit to any of his close relatives or to any firm in which they own stock.

## **Processing and Screening of Credit Proposal**

When screening a credit proposal, several common requirements stipulated by the Banking Company Act of 1991, Bangladesh Bank, and the legislation of the State must be rigorously adhered to. Additionally, JBL credit authorities evaluate credit offers rigorously from a variety of perspectives to determine their viability.

The consumer makes credit requests at the bank branch. When a client presents a credit proposal, branch credit department representatives have an open dialogue with the customer to assess the proposal's and the customer's worthiness. The plan is presented to the bank's credit committee if it appears to be worthwhile from every angle. After brief debate, if the committee concurs in principle, the proposal is approved in accordance with the branch's given business authority.

If the scope of the plan, however, exceeds the branch's given business authority, it is forwarded to the head office with a recommendation for sanction or approval.

The Head Office Credit Committee receives the proposal and refers it to the Credit Division of the Head Office. The committee then critically evaluates ideas and, if they are approved in principle, approves them in accordance with the authority granted to them by the committee. Once more, if the merit and scope of the plan exceed the Managing Director's or Head Office Credit Committee's given business authority, they present it to the Bank's Board of Directors with a recommendation for approval.

They reject the plan from their desk if it is determined to be unworkable at the branch level. Similar to this, if a project is not workable, it is also rejected by the Board and the Head Office Credit Committee.

## **Selection of Borrower**

The Ten C's of a Good Loan and a Bad Loan In addition to the formal credit evaluation, a JBL credit officer makes an effort to evaluate the potential customer using a few different standards. The C's of good and bad loan are the acronym for these requirements. Below is a description of them:

**Character:** Make sure the person or business receiving the loan has exceptional integrity.

**Capacity:** Make sure the person or business you are financing to has the capacity to pay back the loan.

**Condition:** Understanding how the business and economic climate will change once the loan is disbursed.

**Capital:** Verify that the person or business receiving the loan has a sufficient amount invested in the enterprise.

**Collateral:** Ensure that there is a backup plan in case a credit application is rejected, but do not let it factor into the decision.

**Complacency:** Officials shouldn't rely on the past. Whether a mistake is made or not, they are constantly on guard.

**Carelessness:** They think that maintaining a high-quality loan portfolio requires constant monitoring, follow-up, and documentation.

**Communication:** Both vertically and laterally inside the bank, they discuss credit goals and credit decision-making.

**Contingencies:** Ensure that they comprehend the risk, especially the potential downside, and that the loan is structured and priced in accordance with their knowledge.

**Competition:** Competition keeps them from being distracted by what others are doing.

## Preparation of Credit Report

A credit report is a thorough examination of the borrower, and the bank relies on it to determine if the borrower will return the loan as originally anticipated. The management must conduct research before running a credit report. Depending on the loan's size and type, the level of scrutiny will either be higher or lower. To conduct an investigation, the loan representative must:

- Who the borrower is
- Nature of business
- Experience in the business
- Investment made in the business
- Purpose of borrowing
- Amount of loan
- Sources of payment

- Means of finance
- Security offered

### Loan Disbursement:

Process flow for loan disbursement:			
1)Documentation check	2)Other Bank lien confirmation	3)Down payment (For Auto Loan)	4) SDP Reparation of Purchase order
5) Change Collection voucher	6)Lien confirmation	7)Documentation Checking before Sanction	8)Entry in Finance
9)Sanction and Repayment Schedule Setup	10) Loan Activation	11)Disbursement Voucher	12) Voucher posting
13) Po Voucher (For Auto loan/ Now loan and Corporate)	14)Transaction Report: Voucher printing		

**Chapter- 4**

**FINANCIAL ANALYSIS OF**

**JBL**

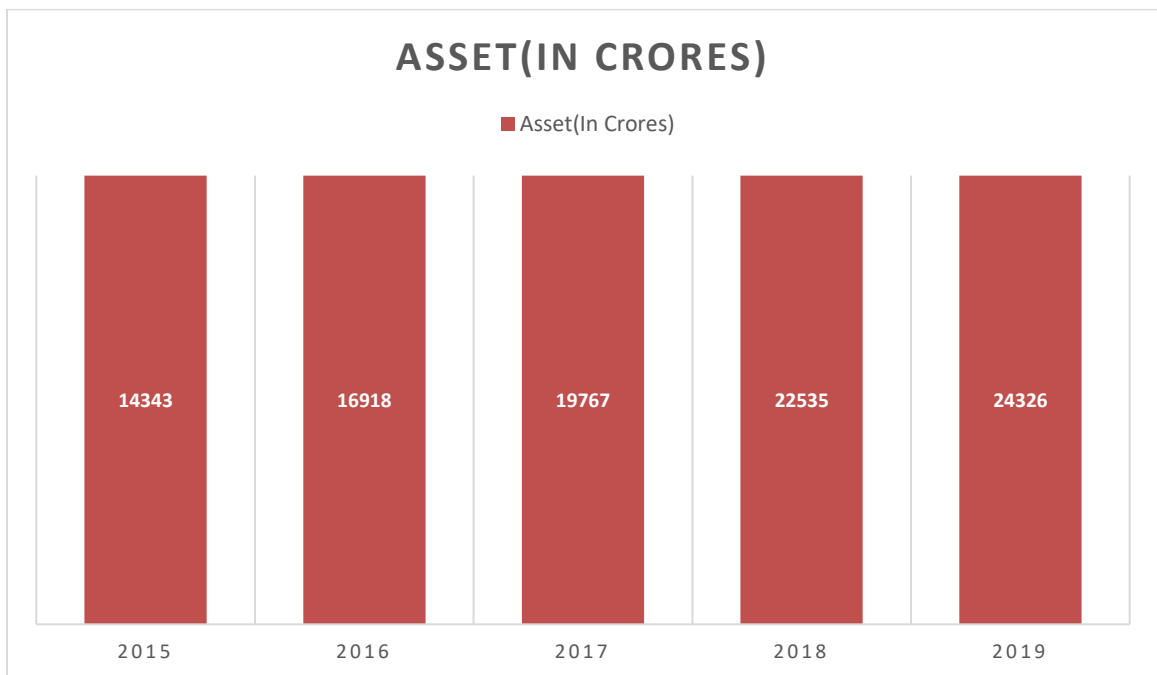
**(Year 2015-2019)**

## 4.1 Total Capital Fund

They have been able to accumulate more and more wealth throughout the years because to their enormous popularity and expansion, and they want to continue expanding in the future.

Total Asset of the Bank for these five years

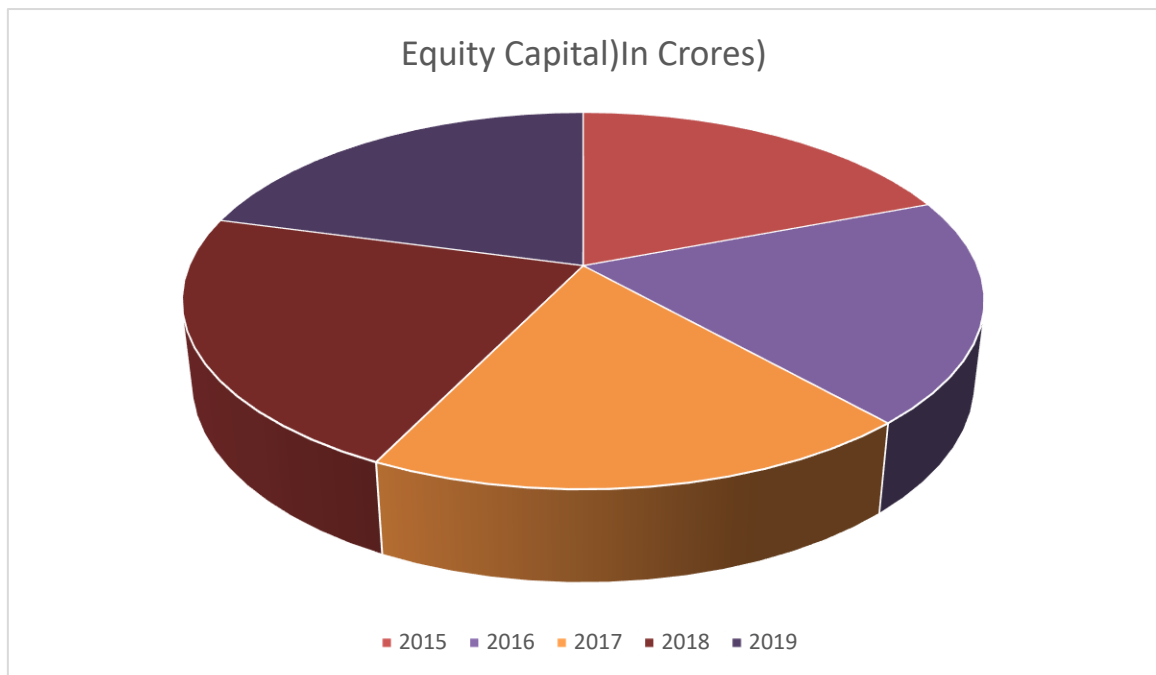
2015	2016	2017	2018	2019
14343	16918	19767	22535	24326



## 4.2 Equity Capital

Equity Capital of the Bank for these Five Years

2015	2016	2017	2018	2019
1572	1578	1542	1804	1706

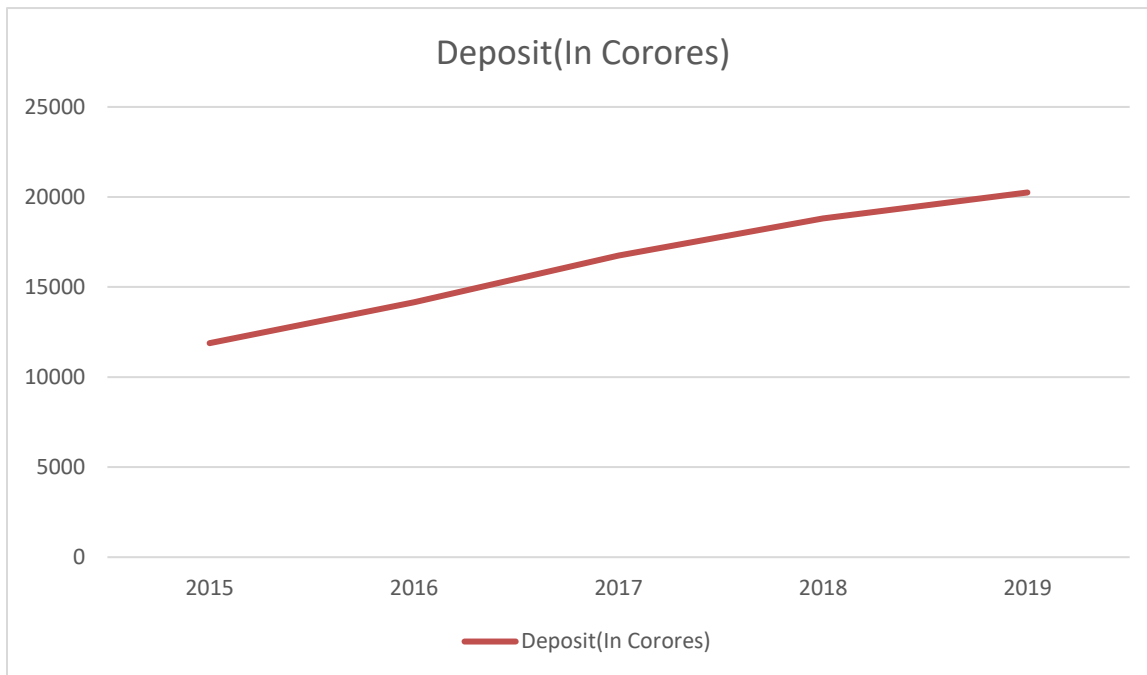




### 4.3 Total Deposit

Total Deposit of the bank for these Five Years

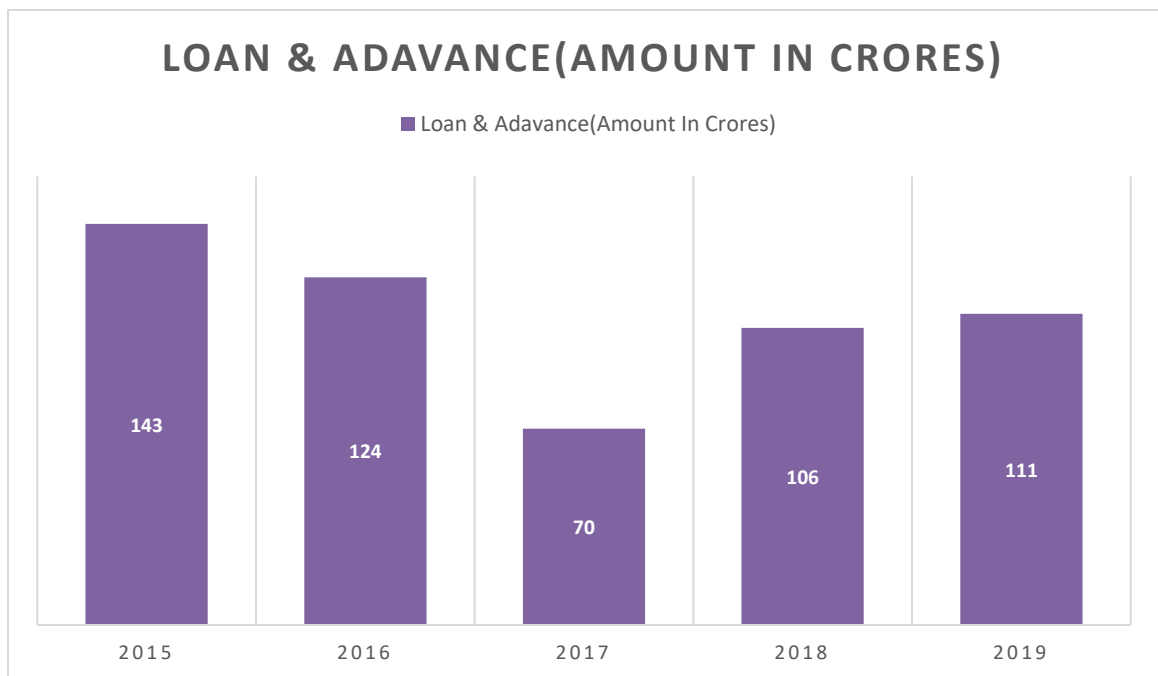
2015	2016	2017	2018	2019
11884	14151	16756	18802	20250



## 4.4 Total loan and advances

Total loan and advances of the bank for these Five Years

2015	2016	2017	2018	2019
143	124	70	106	111



# **Chapter-5**

# **Findings, Recommendations & Conclusion**

## 5.1 Findings

A lot of conclusions may be made from the findings. The main results are covered in this chapter, and the next chapter presents all workable answers to the negative results.

- i. The loan payback procedure takes longer than it does at other banks, which can drive away business.
- ii. The branch manager's power over loan approval is restricted.
- iii. Advances and loans aren't given out widely.
- iv. Loans are rarely recovered because of outside interference.
- v. The processing of loan applications takes longer in some locations where paper-based work is still done, and a decline in loan disbursement could result in a reduction in the bank's revenue.

## 5.2 Recommendations

In light of Jamuna Bank Ltd.'s position, I'll recommend focusing on the following things:

- The bank should work to make the payback procedure faster.
- The branch manager should have the power of loan approval.
- Advances and loans have to be given out widely thus the bank make more transaction and generate more profit.
- The bank have to avoid outside interference to recover the loan properly.
- The bank have to be aware about giving better service in each & every branch ; also the paper work need to decrease day by day.
- The number of classified loans should be limited by the system of central oversight.
- The pay scale needs to be increased to avoid employee fraud and boredom.
- The security of the vault has increased.
- To gain clients and increase credit, a more advanced technique is needed.

- Throughout the loan's tenure, RBL is required to conduct careful observation.
- Consistently follow up with nonpaying debtors.

### 5.3 Conclusion

A commercial bank called Jamuna Bank Ltd. began operating in 2001. It has already gained the trust of its clientele by providing exceptional services through various divisions. This accomplishment is the product of the management's consistent dedication, commitment, and dynamic leadership. The environment at work at Jamuna Bank Limited is really realistic. In the brief time that it has been in operation, the bank has managed to establish itself as a forward-thinking and active financial organization in the nation.

Bangladesh's banking industry is undergoing a significant overhaul as a result of economic deregulation and economic liberalization. With the entry of international banks, the development of technical infrastructure, efficient credit management, improved performance levels, and ultimate client satisfaction, this industry is currently becoming very competitive. The credit policies and procedures specified by the bank management are fairly followed by Jamuna Bank Ltd. And by doing so, they are successfully lowering the high categorization rate and achieving the bank's profit goal. It has been noted that Jamuna Bank Ltd. has consistently maintained a positive trend in the nation's overall performance. The level of competitiveness in the modern corporate world is at an all-time high and only getting worse. The corporation is developing new strategies and business plans with maximum efficiency levels in all areas in order to have sustainability in this cutthroat global marketplace.

The determination of a firm or client is not an outsider on their business; he or she is a part of the bank is done to create a strong foundation for the bank and to maintain the bank's reputation. They ought to have reduced the knowledge gap, which is the difference between what customers want and what management believes customers demand. In the end, the bank should align the customer's impression with their expectations through reducing communication gaps. JBL is a modern bank, and its reputation is growing daily. because it provides a fantastic opportunity for work. For its clients, it offers high caliber and anticipated amenities. It assists with the nation's economic growth.

JBL offers a variety of services that present excellent opportunities for both savings and the general population of the nation. In addition, JBL's policies and plans are of a higher caliber than those of other private banks. However, in the current competitive environment, they need to be more dynamically cautious in order to keep the previous client.

## **Bibliography**

### **Books and publications:**

- Principles of Managerial Finance by Gitman
- Managerial Accounting by RAY Garrison
- Financial Management by M Y Khan & P K Jain

### **Internet:**

- [www.lankabd.com](http://www.lankabd.com)
- <https://jamunabankbd.com/>

# Appendix

## Highlight of Financial Statement of Jamuna Bank Ltd (2015-2019)

### Income Statement

<span>Balance Sheet</span> <span><b>Income Statement</b></span> <span>Cash Flow</span>					
Income Statement					
Particulars	2019	2018	2017	2016	2015
<b>Interest income</b>	<b>17,842,681,394.00</b>	<b>15,025,930,025.00</b>	<b>11,472,092,844.00</b>	<b>9,709,005,665.00</b>	<b>9,902,689,115.00</b>
Interest paid on deposits and borrowings	11,391,965,439.00	9,656,432,357.00	7,625,479,385.00	7,142,300,073.00	8,194,848,391.00
<b>Net interest income</b>	<b>6,450,715,955.00</b>	<b>5,369,497,668.00</b>	<b>3,846,613,459.00</b>	<b>2,566,705,592.00</b>	<b>1,707,840,724.00</b>
Income from investments	2,331,914,508.00	1,858,505,152.00	2,604,788,463.00	3,748,123,446.00	3,794,169,000.00
Commission, exchange and brokerage income	2,015,740,023.00	1,898,108,353.00	1,847,048,894.00	1,427,409,701.00	1,219,042,487.00
Other operating income	687,493,758.00	768,283,506.00	567,084,564.00	446,743,292.00	396,958,571.00
<b>Total operating income</b>	<b>11,485,864,244.00</b>	<b>9,894,394,679.00</b>	<b>8,865,535,380.00</b>	<b>8,188,982,031.00</b>	<b>7,118,011,146.00</b>
Rent, Taxes, Insurance, Electricity etc.	761,653,505.00	743,113,806.00	614,517,838.00	530,639,870.00	466,390,433.00
Salaries and allowances	3,338,631,555.00	3,090,830,228.00	2,722,590,945.00	2,507,148,284.00	2,097,231,908.00
Legal Expenses	13,647,821.00	10,287,031.00	8,100,898.00	5,306,440.00	5,124,754.00
Postage, Stamps, Telecommunication etc.	98,236,318.00	110,507,622.00	93,721,936.00	93,440,474.00	78,276,852.00
Stationery, Printing, Advertisement etc.	217,297,860.00	191,924,781.00	148,675,270.00	128,372,192.00	114,947,238.00
Directors' Fees and Expenses	7,445,954.00	6,288,748.00	8,373,436.00	8,688,406.00	6,203,253.00
Salary and allowances paid to Managing director/Chief Executive	14,879,464.00	15,080,000.00	15,080,000.00	12,150,000.00	10,900,000.00
Auditors' Fee	747,500.00	747,500.00	782,000.00	632,500.00	655,500.00
Depreciation and Repairs to Bank's Assets	309,506,935.00	271,047,936.00	227,395,518.00	202,758,737.00	186,130,013.00
Other Expenses	866,580,504.00	777,378,068.00	636,421,347.00	475,124,677.00	404,531,382.00
<b>Total operating expenses</b>	<b>5,628,627,416.00</b>	<b>5,217,205,720.00</b>	<b>4,475,659,188.00</b>	<b>3,964,261,580.00</b>	<b>3,370,391,333.00</b>
Operating Profit	5,857,236,828.00	4,677,188,959.00	4,389,876,192.00	4,224,720,451.00	3,747,619,813.00
Profit before provision	5,857,236,828.00	4,677,188,959.00	4,389,876,192.00	4,224,720,451.00	3,747,619,813.00
Specific provision (Loan and Advances)	1,107,021,314.00	1,055,087,714.00	699,873,949.00	1,236,932,348.00	1,426,715,693.00
Off balance sheet Items	6,419,000.00	(52,027,000.00)	125,797,147.00	101,775,000.00	90,307,000.00
Diminution in value of investment	26,155,735.00	68,979,246.00	(83,890,237.00)	(35,357,704.00)	(1,047,214.00)
Others Provision	4,091,052.00	3,004,736.00	60,788,071.00	12,471,756.00	671,004.00
Provision to foundation/ Nostro Accounts	-	-	104,890,653.00	89,238,038.00	43,736,099.00
<b>Total provision</b>	<b>1,143,687,101.00</b>	<b>1,075,044,696.00</b>	<b>802,568,930.00</b>	<b>1,315,821,400.00</b>	<b>1,516,646,483.00</b>
Extra ordinary gains and losses	-	-	104,890,653.00	89,238,038.00	43,736,099.00
<b>Profit for the year before taxation</b>	<b>4,713,549,727.00</b>	<b>3,602,144,263.00</b>	<b>3,587,307,262.00</b>	<b>2,908,899,051.00</b>	<b>2,230,973,330.00</b>
Current Tax	2,176,376,301.00	1,331,310,165.00	1,384,959,516.00	1,033,519,550.00	557,516,436.00
Deferred tax	4,741,403.00	(26,289,278.00)	20,872,164.00	(4,913,299.00)	(13,131,779.00)
<b>Provision for tax</b>	<b>2,181,117,704.00</b>	<b>1,305,020,887.00</b>	<b>1,405,831,680.00</b>	<b>1,028,606,251.00</b>	<b>544,384,657.00</b>
<b>Net profit after tax for the year</b>	<b>2,532,432,023.00</b>	<b>2,297,123,376.00</b>	<b>2,181,475,582.00</b>	<b>1,880,292,800.00</b>	<b>1,686,588,673.00</b>
EPS	3.38	3.07	2.77	2.92	2.68



## Balance Sheet

Balance Sheet Statement					
Particulars	2019	2018	2017	2016	2015
Cash	12,941,204,157.00	11,938,932,885.00	11,483,138,074.00	10,460,741,392.00	11,807,420,437.00
In hand (Including foreign currencies)	2,635,053,416.00	2,428,471,839.00	1,837,675,046.00	1,679,484,757.00	1,435,720,630.00
Balances with Bangladesh bank and sonali bank (Including foreign currencies)	10,306,150,741.00	9,510,461,046.00	9,645,463,028.00	8,781,256,635.00	10,371,699,807.00
<b>Balance with other banks and financial institution</b>	<b>6,243,530,907.00</b>	<b>8,560,517,270.00</b>	<b>11,823,779,799.00</b>	<b>5,701,915,057.00</b>	<b>2,920,940,539.00</b>
In Bangladesh	5,183,219,045.00	7,492,790,094.00	10,902,128,523.00	4,644,129,389.00	771,949,130.00
Outside Bangladesh	1,060,311,862.00	1,067,727,176.00	921,651,276.00	1,057,785,668.00	2,148,991,409.00
<b>Money at call and short notice</b>	<b>685,384,700.00</b>	<b>1,050,000,000.00</b>	-	-	<b>1,040,000,000.00</b>
<b>Investment in shares &amp; securities</b>	<b>39,444,097,018.00</b>	<b>31,878,895,559.00</b>	<b>26,240,786,690.00</b>	<b>30,315,152,478.00</b>	<b>34,926,339,742.00</b>
Government	35,433,272,236.00	27,831,449,026.00	25,795,188,968.00	29,747,268,180.00	34,353,193,898.00
Others	4,010,824,782.00	4,047,446,533.00	445,597,722.00	567,884,298.00	573,145,844.00
Loans, cash credits, overdrafts/General Investments	166,990,984,125.00	156,730,391,675.00	135,410,697,990.00	106,608,386,514.00	80,464,426,360.00
Bills discounted and purchased	11,493,967,817.00	9,871,080,112.00	8,078,108,532.00	11,685,392,946.00	7,964,375,648.00
<b>Total</b>	<b>178,484,951,942.00</b>	<b>166,601,471,787.00</b>	<b>143,488,806,522.00</b>	<b>118,293,779,460.00</b>	<b>88,428,802,008.00</b>
<b>Land, building, furniture and fixtures (Including leased assets)</b>	<b>3,498,349,014.00</b>	<b>2,895,939,084.00</b>	<b>2,791,931,879.00</b>	<b>2,514,969,995.00</b>	<b>2,512,993,863.00</b>
<b>Other assets</b>	<b>1,968,905,200.00</b>	<b>2,424,868,925.00</b>	<b>1,840,755,985.00</b>	<b>1,893,757,307.00</b>	<b>1,797,520,422.00</b>
<b>Total assets</b>	<b>243,266,422,938.00</b>	<b>225,350,625,510.00</b>	<b>197,669,198,949.00</b>	<b>169,180,315,689.00</b>	<b>143,434,017,011.00</b>
Borrowings from other banks, financial institutions and agents	4,461,479,087.00	1,736,433,271.00	2,095,668,273.00	2,727,513,390.00	1,104,724,893.00
<b>Current /Al-Wadeeah current and other deposit accounts</b>	<b>31,948,489,963.00</b>	<b>31,344,204,844.00</b>	<b>23,592,326,886.00</b>	<b>19,749,454,389.00</b>	<b>15,439,585,382.00</b>
Bills payable	7,920,862,611.00	6,372,374,225.00	7,320,014,898.00	10,914,338,305.00	1,961,645,959.00
Savings deposits/Mudaraha Savings Deposits	18,218,466,326.00	16,214,944,568.00	14,973,379,158.00	12,729,966,705.00	10,154,795,624.00
Mudarabba/ Term and Fixed deposits	86,756,941,218.00	82,865,984,636.00	72,646,951,186.00	51,600,389,749.00	49,668,192,528.00
Other Deposits/ Mudarabba Deposits	57,654,112,848.00	51,218,822,039.00	49,031,174,053.00	46,511,804,895.00	41,619,818,606.00
<b>Total Deposits</b>	<b>202,498,872,966.00</b>	<b>188,016,330,312.00</b>	<b>167,563,846,181.00</b>	<b>141,505,954,043.00</b>	<b>118,843,998,099.00</b>
Other liabilities	10,049,288,014.00	7,952,745,096.00	7,585,128,748.00	7,162,593,722.00	5,756,019,419.00
Subordinated Debt/Mudaraba bond	9,200,000,000.00	9,600,000,000.00	5,000,000,000.00	2,000,000,000.00	2,000,000,000.00
<b>Total liabilities</b>	<b>226,209,640,067.00</b>	<b>207,305,508,679.00</b>	<b>182,244,643,202.00</b>	<b>153,396,061,155.00</b>	<b>127,704,742,411.00</b>
Capital /Shareholders' Equity	17,056,781,239.00	18,045,115,094.00	15,424,553,970.00	15,784,252,843.00	15,729,272,774.00
<b>Paid up capital</b>	<b>7,492,256,500.00</b>	<b>7,492,256,500.00</b>	<b>6,141,193,861.00</b>	<b>6,141,193,860.00</b>	<b>6,141,193,860.00</b>
Statutory reserve	6,396,987,131.00	5,441,006,600.00	4,697,568,094.00	3,998,297,071.00	3,403,376,819.00
Dividend Equalization Fund	-	-	-	30,705,969.00	-
Retained earnings	1,626,927,448.00	1,548,927,153.00	1,346,304,882.00	1,197,229,934.00	1,229,254,395.00
Other Reserve	1,540,610,160.00	3,562,924,841.00	3,239,487,133.00	4,416,826,009.00	4,955,447,700.00
Minority interest	1,633.00	1,737.00	1,778.00	1,691.00	1,826.00
<b>Total Equity</b>	<b>17,056,782,872.00</b>	<b>18,045,116,831.00</b>	<b>15,424,555,748.00</b>	<b>15,784,254,534.00</b>	<b>15,729,274,600.00</b>
<b>Total liabilities and shareholders' equity</b>	<b>243,266,422,939.00</b>	<b>225,350,625,510.00</b>	<b>197,669,198,950.00</b>	<b>169,180,315,689.00</b>	<b>143,434,017,011.00</b>
<b>NAV</b>	<b>-</b>	<b>24.09</b>	<b>25.12</b>	<b>25.70</b>	<b>25.61</b>