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Internship report
On
Deposit & Loan Products of
Janata Bank Limited



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INTERNSHIP REPORT

ON

Deposit and Loan products of

Janata Bank Limited



Prepared For

Md. Rafiqul Islam

Professor and Dean

Faculty of Business & Economics

Daffodil International University

Prepared By

Mithun Datta

ID No: 111-11-1965

Batch: 28th

Bachelor of Business Administration

Daffodil International University

Date of Submission: 8th December 201

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LETTER OF TRANSMITAL

8th December 2014

Md. Rafiqul Islam

Professor and Dean

Faculty of Business & Economics

Daffodil International University

Subject: Submission of the Internship report on “Deposit and Loan products of Janata Bank Limited”.

Dear Sir,

This is a great pleasure for me to submit Internship Report on “*Deposit and Loan products of Janata Bank Ltd*” Which I was assigned as a partial requirement of my BBA program. It was a great opportunity for me to acquire knowledge and experience in respect of the function procedure and operational mechanism of Janata Bank Ltd.

I believe that the knowledge and experience, I have gathered during my internship period will immensely help me in my future professional life. I have concentrated my beat effort to achieve the objectives of the internship study.

I shall be highly encouraged if you are kind enough to receive this report.

Sincerely yours,

Mithun Datta

Bachelor of Business Administration (BBA)

ID: 111-11-1965

Major: Finance

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DECLARATION

I hereby declare that the report of internship entitled “**Deposit and Loan products of Janata Bank Ltd**” is prepared by me after completing of 3 (three) months of internship with Janata Bank Limited

I also declare that this paper is my original work and prepared for academic purpose which is a part of BBA degree.

Mithun Datta
ID: 111-111965
Major: Finance
Batch: 28th

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CERTIFICATION OF SUPERVISOR

I have the pleasure to certify that Mithun Datta ID: 111-11-1965 is the student of BBA program (Major in Finance) has completed his “Internship Program” entitled “Deposit and Loan products of Janata Bank Limited” under the supervision as the partial fulfillment for the award of BBA degree.

He has done this according to my instructions and guidance. He has given his best effort to make it a good one. I also certify that I have gone through the draft report thoroughly and it is satisfactory to serve the stated purpose.

He was found sincere, honest, hardworking and energetic during the program. I wish his prosperity and best of luck.

.....
Md. Rafiqul Islam
Professor and Dean
Faculty of Business & Economics
Daffodil International University

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ACKNOWLEDGEMENT

At the very beginning, I would like to express my deepest gratitude to almighty God for giving me the strength and composure to finish the report within the schedule time. I feel satisfied and glad that I have completed this study within specific duration.

This internship report might never have been completed without the necessary practical knowledge, assistance of many annual report, books, articles, websites, and primary data. It enhanced my knowledge on loan and advance activities. Thanks to all those persons, who have assisted me, providing me co-operation, books and articles, I would like to express my special gratitude to my supervisor ***Md. Rafiqul Islam Professor and Dean Faculty of Business & Economics, Daffodil International University***, for his motivation, inspiration, kind direction, valuable suggestions & advices during my internship period and to prepare this report.

My thanks and gratitude to the authority of Janata Bank Ltd to allow me to complete my Internship at their bank. I would like to thanks the manager and all the individuals of Janata Bank Ltd, Sonargonj Road Branch for their support, instruction, guidance and co-operation to do my internship successfully. I would like to give my special thanks to Mr. Ariful Hasan, Senior Executive Officer, Mr. Taowhid Reza, Executive Officer who gave special attention to me right from the very beginning of my stay at Janata Bank Ltd.

Although I face some difficulties while preparing this report but I enjoyed each and every moment of working in SBL as an internee student.

I am fortunate for the aid and encouragement that I have received from all of my teachers, friends and students of Daffodil International University. I am also grateful to my parents for their support and inspiration to continue my higher study until now.

EXECUTIVE SUMMARY

Janata Bank Limited (JB) is the second largest commercial bank in terms of net worth with 1050 branches and fully owned by Government of Bangladesh. The mission of the bank is to actively participate in the socio-economic development of the nation by operating a commercially sound banking organization. Immediately after the independence of Bangladesh in 1971, the previous United Bank Limited and Union Bank Limited were nationalized and renamed as Janata Bank.

This report covers an overall idea on the deposit and loan products of Janata Bank Ltd. The first part of this report deals with introduction that presents the Origin of the report, Background of the study, Objective of the report, Statement of the problems, Methodology of the study and Limitation of the study.

The second part of this report deals with the overview of Janata Bank Ltd which contains history of JBL, Mission, Vision, value statement, Objective of Janata Bank Ltd, Structure, Activities of Janata Bank Ltd, and Products of Janata Bank Ltd & its performance. The data used to furnish this report have been collected from the primary sources and secondary sources. Among primary and secondary sources most of the data have been collected from the secondary sources.

The third part of this report deals with the learning and discussion where firstly discussed about the products and services of Janata Bank Ltd, secondly general procedure for approval of loans, thirdly discussed various loan products of Janata Bank Limited and how the bank sanction loan to clients, and finally discussed about the Loan Disbursement & Recovery System of Janata Bank Ltd.

After finishing third part, to identify strength and weakness of loans & advances of Janata Bank Ltd and give some recommendations on the basis of the problems, to summarize the whole situation from my own observation while I was in the daily course with the bank.

This report also consists of Bibliography & Acronyms as a supplementary part.

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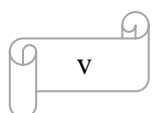


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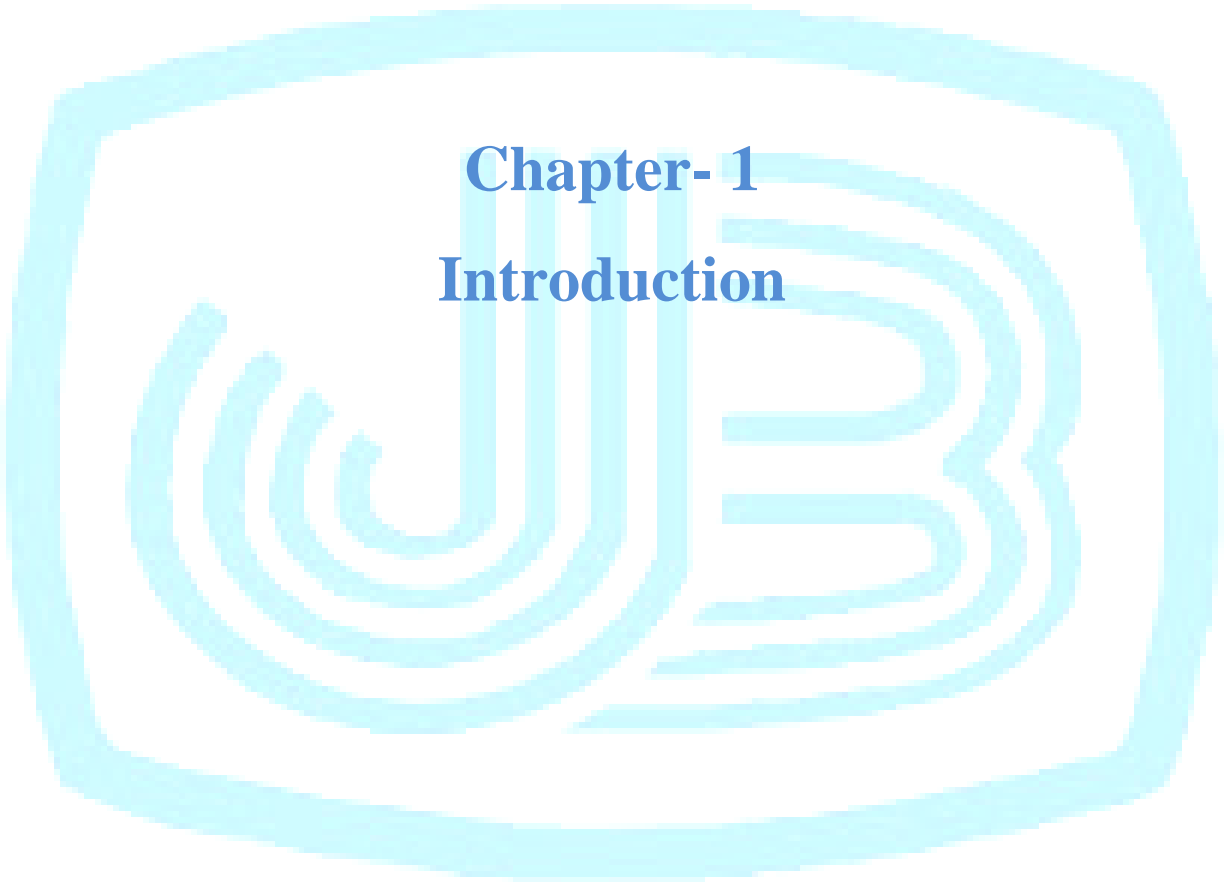
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Chapter- 1

Introduction

1.1 Origin of the Report:

The internship program of BBA is a partial requirement to take test of real life challenge conducted by the intern. It is the important part of BBA (Bachelor of Business Administration) program that all the students of BBA have to undergo. The students are sent to various organizations where they are assigned to one or more projects. This program is three month duration. At the end of the program, the internships are required to place the accomplishments and findings of the project through the writing of the internship report covering the relevant topics. During this program, Supervisors guides each student -one from the university and the other from the organization. During this period I have worked closely with the employee of Sonargonj Road Branch. This report presents the outcomes of the study during the internship- Janata Bank Limited. I was assigned to topic “Practice of Retail Loan & Advance of Janata Bank Ltd”.

1.2 Background of the study:

It is very important to have a practical application of the knowledge acquired from any academic course of the study, because only a lot of theoretical knowledge will become fruitless if it is not applied in the practical life. So we need proper application of our knowledge to get some benefit from our theoretical knowledge to make it fruitful. Such an application can be possible through internship.

The internship program exercise a significant importance as it enables a student to familiar with the practical business activities. The student work closing with the people of an organization and learn about the function of that organization. This program enables a student to develop his analytical skill and scholastic aptitude.

As part of the internship program of bachelor of Business Administration course requirement, I was assigned for doing my internship in Janata bank Ltd for the period of three months. During my internship period in the Janata Bank Ltd. I worked under the supervision of manager & executive officer and assistant officer, for their assistance and guidance in completing this report.

1.3 Objective of the study:

General Objective:

- To find out the Products and Services of Janata Bank Limited.

Specific Objectives:

- To know the procedure for approval of loans.
- To understand the techniques of project appraisal.
- To analyze the loan disbursement and recovery scenario.
- To provide recommendations on the basis of findings.

1.4 Statement of the Problems:

The whole report is divided into two main parts, the Organizational part and the Project part. In organization part projected a short profile of activities of Janata Bank Ltd. Within this chapter also mentioned the CSR objectives, products, financial performance of Janata Bank Limited.

In project part tried to project the findings while working in JBL. The project required to go through the loans and advances department and the performance of JBL loans and advances Business. How the loans & advances are been done, overall position of lending business of Janata Bank Limited (JBL).

1.5 Methodology of the study:

I have got all the relevant information from my working experience with *Janata Bank Limited*, their Annual report, some circular, various brochures, web site of *Janata Bank Limited* and such. Some information has been taken from some of my friends.

1.5.1 Primary data:

The primary data of the proposed report will be gathered from Janata bank Ltd, Sonargaon Road Branch.

- Practical desk work
- Face to face conversation with the officer
- Direct observations
- Face to face conversation with the client

1.5.2 Secondary data:

The secondary data of this report are collected from Janata bank Ltd annual report and some others report from which I got idea about the way of writing a report.

Secondary Sources:

Secondary data are collected in the following ways:

- Data gathered within the organization itself
- Data gathered from relevant books
- Internet sources
- Publications of *Janata Bank Limited*
- Annual reports
- Official documents
- Website of Bangladesh Bank

1.6 Sample area and scope of the research:

This report has been prepared through extensive discussion with bank employees and with the clients. While preparing this report, I had a great opportunity to have an in depth knowledge of all the loans & advance by the Janata Bank limited. It also helped me to acquire a fast hand perspective of a leading bank in Bangladesh.

Target population: Officers and clients related to loan and advance of Janata Bank Ltd, Sonargonj Road Branch.

Sample Size: A sample is a subgroup or subset of the population. The number of items or units included in the sample is technically called the sample size. In this report the sample is Five Officers of Branch. Janata Bank Ltd.

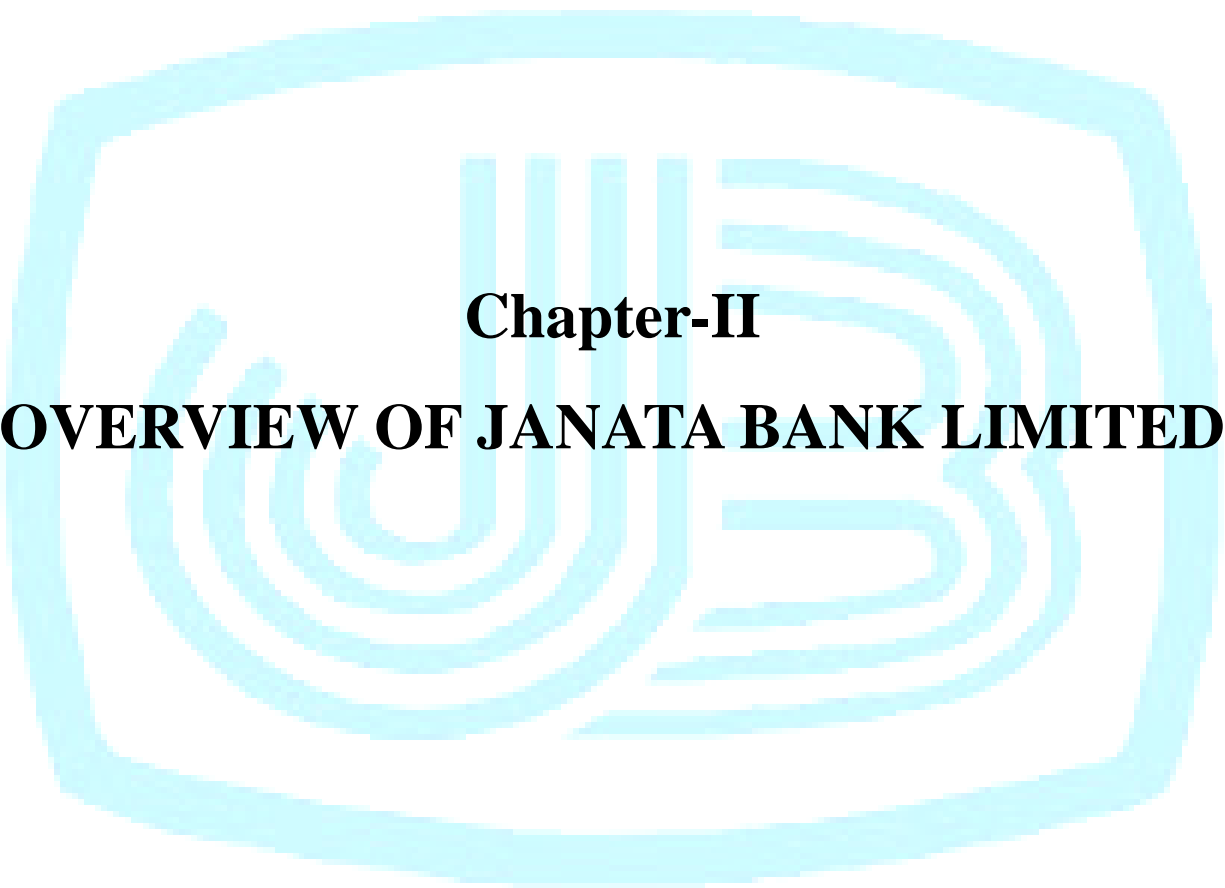
Methods of data collection: For this report Direct Interview method are used.

Sampling Method: Convenience Sampling is used for this report. The method of convenience sampling is also called chunk. A chunk is a fraction of one population taken for investigation because of its convenient availability.

1.7 Limitations of the Report:

To prepare a report on the achieved practical experience in a short duration is not an easy task. In preparing this report, some limitations have encountered, which are as follows:

1. Large scale analysis was not possible due to constraints & restrictions posted by the banking authority.
2. Since the bank personals were very busy, they could provide me very little time.
3. In many cases, up to date information was not published.
4. In some cases, access to relevant papers & documents were strictly prohibited.
5. The time duration was not enough for a completed and fruitful study.



Chapter-II
OVERVIEW OF JANATA BANK LIMITED

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2.1 BANKING IN BANGLADESH

Economy of Bangladesh is in the group of world's most underdeveloped economies. One of the reasons may be its underdeveloped banking system. Modern banking system has been playing a vital role for a nation's economic development. Over the last few years the banking world has been undergoing a lot of change due to deregulation, technological innovations, globalization etc. These changes also made revolutionary changes of a country's economy. It is well recognized that there is an urgent need for better qualified management & better-trained staff in the dynamic global financial market. Bangladesh is no exception in that trend. Banking sector in Bangladesh is facing challenges from different angles though its prospect is bright in the future.

Banks are the mainstay of the financial system of a country like Bangladesh. Because of close relationship between economic and financial development, the banking system must be robust, resilient and sound for efficient inter-mediation of financial resources. For this required sound and prudential financial regulations.

Although our banking sector is so strong and healthy, the role played by it in our economy is remarkable. Banking sector of Bangladesh exhibited a resilience performance in spite of comparative economic sluggishness. It has been playing a vital role in the economy by providing credit for performing economic activities and at the same time conglomerate the surplus capital from general public through different types of depository incentives. But for the sound lending management, appropriate strategies and well planned are required.

In the recent year, Government has taken initiatives to reform in financial sector, such as maintaining discipline in banking sector, steps for prevention of money laundering, loan write-off policy and effective measures to gain accountability and transparency in banking sector. These timely steps have made the banking operations more transparent, acceptable and modern. As a result, the image of banking sector has been elevated.

2.2 An OVERVIEW OF THE BANK

JANATA Bank Limited welcomes to all to explore the world of progressive Banking in Bangladesh. It is a state owned commercial bank and is catering the need of the mass business people. Immediately after the independence of Bangladesh in 1971, the erstwhile United Bank Limited and Union Bank Limited were nationalized and renamed as Janata Bank. It was corporate on 15th November 2007. Janata Bank was born with a new concept of purposeful banking sub serving the growing and diversified financial needs of planned economic development of the country. The noble intention behind starting of this Bank was to bring about a qualitative change in the sphere of banking and financial management. Janata Bank is playing a significant role towards socio-economic development of the country by financing Non-Banking Financial Institutions dealing with Home Loan, Corporate Financing & Loan Syndication. Janata Bank is always vigilant to develop its market potentialities way before others are thinking/planning today. Janata Bank is the first among to start SWIFT operation to minimize transmission cost in lieu of the telex system and simultaneously increase remittance business and foreign trade. It has automated 92 branches and developed 20-application software by its own staff, which has reduced huge internal expenses and enriches operational efficiency as well. Janata Bank Limited operates through 864 branches including 4 overseas branches at United Arab Emirates. It is linked with 1202 foreign correspondents all over the world.

Janata Bank Limited was awarded Best Bank-Bangladesh in the Global Finance, World's Best Bank Awards, 2009 by New York based Financial Magazine "Global Finance". "Global Finance" has identified winning banks based on number of criteria including growth in Assets, Profitability, Strategic relationships, Customer Service, Competitive pricing and innovative products.

2.3 VISION OF THE BANK

To become the effective largest commercial bank in Bangladesh to support socio-economic development of the country and to be a leading bank in South Asia.

2.4 MISSION OF THE BANK

Janata Bank Limited will be an effective commercial bank by maintaining a stable growth strategy, delivering high quality financial products, providing excellent customer service through an experienced management team and ensuring good corporate governance in every step of banking network.

2.5 OBJECTIVE OF THE BANK

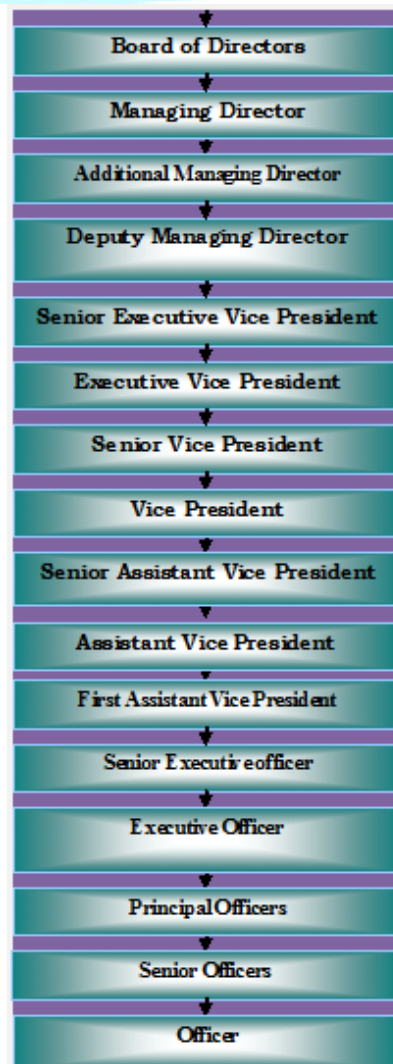
- To earn customer satisfaction through diversified banking activities and introduction of innovative banking.
- To improve the customer services in recent times by introducing a number of IT-based reform measures.
- To remain one of the best banks in Bangladesh in terms of profitability and Assets Quality.
- To maintain adequate liquidity to meet maturing obligations and commitments.
- To maintain a healthy growth of business with desired image.
- To maintain adequate control systems and transparency in procedures.
- To ensure optimum utilization of all available resources.

2.6 VALUES OF THE BANK

- To have a strong customer focus and build relationship based on integrity, superior service and mutual benefit.
- To work as a team to serve the best interests of the group.
- To work for business innovation and improvements.
- To value and respect the people and make decision based on the merit.
- To provide recognition and reward on performance.
- To become the base bank in respect of service, profitability and strength.
- Provide greatest return to the shareholders by achieving sound profitable growth.

2.7 ORGANIZATIONAL STRUCTURE OF JANATA BANK LTD

There are 13 members of Board of Directors manages Janata Bank Limited. For efficient operation of the bank the Board of directors forms an Executive Committee of 19 members. Besides, a management Committee looks after the affairs of the bank. The Bank maintains transparency in its entire works. All decisions of the management come through discussions in appropriate forum and required follow-ups are also made to see their effectiveness. Here are the management team given in a chart and he hierarchy of the JBL is given below



2.8 PRODUCTS & SERVICES OFFERE

General Service

Savings Account
Current Account
Corporate Account
Short term Deposit

Deposit Service

Fixed Deposit Scheme
Special Savings Scheme
Special Deposit Scheme
Monthly Income Scheme
Monthly Savings Scheme

Loan Scheme

Loan General
Terms Loan
Transport Loan
Project Loan
Loan against Imported Merchandise
Loan against Trust Receipt
Loan Against Packing Credits
Loan Against House Building
Housing Loan Scheme
House Repairing Loan Scheme
Consumers Finance Scheme
Festival Small Business Loan Scheme
Festival Personal Loan Scheme
Small Business Loan Scheme
Personal Loan Scheme
Cash Credit
Security Overdraft
Payment against Document

2.8.1 Other Services:

The Profitability of the banks is based on marketing of product and services. The description of products & services are detailed in the following respective chapter. Besides these the bank also some specialized services to its customer. These Specialized services are as follows:-

❖ On-line Banking

JBL has introduced Real Time Online any branch banking services to its customer. Under this service any customer can avail the following facilities-

- Cash withdrawal and cash deposit form / to his / his A/C from any branches of the bank.
- Transfer of funds instantly from his / his A/C to any other accounts maintained with any branches of the bank.

❖ Telegraphic Transfer - TT

Telegraphic Transfer or **Telex Transfer**, often abbreviated to **TT**, is a historic term used to refer to an electronic means of transferring funds overseas. A transfer charge is collected while sending money.

❖ Demand Draft (D.D)

This is an instrument through which customer's money is remitted to another person/firm/organization in outside the clearinghouse area from a branch of one bank to an outstation branch of the same bank or to a branch of another bank (with prior arrangement between that banks with the issuing branch).

❖ **Payment Order / Pay Order (P.O)**

This is an instrument issued by the branch of a bank for enabling the Customer/Purchaser to pay certain amount of money to the order of a certain person/firm/organization/office within the same clearinghouse area of the pay order-issuing branch.

❖ **Remittance Service:**

Correspondences arrangement with more than 330 Financial Institutions all over the World.

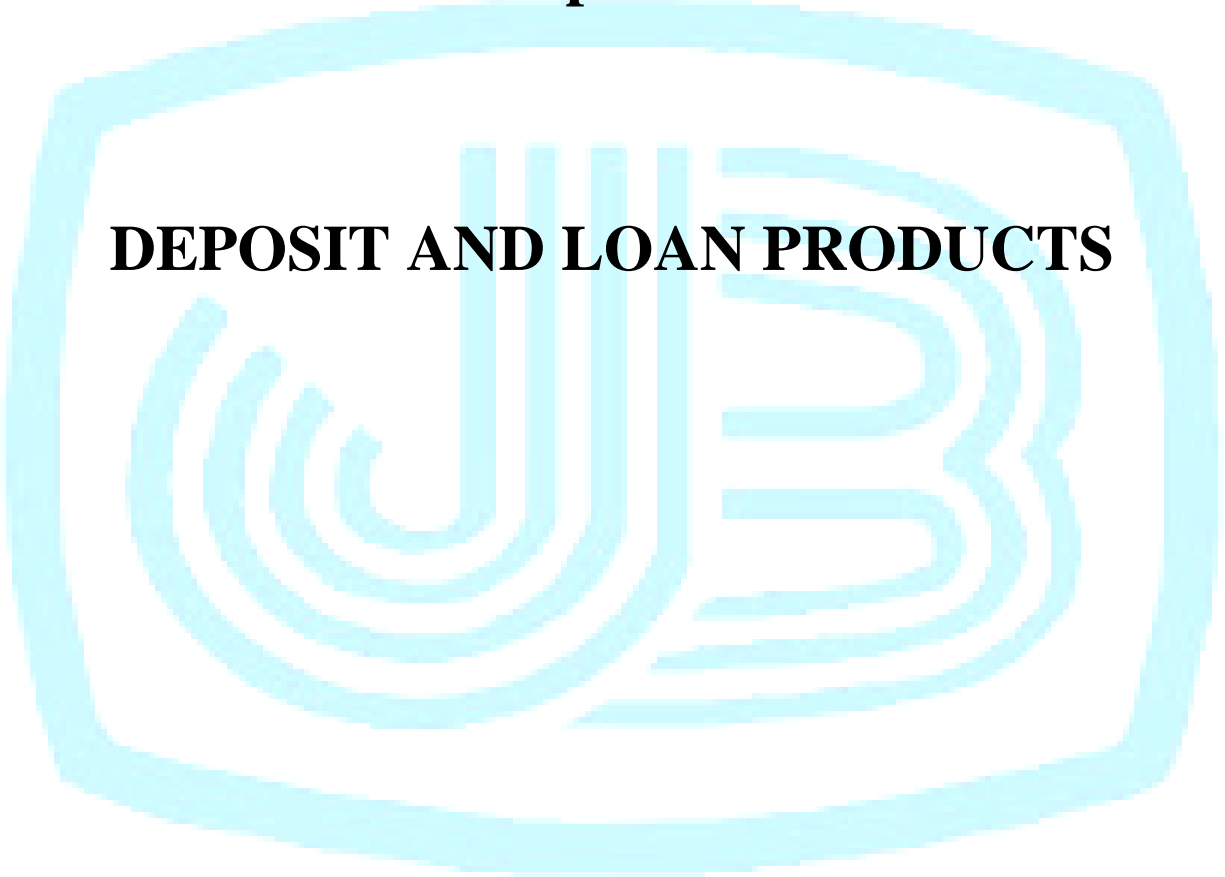
2.9 Branch Network:

Janata Bank is one of the largest Nationalized Commercial Bank of Bangladesh. The Branch network of the Janata Bank Limited is quite strong. These branches are situated at various strategically important commercial and industrial locations in the country. The above branch network is expected to be sufficient to maintain required growth rate of the bank.

Janata Bank have 1050 branched in various prime area of the country, in 2014.

Chapter-III

DEPOSIT AND LOAN PRODUCTS



3.1 LOAN AND ADVANCES

Loan: Loan means lending a fixed amount of money to borrower for a certain period time. The borrower must repay the loan within the given time period. In Loan, the disbursement will take place only for one time.

The borrower can repay the loan all at a time or by installment. It refers to long-term credit is money lent by a bank for more than one year (e.g.5 or 10 or 15 year etc).

Such as – Loan general, House building loan, Project loan etc.

Loan is the main product by which a bank profits. There are so many other products in bank to earn but the earnings from that products are only a fraction of the earnings of loan. Bank collects deposits and invests these deposits as loan. Bank pay interest on deposits and earn interest on loan. And the difference between their interest earnings from loan and interest expenditure on deposits is bank's profit. Credit management of the bank deals with all activities regarding the loan.

Advance: It refers to short-term credit i.e. 'Money lent by a bank for less than one year'. Such as – Cash credit, overdraft, discount etc.

Advance is a little bit different than Loan. In Advance, the borrower is allowed and credit limit for a given period of time. In that given period, the borrower can withdraw money as many times as he want but he cannot exceed the credit limit.

Again he can repay several times whenever he wants. In Advance, disbursement and repayment occurs several times. But at the end of the period, whole credit amount must be repaid to the banks. This type of credit is allowed to business for their working capital requirement

The purpose of this policy statement which replaces all previous once is to set out the credit policies of the Board of Directors.



3.3 LOAN PRODUCTS

1. Continuous Loan:

- Secured Over Draft Against Financial Obligation [SOD(FO)]
- Secured Over Draft Against Work Order [SOD(G)]
- Cash Credit (Hypothecation)
- Cash Credit (Pledge)
- Export Cash Credit (ECC)
-

2. Demand Loan:

- Loan general
- Demand loan against ship breaking
- Payment against documents (PAD)
- Loan against import merchandise (LIM)
- Loan against trust receipt (LTR)
- Forced loan
- Packing credit
- Secured over draft against cash incentives
- Foreign documentary bills purchased (FDBP)
- Local documentary bills purchased (LDBP)
- Festival business loan

3. Term Loan

- Project loan
- Transport loan
- House building loan
- Small business loan
- Consumer finance loan
- Lease finance
- Personal loan

3.4 LOAN CLASSIFICATION:

Loan classification attempts to categorize the debt information in a systematic manner. Loan classification is defined in terms of degree of risk associated with loans. Classification of loans mean and include only such assets of the balance sheet of a bank which do not yield interest income and which have remained past due for some quarters. Loans are generally categorized in two types

Loan

- Classified Loan
- Unclassified Loan

3.4.1 Classified loan:

If any continuous credit is not adjusted/ renewed within expiry date, the loan will be treated as classified/ irregular loan from the next day of the expiry date. Loans are classified which are judge to have a reduced chance of repayment. Classified loan can be three types:

Classified loan

- Substandard
- Doubtful
- Bad/ loss

Substandard: If the loan unadjusted for six months or more but less than nine months, the loan will be treated as “substandard”.

Doubtful:

For nine months and above but less than twelve months the loan will be treated as “doubtful”.

Bad:

If the period is twelve months or more, the loan will be classified as “bad”. The above time frame is applicable in respect of demand loan also.

3.4.2 Unclassified loan: Unclassified loan are those which are repay regularly. Objectives of loan classification:

- Find out net worth/ adjust capital of a bank
- Help for assessing financial soundness of a bank.
- Calculate the required provision and the amount of interest suspense
- Put the bank on sound footing in order to develop sound banking practice in Bangladesh.

3.4.3 Table of Loan classification:

Loan Type	Unclassified (Month)	Substandard (MONTH)	Doubtful (Month)	Bad (Month)
Continues Loan Demand Loan	Expiry up to 5 month	6 to 8 month	9 to 11 month	12 month +
Term Loan Up to 5 years	0 to 5 month	6 to 11 month	12 to 17 month	18 month +
Term Loan more than 5 years	0 to 11 month	12 to 17 month	18 to 23 month	24 month +
Micro Credit	0 to 11 month	12 to 13 month	36 to 59 moth	60 month+

Source: Documents from Head Office

1. Secured Over Draft against Financial Obligation [SOD (FO)]

Advance is granted to a client against financial obligations. The security of advance is granted to the person to whom the instrument belongs. The discharged instrument is surrendered to the bank along with a letter signed by holder/holders. The bank's lien is prominently noted on the face of the instrument under the signature of an authorized bank official. Interest rate is 15% to 17%.

2. Secured Over Draft against Work Order [SOD (G)]

Granted against the work order of government departments, corporation's autonomous bodies and reported multinational private organization. To arrive at logical decision, the client's managerial capability, equity strength, nature of scheduled work is to be judged. Disbursement is made after completion of documentation formalities, besides usual charge, documents like a notarized irrevocable power of attorney to collect the bills from the concerned authority and a letter from the concerned authority confirming direct payment to the bank is also obtained. The work is strictly monitored to review the progress at each interval. Interest rate is 15% to 17%.

3. Cash Credit (Hypothecation)

The mortgage of movable property for securing loan is called hypothecation. Hypothecation is a legal transaction whereby goods are made available to the lending banker as security for a debt without transferring either the property in the goods or either possessing. The banker has only equitable charge on stocks, which practically means nothing. Since the goods always remain in the physical possession of the borrower, there is much risk to the bank. So, it is granted to parties of undoubted means with highest integrity. Interest rate is 15% to 17%.

4. Cash Credit (Pledge)

Transfer of possession in the judicial sense of essential is the valid pledge. In case of pledge, the bank acquire the possession of the goods or a right to hold goods until the repayment for credit with a special right to sell after due notice to the borrower in the event of non-repayment. Interest rate is 15% to 17%.

5. Consumer Credit Scheme

This scheme is aimed to attract consumers from the middle and upper middle class population with limited income. The borrower should have saving or current deposit account with the bank. Minimum 25% of the purchase cost of the product is to be deposited by the borrower with the bank as equity before the disbursement of the loan. The rest 75% is to be kept as cash collateral (FDR, Shanchay Patra etc.) with the bank. Loan amount is disbursed through a/c payee pay order/demand draft directly to the seller after submission of the indent, deposit of client equity and completion of documentation formalities. Interest rate is 15.50%.

6. Loan (general)

JBL considers the loans, which are sanctioned for more than one year as loan (g). Under this facility, an enterprise is financed from the starting to its finishing, i.e. from installment to its production. JBL offers this facility only to big industries. Interest rate is 14%.

7. Working Credit

Loans allowed to the manufacturing unit to meet their working capital requirement, irrespective of their size small, medium or large fall under the category.

8. Staff Loan

Bank official from senior officer and above is eligible for this loan. The maximum amount disbursed is Tk. 50,000/- for a period of 2 years.

9. House Building Loan

This loan is provided against 100% cash collateral, besides; the land & building are also mortgaged with the bank. Interest rate is 17%.

10. Small Loan Scheme:

JBL introduced three new small loan scheme are:

- a) House Renovation Loan
- b) Personal Loan
- c) Small Business Loan

10.1. House Repairing/Renovation Loan Scheme

This loan is offered for renovation and modernization of the house/building/flat which are acquired by inheritably or purchasing and other ways to make the properties liable and durable. Interest rate is 15.50%.

10.2. Personal Loan for Salaried Person

This loan is provided to fixed salaried persons in various organizations to meet any emergency cash needs at various events- treatment/operations of critical disease, matrimonial, maternity expenditure etc. Interest rate is 11% and maximum credit ceiling is Tk1, 00,000/-

10.3. Small Business Loan Scheme

This loan is offered to the small and promising entrepreneurs to meet their capital requirement and enable them to operate and expand the business purposely. Maximum credit ceiling is Tk 5.00 lac with interest rate is 10%.

11. Loan against Imported Merchandise (LIM)

Advances allowed for retirement of shipping documents and release of goods imported through L/C taking effective control over the goods by pledge fall under this type of advance, when the importer failed to pay the amount payable to the exporter against import L/C, then JBL gives loan against imported merchandise to the importer. The importer will bear all the expenses i.e. the store room charge, insurance fees, etc. and the ownership of the goods is retaining to the bank. Interest rate is 15.50%.

12. Loan against Trust Receipt (LTR)

Investment allowed for retirement of shipping documents and release of goods imported through L/C fall 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 investments within a given period. This is also a temporary investment connected with import and known as post-import finance and falls under the category “Commercial Lending”. Interest rate is 16%.

13. Payment Against Documents (PAD)

This facility originates payment of Import bills on lodgment of CLEAN shipping documents received from FOREIGN correspondent against Letter of Credit opened on behalf of the customers. This is an obligation which the bank shall extend strictly on the merit of shipping document and which must conform to the terms & conditions of LC.

14. Loan documentary Bill Purchase (LDBP)

Payment made against documents representing sell of goods to local export oriented industries, which are deemed as exports, and which are deemed as exports, and which are dominated in local currency/foreign currency falls under this head. The bill of exchange is held as the primary security. The client submits the stance bill and the bank discounts it. This temporarily liability is adjustable from the proceeds off the bill.

15. Loan against Other Securities (LAOS)

Loan against other securities is a 100% secured advance, which requires no sanction from the Head Officer. It is sanctioned by marketing lien of FDR, ICB Unit Certificate. Interest rate is 15.50%.

16. Heir Purchase

Heir Purchase is a type of installment investment under which the Purchaser agrees to take the goods on hire at a stated rental, which is inclusive of the repayment of principal as well as profit for adjustment of the investment within a specified period.

17. Inland Bill Purchase (IBP)

Payment made through purchase of inland bills/cheques to meet urgent requirement of the customer falls under this type of investment facility. This temporary investment is adjustable from the proceeds of bills/cheques purchased for collection. It falls under the category “Commercial Lending”

18. Foreign Bill Purchase (FBP)

Payment made to customer through Purchase of Foreign Currency Cheques/Drafts fall under this head. This temporary investment is adjustable from the proceeds of the cheque/draft. Foreign Exchange Department deals with Letter of credit (L/C) operation and foreign remittance. L/C operation divided into import operation, export operation and inland trade. Janata Bank offers two types of credit facilities to its customers. Such as:

- Funded Credit and
- Non Funded Credit

18.1. Funded Credit: The credit facility in which the fund of the Bank is directly invested is known as funded credit. Such as cash credit, secured overdraft etc.

18.2. Non Funded Credit: The credit facilities in Bank’s funds are not directly invested are known as non funded credit such as –Letter Of Credit (L/C), Guarantee etc.

To accelerate the economic space, Janata Bank has the following credit schemes:

A. Micro Credit Programs:

1. Small Farmers & Landless Laborers Development Project (SFDP)

Target Group : Small Farmers & Landless

Objectives : To increase production and to create employment amongst rural poor by providing credit.

Security : No collateral is required.

Interest : 10%

Repayment : loan repayable by installment.

2. Swanirvar Credit Scheme:

This type of credit facility is given to the poor and landless rural people. The objective of this scheme is to create employment opportunity amongst poor. The interest is 10%. It is repayable by 52 weekly installments.

3. Co-operative Credit for rural poor:

This credit is given to the members of Co-operative Association to create employment to the rural poor co-operators. The Association gives guarantee. Interest rate is 08%.

4. Diversified Credit Programs:

All segments of rural and urban poor people are eligible getting this loan. The main objectives of this scheme are to create self-employment among the asset less and landless poor with view to reduction of poverty. Up to 75000/-, no collateral is required. It is repayable by weekly/monthly installment.

5. Grain Storage Credit:

It is given to the marginal producers so that they could get fair price of their products. Hypothecation of cereal crops is stored in store house as security of the loan. It is repaid by 6 months.

B. Entrepreneurship Development Program:

1. Women Entrepreneurship Development Credit Program:

Women Entrepreneurs Development Scheme has been introduced to encourage women in doing business. Under this scheme, the bank finances the small and cottage industry projects sponsored by women. Interest rate is 10%. It is repayable in monthly installment within 3 years that start from the 4th month after obtaining loans

2. Cyber Café loan:

This type of loan is given to the trained youth in computer technology in order to create employment opportunity for the unemployed trained youth and expansion of information business in the country. Up to tk. 300000, no collateral is required. It is given through personal guarantee at 15.50%.

3. Small business development loan scheme:

This scheme has been evolved especially for small shopkeepers who need credit facility for their business. This credit facility is given to the small business by third party guarantee that is acceptable to the bank at 12% interest rate. It is to be repaid in 5 years in 60 monthly installments in case of term loan or 1 year in working capital. Besides, bank also extends credit facilities for the goat farming, seed development program, forestry/horticulture Nursery, flower plantation & garden, handicapped/disable people to make them self-reliant.

C. Other special credit programs:

1. Credit for Employees:

This type of credit is given to the employees of the bank to meet up the emergency needs at 12% interest rate. Advance cheques of monthly salary are considered as security that is repaid within 2 years in 24 installments.

2. Consumer Credit Scheme:

Consumer Credit Scheme is related to relatively new field of collateral free finance of the Bank. People with limited income can avail of this credit facility to buy household goods including computer and other consumer durables. Interest rate is 15.50% that is repaid between 1 and 2 years.

3. Personal Loan Scheme:

Personal Loan Scheme has been introduced to extend credit facilities to cater to the credit needs of low and medium income group for any purpose. Government and semi-government officials, employees of autonomous bodies, banks and other financial organizations, multinational companies, reputed private organizations and teachers of recognized public and private schools, colleges and universities are eligible for the loan facilities.

4. Financing in IT Sectors:

Today, we are living in the age of information that is Internet. To accelerate the growth of information and expanding IT business in our country and to attract young energetic in IT professions JANATA BANK has launched a new credit scheme titled “Financing Computer Software Development & Data Export.” The maximum loan amount is taking 10 million, with debt to equity ratio being 80:20. The rate of interest is 14%. But anybody with export market exposure can get the benefit at 9% interest rate. The main feature of this scheme is to set up industrial based IT projects for development of software for data export. No collateral is required. If anyone wants to show interest to provide collateral security, they will be given priority.

5. Car Loan Scheme:

Car Loan Scheme has been introduced to enable middle-income people to purchase Cars/SUVs/Jeeps. Governments and semi-government officials, employees of autonomous bodies, banks and other financial organizations, multinational companies, reputed private organizations, teachers of recognized public and private universities and businessmen are eligible for the loan facilities.

6. Loan to Travel Agencies:

Eligibility	: Annual business turnover should be satisfactory
Loan Sanction	: On a case to case basis
Nature of Loan	: CC (HYP).
Purpose of Loan	: For running travel agency business
Rate of Interest	: 15.50%
Security	: Hypo. Of receivables/tickets, all office furniture and equipments
Collateral	to be twice the value of the loan
Mode of repayment	: Sale proceeds of tickets.
Duration of the Loan:	One year

7. Loan to Diagnostic Centers:

Eligibility: Annual business turnover should be good; the diagnostic centre should have been set up as per Govt. health policy and this must be confirmed by the loanee.

Loan Sanction : On a case to case basis

Nature of Loan : CC (HYP).

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Purpose of Loan : For running a diagnostic centre

Rate of Interest : 15.50%

Margin : 50%

Security : Hypo. Of all chemical and medical equipments; Value of collateral security to be twice that of loan.

Duration of the Loan: One year

APPROACHES TO THE BANK

When a borrower approaches to JBL for a loan, he or she is required to fulfill the following criteria: He or she has to be a client of the bank. He or she needs to apply properly describing the purpose of the loan amount needed & his/her capacity of repayment.

3.5 BANK GUARANTEE

Suppose one party get a project or construction work then employer may want guarantee. This guarantee is required because whether party can give financial support to finish the whole work or not. Bank will give such guarantee against their client it is also called contingent liability. There are three type of bank guarantee:

Bank Guarantee

- Bid Bond
- Performance
- Advance payment

3.5.1 Bid bond: This type of BG is issued only for tender.

3.5.2 Performance guarantee: Depending on the reliability of the client's transaction bank will sanction guarantee.

3.5.3 Advance payment guarantee (APG): It may be happened that one party doesn't complete their work within the fixed time. And this client already issued a BC from bank. In this circumstances party may request advance payment from their employer. If bank sanction APG against that party employer may give advance payment to them. This type of loan is sanctioned only few reliable parties.

Requirements of the clients: Client must have SB/CD A/C in that bank.

Interest and other charges: No interest is charged for BG. Bank charge commission @ 0.5% over the total amount. Quarter and VAT (commission @15%) and stamp cost.

Security: After getting approval of the BC a margin amount will be transfer from parties CD/SB a/c as security. At the time of issuing BC a liability will be created to the party a/c. The liability amount is equal to the amount they are showing as guarantee: Bank will take a counter guarantee document from the party as a security. By this way bank will receive guarantee form the party.

Discretionary power: BG will be sanctioned from the Head Office.

Returning procedure: After finishing the work party will return the BG to the bank. Bank will reverse the liability and return margin to party A/C.

3.6 Deposit Products of Janata Bank Limited

JANATA Bank offers various types of account to its different types of customer. These are as follows:

1. Current deposit (CD) account
2. Savings bank (SB) account
3. Short-term deposit (STD)
4. Fixed deposit (FDR)
5. JBDS (Janata Bank Deposit Scheme)

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6. EDS (Education Deposit Scheme)

7. MDS (Medical Deposit Scheme)

3.6.1 Current Deposit (CD) Account: A current account is an account, which is generally opened by business people for their convenience. A current account is a running and active account, which may be operated upon any number of times during a working day. There is no restriction on the number & amount withdrawals from current a/c. It does not allow any interest on this account

Opening Amount/ Initial Deposit	Tk. 500
Service Charge (yearly)	Tk. 100
Minimum Balance Requirement	Tk. 5000

Current a/c may be individual, joint / partnership or can be formed any name.

3.6.2 Savings Bank (SB) Account:

This deposit is intended primarily for small-scale savers. The main object of this account is promotion of thrift. Savings account is meant for those who want to save a certain amount of their income and earn interest on that for future needs. All features are more or less like that of CD a/c except for some restriction that is imposed by the bank. Number of withdrawals over a period of time is limited. The withdrawing amount is not to exceed 25% of the total balance. This A/C mainly opens a person name. Initial deposit requires opening a savings account is TK. 200. Minimum balance of TK. 200 should maintain in this account. One cannot withdraw money not more than two times in a week. To withdraw more than Tk. 20000 seven days notice is required. Service charge is not fixed.

Restrictions:

1. Customer cannot withdraw money more than twice in a week.
2. If customers draw money more than 25% of the balance at a time then no interest is given for that n month.

3.6.3 Fixed deposit receipt (FDR):

In this category are included the deposit with the bank for a fixed period which is specified at the time of making the deposit. Such deposits are therefore called fixed deposits or term deposits. A fixed deposit is repayable on the expiry of a specified period, chosen by the depositor to suit his purpose and to enable him to get back money as and when he needs it. The fixed deposit may be made for 3, 6, 12, 24 or 36 months. The banker need not keep more cash reserves against it and can utilize such amount more profitably. The banker therefore offers higher rate of interest on such deposits the depositor parts with liquidity for a definite period. Fixed deposits have grown in importance and popularity in our country during recent years. When a matured FDR is withdrawn, the principle amount along with the interest amount (deducting 10% tax from the total) is paid to the client. Minimum TK. 5000 requires opening a fixed deposit account. Service charge TK. 200 realized half yearly on customer's account.

3.6.4 Janata Bank Deposit Scheme (JBDS):

Special advantage with this scheme is that after the scheduled period the client can withdraw the full amount or can draw pension on monthly basis. Besides the client can open account in his name in any branch.

Procedure for operation of Janata Bank Deposit Scheme (JBDS)

1. The applicant should be minimum 18 years old and Bangladeshi national.
2. The account holder can appoint one or more nominees.
3. On the death of the account holder his / her nominee can withdraw the whole amount of money.
4. The account holder can change or cancel his nominee through a written notice.
5. On the death of the account holder, the nominees will be entitled to withdraw the deposit according to the instruction of the account holder.

6. The account becomes inoperable on the death of the account holder.

7. The account under this scheme should be opened within the 10th day of any month against deposit of the first installment in cash.

Monthly installment: TK.500, 1000,2000,5000,10000,20000

Tenure: 10 Years.

The monthly installment must be paid by the 10th day of every month. In case of delay a fine @TK. 2 per day of defaulted installment will be charged and the fine must be paid with the installment.

Features of the Janata Bank Deposit Scheme (JBDS):

Monthly Installment Quantum.	Money at the end of 10 years TK.
500	94609
1000	188218
2000	375435
5000	937088
10000	1873176
20000	3745352

Total Amount=Principal amount + Interest + Bonus amount

The money will be paid out on maturity according to the table above, but Tax / Duty and other charges may be adjusted from the amount in the account.

3.6.4.1 Education saving Scheme (ESS):

Client can nominate their children and open not more than three accounts. The applicant should be minimum 18 years old and Bangladeshi national.

Monthly installment:

TK.500, 1000, 2000, 3000, 4000, 5000, 6000, 7000, 8000,9000 &10000.

The monthly installment must be paid by the 10th day of every month. In case of delay a fine @ TK. 2 per day of defaulted installment will be charged and the fine must be paid with the installment. The account under this scheme should be opened within the 10th day of any month against deposit of the first installment in cash. It may be 4 years, 6 years, 8 years& 10years. The maturity amount varies its time & installment. The money will be paid out on maturity, but Tax / Duty and other charges may be adjusted from the amount in the account.

3.6.4.2 Medical Deposit Scheme (MDS):

The applicants / depositors should be minimum 18 years old, being of sound mind, and a Bangladeshi national. Monthly installment: TK.500, 1000, 2000, 3000, 4000, 5000, 6000, 7000, 8000,9000 &10000. The money will be paid out on maturity according to the table above, but Tax / Levy/ Excise and other charges as applicable will be adjusted from the amount.

3.6.5 Current interest rates:

Types of deposit	Rate of interest offered (%)
Savings Urban	5.25
Rural	6.25
Savings Deposit from Foreign Remittance	7.00
Short Term Deposit	5.25

Term Deposits:

3 months & above but < 6 months	8.00
6 months & above but < 1 year	8.50
1 year & above but < 2 year	9.00

Deposit Pension Scheme (DPS)

JBDS (10 year)	8.50
JBSDS (10 year)	9.50
MDS (5 year)	8.50
JBMS: 2 year	10%
4 year	9%
6 year	8.50%

3.7 GENERAL PROCEDURE FOR LOAN:

The following procedure is applicable for giving loan to the customer. These are:

- A.** Duly fill-up first information sheet
- B.** Application for Loan
- C.** Collecting CIB report from Bangladesh Bank
- D.** Making Loan proposal
- E.** Project appraisal
- F.** Head office approval
- G.** Sanction letter
- H.** Documentation

I. Charges on Securities

J. Recovery

3.7.1 First Information Sheet

First information sheet is the prescribed form provides by the respective branch that contains Janata Bank information of the borrower. It contains following particulars: -

- Name of the concern with its factory location,
- Officer address and Telephone number,
- Name of the main sponsors with their educational qualification,
- Business experience of the sponsors,
- Details of past and present business, its achievement and failures,
- Name of all the concerns wherein the sponsors have involvement,
- Income tax registration number with the amount of tax paid for the last three years,
- Details of unencumbered assets personally owned by the sponsors,
- Details of liabilities with other Banks and financial institutions including securities held there against,
- Estimated cost of the project & means of finance.

3.7.2 Application for Loan

After receiving the first information sheet from the borrower Bank official verifies all the information carefully. He also checks the account maintains by the borrower with the Bank. If the official becomes satisfied then he gives application or Investment form to the prospective borrower.

3.7.3 Collecting CIB Report from Bangladesh Bank

After receiving the application for advance, Janata Bank sends a letter to Bangladesh Bank for obtaining a report from there. This report is called CIB (Credit Information Bureau) report. Janata Bank generally seeks this report from the head office for all kinds of Investment. The purpose of this report is to being informed that whether the borrower has taken loan from any other Bank; if 'yes' then whether the party has any overdue amount or not.

3.7.4 Making Loan Proposal

After receiving CIB report, concern branch prepare an Investment proposal, which contains terms, and conditions of loan for approval of Head Office or Head of the concerned branch.

Following documents are necessary for sending the loan proposal:

- Loan application
- Declaration of the borrower
- Photograph of the borrower duly attested
- Bio data of the borrower
- Limit sanction
- Credit report
- Legal opinion
- Memorandum of article
- Trade license
- Copy of title deeds
- Tax clearance certificate

If the officer thinks that the project is feasible then he will prepare a proposal. JBL prepares the proposal in a specific form called loan proposal. It contains following relevant information:

- Borrower,
- Date of establishment, constitution,
- Main sponsor/director with background,
- Capital structure, address,
- Account opening date, introduced by type of business, particulars of previous sanctions,
- Security (existing and proposed),
- Movement of accounts,
- Components on the conduct of the account,
- Details of deposit, liabilities of allied concerns, liabilities with other Banks,

- CIB report,
- Rated capacity of the project (item wise),
- Production/purchase during the period,
- Sales during the period,
- Earning received for the period

3.7.5 Project Appraisal:

It is the pre-investment analysis done by the officer before approval of the project. Project appraisal 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,
- To recommend if the project is not designed properly.

3.7.5.1 Techniques of Project Appraisal:

An appraisal is a systematic exercise to establish that the proposed project is a viable proposition. Appraising officer checks the various details submitted by the promoter in first information sheet, application for Investment and loan proposal.

Janata Bank Ltd. considers the following aspects in appraising a proposal.

- Technical viability
- Commercial viability
- Financial viability
- Economic viability

The Head Office (HO) mainly checks the technical, commercial and financial viability of the project. For others HO is dependent on branch's information. But when the loan size is big, then the HO verifies the authenticity of information physically.

3.7.6 Head Office Approval:

Upon receipt of the loan proposal from the branch, the Head Office aging appraises the project. If it seems to be a viable one, the HO sends it to the Board of Directors for the approval of the loan. The Board of Directors (BOD) considers the proposal and takes decision whether to approve the loan or not. If the BOD approves the loan, the HO sends the approval to the concerned branch.

The respective officer of Head Office appraises the project by preparing a summary named "Top Sheet" or "Executive Summary". Then he sends it to the Head Office Credit Division for the approval of the Loan. The Head Office Credit Division considers the proposal and takes decision whether to approve the loan or not. If the committee approves the loan, the HO sends the approval to the concerned branch with some conditions. These are like:

- Drawing will not exceed the amount of bill receivables.
- All other terms and conditions, as per policy and practice of the Bank for such advance to safeguard the Banker's interest shall also be applicable for this sanction also.
- Bank may change/alter/cancel any clause (s) of the sanction without assigning any reason whatsoever and that shall be binding upon the client unconditionally.
- Branch shall not exceed the sanctioned limit.

3.7.7 Sanction Letter

After getting the approval of the HO the branch issues sanction letter to the borrower. A sanction letter contains the following particulars amongst other details:

- Name of borrower
- Facility allowed
- Purpose
- Rate of interest

- Period of the Investment and mode of adjustment
- Security
- Others terms and condition

3.7.8 Documentation

If the borrower accepts the sanction letter, the Documentation starts. Documentation is a written statement of fact evidencing certain transactions covering the legal aspects duly signed by the authorized persons having the legal status. Following are the most common documents used by the JBL for sanctioning different kinds of Investment:

- Joint Promissory Note
- Letter of Arrangement
- Letter of Disbursement
- Letter of Installment
- Letter of Continuity
- Trust Receipt
- Counter Guarantee
- Stock Report
- Letter of Lien
- Status Report
- Letter of Hypothecation
- Letter of Guarantee
- Documents Relating to Mortgage

3.7.9 Charges on Securities

There are 6 types of moods of charging on securities:

1. Pledge
2. Hypothecation
3. Mortgage
4. Lien
5. Assignment
6. Set-Off

3.7.9.1 Pledge: Pledge is the bailment of goods as security for payment of a debt or performance of a promise. A pledge may be in respect of goods including stocks and share as well as documents of title to goods such as railway receipts, bills of landing, dock warrants etc. duly endorsed in Bank's favor.

3.7.9.2 Hypothecation: In case of hypothecation the possession and the ownership of the goods both rest the borrower. The borrower to the Banker creates an equitable charge on the security. The borrower does this by executing a document known as Agreement of Hypothecation in favor of the lending Bank.

3.7.9.3 Mortgage: According to section (58) of the Transfer of Property Act, 1882 mortgage is the transfer of an interest in specific immovable property for the purpose of securing the payment of money advanced or to be advanced by way of loan, existing or future debt or the performance of an engagement which may give rise to a pecuniary liability. In this case the mortgagor does not transfer the ownership of the specific immovable property to the mortgagee only transfers some of his rights as an owner.

3.7.9.4 Lien: Lien is the right of the Banker to retain goods of the borrower until the loan is repaid. The Banker's lien is general lien. A Banker can retain all securities in his possession till all claims against the concern person are satisfied.

3.7.9.5 Assignment: Assignment means transfer of any existing or future right, property or debt by one person to another person. The person who assigns the property is called assignor and the person whom it is transferred is called assignee. Usually assignments are made of actionable claims such as book debts, insurance claims etc. In banking business, a borrower may assign to the Banker (1) the book debts (2) money due from government's debt (3) insurance policy.

3.7.9.6 Set-Off: Set-off means the total or partial merging of a claim of one person against another in a counter claim by the latter against the former. Set-off arises when a debtor or his creditor wishes to arrive at the net figure owing between them when separate accounts or debt are involved.

Pledge	Movable property (Goods/Stocks/Shares/Debentures etc.)
Hypothecation	Movable property (Raw materials of factories/stocks in a store room showroom /motor vehicles etc.)
Mortgage	Immovable property (Land/Building/Factory)
Lien	FDR/DPS/Sanchay patra/ICB Unit Cert./Wage Earners Bond etc.
Assignment	Insurance Policy/Money due from govt. Dept./Work order etc.
Set-off	*****

3.7.10 LIMITATION OF LOAN SECTION:

There are some limitations in the advance section of this bank. Among them the major limitations are-

- Lack of good party.
- Party characteristics are not good all time
- Some time pressure from top level though the party condition is not good.
- Here there is lack of enough loan schemes that are effective now days.
- Many old payment of loan is due, that creates pressure now.
- Lack of information about old loan that creates problems to continue the case of default loan.
- Lack of proper documentation about loan.
- Loan Interest rate is very competitive.

3.8 ANALYSIS OF LOAN DISBURSEMENT, OUTSTANDING, AND RECOVERY SCENARIO:

It is the duty of the recovery department of the Bank to recover the landed fund within the stipulated time and if the borrower fails to repay the money within the said period Bank will declare him as a defaulter and recover the fund by selling the securities given by the borrower or by freezing his account or make a suit against him.

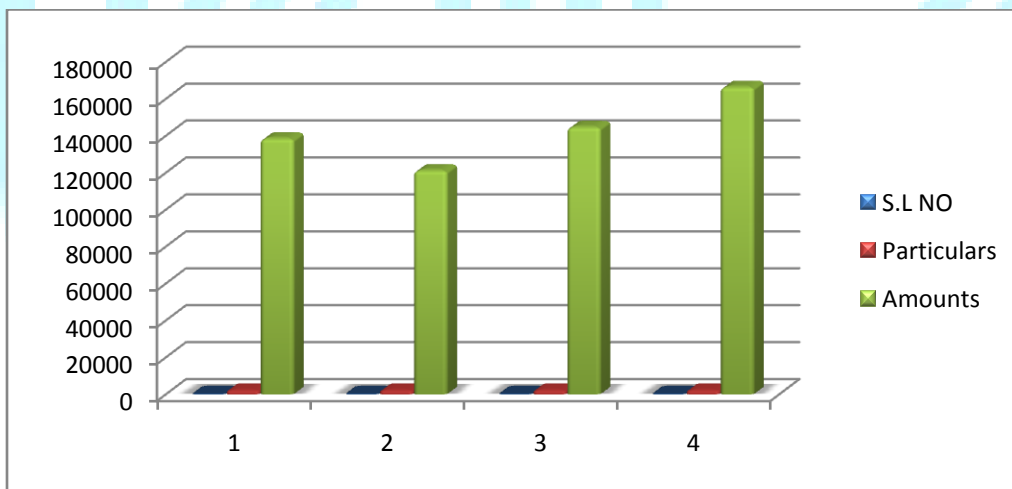
The total outstanding Loans and advances of Janata Bank from 2010 to 2013 are given below:

(Taka in Millions)

SL. NO	1	2	3	4
Particulars	2010	2011	2012	2013
Amounts	138493	121200	144678	166359

Source: Janata Bank's Annual Report

Graphical representation: 01



Comment: In the above figure we see that the total Loan & advances of Janata Bank from 2010 to 2013 is increasing trend that indicates better performance in providing Loan & advances. In the total Loan & advances of Janata 25% to 30% Loan is Industrial sector Loan. Industrial sector of Janata Bank consists of Jute industries, Tannery Industries, Textile Industries, Agro Industries and Industrial credit etc.

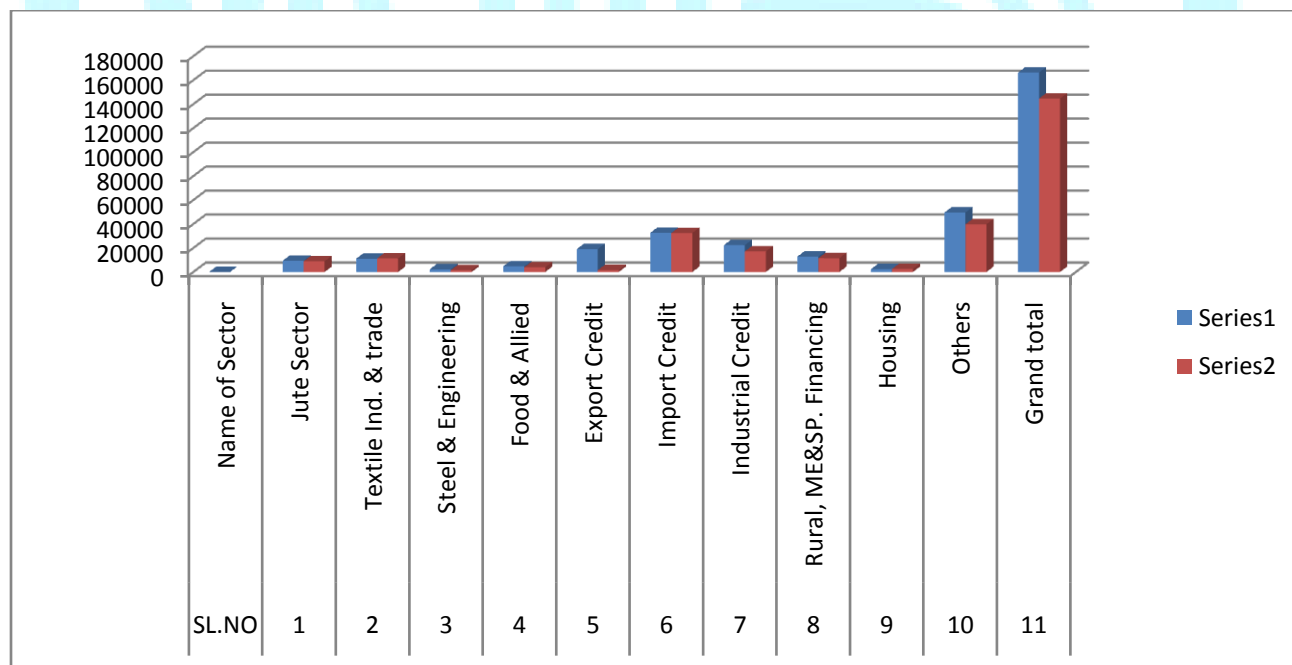
3.8.1 Sector wise Loans and Advances:

(Taka in Millions)

SL.NO	Name of Sector	2013	2012	+ / (-) TK.	+ (-) %
1	Jute Sector	9368	8909	459	5.51
2	Textile Ind. & trade	11076	11325	(249)	(2.20)
3	Steel & Engineering	2218	1515	703	46.40
4	Food & Allied	4692	3903	789	20.22
5	Export Credit	19083	1555	3533	22.72
6	Import Credit	32704	32510	194	.60
7	Industrial Credit	22372	17160	5212	30.37
8	Rural, ME&SP. Financing	12855	11496	1359	11.82
9	Housing	2362	2490	(128)	5.14
10	Others	49629	39820	9809	24.17
11	Grand total	166359	144678	21681	

Source: Janata Bank's head office document

Graphical Presentation: 02



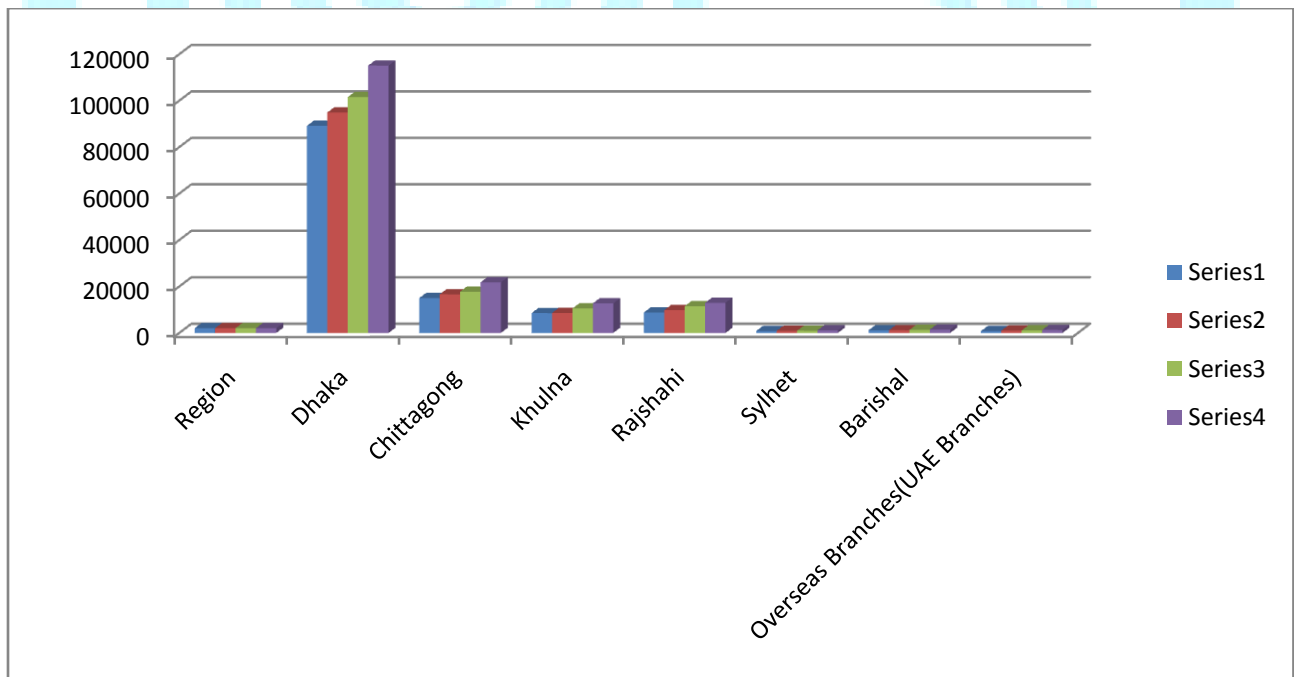
Comment: In the above figure and graph we see that the percentage of Loans in the *Textile Ind.* has decreased from 2%. Because of the high Interest rate. On the other hand Janata bank Ltd loans process need long time. On the other hand, the flow of Loans and advances increased in case of import credit, Industrial Credit and Rural, ME&SP Financing sectors.

3.8.2 Geographical area-wise Loans and advances:

The overview of geographical area-wise Loans of Janata Bank is given bellow:

Region	2010	2011	2012	2013
Dhaka	89143	94889	101537	115096
Chittagong	15005	16629	17750	21772
Khulna	8533	8577	10516	12720
Rajshahi	8789	9830	11531	12984
Sylhet	838	888	944	1092
Barishal	1136	1158	1290	1433
Overseas Branches(UAE Branches)	750	990	1110	1262

Graphical Presentation: 03



Comments:

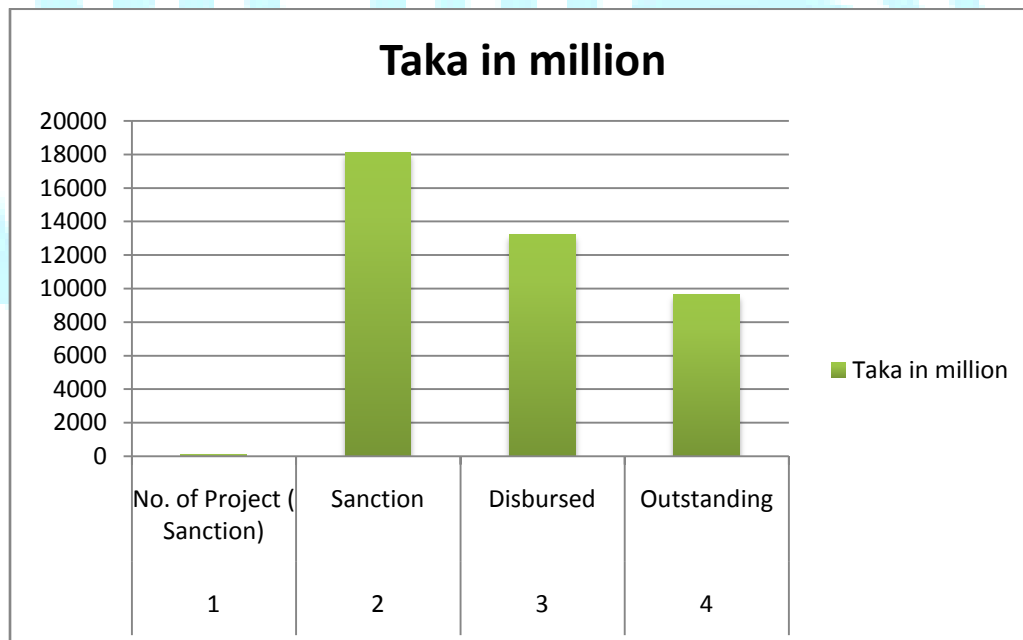
From the table and graph, we see that the flow of Loans and advances of Janata Bank is showing an increasing trend from 2010 to 2013. It indicates a better performance in extending credit facilities. Bank disburses Loans more in Dhaka region than other regions. And loans recovered in avg.35%.

3.8.3 Performance of Industry Sector: 2013

SL.NO	Items	Taka in million
1	No. of Project (Sanction)	173
2	Sanction	18123
3	Disbursed	13239
4	Outstanding	9633

Source: Janata Bank's head office document

Graphical representation: 04



Loan Disbursement, Recovery & Classification of Industrial sector of Janata Bank Ltd. From 2010 to 2013 according to various sectors wise is given below: **Page-45**

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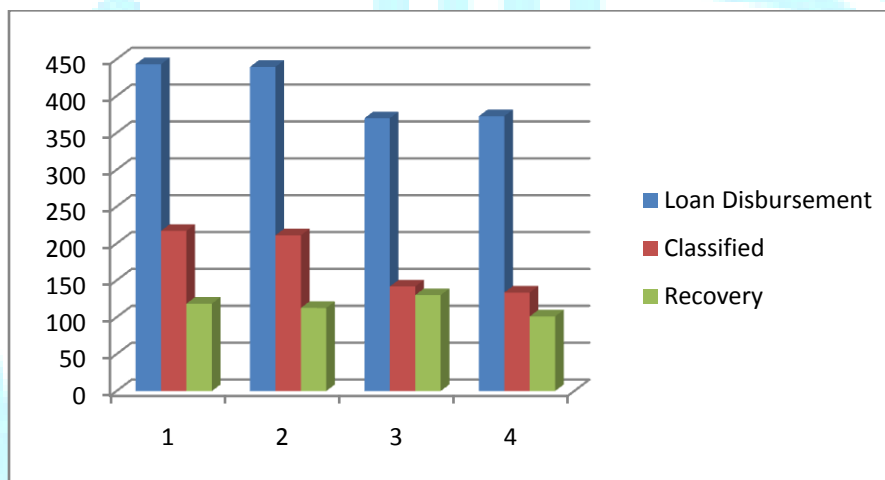
3.8.3.1 Textile Industry:

(Figure in core)

SL. NO	Year	Loan Disbursement	Classified	Recovery
1	2013	443.21	217.17	118.51
2	2012	439.60	211.16	112.68
3	2011	369.95	141.78	130.15
4	2010	372.72	133.52	101.16

Source: Janata Bank's head office document

Graphical representation: 05



Comment:

In the above figure we see that the Loan disbursement on industrial credit of Janata bank is increasing at a decreasing rate from 2010 to 2013.

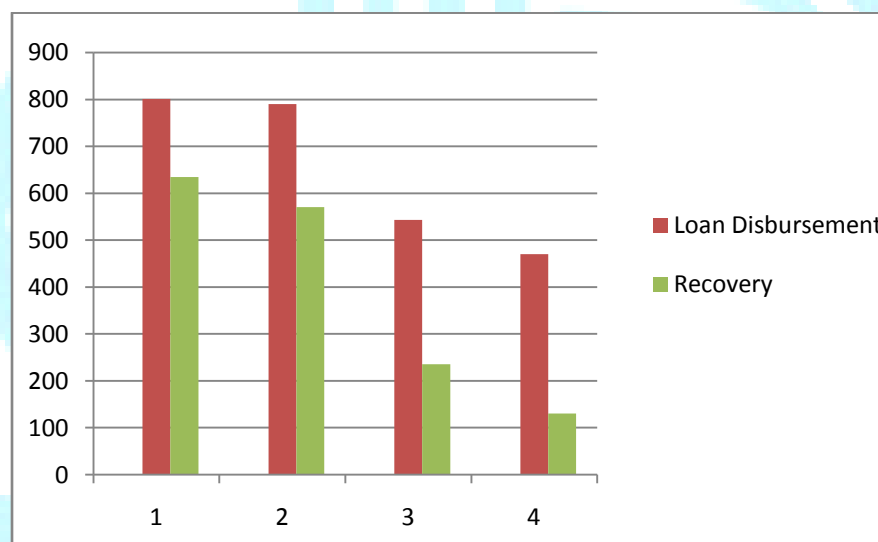
3.8.3.2 Jute Industry:

(Figure in core)

SL. NO	Year	Loan Disbursement	Recovery
1	2013	801.02	634.43
2	2012	790.31	570.64
3	2011	543.35	235.19
4	2010	469.95	130.26

Source: Janata Bank's head office document

Graphical representation: 06



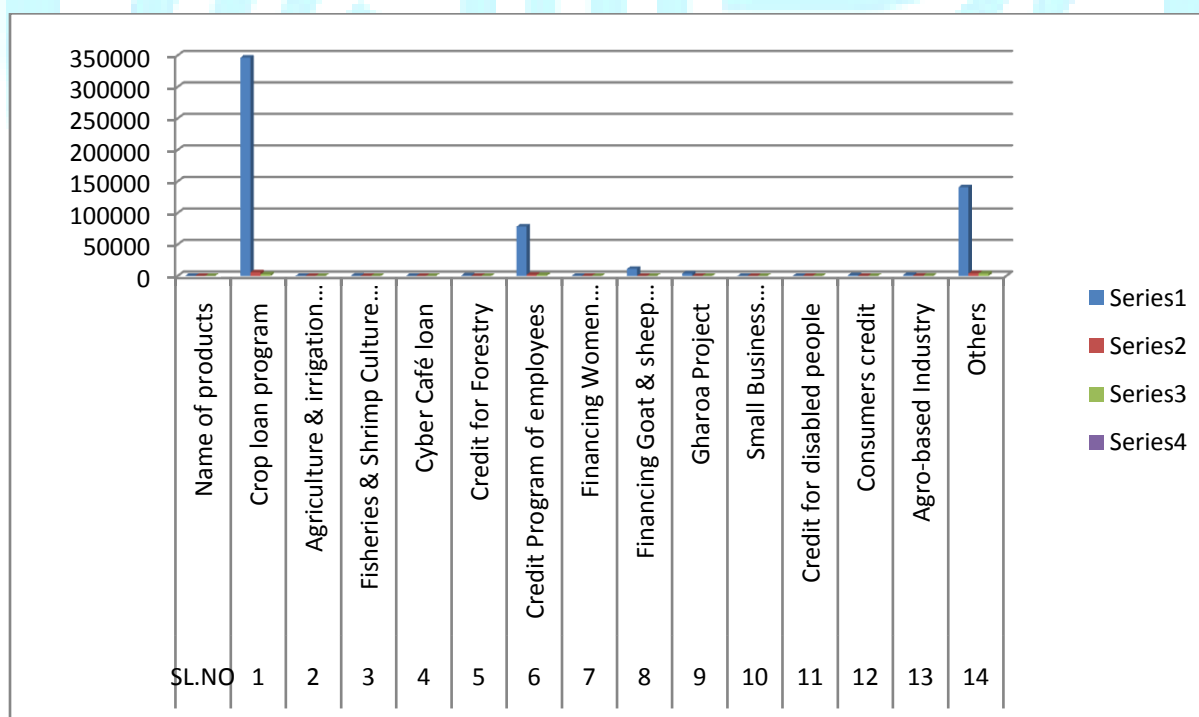
Comment:

In the above figure we see that the Loan recovery on industrial credit of Janata bank is upward increasing rate from 2010 to 2013, which indicates better performance in industrial Loan recovery. The main reason of this better performance of Janata bank is that the bank uses LRA format before providing industrial Loan.

3.9 Table of Rural, Micro and Special Program Financing:

SL.NO	Name of products	No. of loanee	Disbursement	Recovery
1	Crop loan program	346528	5765.20	2582.23
2	Agriculture & irrigation equipment	229	13.90	10.01
3	Fisheries & Shrimp Culture Credit	321	130.30	90
4	Cyber Café loan	13	1.70	.95
5	Credit for Forestry	751	16.90	12.03
6	Credit Program of employees	78368	1907.20	1653.2
7	Financing Women Entrepreneur	267	43.92	35.63
8	Financing Goat & sheep Farming	11370	77.70	67.4
9	Gharoa Project	3812	74.80	61.24
10	Small Business Development loan	161	14.63	11.79
11	Credit for disabled people	113	1.59	.80
12	Consumers credit	1069	45.80	41.8
13	Agro-based Industry	1567	540.90	517.23
14	Others	140699	4225.20	3789

Graphical representation: 07



3.10 PRINCIPLES OF SOUND LENDING:

1. Safety
2. Liquidity
3. Profitability
4. Security

3.10.1 Safety

Janata Bank exercises the lending function only when it is safe and the risk factor is adequately mitigated and covered. Safety depends upon:

- The security offered by the borrower.
- The repaying capacity and willingness of the borrower is to repay the advance.

3.10.2 Liquidity

The liability of a Bank is repayable of demand or at a short notice. So the Bank has to maintain its liquidity at a sufficient level. Investment on building, plant, machinery, land etc. cannot be recovered quickly, so it is less liquid.

3.10.3 Profitability

Profit is needed to pay interest to depositors, depreciation, and maintenance, declare dividend to share holders, provide or reserve against bad and doubtful debts etc. so like all other Banks Janata Bank also disburse advances to earn profit.

3.10.4 Security

To ensure safety of advances, Banks takes different types of securities like MTDR, Sanchay patra, land, work order etc. Banker should ensure that the securities are adequate, marketable and free from encumbrances.

3.11 RECOVERY PERFORMANCE OF JANATA BANK LIMITED

Programs for Loan Recovery

When Janata 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, especially severe in Janata Bank. To overcome the problem of overdue loan, the bank need take particular loan recovery program.

3.11.1 Recovery Programs to be taken by JANATA BANK

- To establish credit supervision and monitoring cell in the bank.
- To re-structure the loan sanctioning and distributing policy of the bank.
- To sanction loans and advances against sufficient securities as best as possible.
- To give more powers to the branch manager in credit management decision making process.
- To offer a package of incentives to the sound borrowers.
- To give more emphasis on short term loans and advances.
- To impose restrictions on loans and advances for sick industries.
- To take legal actions quickly against unsound borrowers as best as possible within the period specified by the law of limitations.

3.11.2 Recovery Patterns of Loan and Advances

Generally Janata 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.

3.11.3 Problems in Loan Recovery

There are a lot of reasons for which the loan recovery of the bank is very 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:

3.11.3.1 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 nationalized 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.

3.11.3.2 Problems created by government

The following problems are arisen by the government:

1. External pressure: Janata Bank has also faced many problems in the loan recovery process as a part of continuous pressure from various interested groups.
2. Loan to government organization: Janata Bank is bound to sanction loan to government organization, though these are losing concern. For this reason, banks faced problems in loan recovery.
3. 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.
4. Frequent changes in government policies in regard to recovery of loan.

3.11.3.3 Problems created by the bank:

The following problems are created by the banks:

1. Lack of analysis of business risk: Before lending, Janata Bank does not 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 most 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.

3.11.3.4 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 Janata 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. Credit is not allowed to actual entrepreneurs.
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.

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

- Loans are given under fictitious names and enterprise
- Loans are given without sufficient securities
- Approval of the loans in excess of the branch manager's power
- Improper monitoring and supervision of credit
- Political misuse if loan programs operated by the public sector banks
- Lack of timely action against willful defaulter
- Loans are sometimes for economically unsound project.

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

3.12 LOAN MONITORING:

Investment monitoring implies that the checking of the pattern of use of the disbursed fund to ensure whether it is used for the right purpose or not. It includes a reporting system and communication arrangement between the borrower and the lending institution and within department, appraisal, disbursement, recoveries, follow-up etc.

- The borrower's behavior of turnover.
- The information regarding the profitability, liquidity, cash flow situation and trend in sales in maintaining various ratios
- Regular checking the balance of SB/CD/STD accounts of the borrower.
- Periodical visit with the customers to maintain relationship and supervision of supplied articles
- Legal action to be taken after failings all possible efforts to recover the bank's due.
- Issuance of legal notice to the defaulter customers and guarantors prior to classification of the loans.

3.12.1 Following steps will be taken against a defaulter:

- Reminder the party to repay the loan after validity dates
- Send final notice
- Send legal notice
- Eventually sue a case against the party.

3.13 SWOT Analysis:

SWOT analysis is a strategic planning method used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a project or in a business venture. After surveying both the clients and officers, SWOT of Janata Bank Limited is given below:

Strengths:

- Bank has an interactive corporate culture
- It provides moderate range of loans
- The interest rate is affordable
- It provides some attractive features
- The credit risk management is very efficient
- High morality of the employees and customers

Weaknesses:

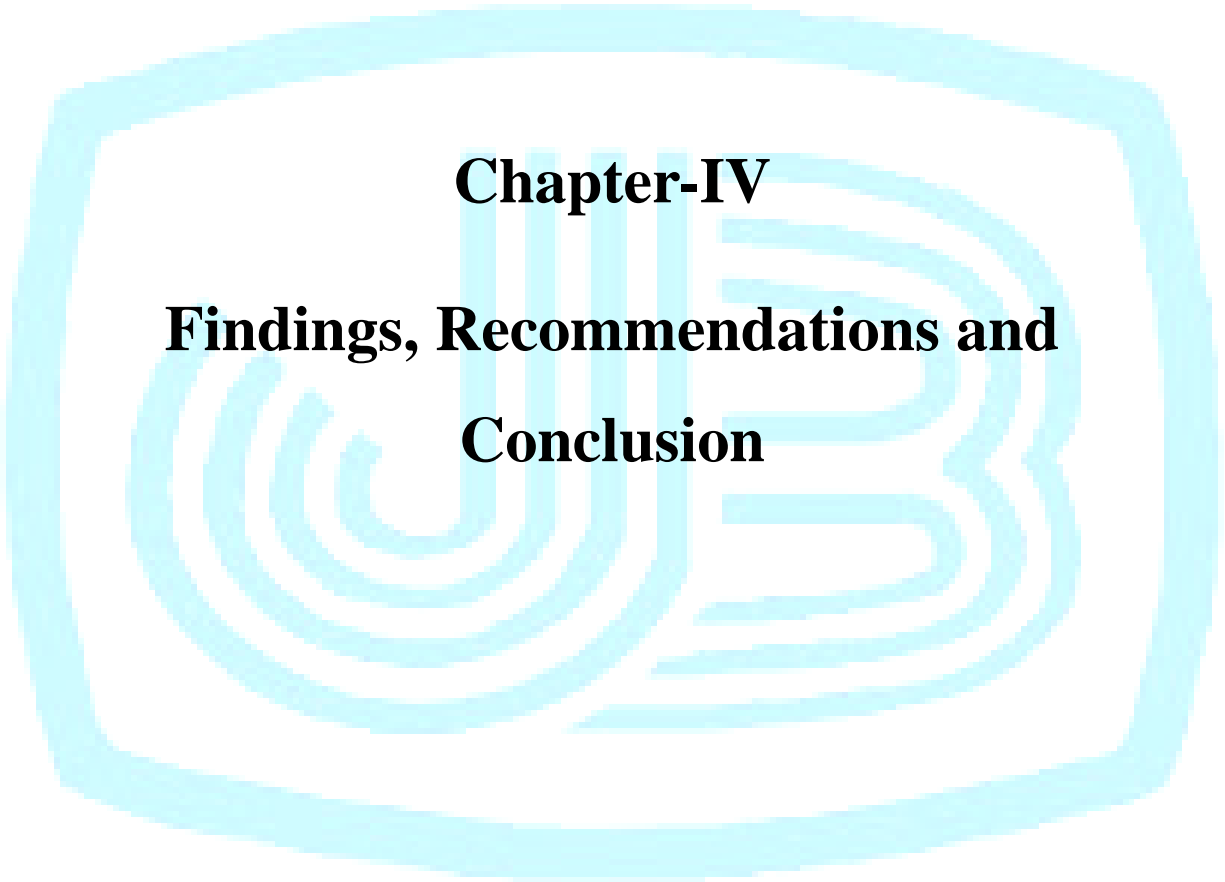
- Some other bank charge lower interest rates than JBL
- Deficiency of experienced manpower
- Other banks provide more loan than JBL
- New entrepreneur does not get finance from the JBL
- Lack of ATM Booths

Opportunity:

- Auto loan is frequently taken by the clients from JBL
- Investment opportunity is arising for export- import loans
- Branches are situated all over the country as well as abroad.
- Being large Bank it can provide large investment.

Threats:

- Other banks provide more facilities
- Lack of clients
- Market pressure for lowering the profit /interest rate.



Chapter-IV
Findings, Recommendations and
Conclusion

4.1 PROBLEMS IDENTIFIED

Analyzing the Lending business and its contribution to the profit of JBL, found that the volume of sanctioning loan has been in an increasing trend. During the internship program in JBL several matters have been gathered which have been summarized and discussed below:

- ❖ In JBL most of the tasks are done manually. Maintenance and keeping of related books and registers, Loan sanctioning, collection of funds etc are done in outdated methods and manners. The whole procedure is expensive and time consuming.
- ❖ Some employees are very reserve in disclosing information.
- ❖ Sometimes the officer of JBL, Sonargaon Road branch gives loan in favor of the client (familiar/relative to the officer) without having adequate documents. In this case the branch gives loan just relying on what client said to them.
- ❖ In JBL, They do not have sufficient number of employees so that one employee has to do more work than he/ she should.
- ❖ Janata Bank Ltd. Charges high interest rate on loans which hinders customers to take loan.
- ❖ The number of officers in loan & advance department is insufficient to provide service to huge number of customers of Corporate Branch Janata Bank Ltd.
- ❖ Before sanctioning loan, sometimes CIB report is not obtained from Bangladesh Bank timely.
- ❖ The website of Janata Bank Ltd does not contain all required information about loans and advances.
- ❖ Most of the loan disbursement is centrally controlled from the Head Office, Which sometime creates problem for the branch in choosing the right client.
- ❖ The credit proposal evaluation process is lengthy .Therefore, sometimes valuable clients are lost.

4.2 RECOMMENDATIONS

- Loan & advance department should be brought under computerized system and integrated with online networks with local office. It will save the time of employees and will make the transactions easier. The excess time then can be used in some other tasks which will increase the customer services as well as the efficiency of the bank.
- Logistic support such as automated software for advance, vouching procedure and sufficient computer, scanner, printer should be enriched. It was observed in the JBL, Sonargaon Road branch that all departments are using only two printers which sometimes delays the work.
- JBL normally determine the interest rate considering the rate of other banks. Rather it should determine interest rate as per actual demand and supply of the market.
- The loan & advance department needs to recruit more expert people to provide good customer services.
- The Principal Branch should decentralize its rights of choosing clients.
- The credit proposal evaluation process should be shortened so that valuable customer is not lost.
- The authority of JBL should introduce more innovative and modern customer service.
- In a competitive financial market, their products & services need to focus more on customer needs than simply offering what the customers are offered.
- Even though JBL is running online business successfully, but they should open more ATM booths to meet customer needs and to meet the competitions.
- The website of the Bank should be more informative that customers get the all information about the different activities and facilities of the Bank.

4.3 Conclusion:

Banking sector being a vital service sector of Bangladesh continues to contribute to a great deal in the economy of Bangladesh. The modern commercial banking is a challenging business. The banks are great monetary institutions that are important to the general welfare of the economy more than any other financial institutions. It has a vastly serious and exacting responsibility.

I have discussed about the different aspects of Loan & Advance activities of Janata Bank. The JBL is a nationalized bank in Bangladesh. JBL plays an important role in the banking sector as well as in our economy. It is committed to provide high quality financial services to contribute to the growth of G.D.P of the country through stimulating trade and commerce, accelerating the pace of industrialization, boosting up export and creating employment opportunities. The success of a bank depends largely on the efficient loan & advance management. A successful loan & advance management is not only needed for a bank's own performance but also it is needed for the smooth development of an economy. It is playing a vital role in financing import-exports and other areas of the country. The bank also provides General banking service, which renders a significant treatment to that locality. Now JBL serves its clients with one thousand and fifty branches.

During the internship program I have gathered lots of practical knowledge and experience and finally agreed to this statement to be true. Working and getting involved in a reputed bank is really pleasure to me. The internship program is obviously helpful for further thinking about my career. I am thankful for every person who was involved in my internship program.

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2. Web site, Bangladesh Bank,
www.bangladesh-bank.org
3. BRPD Circular Bangladesh Bank

Acronyms

JBL	: Janata Bank Limited
L/C	: Letter of Credit
SOD	: Salary over Draft
EPO	: Export Policy Order
IMF	: International Monetary Fund
MIS	: Management Information System
CSR	: Corporate Social Responsibility
FIS	: First Information Sheet
CIB	: Credit Information Bureau
CLP	: Credit Line Proposal
BCC	: Branch Credit Committee
ICD	: Industrial Credit Division
SSI	: Small-scale industries
MIS	: Medium-scale industries
HO	: Head Office
HOCC	: Head Office Credit Committee
BRPD	: Banking Regulation & Policy Department
APG	: Advance Payment Installments
NFCD	: Non Resident Foreign Currency Deposit Account
RFCD	: Resident Foreign Currency Deposit Account