**Internship Report**

**On**

**An Analysis of Investment Policy of Janata Bank Limited**

**Submitted to:**

**Controller of Examinations**

**National University**

**Gazipur-1704**

**Supervised by:**

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**Roll No: 1172453**

**Registration No: 00001176981**

**Session: 2010-2011**

**Major in Finance**

**Program: BBA**

**Daffodil Institute of IT (DIIT)**

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**National University, Bangladesh**

**Date of Submission: 09th April, 2016**

**Letter of Transmittal**

**09th April, 2016**

Controller of Examinations

National University

Gazipur-1704

**Subject: Submission of Internship Report.**

Dear Sir,

With great gratification I am submitting my internship report on **An Analysis of Investment Policy of Janata Bank Limited** that you have assigned me as an essential requirement of internship program. It is really an enormous prospect for me to congregate vast information and grasp the subject matter in an appropriate way. I have found the study is quite interesting, beneficial & insightful and tired my level best to prepare an effective &creditable report.

I’m honestly, not only anticipate that my analysis will assist to provide a clear idea about the overall condition of **An Analysis of Investment Policy of Janata Bank Limited,** but also optimistic enough to believe that you will find this report’s worth for all the labor I have put in it. I welcome your entire query & take pride to answer them.

Yours Sincerely

**………………………………..**

**Tawfiqur Rahman**

**Roll No: 1172453**

**Registration No: 00001176981**

**Session: 2010-2011**

**Major in Finance**

**BBA Program**

**Daffodil Institute of IT (DIIT)**

**Certificate of Supervisor**

This is to certify that, Tawfiqur Rahman, National University Roll No: 1172453,Registration No: 00001176981, Academic Session: 2010-2011, Major in Finance, is a regular student of 8th semester (Final Semester) of BBA program, Department of Business Administration, Daffodil Institute of IT. He has completed a three month internship program on **An Analysis of Investment Policy of Janata Bank Limited** under my supervision which is a fulfillment of practical requirement of obtaining BBA degree.

I wish him success in all his future endeavors.

**……………………………**

**Aminul Haque Russel**

**Lecturer**

**Department of Business administration**

**Daffodil Institute of IT (DIIT)**

**Declaration**

I, hereby declare that my internship report entitled **An Analysis of Investment Policy of Janata Bank Limited** including the result of my work at JBL, under the supervision of **Aminul Haque Russel (Lecturer of BBA),** Daffodil Institute of IT.

I further affirm that the work presented in this report is original and on part or whole of this report has been submitted to in any other National institute for any degree or any other purpose.

**……………………………………..**

**Tawfiqur Rahman**

**Roll No: 1172453**

**Registration No: 00001176981**

**Session: 2010-2011**

**Major in Finance**

**(Under National University)**

**Acknowledgement**

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ACRONYMS

|  |  |  |
| --- | --- | --- |
| SL. No. | Acronyms | Full Name |
| 1 | JBL | Janata Bank Limited |
| 2 | AD | Authorized Dealer |
| 3 | LC | Letter of Credit |
| 4 | SME | Small and Medium Enterprise |
| 5 | IRE | Import Registration Certificate |
| 6 | ERC | Export Registration Certificate |
| 7 | TIN | Tax Identification Number |
| 8 | LCA | Letter of Credit Authorization |
| 9 | IMP | Import Form |
| 10 | EXP | Export Form |
| 11 | VAT | Value Added Tax |
| 12 | FOB | Free On Board |
| 13 | CNF | Cost and Freight |
| 14 | CCIE | Chief Controller of Import & Export |
| 15 | LTR | Loan against Trust Receipt |
| 16 | BL | Bill of Leading |
| 17 | GSP | Generalize System of Preference |
| 18 | SWIFT | Society for Worldwide Interbank Financial Telecommunication |
| 19 | FDD | Foreign Demand Draft |
| 20 | EFT | Electronic Fund Transfer |

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**CHAPTER: 1**

**INTRODUCTION**

**1.1 Origin of the Report:**

Internship is a partial requirement of graduation. It offers a great opportunity for any student to get some tremendous and brilliant ideas about the practical field. It is also a challenging experience to prepare Internship report which increase intellectual abilities as an efficient graduate. As banking sector have emerged as the most important player of our economy and they also offer a passionate environment for career development. So it was my premier objective since the very beginning of BBA program to accomplish internship in this type of financial institution. The BBA program is designed to focus on theoretical and professional development of the students to take up business as a profession as well as service as a career. The internship provides the students to link their theoretical knowledge into practical fields. In this connection, I am a student of BBA (Finance) in the department of Bachelor of Business Administration (BBA) at Daffodil Institute of IT (Under National University) was assigned to prepare an internship report under the guidance of supervising teacher on a selected subject matter to highlight my experience and to conduct an in depth analysis on the subject matter. Janata Bank Limited (JBL) is a commercial bank and financial institution in Bangladesh. The internship Topic is **Analysis of Investment policy of Janata Bank Limited.** I have tried my level best to present my experience of the practical orientation in this report.

**1.2 Objectives of the Report:**

**General Objective:** To Evaluate The Investment Policy of Janata Bank Limited.

**Specific objectives:**

* To evaluate the Investment Procedures of Janata Bank.
* To have a clear understanding of the business operation of Janata Bank Limited*.*
* To suggest possible measures of improving the investment performance of the Janata Bank.
* To fulfill the partial requirement of BBA degree under National University.

**1.3 Methodology:**

This is a descriptive type of report. This report is based on both primary & secondary information. Also, analyze the quantitative information collected from secondary sources which contain past and present facts and figures, and conditions of the Janata Bank Limited.

**1.3.1 Primary Sources**

* Conversations with officers & employees of the branch.
* Interactions with the customers at JBL.

**1.3.2 Secondary sources**

* Annual reports,
* Official documents,
* Credit manual,
* Relevant books
* Newspapers
* Internet & various web sites of JBL.

**1.4 Scope:**

This study aimed at providing practical knowledge on overview of the performance especially in the investment policy of Janata Bank Limited working in Bangladesh. It also helped the way of gathering more practical knowledge about banking business. It covers the bank’s investment portfolio, chronological growth and rate of non- performing investment. The subject matter of the report or study consists of investment policy in Bangladesh: A Project of Janata Bank Limited.

**1.5 Limitations of the Report:**

The totals report on Investment policy of janata Bank ltd. with special emphasis the overall investment procedures of Janata Bank ltd. is vast and not possible to make it over a night. Though Internship program is a practical oriented program, it faces some difficulties. The major difficulties I have faced during my period are as follows:

* Time is the main constraint and limitation for preparing the report because three months is not sufficient to cover the whole process of Investment policy.
* Usually authority is not willing to disclose their actual data of financial statement for obvious reason.
* This study completely depends on official’s records and annual reports.
* Do not get genuine information from the customer.
* Lack of organized data.
* Personal barriers like inability to understand some official terms, office decorum etc creates a few problems to me.
* Finally, the lack of the depth of my knowledge and the analytical capacity for writing such report is also a shortcoming of this study.
* Most of the information has been taken from Secondary sources.
* Very few statistical tools have been used.

**CHAPTER: 2**

**OVERVIEW OF JANATA BANK LTD**

**2.1 Introduction:**

Janata Bank Limited welcomes to explore the world of progressive Banking in Bangladesh. It is a 100% state owned commercial bank and is catering the need of the mass business people. From 1972, Janata Bank was a nationalized bank and was catering the need of the mass business people until recently when it was corporatized (on 15th November 2007) as Janata Bank Limited. Janata Bank was born with a new concept of purposeful banking and diversified financial-needs of planned economic development of the country. Commitment of Janata Bank Limited-and the people's belief on Janata Bank Limited have given the edge over others to earn the trust about the safe keeping of their money in the right kind of banking channel. Immediately after the emergence of Bangladesh in 1971, the erstwhile United Bank Limited and Union Bank Limited were renamed as Janata Bank. It has an authorized capital of BDT. 20000.00 million (Approx. US$ 250 million), paid up capital of Tk. 19140.00 million, reserve of Tk.17976.20 million. The Bank has a total asset of Tk. 586082.98 million as on 31st December 2015. Janata Bank Limited currently operates through904 branches including 4 overseas branches in United Arab Emirates. It is linked with 1239 foreign correspondents all over the world. The Bank employs more than 14(fourteen) thousand personnel’s. The mission of the bank is to actively participate in the socio- economic development of the nation by operating a commercially sound banking organization, providing credits to viable borrowers, efficiently delivered and competitively priced, simultaneously protecting depositor’s funds and providing a satisfactory return on equity to the owners. The Board of Directors is composed of 13 (thirteen) members headed by a Chairman. The Directors are representatives from both public and private sectors. The Bank is headed by the Chief Executive Officer & Managing Director, who is a reputed banker. The corporate head office of the Bank is located in the capital city Dhaka with 10 (ten) Divisions comprising of 44 Departments.

**2.2 Vision:**

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.

**Figure: 2.2 vision of JBL**

**2.3 Mission:**

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 ensuring good corporate governance in every step of banking network.

**2.4 Basic Information:**

**Table:2.4 Corporate Profile Janata Bank Limited**

|  |  |
| --- | --- |
| **Genesis** | Janata Bank Limited the 2nd largest stage owned Commercial Bank (SBC) 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 Order26) of 1972 and was restructured as a Limited company in November,2007. |
| **Legal Status** | Public Limited Company(Governed by the Bank Companies Act 1991) |
| **Chairman** | Shaikh Md. Wahid-uz-Zaman |
| **Managing Director & CEO** | MD. Abdus Salam |
| **Company Secretary** | Md. Mosaddake-ul-Alam |
| **Registered Office** |  |
| **Authorized Capital** | BDT. 30,000 Million |
| **Paid of Capital** | BDT. 19,140 Million |
| **Operating Profit** | BDT. 10,683.34 Million |
| **Crediting Rating** | By Alpha Credit Rating Limited  (on the basic of Audited Balance sheet-2012,2011,2010 &Other information)Rating Mode Long Term Short Term Government Support AAA AR-1 Without Government Support A+ AR-2 Outlook Stable Date of Rating 19 September’2013 Expiry Date 18 September’2014 |
| **Employee (30.12.14)** | 14534 |
| **Branchs** | 904 |
| **Subsidiry Companies** | 1.janata Capital and Investment Company Limited  2. janata Exchange Company SRL,Italy |
| **Phone PABX** | 9560000,9566020,9565041-45 |
| **FAX** | 88-02-9554460,9553329 |
| **SWIFT** | JANBBDDH |
| **Website** | [www.janatabank-bd.com](http://www.janatabank-bd.com) |
| **E-mail** | md@janatabank-bd.com |

Source: Official website of JBL

**2.5 View of some Project financed by the Bank**

Janata Bank Limited and its subsidiaries financed the following projects:

* Financing to Garments Industry.
* Credit scheme with a view to extension and reforming of erected house.
* Financing to Dying Industry.
* Financing to Pharmaceuticals Industry.
* Financing to large scale Industry.
* Financing to small scale Industry.
* Financing to SME.
* Financing to Cottage Industry.
* Financing to software development and IT sector.
* Financing to Leather sector.
* Finance for processing fruit juice and others.
* Financing to Ship building Industry.
  1. **Business Strength**
* Second largest bank of the country.
* Wide network of 873 Branches across the country including 4 overseas branches.
* Holds a sound reputation in the banking industries.
* Sponsoring the government.
* Personalized service.
* Well-connected distribution channel from Head office to all branches.
* Healthy correspondent relationships with foreign banks.
* Majority of the branches run with computers under centralized network.
* Sound and large Capital base.
* Sustainable growth.

**CHAPTER: 3**

**CONCEPTUAL FRAMEWORK OF INVESTMENT**

**3.1 Definition of Investment:**

Investment is the commitment of money or capital to purchase financial instruments or other assets in order to gain profitable returns in the form of interest, income, or appreciation of the value of the instrument. Investment is related to saving or deferring consumption.

An investment involves the choice by an individual or an organization such as a pension fund, after some analysis or thought, to place or lend money in a vehicle, instrument or asset, such as property, commodity, stock, bond, financial derivatives (e.g. futures or options), or the foreign asset denominated in foreign currency, that has certain level of risk and provides the possibility of generating returns over a period of time. When an asset is bought or a given amount of money is invested in the bank, there is anticipation that some return will be received from the investment in the future.

**3.2 Definition of Investment from different Perspectives:**

Investment is a term frequently used in the fields of economics, business management and finance. It can mean savings alone, or savings made through delayed consumption. Investment can be divided into different types according to various theories and principles.

While dealing with the various options of investment, the defining terms of investment need to be kept in mind.

**Investment in terms of Economics:**

According to economic theories, investment is defined as the per-unit production of goods, which have not been consumed, but will however, be used for the purpose of future production.

***Examples*** of this type of investment are tangible goods like construction of a factory or bridge and intangible goods like 6 months of on-the-job training. In terms of national production and income, Gross Domestic Product (GDP) has an essential constituent, known as gross investment.

**Investment in terms of Business Management:**

According to business management theories, investment refers to tangible assets like machinery and equipment’s and buildings and intangible assets like copyrights or patents and goodwill. The decision for investment is also known as capital budgeting decision, which is regarded as one of the key decisions.

**Investment in terms of Finance:**

In finance, investment refers to the purchasing of securities or other financial assets from the capital market. It also means buying money market or real properties with high market liquidity. Some examples are gold, silver, real properties, and precious items.  
Financial investments are in stocks, bonds, and other types of security investments. Indirect financial investments can also be done with the help of mediators or third parties, such as pension funds, mutual funds, commercial banks, and insurance companies.

**Investment in terms of Personal Finance:**

According to personal finance theories, an investment is the implementation of money for buying shares, mutual funds or assets with capital risk.

**3.3 Main characteristics of investments**:

The following are the main **characteristics of investments**:

**Return:** All investments are characterized by the expectation of a return. In fact, investments are made with the primary objective of deriving a return. The return may be received in the form of yield plus capital appreciation. The difference between the sale price & the purchase price is capital appreciation. The [dividend](http://www.mbaknol.com/financial-management/types-of-dividend-policies/) or interest received from the investment is the yield. Different types of investments promise different [rates of return](http://www.mbaknol.com/investment-management/risk-and-return-in-investments/). The return from an investment depends upon the nature of investment, the maturity period & a host of other factors.

**Risk:** Risk is inherent in any investment. The risk may relate to loss of capital, delay in repayment of capital, nonpayment of interest, or variability of returns. While some investments like [government securities](http://www.mbaknol.com/business-finance/gilt-edged-government-securities-market/) & bank deposits are almost risk less, others are more risky. The [risk of an investment](http://www.mbaknol.com/investment-management/risks-associated-with-investments/) depends on the following factors.

* The longer the maturity period, the longer is the risk.
* The lower the credit worthiness of the borrower, the higher is the risk.

The [risk varies with the nature of investment](http://www.mbaknol.com/investment-management/risk-return-relationship-in-investments/). Investments in ownership securities like [equity shares](http://www.mbaknol.com/financial-management/capital-sources-for-business-equity-shares/) carry higher risk compared to investments in debt instrument like [debentures](http://www.mbaknol.com/financial-management/capital-sources-for-business-debentures/) & [bonds](http://www.mbaknol.com/business-finance/bonds-and-debentures/).

**Safety:** The safety of an investment implies the [certainty of return of capital without loss of money](http://www.mbaknol.com/investment-management/risk-return-relationship-in-investments/) or time. Safety is another features which an investors desire for his investments. Every investor expects to get back his capital on maturity without loss & without delay.

**Liquidity:** An investment, which is easily saleable, or marketable without loss of money & without loss of time is said to possess liquidity. Some investments like company deposits, bank deposits, P.O. deposits, NSC, NSS etc. are not marketable. Some investment instrument like preference shares & debentures are marketable, but there are no buyers in many cases & hence their liquidity is negligible. Equity shares of companies listed on stock exchanges are easily marketable through the stock exchanges.

An investor generally prefers liquidity for his investment, safety of his funds, a good return with minimum risk or minimization of risk & maximization of return.

**3.4 Objectives and principles of investment:**

The principles of investment operation of the bank are:

* To invest fund strictly in accordance with the principles of company act.
* To ensure mutual benefit both for the bank and the investment client by professional appraisal if investment proposal, judicious sanction of investment, close and constant supervision and monitoring thereof.
* To make investment keeping the social economic requirement of the country in view.
* To increase the number of potential investor by main participatory and productive investment.
* To finance various development schemes for poverty alleviation, income and employment generation with a view to an accelerating sustainable social economic growth of the society.
* To invest in the form of goods and commodities rather than giving out cash money to the investment clients.

**3.5 Investment Diversification:**

**Diversification** is the strategy of combining distinct asset classes in an **investment portfolio** in order to reduce overall portfolio risk.

In other words, **investment diversification** is the process of selecting the asset mix so as to reduce the uncertainty in [the return of an investment portfolio](http://www.mbaknol.com/investment-management/risk-and-return-in-portfolio-investments/). Diversification helps to reduce [investment risks](http://www.mbaknol.com/investment-management/risks-associated-with-investments/) because different investments may rise and fall independent of each other. The combinations of these assets will nullify the impact of fluctuation, thereby, reducing risk.

Most financial assets are not held in isolation, rather they are held as parts of portfolios. Banks, pension funds, insurance companies, [mutual funds](http://www.mbaknol.com/investment-management/about-the-investments-in-mutual-funds/), and other financial institutions are required to hold diversified portfolios.

Even individual investors at least those whose security holdings constitute a significant part of their total wealth generally hold [stock portfolios](http://www.mbaknol.com/investment-management/portfolio-diversification-with-a-number-of-securities/), not the stock of a single firm. An important reason is the lowering of risk, which means risk of getting zero or negative return on some assets. If a person holds a single asset, he or she is highly dependent on the issuer firm, its success, and [dividend policy](http://www.mbaknol.com/business-finance/factors-affecting-dividend-policy/), as well as on the overall current market situation. On the other side, holding a well-diversified portfolio protects a person from both market fluctuations and internal problems of issuer. A diversified portfolio helps to keep investment.

[Diversification in a portfolio](http://www.mbaknol.com/investment-management/diversification-of-securities-in-portfolio-investments/) can be achieved in many different ways. Individuals can diversify across one type of asset classification – such as stocks. To do this, one might purchase shares in the leading companies across many different (and unrelated) industries.

Many other investment diversification strategies are also possible. We can diversify our investment portfolio across different types of assets (stocks, bonds, and real estate for example) or diversify by regional allocation (such as state, region, or country). Thousands of options exist. Luckily, in almost every effective investment diversification strategy, the ultimate [goal is to improve returns while reducing risks](http://www.mbaknol.com/investment-management/objectives-and-scope-of-investment-portfolio-management/).

The following possible ways can be applied by a fund manager while considering the mode of investment diversification.

**Diversify within an industry:**

Investing in a number of different stocks within the same industry does not generate a diversified portfolio since the returns of firms within an industry tend to be highly correlated. However, this is better than investing in a single stock.

**Diversify across industry groups:**

Correlation between industries is likely to be lower than between the firms with an industry. However, some industries themselves can be highly correlated with other industries and hence [diversification benefits](http://www.mbaknol.com/investment-management/objectives-and-scope-of-investment-portfolio-management/) can be maximized by selecting or have very little correlation with each other.

**Diversify across geographical regions:**

Companies whose operations are in the same geographical region are subject to the same risks in terms of natural disasters and state or local tax changes. Investing in companies whose operations are not in the same geographical region can diversify these risks.

**Diversify across countries:**

Stocks in the same country tend to be more correlated than stocks across different countries. This is because many taxation and regulatory issues apply to all stocks in a particular country. [International diversification](http://www.mbaknol.com/investment-management/international-diversification-of-investments/) provides a means for diversifying these risks.

**Diversify across asset classes:**

 Investing across asset classes such as stocks, bonds, and real property also produces diversification benefits. The returns of two stocks tend to be more highly correlated, on average, than the returns of a stock and a bond or a stock and an investment in real estate.

**3.6 Investment policy**

Investment policy is a document drafted between a portfolio management and a client that outlines general rules for the manager. This statement provides the general investment goals and objectives of a client and describes strategy that the manager should employ to meet these objectives. Investment policy is a document that formalizes an institution’s goals, objectives, and guidelines for asset management, investment advisory contracting, fees and utilization of consultants and other outside professionals.

The special feature of the investment policy of the bank is to invest on the basis profit loss sharing system in accordance with the tents and principles company act. Earning profit is not intention and objective of the bank’s investment policy rather emphasis is given in attaining social welfare in creating employment opportunities. By investing in many sector janata bank ltd plays vital role in our economy**.**

A bank makes investments for the purpose of earning profits. First it keeps primary and secondary reserves to meet its liquidity requirements.

This is essential to satisfy the credit needs of the society by granting short-term loans to its customers. Whatever is left with the bank after making advances is invested for long period to improve its earning capacity.

Before discussing the investment policy of a commercial bank, it is instructive to distinguish between a loan and an investment because the usual practice is to regard the two as synonymous. The bank gives a loan to a customer for a short period on condition of repayment.

It is the customer who asks for the loan. By advancing a loan, the bank creates credit which is a temporary source of fund for the bank. An investment by the bank, on the other hand, is the outlay of its funds for a long period without creating any credit. A bank makes investments in government securities and in the stocks of large reputed industrial concerns, while in the case of a loan the bank advances money against recognized securities and bills. However, the goal of both is to increase its earnings.

The investment policy of a bank consists of earning high returns on its unloaded resources. But it has to keep in view the safety and liquidity of its resources so as to meet the potential demand of its customers.

Since the objective of profitability conflicts with those of safety and liquidity, the wise investment policy is to strike a judicious balance among them. Therefore, a bank should lay down its investment policy in such a manner so as to ensure the safety and liquidity of its funds and at the same time maximize its profits. This requires adherence to certain principles.

**3.7** [**Factors Influencing Investment Policy**](http://futurefinancialsystem.blogspot.com/2010/03/factors-influencing-investment-decision.html)

There are many factors which directly or indirectly, influence capital investment decisions, beside the availability of funds to invest, profitability of the investment, market for the product, etc. they are as below:

**1. Technological Changes:**

Technological development changes at present is much faster than that at past. The new technology increases the productivity of labor and capital. The selection of new technology depends on the net benefit over the cost of having the technology. Benefits from and cost of new technology also influences the investment decision.

**2. Competitors’ Strategy:**

If the competitors are installing the new equipment to expand output or to improve of their products, the firm under consideration will have no alternative but to follow suit, else it will be loss. It is therefore; often found that the competitor's strategy regarding capital investment plays a very significant role in forcing capital decision of the firm.

**3. Demand** **Forecast:**

The long term demand forecast is one of the determinants of investment decision. If the firm finds market potentials for the product in the long run, the firm will have to take decision for investment.

**4. Outlook of Management:**

Investment decision depends on the management outlook. If the management is progressive in its outlook, the innovations will be encouraged.

**5. Fiscal Policy:**

Various tax policies of the government relating the tax concession on prioritized investment rebate on new investment methods allowing depreciation deduction allowance etc. Also have influence on the capital investment.

**6. Cash Flow:**

Every firm makes a cash flow budget. Its analysis influences capital investment decision. On the basis of each cash flow budget the firm plans the funds for acquiring the capital assets. The budget also shows the timing of availability of cash flows for alternative investment proposals.

**7. Expected Return From TheInvestment:**

Investment decisions are mostly done anticipation of increased return future. So, it is necessary to estimate future net returns from the investment proposals while evaluating the investment proposals.

**8. Non-EconomicFactors:**

The factors which cannot be evaluated in money terms is called non-economic terms or factors. Sometime the non-economic factors also influence investment decisions. Working environment in the firm, safety measures in the operation of machines, brotherhood and good relation among employer and employees, etc. influences the firm's output and also the investment decision.

**3.8 Investment Portfolio**

Investment portfolio of mainly comprises of investment in Bangladesh in the following areas:

* Government securities, Bonds, Treasury bills of different period and Bangladesh bank bills.
* Zero coupon bond.
* Debenture of government, semi government organization and public limited companies.
* Shares of listed companies.
* Reverse Report

### Performance measurement tools of Investment

Different profitability ratios provide different useful insights into the financial health and performance of a company. For example, gross profit and net profit ratios tell how well the company is managing its expenses. Return on capital employed (ROCE) tells how well the company is using capital employed to generate returns. Return on investment tells whether the company is generating enough profits for its shareholders.

For most of these ratios, a higher value is desirable. A higher value means that the company is doing well and it is good at generating profits, revenues and cash flows. Profitability ratios are of little value in isolation. They give meaningful information only when they are analyzed in comparison to competitors or compared to the ratios in previous periods. Therefore, trend analysis and industry analysis is required to draw meaningful conclusions about the profitability of a company.

Some background knowledge of the nature of business of a company is necessary when analyzing profitability ratios. For example sales of some businesses are seasonal and they experience seasonality in their operations. The retail industry is example of such businesses. The revenues of retail industry are usually very high in the fourth quarter due to Christmas. Therefore, it will not be useful to compare the profitability ratios of this quarter with the profitability ratios of earlier quarters. For meaningful conclusions, the profitability ratios of this quarter should be compared to the profitability ratios of similar quarters in the previous years.

**Gross Margin**

Gross profit margin (gross margin) is the ratio of gross profit (gross sales less cost of sales) to sales revenue. It is the percentage by which gross profits exceed production costs. Gross margins reveal how much a company earns taking into consideration the costs that it incurs for producing its products or services. Gross margin is a good indication of how profitable a company is at the most fundamental level, how efficiently a company uses its resources, materials, and labor. It is usually expressed as a percentage, and indicates the profitability of a business before overhead costs; it is a measure of how well a company controls its costs.

Gross margin is calculated as gross profit divided by total sales (revenue).

**Gross profit margin = Gross profit / Revenue**

Gross margin measures a company’s manufacturing and distribution efficiency during the production process. The higher the percentage, the more the company retains on each dollar of sales to service its other costs and obligations, the better the company is thought to control costs. Investors use the gross profit margin to compare companies in the same industry and also in different industries to determine what are the most profitable. A company that boasts a higher gross margin than its competitors and industry is more efficient.

#### Net Profit Margin

Net profit margin (or profit margin, net margin, return on revenue) is a ratio of profitability calculated as after-tax net income (net profits) divided by sales (revenue). Net profit margin is displayed as a percentage. It shows the amount of each sales dollar left over after all expenses have been paid.

Net profit margin is a key ratio of profitability. It is very useful when comparing companies in similar industries. A higher net profit margin means that a company is more efficient at converting sales into actual profit. Calculation (formula):

**Net profit margin = Profit (after tax) / Revenue**

Both variables are shown on the income statement or statement of comprehensive income.

#### Return on Assets (ROA)

Return on assets (ROA) is a financial ratio that shows the percentage of profit that a company earns in relation to its overall resources (total assets). Return on assets is a key profitability ratio which measures the amount of profit made by a company per dollar of its assets. It shows the company’s ability to generate profits before leverage, rather than by using leverage. Unlike other profitability ratios, such as return on equity (ROE), ROA measurements include all of a company’s assets – including those which arise from liabilities to creditors as well as those which arise from contributions by investors. So, ROA gives an idea as to how efficiently management use company assets to generate profit, but is usually of less interest to shareholders than some other financial ratios such as ROE.

Return on assets is calculated by dividing a company’s **net income** (usually annual **income)** by its total assets, and is displayed as a percentage. There are two acceptable ways to calculate return on assets: using total assets on the exact date or average total assets. Calculation formula:

**ROA = Net Income after tax / Total assets (or Average Total assets)**

Return on assets gives an indication of the capital intensity of the company, which will depend on the industry. Capital-intensive industries (such as railroads and thermal power plant) will yield a low return on assets, since they must possess such valuable assets to do business. Shoestring operations (such as software companies and personal services firms) will have a high ROA: their required assets are minimal. The number will vary widely across different industries. This is why, when using ROA as a comparative measure, it is best to compare it against a company’s previous ROA figures or the ROA of a similar company.

**Net Asset Value**

Net Asset Value is the value of an entity's assets minus the value of its liabilities, often in relation to open-end or mutual funds. This may also be the same as the book value or the equity value of a business. Net asset value may represent the value of the total equity, or it may be divided by the number of shares outstanding held by investors, thereby representing the net asset value per share.Formula to calculate Net Asset Value of a security is

**NAV = (Total Asset – Total Liabilities) / No. of Share outstanding**

The NAV is the price per share an open-end mutual fund pays when you redeem, or sell back, your shares. With no-load mutual funds, the NAV and the offering price, or what you pay to buy a share, are the same. With front-load funds, the offering price is the sum of the NAV and the sales charge per share and is sometimes known as the maximum offering price (MOP).

#### Price Earnings Ratio

P/E is short for the ratio of a company's share price to its per-share earnings. As the name implies, to calculate the P/E, we simply take the current stock price of a company and divide by its earnings per share (EPS): Formula to calculate Price Earnings ratio is

**P/E Ratio = Market Value per Share / Earnings per Share**

Most of the time, the P/E is calculated using EPS from the last four quarters. This is also known as the trailing P/E. However, occasionally the EPS figure comes from estimated earnings expected over the next four quarters. This is known as the leading or projected P/E. A third variation that is also sometimes seen uses the EPS of the past two quarters and estimates of the next two quarters.

#### Earnings per Share

Earnings per Share (EPS) are the amount of income that "belongs" to each share of common stock. An important tool for investors, EPS is often used in determining the value of a stock. Formula to calculate EPS is:

**EPS = (Net Income – Preferred stocks dividends) / No. of Share outstanding**

EPS is generally reported in annualized form from the most recent fiscal year. From time to time, you will see the abbreviation associated with earnings per share. That means that the earnings number is a sum of the previous four quarters, which is not necessarily the same as the previous fiscal year.

**CHAPTER: 4**

**INVESTMENT ANALYSIS OF**

**JANATA BANK LTD**.

**4.1 Investment Analysis of Janata Bank limited:**

Janata Bank Limited is one of the leading state owned commercial bank in the country in terms of asset quality, profitably, product diversification, capital adequacy, service portfolio etc. Inspite of persisting numerous challenges in overall banking sector, the bank has performed successfully

Analysis of financial statements of annual report 2013 reflects the complete picture of gradual development of various financial indicators of the Bank. JBL progressed gradually in the field of business and earned quality rating.

* Earned net profit after tax BDT 9,551 million in 2013recovering from a net loss BDT 15,280 million in 2012.
* Capital Adequacy Ratio (CAR) has risen to its highest level after implementation of Basel-II.
* Investment growth is about 78.39%.
* Growth of total assets is 13.12%.
* In 2012 the number of loss bearing branches were 82which in 2013 has been dropped to 43 due to taking pragmatic steps by bringing the branches under special care and earmarking them as **“UnnatikamiShakha”**(branches longing for progress).

**Industrial Credit Financing**

Through contributing to industrialization by meeting demand for current capital loans including long term project loans under industrial credit facilities Janata Bank Limited is playing a vital role in rapid industrialization of the country. The bank participates in syndication with other banks to provide large loan. Loans and advances activities of the Bank play an important role in gearing up the country's economic activities and strengthening economic infrastructure. Janata Bank Limited has performed leading role in the post liberation era in the country's industrialization and building up of the major industrial organizations. This also creates employment opportunities. Janata Bank has invested in different industries of leading and well established groups including Akij, Beximco, Square, S. Alam, Thirmex, Basundhara, Partex, City, Apex etc. Janata Bank also provides financial assistance in investing in different Government organizations like-BPC, BCIC, BADC, BSFIC etc.

**Development of Women Entrepreneurs Financing**

With a view to extending financial support to women entrepreneurs and trained or skilled but unemployed women and housewives, JBL allows credits to produce garments, items of home decoration, boutique, printing service, processed food, fast foods, and run other service oriented institutions since the inception of this credit programs in 2001. So far BDT 70.60 million has been distributed among 206 recipients in this sector supplying credits to this sector through its branch network.

**Small and Medium Enterprises Financing**

Janata Bank Limited is actively involved in SME financing. Through providing credits in this sector the bank plays a crucial role in exploiting income generation in rural and suburban areas alongside creating employment opportunities. The bank extended term loans and working capital to different producers, business people and service providers under this sector. The industries that are notable belong textiles, jute, garments, environment friendly brick production, light engineering, cottage industries, handicraft, accessories of readymade garments etc. In 2013, Janata Bank distributed a total of BDT 24418.60 million in loans in this sector.

**Short Term Interest Free Loan**

"The short term interest free loan program" for the poor and marginal farmer in the Aila, Sidre and Monga affected areas was introduced in fiscal year (FY) 2009-10. This loan program began primarily as a pilot project through 35 branches of Janata Bank on experimental basis to meet the capital needs of the landless and marginal farmers of mongastricken and Aila and Sidr affected areas to make them self-reliant through creating new employment in agricultural sector by bringing them out of the vicious circle of high rate of interests charged by money lenders and NGOs and prevent the poor people from migrating to cities. As the loan program ran successfully, 15 more branches of char lands and haor and baors (fenland) have been inducted into this program for FY 2012-13. At present, the interest free loan program is executed through 51 branches of the bank. Under this program loans have been distributed in 17 districts that include monga hit districts of Rangpur, Nilphamari, Lalmonirhat, Kurigram and Gaibandha and Sidraffected districts of Khulna, Bagerhat, Satkhira, Barisal, Jhalokathi, Pirojpur, Patuakhali, Borguna, Bhola, Madaripur, Shariatpur and Gopalgonj. Between FY 2009-10 to FY 2012-13 a total of BDT. 60 million has been distributed under this program. Loan recovery ratio is almost 100 percent.

**Agricultural/Crop Loans**

Considering the pivotal importance of the agricultural sector in the overall economy of the country and under the directives of Bangladesh Bank, Janata Bank has been supplying credits to this sector through its branch network across the country since 1974.

**Financing in Micro Enterprises and Special Programs**

In addition to providing general banking services, the activities of the bank have expanded to gear up agricultural production and alleviation of poverty through agricultural/rural credit programs. Presently there exist 42 programs/sectors under this head.

**Investment Financing**

Under investment activities, the Treasury department of the bank operates treasury bill, bond, debenture and share related transactions. In order to strengthen the capital market of the country, Janata Bank Limited has engaged itself as primary dealer in buying and selling of treasury bills and Bond. In 2013, the bank earned BDT 7811.40 million through treasury activities which was BDT 6,109.0 million in the previous year.

**4.2 Investment portfolio of Janata Bank Limited mainly comprises of investment in Bangladesh in the following areas:**

* Government Securities/Bonds, Treasury Bills of Different Period & Bangladesh Bank Bill.
* Zero Coupon Bond.
* Debenture of Government, semi-Government organization & Public Limited Companies.
* Reverse Repo.

Shares of Major Companies:

* INVESTMENT CORPORATION OF BANGLADESH.(ICB)
* NATIONAL TEA COMAPANY LIMITED.
* BRITISH AMERICAN TOBACCO BANGLADESH COMAPANY LIMITED.
* BATA SHOE COMAPAY BANGLADESH LIMITED.
* CONFIDENCE LIMITED.
* SINGER BANGLADESH LIMITED.
* MONO FABRICS LIMITED.
* APEX TANNERY LIMITED.
* MEGHNA CEMENT MILLS LIMITED.
* ESTERN BANK LIMITED.
* ESTERN CABLES LIMITED.
* PADMA OIL LIMITED.
* SAFKO SPINNING MILLES LIMITED.
* UNITED LEASING COMPANY LIMITED.
* BANGLADESH COMMERCR BANK LIMITED.

Moreover, Janata bank Limited is performing as ( Primary Dealer) of Bangladesh Govt.

Treasury Bills / Bonds.

The Total Investment of Janata Bank is tk. 447,002.93 Million as on 31.12.2014

The Head wise Investment Position are as Follows:

|  |  |
| --- | --- |
| Debentures | Tk. 138,628.29 Million |
| Government Securities | Tk. 178,826.33 Million |
| Zero Coupon Bond | - |
| Shares | Tk. 129,548.31 Million |
| Total | Tk. 447,002.93 Million |

Sources: Annual report of Janata Bank

**Factors affecting the investment of Janata Bank Ltd**

Three remain some elements which affect the investment. Those factors are below:

* Profit Margin
* Bank Requirement
* Recovery System
* Cooperative Services
* Technical Facilities
* Investing Sector

**Investment objective and principles of Janata Bank Ltd.**

The investment sector of Janata Bank Ltd is to invest on the basis of profit loss sharing system.

The principles of this branch are:

* To continue investment division activity on bases of company act.
* To start various development schemes which are provided by Janata Bank Ltd.
* To expand its investment portfolio by size of investment, by sector of investment, industrial and commercial.
* To avoid high profitable investment in fields if there is chance of any harmful of the society.
* To increase the number of potential investors by main participatory and productive investment.
* To increase social uplift enterprises.

**4.3 Collection of fund from different source**

Janata bank Ltd collect fund from reserves and funds rose through borrowings. The main part of their operational funds is however, derived from the different categories of deposits accepted on the company act principles. Janata Bank Ltd has opportunity to collect fund in two ways such as “Primary” and “Secondary” source. These are discussed as under:

**4.3.1 Primary source**

**Reserves**

The central bank also requires that Janata Bank Ltd shall maintain reserve fund. Before any dividend is declared Janata Bank Ltd shall transfer to the reserve fund out of the net profit of each year after due provision has been made for taxation, a certain percentage of the net profits in order to build up adequate reserves.

**Liquid Assets**

Janata Bank Ltd is further required to keep it all times minimum amount of liquid assets against its deposits liabilities expressed as certain percentage of the deposits, as may be preserved from time to time by notice in writing the central bank.

**Borrowing from IPG**

To tide over liquidity shortages Janata bank ltd as member banks are entitled to borrow from the central bank as the lender of last resort.

**4.3.2 Secondary sources**

**Mobilization of Deposits**

The main function of Janata bank ltd is to mobilize savings and provide financial support to the entrepreneurs. Janata bank ltd is a response to such exigencies .It mobilizes savings of the common people in accordance to company act.

**4.4 Investment under special schemes of Janata bank ltd**

**Household durable scheme**

Janata bank ltd has introduced household durables investment scheme which has already created enthusiasm among the people and received tremendous response from them. Objectives are to assist the service holders with limited income in purchasing household.

**Investment scheme for doctor**

A good number of graduated doctor from Medical Colleges are unemployed. Many of Medical graduates are waiting for job because the opportunity for Government service is limited. That is why Janata bank ltd has introduced “Doctors Investment scheme” to ensure modern treatment and medical facilities available to the people through of bank’s investment facilities for self-employment of newly graduated.

**Small business investment scheme**

Bangladesh a developing country is rich in natural and human resources .In spite of vast possibilities the majority people of the country live on hardship below poverty tapped explored. Janata bank limited provides investment scheme for those people.

**Housing investment scheme**

One of the basic human needs is to have a house to live in. A house is in an abode of peace and happiness .Housing is now become an acute problem in the country. That is why Janata bank ltd provides housing investment scheme for the countries people.

**Real estate investment program**

Professionals, service holders, businessmen, Real estate developer and other categories of people who are not entitled for availing investment facilities under housing scheme, shall be eligible under this program.

**Car investment scheme**

Car is considered as an essential mode of transport in the modern society, particularly by a section of the official’s business houses and business executives and established pro professionals for movement in discharging their duties efficiently. Many of these types of people cannot purchase a car on payment. For those people Janata bank limited gives car investment loan.

**Rural Development scheme**

Janata bank ltd envisages on economic system based on equity and justice. As in our country most people live in below poverty lines, in these case Janata bank limited provides Rural development scheme with a view to create employment opportunity as well as overall development of the country.

**Agriculture implement investment scheme**

Bangladesh is an agriculture country with vast majority of people living in rural areas. Most of the people for their living are dependent on agriculture. Agriculture still contribute the lion share of the gross domestic product But we could not have those amount of money. In this case Janata bank ltd provides the agriculture implement investment scheme**.**

**Micro industries investment scheme**

Janata bank ltd has been appreciably participating in this direction by financing Industrial sector. With a view to creating wider base for industries the bank has decided to launch ‘Micro Industries Investment scheme” through its branches.

**4.5 Guidelines by Bangladesh Bank:**

**Guidelines of processing investment are as follows:**

* Enter the Application in the “Investment Proposal Received and Disposal Register and Allot a serial number to it.
* Examine permissibility of goods .Reject the proposal outright.
* Check up Credit Restriction Schedule Of Bangladesh Bank and Head Office Current

**Investment Policy Guideline:**

* Visit the Business establishment of the client .Talk to business and important personalities of the locality to ascertain the honesty integrity and business dealings of the client**.**
* Request for confidential report of the client from local Bank Branches.
* Confident**ial** Report from Credit Information Bureau of Bangladesh bank through Head Office

**4.6 Investment Risk Grading:**

**Definition of investment risk grading**

* It is a collective definition based on the pre specified scale and reflects the underlying Investment risk for a given exposure
* It deploys a number/alphabet/symbol as a primary summary indicator of risks associated with a investment exposure

**Functions of Investment risk grading**

Well managed investment risk grading system promotes bank safety and soundness by facilitating informed decision making. Investment risk and differentiate individual Investment and group of investment they pose. This allows bank management and examiners to monitor changes and trends in risk levels.

**Use of investment risk grading**

* The investment risk grading matrix allows application of uniform standard to investments to ensure a common standardized approach to assess the quality Of individual investment portfolio of a unit, line of business, the branch or The Bank as a whole.
* As evident the IRG outlets would be relevant for individual investment selection where in either a borrower or a particular facility is rated.
* Risk grading would be relevant for surveillance and monitoring internal MIS assessing the aggregate risk profile of a bank. It is also relevant for portfolio level analysis.

**Number and short name of grades use in IRG:**

**The proposed IRG scale consists of 8 categories with short names and numbers are**

**Provided as follows:**

Table: 4.6 Number and short name of grades use in IRG

|  |  |  |
| --- | --- | --- |
| ***GRADING*** | ***SHORT NAME*** | ***Number*** |
| **Superior** | SUP | 1 |
| **Good** | GD | 2 |
| **Acceptable** | ACCEPT | 3 |
| **Marginal/Watch list** | MG/WL | 4 |
| **Special Mention** | SM | 5 |
| **Sub standard** | SS | 6 |
| **Doubtful** | DF | 7 |
| **Bad and loss** | BL | 8 |

Sources: Annual report 2014 of Janata Bank Limited.

**4.7 Investment Risk Grading Definition:**

**A clear definition of the different categories of investment risk grading is given below:**

**Superior-(SUP)-1**

* Investment facilities which are fully secured.
* Investment facilities fully covered by government guarantee.
* Investment facilities fully covered by the guarantee of a top tier international Bank.

**Good-(GD)-2**

* Strong repayment capacity of the borrower.
* The borrower has excellent liquidity and low leverage.
* The company demonstrates consistently strong earnings and cash flow.
* Borrower has well established strong market share.
* Very good management skill and expertise.
* All security documentation should be in place.
* Aggregate Score of 85 or greater based on the risk grade score sheet=3=

**Acceptable-(ACCPT)-3**

* These borrowers are not as strong as GOOD borrowers but still demonstrate consistent earning cash flow and have a good track record.
* Borrowers have adequate liquidity cash flow earnings.
* Acceptable management.
* Aggregate Score of 75-84 based on the risk grade score sheet.

**Marginal/Watch list-(MG/WL)-4**

This grade warrants greater attention due to condition affecting the borrower the industry or the economic environment:

* The borrower incurs a loss.
* Loan payment routinely falls past due.
* Account conduct is very poor or other untoward factors are present.
* Investment requires attention.
* Aggregate score of 65-74 based on the risk grade score sheet.

**Special mention-(SM)-5**

* This grade has potential weakness that deserves management’s close attention.
* Severe management problems exist.
* Facilities should be downgraded if sustained deterioration in financial condition is noted.
* An Aggregate Score of 55-64 based on the risk grade score sheet.

**Substandard – (SS)-6**

* Financial condition is weak and capacity or inclination to repay is in doubt.
* These weaknesses jeopardize the full settlement of loans.
* An Aggregate Score of 45-54 based on the risk grade score sheet.

**Doubtful-(DF)-7**

* Full payment of principal and interest is unlikely and the possibility of loss is extremely high.
* Bangladesh bank criteria for doubtful investment shall apply.
* An Aggregate score 35-44 based on the risk grade score sheet.

**Bad and loss-(BL)-8**

* Investment of this grade has long outstanding with no progress in obtaining repayment or on the verge of wind up/liquidation.
* Prospect of recovery is poor and legal options have been pursued.
* Bangladesh bank criteria for bad and loss investment shall apply.
* An Aggregate score of less than 35 based on the risk grade score sheet.

**4.8 Financial Spread Sheet (FSS):**

A financial spread sheet has been developed which may be used by the bank while analyzing the investment risk elements of an investment proposal from financial point of View.

Table: 4.8 Financial Spread Sheet (FSS) for Investment risk analyzing.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **SL. NO.** | **Major  Problems** | **Not at all Important** | **Below average important** | **Average important** | **Above average important** | **Excellent important** | **Weighted average score** | **Remarks** |
| **1** | Profit margin | **-** | **-** | **2** | **2** | **4** | **4.25** | **2nd** |
| **2** | Bank requirement | **-** | **-** | **3** | **2** | **3** | **4.00** | **3rd** |
| **3** | Recovery system | **-** | **-** | **4** | **2** | **2** | **3.75** | **4th** |
| **4** | Cooperative services | **-** | **1** | **2** | **3** | **2** | **3.75** | **4th** |
| **5** | Technical facilities | **-** | **-** | **1** | **2** | **5** | **4.50** | **1st** |
| **6** | Investing facilities | **-** | **3** | **2** | **1** | **-** | **2.00** | **5th** |

Sources: Annual report 2014 of Janata Bank Limited.

**4.9 Trend of Janata Bank limited Last 5 year’s investment:**

Table: 4.9 Investment Trend of Janata Bank Limited (BDT in million)

|  |  |  |
| --- | --- | --- |
| **Year** | **Investment** | **Change (%)** |
| 2014 | 196,713.53 | 1.78189 |
| 2013 | 193,269.66 | 78.3884 |
| 2012 | 108,342.04 | 13.736219 |
| 2011 | 95,257.29 | 65.6245262 |
| 2010 | 57,514.00 | (20.7066557) |

Sources: Annual report 2014 of Janata Bank Limited.

**Figure:Trend of Investment of Janata Bank Limited**

**Comments:** From the table and graph, we see that the flow of Trend of investment of

Janata Bank is showing an increasing trend from 2010 to 2014. It indicates a better performance in Trend of Investment.

**4.10Trend of sector wise investments:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Investments | 2014 | 2013 | 2012 | 2011 | 2010 |
| Government Securities | 178,826,733,257 | 175,955,254,025 | 92,587,970,007 | 81,082,828,429 | 52,365,407,137 |
| Other Investments | 20,034,741,101 | 19,357,349,063 | 17,259,510,286 | 15,749,094,074 | 5,508,131,895 |

**Table - 4.10(a) Sector wise Investment**

Sources: Annual reports of Janata Bank Limited.

**Graph: Government Securities and Other Investment**

Sources: Annual reports of Janata Bank Limited.

**Comments:** In the above table and graph we see that the janata Bank limited invest more amount Government Securities because of the high return. On the other hand Janata bank limited investment process need long time.  On the other hand, the flow of investment is increased in case of Other Investment sectors.

## Table: 4.10 (b) Sector Wise Investment (BDT in million)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Sectors** | **2014** | **2013** | **2012** | **2011** | **2010** |
| Agriculture and Fishing | 55, 987,560 | 34,258,645 | 23,840,011 | 430,927,27 | 308,093,44 |
| Construction | 654,987,56 | 54,269,721 | 432,655,42 | 315,970,51 | 274,536,36 |
| Storage | 654,987,56 | 542,697,21 | 478,258,55 | 321,790,45 | 223,450,54 |
| Trade finance | 987,369,54 | 884,457,22 | 556,897,22 | 443,856,78 | 399,850,21 |
| Miscellaneous | 888,987,55 | 777,875,26 | 596,458,89 | 499,865,26 | 327,549,22 |

Sources: Annual reports of Janata Bank Limited.

**Graph: Sector wise Investment of 5 years**

Sources: Annual reports of Janata Bank Limited.

**Comments**: In the above figure and graph we see that the janata Bank limited invest more amount agricultural and fishing sector because of the high return. On the other hand Janata bank limited investment process need long time.  On the other hand, the flow of investment is increased in case of construction, storage, Industrial Credit and Rural, ME&SP Financing sectors.

**Geographical area-wise Investment:**

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

**Table: 4.10(c) Geographical area-wise Investment (BDT in million)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Region** | **2014** | **2013** | **2012** | **2011** | **2010** |
| **Dhaka** | 44521.23 | 33822.19 | 18418.15 | 115096 | 101537 |
| **Chittagong** | 61521.12 | 47022.51 | 26262.11 | 21772 | 17750 |
| **Khulna** | 59502.89 | 35754.89 | 17334.73 | 12720 | 10516 |
| **Rajshahi** | 50963.49 | 30923.14 | 20043.28 | 12984 | 11531 |
| **Sylhet** | 32697.61 | 29396.32 | 16608.83 | 1092 | 944 |
| **Barishal** | 22234.87 | 16350.61 | 9707.45 | 1433 | 1290 |

Sources: Annual reports of Janata Bank Limited.

**Graph: Area wise Investment of 5 years**

Sources: Annual reports of Janata Bank Limited.

**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 2011. It indicates a better performance in extending credit facilities. Bank disburses Loans more in Dhaka region than other regions. And loans Recovered in average 35%.

* 1. **DISCOURAGED SECTORS OF INVESTMENT**

Investment in following sectors is discouraged by Janata Bank.

* Military equipment/Weapons Finance
* Highly Leveraged transactions.
* Finance of Speculative Investment.
* Lending to companies listed on CIB black list or known defaulters,
* Counter parties in countries subject to UN sanctions..
* Taking an Equity Stake in borrowers.
* Lending to Holding Companies.
* Logging, Mineral Extraction/Mining, or other activity that is ethically of environmentally sensitive.

**Calculations of Different Ratios:**

**Investment to Asset Ratio:**

## Table: 4.11(a) Investment to asset Ratio. (BDT in million unless stated otherwise)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | 2014 | 2013 | 2012 | 2011 | 2010 |
| Investment | 196,713.52 | 193,269.66 | 108,342.04 | 95,257.29 | 57,514.00 |
| Assets | 629,454.13 | 586,082.98 | 511,129.41 | 446,111.42 | 345,234.00 |
| **Ratio (%)** | **0.312514** | **0.32976507** | **0.211965967** | **0.213528024** | **0.166594252** |

Sources: Annual reports of Janata Bank Limited.

Sources: Annual reports of Janata Bank Limited.

**Comments:** From the table and graph, we see that the flow of investment to asset ratio of Janata Bank is showing an increasing trend from 2010 to 2014. It indicates a better performance in extending investment facilities.

**Return on Investment (ROI):**

## Table:4.11(b) Return on Investment (BDT in million unless stated otherwise)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | 2014 | 2013 | 2012 | 2011 | 2010 |
| EAT | 3,813.15 | 9,551.39 | (15,280.34) | 4,444.91 | 4,907.97 |
| Investment | 196,713.52 | 193,269.66 | 108,342.04 | 95,257.29 | 57,514.00 |
| ROI (%) | 0.01938428 | 0.049420017 | (0.141037957) | 0.04666215 | 0.08533522 |

Sources: Annual reports of Janata Bank Limited.

Sources: Annual reports of Janata Bank Limited.

**Comments:**From the table and graph, we see that the flow of investment to asset ratio of Janata Bank is showing an increasing trend from 2010 to 2014 except 2012. It indicates a better performance in extending in return on investment facilities.

**Return on Equity (ROE):**

## Table:4.11(c) Return on Equity (BDT in million unless stated otherwise)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | 2014 | 2013 | 2012 | 2011 | 2010 |
| EAT | 3,813.15 | 9551.39 | (15,280.34) | 4,444.91 | 4,907.97 |
| Equity | 39,461.54 | 37,116.20 | 17,476.66 | 34,069.20 | 20,390.32 |
| Ratio (%) | 0.0966295 | 0.257337 | (0.87432839) | 0.130467 | 0.240701 |

Sources: Annual reports of Janata Bank Limited.

Sources: Annual reports of Janata Bank Limited.

**Comments:** From the table and graph, we see that the flow of investment to asset ratio of Janata Bank is showing an increasing trend from 2010 to 2014 except 2012. It indicates a better performance in extending in return on equity.

**4.12 SWOT Analysis**

**Strengths:**

* Name recognition within the community
* Large customer base
* Community involvement/increasing presence in the market
* Management knowledge of industry
* Financial condition: Strong capital and asset quality
* Regulatory performance is strong and positive
* Fine environment in side of the branch
* Co-ordination and co-operation among the staff
* Old Bank so greater reliance to customer.

**Weaknesses:**

* Lack of technological resources as well as Internet banking
* Lack of knowledge of customer profile
* Insufficient focus on quality customer service and mortgage banking
* Overall market share needs to grow Opportunities
* Cross-selling existing customers
* Growth in commercial business
* Increase market share through growth of loan portfolio
* Increased presence by means of additional ATMs
* Niche markets (under-served ethnic markets, bank at work, etc.)
* Enhanced business development in all product areas and promotion of those products
* Strategic marketing towards customers of large merging banks
* Janata bank has not any insurance products.

**Opportunities:**

* More Experienced & Managerial know-how
* Opportunity to expand geographically within Bangladesh.
* Customers are looking for good quality and have the willingness to bank with Janata Bank.

**Threats:**

* Strong community bank competition Non-bank competition
* Inefficiencies within the operations of the bank
* Possibilities of more stringent regulations
* Lack of appeal to younger, Student, affluent potential customers
* Political instability of the country
* Lack of Flexibility to adopt to any change
* The continuing increase in non-bank competitors offering similar services.
* Continued deregulation and globalization of services.
* Increased technological innovation and technology costs in order to compete effectively.
* How to differentiate and appropriately price services such as origination, structuring and administration.
* Consistent risk pricing and Basle Committee capital requirements for credit risk.

**CHAPTER: 5**

**FINDINGS, RECOMMENDATIONS,**

**CONCLUSION**

**5.1 Finding:**

Banks always contribute towards the economic development of a country. Compared with other Banks Janata Bank Limited is also playing leading role in socio-economic development of the country. The bank is currently doing average. It is observed that a potential growth might be accelerated through effective implications of some policy. Being an old generation bank it has an advantage compared to newly established bank in the form of wide range of activities. From my point of view the following factors are the main constraint for development of Janata Bank limited:

* Branch mainly depends on Head office for processing any loan & Investment Decision. So, most of the case it takes too much time.
* Bank should invest where Return on investment is higher and its long term profitability is involved.
* Absence of proper monitoring in case of investment policy.
* Lack of Proper utilization of investment in case of Bonds, debentures, bills and commercial papers.
* Lack of formal promotional activities in investment on finance sector.
  1. **Recommendations:**

There are some recommendations made which is given below:

* JBL should give more freedom to their branches for taking decisions *&* their head office should take decisions more quickly.
* JBL should build separate loan recovery division if it happens then their classified loan amount will reduce and they can invest more.
* New investment sector is booming recently. JBL should be identify those untapped areas of business and invest.
* Effective and efficient incentive is necessary to recover the default loan.
* For security loan advance JBL should be priority for movable and liquid asset.

**5.3 Conclusion:**

Bangladesh is great field of banking business. Today the banking service is very competitive. From the practical materialization of customer dealing procedure during the whole period of my practical orientation in Janata bank limited I have received a firm and concrete conclusion in a very confident way. I believe that my realization will be in harmony with most of the banking thinkers It is quite evident that to build up an effective banking system to The highest desired level computerized is must. Janata bank ltd is a new generation bank. It is committed to provide high Quality financial services/product to contribute to the growth of GDP Of the country through stimulating trade and commerce ,accelerating the pace of industrialization, boosting up export, creating employment opportunity for the educated youth, poverty alleviation, raising standard of living of limited income group and overall sustainable socio-economic development of the country. The is not so far when it will be in a position to overcome the existing constraints and it may be expected that my establishing a network over the country and by increasing resources this bank will able to a considerable role in portfolio of development of financing success in the banking business largely depend on effective lending. Less the amount of loan losses, the more the income will be from credit operation the more will be the profit of the Janata bank ltd and he relays the success of credit financing.

It can be argued that though the results achieved so far are not satisfactory, investing in a modern and scientific technique for enhancing Janata bank limited strength and there lies the opportunities to make it more effective in the Banking sector.

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**Books**

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**Others Resources:**

1. Annual Report of Janata Bank Limited: Year 2010 to 2014