

An Internship Report
On
**The Procedures of Credit Management of Janata Bank
Limited**



SUBMITTED TO
NUSRAT FARZANA
Assistant Professor
Faculty of Business and Economics
UNITED INTERNATIONAL UNIVERSITY

SUBMITTED BY
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United International University
QUEST FOR EXCELLENCE

Letter of Transmittal

To
Nusrat Farzana
Assistant Professor,
Faculty of business and economics,
United International University
Subject: Submission of internship report.

Dear Madam,

I beg to state that you know I had got a chance to work as an intern in Janata Bank Limited few months ago. During the break period of the work, I had tried to prepare my internship report based on my practical working experience from Janata Bank Ltd and finally, I am highly delighted to let you know that I have recently completed my internship report on “The procedures of credit management of Janata Bank Limited”.

It was a great opportunity for me to work on the topic where I have observed several distinctive experiences that have enriched my knowledge. I have observed a lot of banking activities that I think are valuable for my future. I have seen the work pressure of bank’s employee that is truly unbearable during the office time and performed several separate duties through the internship program.

The report would not be possible without you help and guidelines that you have given to me during these months and I am highly grateful to you that you have permitted me to work on my desired topic.

I would like to affirm that the report contains all the valid information of Janata Bank Limited. Information are collected through the help of different sources and I have followed all the guidelines and format you had suggested me to make my study a valuable one.

I would be highly oblige if you check and accept my internship report, and oblige thereby.

Sincerely yours,
Tousif Hossain
ID: 111 123 185
BBA program
United International University

Acknowledgement

I would like to start thanking my almighty Allah that he made me able to complete the full under graduation of BBA program successfully and give me the opportunity to work on as an intern in Janata Bank Limited.

First of all, I would like to thank my respected and honourable course faculty as well as internship supervisor **Nusrat Farzana, Assistant Professor**, United International University for the valuable support during the preparation of the report. All the guideline I received from her proved very important while preparing the report.

Secondly, I want to show my gratitude to **MD. Ramjan Bahar, Deputy General Manager**, Management Information System Department (MISD), Janata Bank Limited who guided me to acquire basic banking knowledge and shared a lots of informative ideas.

Last but not the least, I want to say the working environment of Janata Bank is very calm and friendly that helps me to concentrate on several learnings outside of my responsibilities. The employee and staff of Janata Bank were very friendly to me. All of the criteria highly supports me to reach to the important resources that can make my report a special one. I would love to thank them all.

Executive Summary

The internship/ thesis report is a pre-requirement of United International University (UIU) to get awarded the BBA degree. In this process, students need to complete all the courses of the BBA program and in the last of their semester they had to decide anyone between the internship and project program that they want to perform. In internship program students are usually placed by UIU career counsel to any of the practical organization so that students can acquire some practical knowledge that may help them to build a strong understanding between their theoretical knowledge with the real life experiences.

I am highly glad that I got an opportunity to work as an intern in Janata Bank Limited. It's currently the second largest government owned bank of Bangladesh. The bank is operating credit service for public welfare and business purpose. It finances rural areas of Bangladesh with a little amount of interest compare to the urban areas. It has several options for loan and credits. Some option are specially made for farmers and villagers what really has a great impact on our economy.

The report is going to analyse the procedures of credit management of Janata bank. The first chapter will share the basic and general ideas of the report that will include the background, scope, objectives, methodology and limitations of the report. Chapter two is the literature part where the theoretical concepts will be discussed. The third chapter is share the company overview of Janata Bank Limited. The Fourth chapter is prepared with all the procedures of credit management of Janata Bank Ltd.

After all the analysis, few problems that are found during the internship period, will be discussed in findings of the report chapter and finally some recommendation will be shared for the betterment of the credit management of Janata Bank, Dhanmondi branch. Hopefully, all the suggestions help the managers to improve their service.

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Chapter 1: Introduction



Janata Bank Limited

1.1 Background of the Report

The internship or project report is a pre-requirement of United International University (UIU) to get awarded the BBA degree. In this process, students need to complete all the courses of the BBA program and in the last of their semester they had to decide anyone between the internship and project program that they want to perform. In internship program students are usually placed by UIU career counsel to any of the practical organization so that students can acquire some practical knowledge that may help them to build a strong understanding between their theoretical knowledge with the real life experiences. It was a great opportunity for me that I got selected by Janata Bank which the 2nd largest government owned bank in Bangladesh. After few days of working in the bank as an intern, I had decided to prepare my internship report on the procedures of credit management of Janata Bank Limited.

1.2 Significance of the Report

The significance and scope of the report is to provide a broad understanding how a government owned bank is managing its credit operation in Bangladesh. It may help the Janata Bank Ltd to find out some of its credit operation problems and may overcome through the theoretical suggestions provided in the recommendation chapter. Other commercial banks can get the proper idea to manage their credit procedures comparing with the Janata Bank Ltd. Any reader of the report can easily understand the procedures and the technical concepts of credit management and its procedures. University students and faculties also can compare their book learning knowledge with the practical observations.

1.3 Objectives of the Report

The objectives are goals that illustrate the purpose for what the report is prepared. A reader of the report can easily understand the later discussion of the report and why the report is created. The objectives of this internship report can be divided into 2 sections:

- a. **Primary objectives:** The primary objective is to achieve the BBA degree from United International University where preparing the report is a pre-requirement.
- b. **Specific objectives:** These objectives are more specific and relevant of the title of the report. They are:
 - I. To analyse the Janata Bank Limited and provide a general overview of the bank.
 - II. To analyse the credit management procedures.

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- III. To find out the special schemes of credit of Dhanmondi Branch of Janata Bank Ltd.
- IV. To find out problems of credit management and to provide few suggestions to overcome the problems.

1.4 Methodology of the Report

The methodology the report is going to follow are given below:

a. Sources of Data: All the Data are collected from two major sources. They are:

I. Primary sources:

- i. Formal and informal communication with the bank personnel.
- ii. Annual reports and website of the Janata Bank Limited.
- iii. Practical work experience through working as intern.
- iv. Various loan products brochures of the bank.

II. Secondary sources:

- i. Several Published books and articles from newspaper.
- ii. Internet information on credit management.
- iii. Guidelines of Bangladesh Bank on Credit Management.

b. Data Analysis: The method used in this report is an exploratory research that based on several qualitative and quantitative information of credit management of Janata Bank Limited.

1.5 Limitations of the Report

Creating such an extensive topic while maintaining the full time work of an intern was very difficult me. Some other limitations that bother me during the preparation of this report are listed below:

- a. **Time duration limitation:** The duration of internship program is about 3 months. This short period of time is not sufficient to find out all the possible process of a bank's particular site.
- b. **Confidentiality:** The bank is very strict to their inside information and there are also some information do exist that should not come into light for any bank. So, Due to the confidentiality some valuable information are not included in the report.

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- c. **High work pressure:** The work pressure during the office time was very high as it is a government owned bank. It was difficult to perform the responsibilities and gathering information for the report.

Chapter 2: Literature Review



2. Literature Review

Literature Review helps to understand the reader several business technical terms so that he or she might understand the report well. This part is directly taken from the explanation of various famous writers and trustworthy websites so that it can help the reader to get the idea accurately.

2.1 Definition of Credit

According to Investopedia, the credit is a promised contract where a borrower receives some of the value for consideration and later the lender promises to repay, usually with some amount of interest. The provision also decreases or increases the company's financial statements, indicating liabilities and equity accounting a game of property. In addition, the net income in the income statement of the company loan, while the credit increases have reduced net income.

The provision also shows the credibility or credit history of an individual or company. For instance, someone could say, "There are many advantages to this, so the bank has rejected its mortgage application is not important." In other cases, the credit balance is deducted. For instance, suppose a company has a \$ 1000 credit card but owes \$ 300 in the store. You receive credit in your account and you only need \$ 700.

(Source: Investopedia, Available at: <https://www.investopedia.com/terms/c/credit.asp>)

2.2 Types of credit

There are many forms of credit. When banks lend to auto loans, mortgages, loans and transactions to their customers, they take all kinds of loans. Basically, the bank has made payments to the borrower and to be paid later on the borrower. For example, when someone purchases your local mail through your VISA card, your payment is considered as a credit size because you know that you will have to pay for them later.

However, loans are not just a form of credit. Providers offer goods or services to a person but the next payment is not required, it is a form of credit. For example, if a seller receives a food loaded truck from a seller, then the seller does not require a month's payment, the seller provides a credit form to the credit.

(Source: Investopedia, Available at: <https://www.investopedia.com/terms/c/credit.asp>)

2.3 Definition of credit risk

According to Horcher (2011), credit risk is a potential risk of loss due to the bankruptcy of the borrower to pay a loan or fulfil its contractual obligations. Traditionally, it refers to the risk

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that a creditor may not receive outstanding capital and interest, which results in a cash stoppage and an increase in the cost of collection. Although it is impossible to know who will adapt to the obligations, correctly evaluate the credit risk and reduce the severity of the loss of the administration. There is a lender or reward from the investor for managing credit risk, issuing interest or borrowing from the borrower.

(Source: KA Horcher, 2011, Book Name: Essentials of financial risk management, Available at: https://books.google.com.bd/books?hl=en&lr=&id=X__zoNzVh-QC&oi=fnd&pg=PT9&=Essentials+of+financial+risk+management)

2.4 The importance of credit risk management

According to Wagner (2011), Banks will not be there without credit risk management! Builders / service providers need money to do their job. They are banks / SE or shareholders of the bank. Bank credit is used for real (short-term) needs or for the creation of productive assets of the equity (long-term) of capital.

It is provided in many companies (see suppliers-customers) and in many ways is paid by the banks. But more importantly, lenders also have to give time. Credit risk management essentially guarantees that the borrower is an integral part of the stability of the loan, repayment capacity, well managed and managed personnel, the elements of implementation, regulatory and legal requirements and not necessarily the violation or other offense obligations. If a borrower's account is offensive, it will have a significant effect on banks, as well as reducing the impact on bank profits, without the cost of operating a particular account. Much of the hidden costs of the wrong account and reduce the bureaucracy, as well as the recovery efforts deployed for the transaction and costs. When a large number of borrowers is disconnected accounts, this requires banks.

The advantages of credit risk management beyond the banking sector, because each company covers the price of the supply chain and also damages the individual production chain (not paid to suppliers, which are predominantly small and medium-sized companies) due to losses, that are not a bad deal beyond the general consideration) and so on. Credit risk management is extremely important.

(Source: W. Wagner, 2011, Name of the journal: Journal of Banking & Finance, Title: Credit risk transfer activities and systemic risk: How banks became less risky individually but posed greater risks to the financial system at the same time)

Chapter 3: Overview of Janata Bank Limited



The Procedures of Credit Management of Janata Bank Limited

3.1 Background of Janata Bank Limited

Janata Bank is the second largest government owned commercial bank in Bangladesh. By joining United Bank Limited and Union Bank Ltd. under the 1972 Nationalization Ordinance, the bank emerged as Janata Bank. It was included in 2007. 13 (thirteen) members were trained under the direction of the Chairman of the Board. Directors represent both the public and non-governmental countries. General Manager and chief executive officer of the Bank is a very famous banker of Bangladesh. The head office of Janata Bank is located in Dhaka with 10 departments on 37 departments. The headquarters is located in Motijheel, Dhaka. It has 916 branches, 466 branches in rural areas and 450 branches in urban areas. There are more than 18,000 employees until September 2018, the total amount of authorized capital. 200 crores and the capital released Tk. 100 crore taka

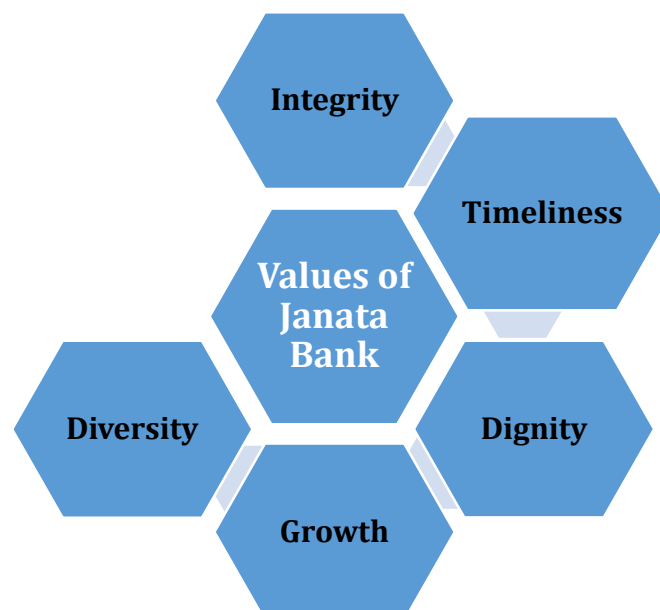
3.2 Mission of Janata Bank

Janata Bank Ltd. mission is to strengthen internal and external financial resources to contribute to the agricultural, industrial and social sectors. To have a catalytic role in the economic development of the country and the formation of the capital market.

3.3 Vision of Janata Bank

The vision of Janata Bank Limited is to be a preferred bank to serve the country as a progressive and socially responsible financial institution. An organizations that is bringing together credit and trade for the purpose of sustainable growth.

3.4 Values of Janata Bank



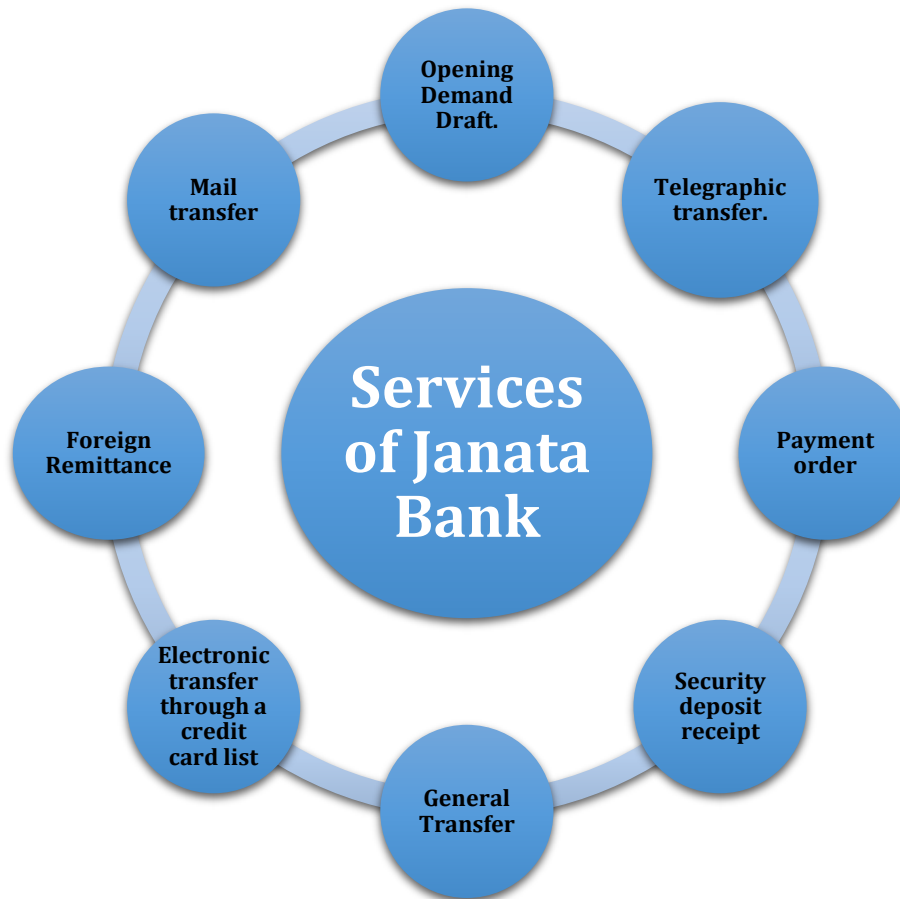
The Procedures of Credit Management of Janata Bank Limited

3.5 Janata Bank at a glance

FEATURES	VALUES
Name	Janata Bank Limited
Genesis	Janata Bank Limited, the 2nd largest State Owned Commercial Bank (SCB) in Bangladesh, is playing pivotal role in overall financial activities of the country. The Bank emerged as 'Janata Bank' by combining the erstwhile United Bank Limited and Union Bank Limited under the Banks Nationalization Order (President's Order- 26) of 1972 and was restructured as a limited company in November, 2007. Since inception in 1972 the Bank has commendably contributed to the socio-economic development of Bangladesh and helped structuring solid financial ground of the country as well. Janata Bank runs its business with 912 branches across the country including 4 overseas branches in United Arab Emirates.
Registered Address	Janata Bhaban, 110, Motijheel Commercial Area Dhaka - 1000, Bangladesh.
Legal Status	Public Limited Company
Chairman	Luna Shamsuddoha
CEO & Managing Director	Md. Abdus Salam Azad (F.F.)
Company Secretary	Hussain Yeahyea Chowdhury
Date of Incorporation	21 May 2007
Authorized Capital	BDT 30,000 Million
Paid up Capital	BDT 23,140 Million
Face value per share	BDT 100 per share
Shareholding Pattern	100% Share owned by the Government of Bangladesh
Number of Employees	11,849 (As on 01.02.2019)
Banking license obtained from Bangladesh Bank	31 May 2007
Phone	+88 02-9560000, 9566020, 9556245-49, 9565041-45, 9560027-30
Fax	88-02-9554460, 9553329, 9552078
SWIFT	JANBBDDH
Website	www.jb.com.bd, www.janatabank-bd.com,
E-mail	md@janatabank-bd.com

3.6 Services Provided by Janata Bank

Janata Bank Limited provides its customers with all banking facilities and services. Its vast branch network and with a fast and efficient staff provides the personalized services given below:



3.6.1 Services of interest:

The bank offers the following advantages of interest:

- a. Current status / saving / STD
- b. FDR account statement
- c. Advanced status of the account
- d. Debit account statement
- e. NRB account

3.6.2 Services for International trading

- a. Financing the export as part of the export policy of Bangladesh.
- b. Bank management and financing create an excellent corporate reputation in the Bangladeshi Banking industry in terms of International trade, especially in the country's exports and imports.

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- c. Janata Bank Ltd. is one of the pioneers in the promotion of the Letter of Credit (L/C) for the RMG sector (Ready Made Garments)

I. Export finance

- a. To increase the country's exports, Janata Bank Limited has provided assistance to several exporters. Some of these are the following:
- b. Interest discount rates for export financing.
- c. The prior shipment is provided and, subsequently, the shipment of the financing facilities, guarantee and export guarantees, etc.

II. Continuous L/C facilities for the bonded warehouse facilities.

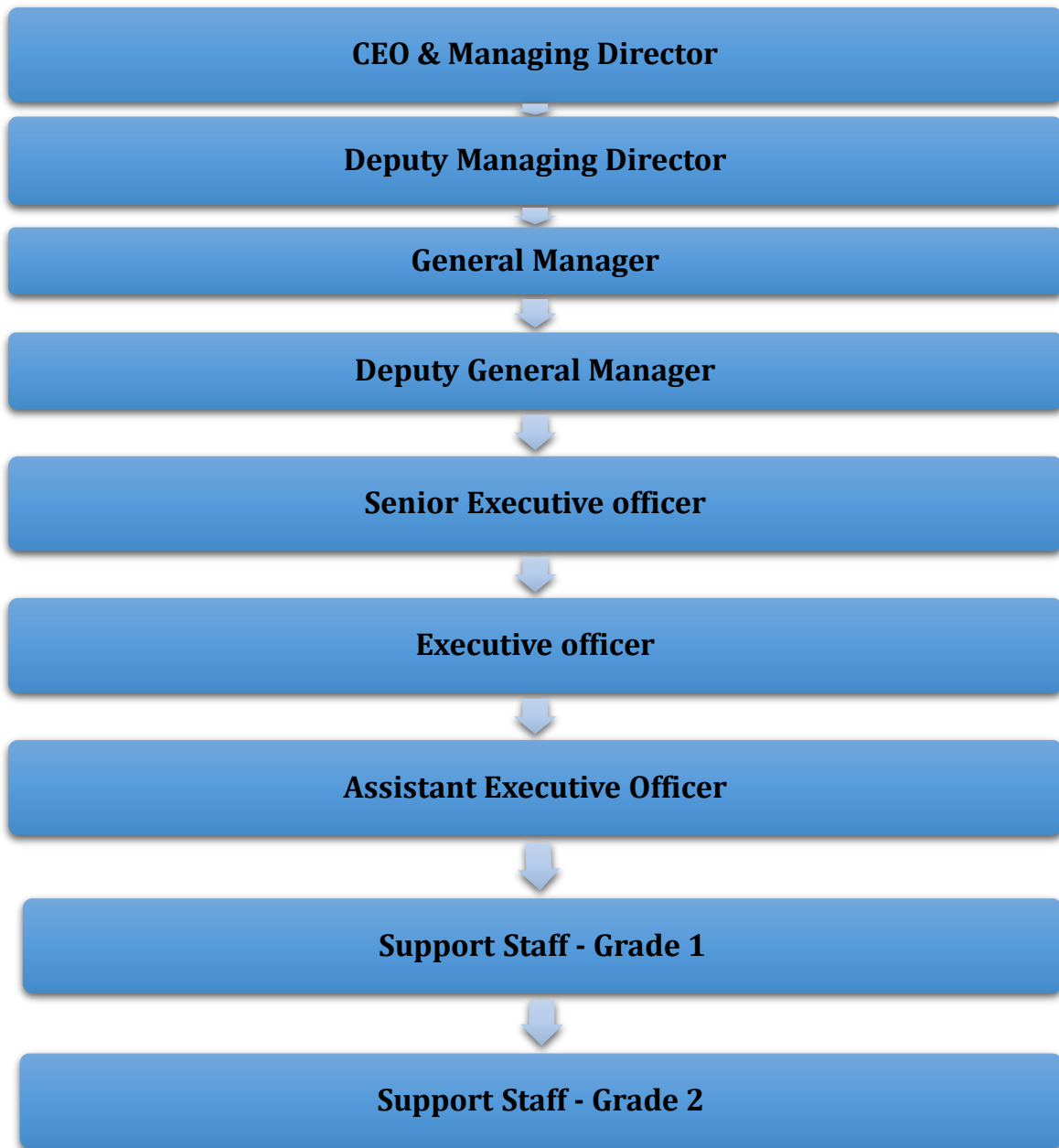
- a. Banking in export processing zone (EPZ).
- b. As a specialized consulting agency, the bank serves a group of consulting services.
- c. Businesses were canceled to generate capital in public funds of EEF (Equity & Entrepreneurship Fund) to raise funds for an agreement with the Bangladesh Bank.
- d. 100% export-oriented industries for foreign investments and opportunities for joint ventures.
- e. Export incentive programs.
- f. Data entry to computer programs and export services to the export financing program.

More expansion opportunities for Janata bank in the coming days.

Janata Bank Limited for the expansion of international banking has the following scope:

- a. Software and information entry
- b. Jewelry
- c. Fish cooler
- d. Dry and dispatched fish.
- e. Processed and semi-finished food, fish and shrimp.
- f. Electrical and electronic items.
- g. Toys and suitcases.
- h. fashion items
- i. Leather articles.
- j. Products of the station.
- k. Diamond and polished.
- l. Orchid
- m. Gift items
- n. Bamboo, bamboo and wood furniture.

3.7 Hierarchy of position



3.8 Composition of credit risk management committee

Serial	Name	Designation	Status with Committee
1	Khondker Sabera Islam	Director	Chairman
2	Mr. A.K. Fazlul Ahad	Director	Member
3	Mr. Mohammad Abul Kashem	Director	Member
4	Dr. Md. Jafar Uddin	Director	Member
5	Mr. Ajit Kumar Paul, FCA	Director	Member
6	Mr. Hussain Yeahyea Chowdhury	Company Secretary	Secretary

The Procedures of Credit Management of Janata Bank Limited

3.9 Financial Highlights of Janata Bank

Serial	Item Name	2013	2014	2015	2016	2017
1	Authorized capital	20,000.00	30,000.00	30,000.00	30,000.00	30,000.00
2	Paid up capital	19,140.00	19,140.00	19,140.00	19,140.00	19,140.00
3	Total capital (Tier-I+ Tier-II)	34,301.04	36,468.38	37,128.33	43,189.82	44,596.31
4	Required capital	33,392.33	35,420.25	36,562.52	40,408.89	44,341.90
5	Surplus/(shortage) of capital	908.71	1,048.13	565.82	2,780.93	254.41
6	Capital to Risk Weighted Asset Ratio (CRAR)	10.27%	10.30%	10.16%	10.69%	10.06%
7	Total assets	586,082.99	628,415.27	683,157.58	778,603.91	805,988.41
8	Total deposits	478,535.57	516,010.74	568,911.14	641,819.15	649,440.78
9	Total loans and advances	285,747.65	319,773.25	349,861.30	403,037.41	459,580.05
10	Total contingent liabilities and commitments	99,726.43	72,495.16	121,570.94	105,174.55	120,881.92
11	Credit deposit ratio	59.71%	61.97%	61.50%	62.80%	70.77%
12	Total classified loans	31,766.86	37,375.67	43,181.70	59,359.80	75,995.50
13	Percentage of classified loans against total loans	11.12%	11.69%	12.34%	14.73%	16.54%
14	Import	176,671.00	144,556.80	147,181.80	126,650.00	143,582.20
15	Export	153,252.00	154,079.70	145,373.60	154,454.20	139,920.90
16	Foreign remittance	103,982.00	106,677.10	106,336.30	90,081.80	72,022.00
17	Income from investment	13,736.50	16,742.67	18,260.44	16,597.90	14,414.82
18	Operating profit	12,127.10	10,683.34	10,720.50	10,038.29	11,369.48
19	Profit after tax and provision	9,551.39	3,813.15	4,807.88	2,605.48	2,686.50

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20	Provision kept against loans and advances (G+S) including OBS exposures	23,418.22	25,454.54	21,661.71	24,869.90	29,614.04
21	Provision kept against classified loans and advances	19,345.33	21,688.26	17,670.80	19,914.24	23,910.51
22	Provision surplus/(deficit) against loans and advances	330	418.95	83.77	251.56	59.39
23	Cost of fund	9.23%	8.82%	7.94%	8.05%	7.28%
24	Cost of deposit (%)	7.75%	7.34%	6.76%	5.49%	4.47%
25	Average return on loans and advances	12.39%	11.44%	9.35%	8.54%	8.04%
26	Interest spread	4.64%	4.10%	2.59%	3.05%	3.58%
27	Net spread	2.45%	2.06%	1.77%	1.48%	
28	Earning assets	461,290.06	496,866.59	548,634.47	605,444.04	610,004.45
29	Non-earning assets	124,792.92	131,548.69	134,523.10	173,159.87	195,983.96
30	Return on investment (ROI)	9.39%	8.47%	8.61%	7.19%	6.90%
31	Return on assets (ROA) after tax	1.42%	0.61%	0.70%	0.33%	0.33%
32	Return on equity (ROE)	30.09%	9.66%	11.44%	5.22%	5.23%
33	Earnings per share (EPS)	86.31	19.92	25.12	13.61	14.04
34	Net operating income per share	63.36	55.82	56.01	52.45	59.4
35	Net assets value per share (NAVPS)	193.92	206.14	219.63	260.66	268.36
36	Net operating cash flow per share (NOCFPS)	396.8	89.18	165.93	103.13	-171.58

Chapter 4: Credit Management of Janata Bank Limited



4.1 Meaning of credit policy

The Credit management policy implies the expected course of action. Janata Bank Limited has its own credit-granting policy, although credit is always a matter of judgment that applies common sense in light of experience.

A solid credit policy includes, among other things, the security of the funds invested with respect to the bank's profitability. Encouraging the maximum number of small loans is better than focusing on a particular type of advance, which guarantees sufficient liquidity with the lowest incidence.

4.2 The objective of credit policy

There are some goals behind a written credit policy of Janata Bank Limited which are as follows:

- i. Shorten the loan granting procedure.
- ii. Reduce the workload of high-level management.
- iii. Rapid response to customer needs.
- iv. To provide a guide for lending.
- v. Verify and balance operational activities.
- vi. The delegation of labor authorities with the highest level of management.

4.3 Formulation of credit policy

One of the problems raised in a credit discussion is that the policy should be formulated. Although the ultimate responsibility lies with the highest level of the organization, namely the board of directors. However, with the consultation of the executive director and the contribution of senior officials, collaborators, and subordinates, the initial loan office should formulate the policy. Obviously, the source level will change with the size and structure of the organization. Therefore, the problem has been carefully examined and reviewed after the approval of the board of directors.

4.4 Essential components of an eligible credit policy:

There may be some variations depending on the needs of a particular business, but each complete credit reporting policy must at least address the following areas. JBL's policy also covers these aspects:

The Procedures of Credit Management of Janata Bank Limited

- a. **Standardized loan:** this is a definition of the types of credit to be spent in which the quality standards for acceptable loans are established.
- b. **Delegation of authority:** anyone entitled to credit must know exactly to what extent and under what conditions the bank's funds can be compromised. These authorizations must be approved, at least once a year, with a written resolution of the board of directors and kept updated at all times.
- c. **Credit granting procedures:** this topic can be treated separately in the manual and is usually implemented in large banks. In any case, it should not be ignored, as adequate procedures are essential to establish lending policies and standards. Without an adequate loan procedure and constant vigilance to ensure that these procedures are carried out carefully, the best-designed loan policy will not work and, inevitably, problems will develop.
- d. **Legal considerations:** the legal limit on bank loans and other restrictions. It should be established to avoid inadvertent violations of banking regulations.
- e. **Pricing strategy:** in any profit attempt, the price that will be charged for the goods or services provided is of fundamental importance without this, individuals have few indications to mention the reimbursement of expenses or commissions, and the consequent variations of nature will cause customer dissatisfaction.
- f. **Market area:** each bank must establish its own market area, in particular, based on the size and complexity of its organization, from the point of view of the corporate bank.
- g. **Types of credit extension:** one of the most important parts of a loan is a description of acceptable loan types and others.

4.5 Loan guidelines

The Janata bank has already violated bad debt rate. Risk insurance for children and women is essential to monitor and obtain information on women and children, as well as to carry the wallet and information on it. The bank's strategy integrated into the strategy of production, identification, distribution, and management of copyrights as well as the rules of behaviour and security of communication, the reduction of quantity, safeguarding of music, saving of titles, rental of security, etc.

4.6 Focus on the industrial and commercial sector

The industrial sector is focused on textiles, pharmaceuticals, agro-foods, food-related products, telecommunications, medical assistance, chemicals, infrastructure development, entertainment services, transportation, connection industries, information technology, energy production and distribution, and ceramics, others from time to time. The commercial sector focuses on distribution, in the brick sector, mills, in orders, in trade in fabrics, in industrial spare parts, hardware, electronic and electrical products, materials construction, fish trade, grocery store, wholesale/retail, others as it is dedicated from past times

4.7 Types of credit lines

The bank will go through -

- a) The financing date for the new project has had a BMRE of existing projects (large, medium, PMI, SIC)
- b) Working capital for industries, commercial services and others (large, medium, SMEs, SIC).
- c) Commercial financing for import and export.
- d) Financing of the lease.
- e) Small loan for merchants, micro-enterprises and other small production companies.
- f) Financing for consumption.
- g) Activities remunerated.

a. Fund invested by JBL

The main function of the bank is to sell loan products and it is a dynamic activity. Through credit products, the banking sector encourages economic activity, encourages a distinct level, autonomy and profit policy of the bank. Loans only require banks to enter into more meaningful and specific agreements with citizens, and therefore have a greater effect.

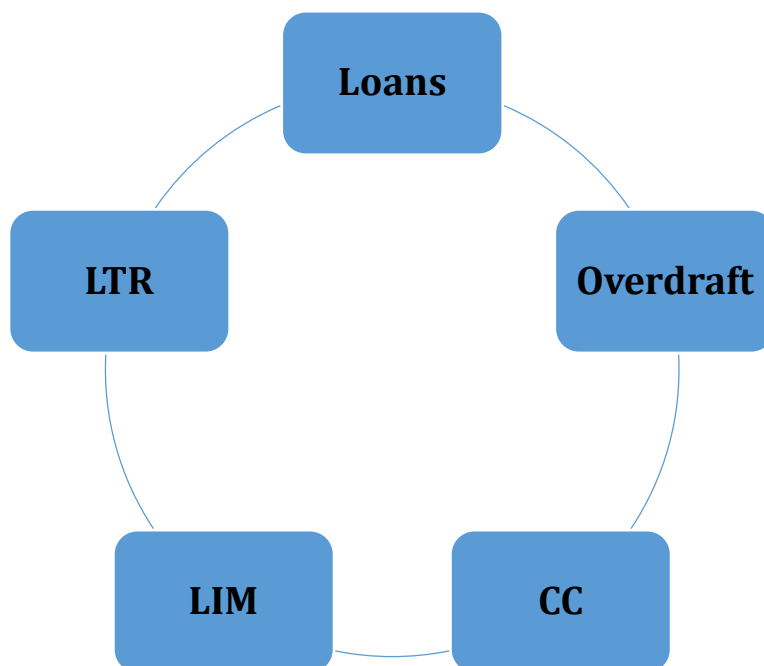
The precondition for financing is the prerequisite for the success of the banking administration. The funds supported by the real expansion of these acquired funds bring banks to the highest profit point. I will try to attribute the nature, pattern and resources of Janata Bank's investment in this chapter. The bank tested shows discrepancies between its investment portfolio, its credit program, its progress and its recovery rate, etc.

b. Economic distribution of the sector

Janata Bank is committed to providing short term, medium and long-term loans to various financial sectors. Although Janata Bank enhances its credit programs throughout the economy, such as industrial credit programs, agricultural credit programs, and commercial financing, the bank is making significant profits from its activities and improving its situation financially.

4.8 Distribution of the loans and advances

One of the main services of a modern bank is the great progress made for customers and others. The progress of Janata bank is realized in different ways:



a. Affordable and discounted invoices.

Janata Bank sanctions the loan in a distinctive category. It generally provides short-term advances to meet the borrower's working capital requirements. Only a small portion of the bank's demand and temporary liabilities are long-term, with the banker generally insisting on a regular instalment payment from the borrower. While the credit fund, a banker follows a very cautious policy and conducts business based on the well-known policies of smart lending to reduce the risk.

b. Grouping of maturities of the distribution of loans and advances

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At the beginning of the decision to grant a loan, Janata Bank Limited focuses mainly on liquidity. As it is doing business with public deposits, the bank is obligated to pay the money when people want it. Therefore, a considerable part of the bank advances is granted to satisfy the debtor's working capital requirements instead of satisfying the requirement of fixed capital, that is, the construction of a building or the purchase of fixed deposits. A banker would be bankrupt in his duty to safeguard the interests of the shareholders and depositor if he can't share the capital demanded on time. Therefore, the classifications of Janata bank loans and advances are shared below:



4.9 Credit management security at Janata Bank Limited

The most crucial functions of the bank are to divide the funds in the form of loans and advances to its customers. The strength of a bank depends on its credit and the quality of its progress. Sometimes, when the banker knew the client privately and closely and had full confidence in his integrity, he issued unsecured loans and advances for them. The situation is quite different today. Banks with a large number of officers in an extended area cannot afford to borrow and move without protection.

The withdrawal of protection is the last resort. It is designed to be an insurance against an emergency. But if the loan is not granted, the bank will accept a credit on the debtor's assets. But the significant value of the loan depends on the instructions established by the BBC in the BBC circular. 17/1977 and its lenders argue with their respective branches. The most important security categories presented are:

- i. FDR
- ii. Goods and basic products
- iii. Real Estate
- iv. Gold and ornaments

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- v. Share values
- vi. Book debts
- vii. Provide invoices
- viii. Life insurance policies
- ix. Goods title documents.

Janata Bank maintains sufficient security before the final sanction of loans and advances.

4.10 Credit distribution procedures of Janata Bank Limited

Get credit information

Janata Bank collects credit information about the applicant to determine the creditworthiness of the borrower. The bank collects information about the borrower from the following sources:

a. Personal investigation

A confidential report from another bank. Headquarters / branch / Chamber of Commerce.

CIB Report of the Central Bank.

b. Compilation of information

The loans and advances department gets a form that fills the part that looks for a lot of information. The information is detailed below:

- i. Name and address of the borrower (present and permanent).
- ii. Establishment data and place of incorporation.
- iii. Constitution or business situation.
- iv. Nature and business details/products.
- v. Property details, partners and directors.
- vi. Background and commercial experience of the borrowers.
- vii. Details on personal assets, the name of branches, the percentage of participation and nature of the activity.
- viii. Details of liabilities on behalf of borrowers, on behalf of the directors.
- ix. The financial situation for the last three years.
- x. Details of the values offered.
- xi. Proposed capital/debt ratio.
- xii. Other relevant information

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c. Analysing this information

Janata Bank begins to examine whether the requested loan complies with its loan policy. If it is compliant, examine the documents presented and the solvency. The solvency analysis, ie the analysis of the financial condition of the loan applicant is very important. If the loan amount exceeds 50,000,000, the bank uses the loan risk analysis (LRA) and the calculation sheet analysis (SA) recently presented by the Bank of Bangladesh. In accordance with the Rules of the Bank of Bangladesh, LRA and SA are a necessity for a loan exceeding one year. If these two analyzes reflect favorable conditions and the loan document appears to be satisfactory, the bank promises to take further measures.

d. Loan risk analysis (LRA)

The Loan Risk Analysis is a vital and effective analysis in deciding whether the loan proposal has potentiality or not. To carry out this analysis, many types of mathematical, administrative and statistical tools and devices are needed. JBL utilizes a standardized format for loan risk analysis, that includes an excel spreadsheet for analysing many things. The entire LRA cannot be discussed in this report.

i. Industry risk:

- a. **Offer risk:** what is the risk that the supply of input is not interrupted?
- b. **Sales risk:** what is the risk of failure due to the interruption of sales?

II. Company risk:

I. Risk of company position:

- a. **Performance risk:** what is the risk if the company's position is so weak that it cannot produce enough to pay the loan, given the expected external condition?
- b. **Resilience risk:** what is the risk of failure due to the lack of resilience in the face of an unexpected external condition?

II. Management risk:

- a. **Risk of managerial competence:** what is the risk of failure due to the lack of managerial skills?
- b. **Risk of administrative integrity:** what is the risk of failure due to the lack of integrity of the administration?

e. Analysis of the proposals.

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The project proposal is later analyzed and a decision about the project is taken. Loans and credit categories are responsible for analyzing. After initial assessment of the loan project, final approval is received from the manager. If the loan amount exceeds a certain amount (not available), the managers send the loan scheme to the head office for final approval. Leading office experts have developed many planned reports and an understanding of the potential of the project. Assess a loan offer considering the default variable of the bank. They are:

- a. Profitability
- b. Safety
- c. Security
- d. Liquid assets
- e. Purpose of the loans.
- f. Risk diversification
- g. Reimbursement sources, etc.

A loan proposal offers the most important measurements to evaluate security. Security is evaluated by security provided by the borrower and borrowers' earnings capabilities. The borrower's attitude is also a vital consideration. Meaning of liquidity is the flow of money for the project during operation. The benefits of liquidity are the blood of any commercial organization. Therefore, before approving a loan project, the banking authority should ensure that the proposed project is effective for business Profits that are assessed by profitable income statements. Security is the only real asset that is with the banker. Guarantee The only weapon to recover the loan amount Therefore, the bank will see that the guarantee is easy to sell and sufficient for recovering the debt amount. Banks can not only grant loans on guarantees basis.

The earnings or payment areas for the project will be potential. During any loan approval, banks should pay attention to the diversity of risks. All the money should not be given to a small number of people. Moreover, a project should be established for the development of national interest.

f. Collateral evaluation

Janata Bank is very cautious in evaluating the guarantee. Bank officials simultaneously evaluate the party's guarantees offered by the private company. The assessment of the guarantee increases the accuracy of its estimated value. Three types of guarantee value are assumed:

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- i. Current market price
- ii. Price in difficulty
- iii. Price after five years
- iv. The bank's lawyers review the document to verify its impurity.

g. The final decision on the project

If the loan decision is maintained at the branch level, the branch sanctions the loan and if the approval authority is the central office, the decision reaches the branch office by telex or fax.

h. Proper supervision of the project

If this clause is maintained in sanctions contracts, Janata Bank officials go to the project area to see how the loan is used. If a clause is not added to monitor the loan, even when the bank can see the performance of the project.

4.11 Loan documentation

These are the most commonly used and common documents mentioned above and for other procedures to sanction the loan:

- a. **Exchange Request Note:** in this case, the borrower agrees to repay the loan when required by the bank to pay the loan.
- b. **Letter of agreement:** Here the written amount of the loan sanctioned to the borrower is specified.
- c. **Continuity letter:** used to take continuous services, such as providing continuous titles.
- d. **Hypothesis Letter:** is the written document of the goods hypothetically to put in case of need.
- e. **Share report:** this report is used for SOD and CC. This report provided information on the quality and quantity of mortgaged assets.
- f. **Personal guarantee:** it is the additional confirmation of the reimbursement by the borrower.
- g. Guarantee of the directors of the company.
- h. **Resolution of the Board of Directors:** it is used to borrow the fund to be executed.
- i. Documents and complete other documents.

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- j. **Letter of resignation:** With this letter, the borrower withdraws all claims in
- k. Property / mortgaged
- l. **Letter of acceptance:** letter indicating the acceptance of the sanction proposed by the borrower.
- m. **Letter of commitment:** it is the written document of the goods, therefore, the legality of owning the goods is compromised.
- n. **Disbursement letter:** this is the document through which the payment of the sanctioned loan is indicated.
- o. **Letter of association:** in the case of limited partnerships, the deeds of the company must be provided.
- p. **Letter of payment:** the amount of the fee to pay in certain intervals.
- q. Certificate of payment of taxes.
- r. Any document, if it is described, as essential in the sanctioned opinion sanctioned by the Administration.

4.12 Creation of loan guarantee charges

For the security of the loan, Janata Bank requires the security of the borrower so that he can recover the loan by selling a guarantee if the borrower does not pay. Creating a load means making it available as a cover for an advance. The loading method must be legal, complete. The importance of reloading titles is like:

- a. Protection of interest.
- b. The rule against unexpected changes.
- c. Guarantee the recovery of borrowed money.
- d. The commitment of the borrower.

4.13 Loan Recovery Process of Janata Bank

a. Loan recovery programs

After sanctioning loans by the Janata Bank to its customers, it clearly indicates the payment model in the agreement of loan. But some creditors don't pay the instalments or even the credit on time. Both commercial and nationalized banks of the banking sector are confronted with this type of problem. This situation is particularly serious in Janata Bank. To overcome the problem of the loan due, the bank must follow a loan recovery program.

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b. Recovery programs that should be taken from Janata Bank

- i. Set up a monitoring unit and monitor credit at the bank.
- ii. Restructure the Janata bank's loan distribution policy.
- iii. Provision of penalties and advances against sufficient values in the best possible way.
- iv. Give the Branch Manager more authority in the credit management decision-making process.
- v. Provide a set of incentives for healthy debtors.
- vi. Give more importance to short-term loans and progress.
- vii. Impose restrictions on loans and advances for ill industries.
- viii. Bring an immediate legal action against debtors without any experience as much as possible within the time limits prescribed by the law of prescription.

c. Recovery and loan and advances

In general, Janata Bank sanctions loans and advances all sectors of the economy. Before going into the details of recovery performance, you should know some of the terms used in recovery performance.

- i. **Loan Withdrawal:** maximum unpaid balance at any date of the reference period minus the outstanding balance at the end of the previous period.
- ii. **Credit Recovery request:** expired at the end of the reference period, plus recovery during the reference period.
- iii. **Credit Recovery:** the highest balance on any date of the reporting period, minus the outstanding balance at the end of the recovery period.
- iv. **Exceptional Figures:** exceptional figures in the general ledger at the end of the reference period.
- v. **Deadline:** request for recovery without recovery.

Chapter 5: Findings of the report



5.1 Findings of the report

After analysing the credit management procedures several findings are found and the findings are listed below:

- a. Often the loan documentation is not checked fairly by the branch.
- b. The Bank follows the general process of assessing creditworthiness and risk according to the sales of Bangladesh Bank.
- d. It is sometimes difficult to collect formal documents and financial statements from the customer, which means that detailed customer information is not available.
- e. Loans and advances are vital to finance projects. An adequate credit distribution and monitoring system will eventually lead to the maximization of bank profits. It is clear that the size of JBL loans and advances is increasing over the years.
- f. Often the verification of the document is carried out after the loan, sanctioning the loan.
- g. There is a shortage of labour and a lack of adequate training for employees in the credit section of the branch.
- h. The cost of processing short term loan is higher than the other large-scale loan services provided by the bank since it is necessary to monitor and supervise the credit operation.

Chapter 6: Recommendations and Conclusion



6.1 Recommendations

The credit management procedures of Janata Bank Limited is analysed on the previous chapter and the findings are shared. At this chapter, I am going to share few suggestions to overcome few shortcoming that are shared in the findings chapter for the betterment of the credit management procedures of Janata Bank Limited.

- a. All loan documents must be honest. The bank should focus more on the correct documentation of all types of loans so that the department is reliable and healthy.
- b. The bank must establish a solid "Credit Manual" so that customers can easily understand the bank's credit rules.
- c. The branch can organize multiple training programs and workshops to make employees more efficient in their field.
- d. The bank must introduce short-term schemes, such as microcredit for the poor and urban people.
- e. All document controls must be performed by the branch before sanctioning the loan.
- f. Clients should be provided with adequate training on loans and basic accounting so that clients know and raise awareness about credit loans.
- g. The branch can organize multiple training programs and workshops to make employees more efficient in their field.

6.2 Conclusion

Credit is very important for a financial institution because it gains and creates economic activities of the country. In other words, credit is a business and an input to the country's manufacturing process. Credit holds an underlying risk, therefore, proper use of credit is essential to meet the requirements of the borrower. The loan requested by the borrower should not be used for inappropriate purposes. In this regard, the progress of loan of Janata Bank Limited and the borrowing fund should be closely monitored. In this way, Janata Bank Limited will disappoint any false asset from Janata Bank Limited's creditor credit rating system, it is a long process. It has been periodically reviewed by the concerned Bangladesh Bank circular. There are a corporate credit department and credit administration among Janata Bank Limited's global credit activities. The credit management system of Janata Bank Limited is less or less effective because the classified credit recovery position is high and classified loans have gradually decreased in the year. They always try to improve their credit policy by reducing losses and increasing profits and taking various steps for the development of credit management system.

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