

INTERNSHIP REPORT

“An analysis of loan & advances disbursement and recovery system of Janata Bank Ltd.”

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Letter of Transmittal

Date

To

The Supervisor,

Sharmin Jahan

Assistant Professor

Daffodil International University

Subject: Submission of Internship Report.

Dear Mam,

I am very glad to submit this report about “An analysis of loan and advances disbursement and recovery system of Janata Bank Ltd.” As required for my BBA program I’ve got the pleasure of working at Janata bank, for three months. I tried to explain briefly my experience and observation in the report. I’ve put my best effort in making this report. I am sure the experience I’ve gathered will help me in my future life.

I shall be grateful if you would kindly approve this report.

Sincerely yours

Mahedi Hassan Sikder

Mahedi Hassan Sikder

ID: 171-11-5350

Daffodil International University

Supervisor's Approval

This is to certify the internship report entitled “**An analysis of loan and advances disbursement and recovery system of Janata Bank Ltd.**” By Mahedi Hassan Sikder ID:171-11-5350 as a part of Bachelors of Business Administration (BBA), major in Marketing, from Daffodil International University. The report has been recommended for submission. I wish him all the success in his upcoming endeavors.



Sharmin Jahan
Assistant Professor
Faculty of Business & Entrepreneurship
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Declaration

I, Mahedi hassan sikder, ID: 171-11-5350, a student of BBA program, Department of Business Administration, Daffodil International University, ensures that the intern report titled “**An analysis of loan and advances disbursement and recovery system of Janata Bank Ltd.**” Is the outcome of my personal work, prepared under the guidance of Assistant Professor Sharmin Jahan. Daffodil International University. I also declare that this submitted report is my own authentic work and no portion of the report has ever been submitted to, in no other university or organization for any purpose in any shape and form.

Mahedi Hassan Sikder

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ID: 171-11-5350
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Acknowledgement

All the gratitude to Almighty God the powerful and merciful for allowing me to successfully complete the report.

I also would like to thank my honorable teacher Sharmin Jahan, Daffodil International University. Faculty of Business Administration, for lending her helping hand to me in making the report. I am honored and grateful about the fact that she gave so much of her valuable time and for the great suggestions she gave me into making the report.

To prepare this report a s ton of significant documents and information input from several sources were involved. I would like to convey my heartfelt sincere appreciation to all the person at Janata Bank Ltd, Jurain Branch and respected personnel without whose help this report wouldn't be possible. It was for me, such a great opportunity to work, know and learn about our own countries Banking Sector.

Lastly, my gratitude and respect to the excellent people of Daffodil International University for the support, cooperation, understanding and help. Without their help and support it wouldn't be possible for me to go through the 4 year of university.

Executive Summary

This is the result of my three months long internship experience at JBL. During the time I have learned many things about our banking system how the bank work and makes money. I learned how the credit department tries to maintain the positive balance during loan giving and recovering. So, basically in this report I have tried to put forth some key features and functions of Janata bank ltd. The services they offer for loan and advance to the customers. The policies for loan and advances at Janata bank ltd. The process bank follows to choose client and the steps they follow to check, validate and sanction the loan and advances. I have briefly explained the history and given an overview of Janata bank ltd. In the third chapter I have talked about the process of giving out loan and advances to clients and how JBL recovers the loan, and in chapter four I gave my observations, recommendations and conclusion. I have given some suggestions in the report that JBL can use to reduce the non-performing loan to cut their losses. There was some problem during making the report one of them was not getting enough information and legal obligations.

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Chapter One

Introduction

1.1 INTRODUCTION

Bangladesh is on the brink of becoming a developing country and trying hard to make it there. Modern, integrated and secure system is the major condition of development.

A smooth and robust banking system is the source of capital flow. To manage banking sector many things from government regulations to skilled management and high Tec is required. Bangladesh is still behind in all three aspects.

Banks are the main road to economic growth for a country. In past few years banking in Bangladesh saw positive nodes. The user of bank and the trust of people in bank is growing day by day but still a vast number of people in Bangladesh is out of the banking system. Many do not put money into bank because of trust issue or simply they do not have access. In the case of loan and advances majority types of small business are unable to get loan because their business model is not recognized or complicated and time consuming paperwork.

A strong banking system drives the economy like no other force. Banks makes it possible to transact faster and more secure and the main economic benefit is that banks makes it easy to transact internationally and as a result import and export gets easier. International trade boosts up the economy and promotes business growth. Banks are the life line of any economy without a strong and robust banking system it's hard to sustain progress.

With 59 total banks (6 SOCB, 3 SDBs, 42 PCBs, 8 Islami Shariah-based PCBs) The banks are not doing well, well the banking sector is not doing well. The rate of non-performing loan is not acceptable and the investment are not well thought after. The political and illegal influence is too high and the laws in not strong enough to punish or rather the punishment is not strict enough. But in recent year some improvement can be seen in the sector. Fraudulent business now has hard time to take out loan and illegal influence is also on the decline. With some new and friendly policies, the banking system can be improved.

1.2 Objective of the study

The purpose of the study is to present an overview of loan and advances system in JBL particularly loan and advances disbursement and recovery system. Then determined some problems and give some recommendation for loan and advances disbursement and recovery system.

- ✚ To present an overview of Janata Bank Ltd.
- ✚ To analyze loan and advances disbursement system of Janata Bank Ltd.
- ✚ To analyze loan and advances recovery system of Janata bank Ltd.
- ✚ To identify problems of loan and advances disbursement and recovery system.
- ✚ To suggest some recommendations of those identified problems.

1.3 Methodology

To prepare this report both primary and secondary data sources were used. Great care was given into collecting the data needed for the study. Variables were reduced as much as possible. The sources were:

1. Primary Data Source.
2. Secondary Data Source.

Primary data sources are:

1. Direct working with officials of JANATA Bank Ltd.
2. Face to face conversation with advance department.
3. Practical deskwork.
4. Observation for the total internship period.

Secondary data sources are:

1. Janata Bank's Annual Report.
2. Credit operational manual.
3. Training materials of the bank.
4. Janata Bank's Instruction Manual and Training manual.
5. Annual and journal report published by Janata Bank Ltd.
6. JANATA bank website.
7. Bangladesh Bank Website.
8. Loan Review policy, Janata Bank.

1.4 Limitation

Because of the secret nature of banking system and some legal restriction all data cannot be accessed and some of the data that are available are old and useless. I have tried my best to collect as much data as possible to make the report relevant and useful for the reader. But even with all the effort I put into the report there is still some limitations:

1. The report only presents the workings of credit department in other words loan and advances.
2. Lack of time, resource and legal barrier made it impossible to conduct large scale study.
3. Sometime the info I found are too old to be used in the report.
4. Many information was of limit to outsiders so I couldn't get them.
5. Sometime officials didn't want to give information as it was not allowed by the top management to share.
6. Legal document such as steps taken against non-performing loan was not available.
7. Shortcomings of being the first report.

Chapter Two

Organizational overview

2.1 Janata Bank at a Glance

The Starting, History:

In 1971 two banks named United and Union bank were merged into one single national bank called Janata bank ltd.

Corporatize:

15 Nov 2007 was the date when the Janata bank ltd was registered as a public ltd company named Janata bank ltd.

Upper Management:

Chairman: Dr. S. M. Mahfuzur Rahman
CEO & Managing Director: Md. Abdus Salam Azad (F.F.)
Company Secretary: Hussain Yeahyea Chowdhury

Head office and branches:

Registered address at Janata Bhaban, 110, Motijheel Commercial Area Dhaka - 1000, Bangladesh. Janata Bank Limited has 915 including 4 overseas branches at U.A.E. The Bank currently employs 11,463 personnel.

Corporate Rating Status:

Rating Mode	Long Term	Short Term
Entity Rating as Government Supported Bank	AAA	ST-1
Entity Rating as Commercial Bank	A	ST-2

2.2 Product and service offered

General Service: As all other banks they have services for taking in deposits like: Saving Ac, Current Ac. Long term and Short term deposit. Other services Giving loan and advances, Bill collection, Collecting tax, Money gram, DD, TT, Money transfer etc.

Deposit Service:

1. Special saving scheme.
2. Special Deposit scheme.
3. Fixed deposit.
4. Monthly saving scheme.
5. Monthly income scheme.

Loan Service:

1. Loan General.
2. Terms Loan.
3. Transport Loan.
4. Project Loan.
5. Loan against Imported Merchandise.
6. Loan against Trust Receipt.
7. Loan against Packing Credits.
8. Loan against House Building.
9. Housing Loan Scheme.
10. House Repairing Loan Scheme.
11. Consumers Finance Scheme.
12. Small Business Loan Scheme.
13. Personal Loan Scheme.
14. Cash Credit.
15. Security Overdraft.
16. Payment against Document.
17. Festival Small Business Loan Scheme.
18. Festival Personal Loan Scheme. (Janata Bank).
19. Agricultural Loan.
20. Working capital loan.
21. Tannery Loan.

2.3 Vision, Mission

Vision of the JBL Bank:

To be the biggest and leading commercial bank in southeast Asia and support the socioeconomic growth at the same time help in countries development. Janata Bank as a physical presence: With the registered main address at “Janata Bhaban, 110, Motijheel Commercial Area Dhaka - 1000, Bangladesh”. Janata Bank Ltd has 915 with 4 overseas branches at U.A.E. They currently employs 11,463 personnel.



Mission of the Bank:

The mission is to give high quality financial service and provide excellent customer service to the customer with a great team of expert managers and personnel. They hope to sustain stable growth and become the most successful bank in southeast Asia.



2.4 Corporate Organogram



Chapter three

“Loan and advances disbursement/sanction and recovery system of Janata Bank Ltd”

3.1 Loan services at Janata Bank Limited

The bank grants Long term, Short term loan and advance to individual, organization or firms for an agreed time for an agreed reason repayable in installment. There are some categories, these are:

1. Large and medium size industry.
2. Small and cottage industry.
3. Agricultural and other special.

Agricultural Loan:

Loan to farmers to produce crops The interest rate is 9% but for some predetermined crops interest are as low as 4%.

Rural Loan:

This loan is given to continue rural life to rural people at the interest rate of 9%. Fishermen, farmers and cottage related people gets the loan.

CC (“Hypo”):

This loan is given to business / individual to meet their working capital, like settling bills. This is loan is given at the interest rate of 9% as and it is a commercial loan.

CC (“Pledge”):

This loan is given against the letter of pledge to provide working capital to any individual or organization and business at the interest rate of 9%.

SOD (“Work Order”):

This is a loan that is given to business to at the rate of 9 to carry on their work order.

SOD (“FO”):

Advance is given to people or business against FDR at the interest rate of 9%.

SOD (“Scheme Deposit”):

This advance is granted against Scheme deposit with an interest rate of 9%.

House Building Loan (“Staff”):

This is a loan only for the employee of the bank to construct or purchase of home or apartment.

House Building Loan (“General”):

This loan is for personal use any person wanting to build/ construct a house can get this at the interest rate of 9%.

House Building Loan (“Builder”):

This loan is given to construct house to business / firms at the rate of 9%.

Consumer Loan:

This loan is for a fixed income group to meet their personal need to maintain their lifestyle at the interest rate of 9%.

Term Loan:

This is given for a specific purpose for 12 months and it cannot be renewed or transfer to anyone and the interest rate is 9%

Hire Purchase Loan:

This loan is given to any individual or firm at the joint ownership of the good and once the loan is paid the bank will withdraw the claim of the good, the rate of interest is 9%.

Lease Finance:

This one of the most used method to get use any asset at the payment of rent agreed by the both party. The borrower can use the asset for a specific period of time and the right is exclusive.

Import Loan:

This is a loan to make the import export easy and the end result is LIM OR LTR at the interest rate of 9%

LIM: Bank take the imported good under lock and key system once the loan is paid the bank releases the goods.

LTR: The bank gives the permission to the borrower to sell and repay the loan.

Export Loan:

Banks create LC, ECC for pre shipment and for post shipment LTR to exporter with rate at 9%.

Packing Credit (PC):

This is given to LC holder to be settled within 180 days at the interest rate of 9%.

IDBP:

This is given to firm selling goods to business that only export their goods so the borrowers gets under export oriented industry and the rate for this type of loan is 9%.

Syndicated Loan:

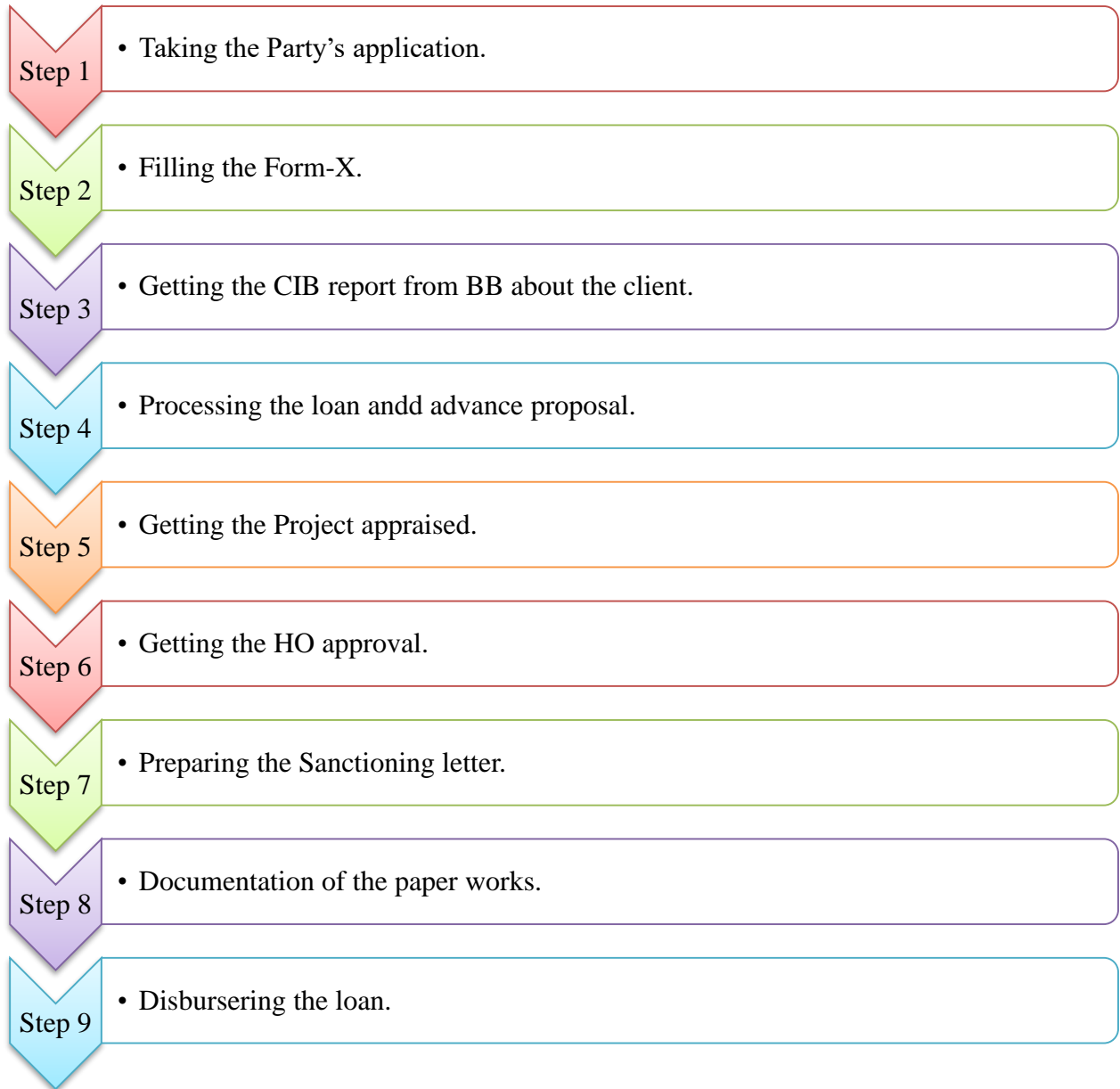
Loan is granted to carry out business. Commonly, two or more bank come together to carry out and continue this type of loan.

There are some other special loans:

1. “Women entrepreneurs financing”
2. “Loans for Self-employment”
3. “Poverty reduction loans”
4. “Short term interest free loan”
5. “Agriculture or Crop loan”

3.2 Loan and advances disbursement procedure

The loan disbursement process takes a massive 9 step process where the party, branch and head office needs to communicate several time before the loan can be claimed by the party/ applicant. These are the 9 steps that needs to be done.



“Party’s application”

The process of loan and advances starts with the party’s application to any branch capable of handling loan and advances. The application contains the specific reason the loan is needed for and if after the pre investigation respective branch officer deems the party alleageable he/she will give Form-X to the party.

“Filling Form –X”

In this form the borrower puts the Name of the business, location, Previous business if had any, Financial report of business. In case of personal loan borrower put Name, address, tax statement, account statement etc.

“Collecting CIB Report from Bangladesh Bank”

After getting the Form-X, the branch collects CIB (Credit information bureau) report. This is a report that informs the branch if the borrower already has loans from other bank and previous loan repayment status.

“Processing loan Proposal”

Once the branch gets a positive CIB report, they make an investment proposal containing many document, terms and condition. Which is sent to the head office for review. The documents are:

- A. Loan application is signed by the applicant.
- B. Acceptance of the term and conditions signed by applicant.
- C. Trade license of the applicant.
- D. For Partnership business, copy of registered partnership deed certified again by all partners or a partnership deed on non-judicial stamp of taka-300 denomination duly notarized.
- E. Demand promissory notes.
- F. Letter of stocks and goods.
- G. The Letter of books debts and receivable.
- H. The Letter of plant and machinery.
- I. The Personal letter of guarantee signed by the applicant/ applicants.

“Project Appraisal”

In this step the Credit department analyze and check every paperwork and document submitted by the applicant and determine the viability and assess the risk and reward factor. This is necessary to ensure the:

- A. To ensure the achievement of organizational goal
- B. To find if any mistakes have been made
- C. To justify the soundness of an investment
- D. To ensure repayment.

“Head Office Approval”

After appraisal the board of directors (BOD) takes decision whether to invest in the project or not. If the committee approves then the Head Office (HO) sends an approval letter to the concern branch.

“Sanction Letter”

When the branch gets the approval letter they issue a sanction letter to applicant that contains:

1. Name of applicant
2. Facility that are given
3. Purpose of the loan and advances
4. Rate at which the interest is counted
5. The Time of the Investment made and rule of the adjustment
6. Detailed terms and conditions and other security info

“Documentation”

When the applicant accepts the sanction letter sent to him, then the process of documentation begin that can be used against one another in case of violation of terms and condition. The most regularly documents used by the JBL for disbursement of loan and advances are:

1. Joint Promissory Note,
2. Letter of Arrangement,
3. Letter of Disbursement,
4. Letter of Installment,
5. Letter of Continuity,
6. Trust Receipt,
7. Counter Guarantee,
8. Stock Report,
9. Letter of Lien,
10. Status Report,
11. Letter of Hypothecation,
12. Letter of Guarantee
13. Documents Relating to Mortgage.

Disbursement:

After all formalities the branch open an account in the applicants' name through which the money from loan can be accessed by the borrower.

3.3 Loan and advances Recovery Method

The first method is collecting cash as per agreement in agreed time in installment already agreed upon.

But, if the bank identifies any loan that are classified / non performing, managers will use increasingly more and more resources to collect the loan. Then they Follow BB “Bangladesh bank” recovery policy.

A. Rescheduling the of loan:

This is the first chance given to the borrower by giving him a new extended time to repay the loan.

B. Exit policy:

Then Bangladesh banks exit policy kicks into action.

C. Reduce loan to write off policy:

Loan is transferred to write of as default loan.

D. Appeal to money and loan court:

Then bank appeal to court to resolve the issue.

E. Appoint an agent through Alternative dispute resolution:

If the court is taking too long alternative ways are searched and proposed.

F. Get in touch with friend, family or local to help get the money/ loan back.

G. Then Issuing the recovery letter:

H. Then Issuing the final legal notice:

This is the last legal notice to the borrower given by the bank.

I. Creating a recovery seal and a debt collection unit in local branch.

J. Regular “Quarterly visit” of the asset/entity.

K. Creating a task force in HO to follow up the exact situation.

L. Creating a mobile team whose task is to collect the loan.

M. Selling of the collateral assets given to the bank:

Bank host and auction to sell the collateral asset to recover the loan.

N. Appointing an attorney to handle the legal side.

O. Follow up the case with frequent visit with the attorney. “JANATA BANK”

Chapter four

Findings, Recommendations and Conclusion

4.1 Problems of loan and advances disbursement and recovery system.

There are many problems in loan and advances disbursement and recovery system which are hindering greater success, these are:

1. Insincere employee: Skipping steps or overlooking shortcoming of applicant.
2. Insufficient background checks: Not enough background check of the borrower.
3. Influenced by personal gain: Field team or appraisal team takes bribe to overestimate the collateral.
4. Pressure by ruling party to give loan to shady business: High ranking government officials pressure government banks to give loan to shady/ unsuccessful sometimes non existing business.
5. Insufficient legal strength and weak punishment: If any breach of borrower is found the punishment or the legal system is too weak to punish them.
6. Supporting party leaders if they default on loan: Ruling party support their local leaders if they default.
7. Absence of level playing field can sink any business at any time resulting in loan defaulting.

4.2 Recommendations

In order to eliminate or mitigate those problems there are few steps should be taken in order to protect the economic stability of the banks and the country.

1. Bank should work to maintain strong ethical principal among employee to achieve organizational goals.
2. Bank should make the employee sincere with reward or punishment.
3. Do frequent background checks on the officials connecting to loans and advances to see if any misconduct is happening.
4. Bank should reduce government lobbying employment.
5. Bank should talk to government to Introducing stricter laws about loan fraud.
6. Bank should resist government officials pressure into giving loans and advances.
7. Bank could help small business not only with cash but idea and information to create stable economic environment.
8. Bank should grant loan to more diverse business and industries.

4.3 Conclusion

Janata Bank limited has been serving from 1971 after merger of United bank ltd and Union bank ltd. They are giving loans and advance to big, medium, small business, person and officials and helping the economic growth. After the internship period I have found out that they have a robust system for giving out loan and advances but there remain some cracks as insincere bank officials and corrupt politicians sheltering loan frauds. If the can bring ethical standard to the bank officials and reduce lobbying pressure they can invest in business that really need the money and help the country achieve more economic progress.

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