

Project Paper
on
Loan and Advances of Janata Bank PLC

Submitted To:
Controller of Examinations
National University
Gazipur-1704

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LETTER OF TRANSMITTAL

November 14, 2023
Controller of Examinations
National University
Gazipur-1704

Subject: Submission of Project Paper on “Loan and Advances of Janata Bank PLC”.

Dear Sir,

With due respect, I would like to inform you that it is a great pleasure for me to submit the project paper on “Loan and Advances of Janata Bank PLC” as per partial requirement to achieve the Master of Business Administration (MBA) degree under the curriculum of National University. To prepare this report, I have gathered what I believe to be the most complete information available on the loans and advances activities of Janata Bank PLC.

The Project Paper has given the opportunity to learn about different aspects of a reputed organization. Before facing the real business world, I have gathered a pre-idea about the organization’s culture. I am very much glad that you have given me the opportunity to prepare this report for you and hope that this report will meet the standards of your judgment. I also apologize for any kinds of errors and mistakes. However, I will always be ready to provide any further clarification that you may require.

Sincerely,

Tanjin Tamanna Sharna
Roll no: 2020465
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STUDENT'S DECLARATION

I hereby declare that, this Project Paper entitled “Loan and Advances of Janata Bank PLC” is submitted as the partial fulfillment of the requirements for the degree of Master of Business Administration program of National University, Gazipur-1704.

This is an original work which is submitted only to National University and no part of it has been published in anywhere.

Tanjin Tamanna Sharna

Roll no: 2020465

Registration No.: 1960100584

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Major in Finance

Department of Business Administration

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SUPERVISOR'S APPROVAL

This is to certify that the Project Paper on “Loan and Advances of Janata Bank PLC” is an authentic report done by Tanjin Tamanna Sharna, Roll no: 2020465, Registration No: 1960100584 as a partial fulfillment of the requirement of Master of Business Administration (MBA) degree from the National University.

The Report has been prepared under my guidance and is a record of the bona fide work carried out successfully.

I wish her every success in life.

Md. Mamonur Rashid

Lecturer & Student Advisor (MBA Program)

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ACKNOWLEDGEMENT

First of all, I would like to express my heartfelt gratitude to the Almighty Allah, the most Merciful and the Benevolent, for his special kindness to give me the scope to complete my Project Paper successfully. My sincere gratitude also goes to the Controller of examination, authority of National University and to our honorable Principle for providing me such an opportunity. Without their effort it would be impossible to bring this report to the light. I am indebted to my intern supervisor Md. Mamonur Rashid, Lecturer & Student advisor (MBA Program), Department of Business Administration, Daffodil Institute of IT (DIIT) for his whole hearted supervision. His Suggestions and comments were really great source of spirit to make my report a good one. Finally, I want to keep my thanks to my parents who gave special attention to me from the very beginning and during the preparation of my report.

ABSTRACT

Janata Bank PLC (JBPLC) is the second largest state owned bank in terms of net worth with 922 branches and fully owned by Government of Bangladesh. The mission of the bank is to actively participate in the socio-economic development of the nation by operating a commercially sound banking organization. Immediately after the independence of Bangladesh in 1971, the previous United Bank Limited and Union Bank Limited were nationalized and renamed as Janata Bank.

This report covers an overall idea on the deposit and loan products of Janata Bank PLC. This report contains five main parts. The first part of this report deals with introduction that presents the Origin of the report, Background of the study, Objectives of the report, Methodology of the study and Limitation of the study. The Second part of this report deals with the literature review. The third part of this report deals with the overview of Janata Bank PLC which contains history of JBPLC, Mission, Vision, value statement, Objective of Janata Bank PLC, Structure, Activities of Janata Bank PLC, and Products of Janata Bank PLC & its performance. The data used to furnish this report have been collected from the primary sources and secondary sources. Among primary and secondary sources most of the data have been collected from the secondary sources. The fourth part of this report deals with the learning and discussion where firstly discussed about the products and services of Janata Bank PLC, secondly general procedure for approval of loans, thirdly discussed various loan products of Janata Bank PLC. The fifth part of this report deals with how the bank sanction loan to clients, and finally discussed about the Loan Disbursement & Recovery System of Janata Bank PLC. After finishing fifth part, I have identified strength and weakness of loans & advances of Janata Bank PLC and give some recommendations on the basis of the problems.

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

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ACRONYMS

Short form	Elaboration
API	Advance Payment Installment
BCC	Branch Credit Committee
BRPD	Banking Regulation & Policy Department
CIB	Credit Information Bureau
CLP	Credit Line Proposal
CSR	Corporate Social Responsibility
FIS	First Information Sheet
H/O	Head office
HOCC	Head office Credit Committee
IMF	International Monetary Fund
JBPLC	Janata Bank PLC
LA	Loan Activities
MIS	Management Information System
NFCD	Non Resident Foreign Currency Deposit Account
NPL	Non-Performing Loans
RFCD	Resident Foreign Currency Deposit Account
SOD	Salary Over Draft
SSI	Standard Settlement Instruction

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Chapter 1

Introduction

1.1 Introduction:

The term 'loan' refers to the amount borrowed by one person from another. The amount is in the nature of loan and refers to the sum paid to the borrower. Thus, from the view point of borrower, it is 'borrowing' and from the view point of bank, it is 'lending'. Loan may be regarded as 'credit' granted where the money is disbursed and its recovery is made on a later date. It is a debit for a borrower. While granting loans, credit is given for a definite purpose and for a predetermined period. Interest is charged on the loan at agreed rate and intervals of payment. 'Advance' on the other hand, is a 'credit facility' granted by bank. Banks grant advances largely for short-term purpose, such as purchase of goods traded in and meeting other short-term trading liabilities. There is a sense of debt in loan, where as an advance is a facility being availed of by the borrower. However, like loans, advances are also too repaid. Thus a credit facility repayable in installments over a period is termed as loan while a credit facility repayable within one year may be known as advances. Loans and advances granted by commercial banks are highly beneficial to individuals, firms, companies and industrial concern. The growth and diversification of business activities are effected to a large extent through bank financing. Loans and advances granted by banks help in meeting short-term and long term financial needs of business enterprises.

1.2 Origin of the Report:

Masters of Business Administration (MBA) course requires attachment with an organization followed by a report assigned by the supervisor in the Organization and endorsed by the faculty advisor. I took the opportunity to do my project Report Janata Bank PLC (JBPLC). My supervisor Md. Mamonur Rashid, Lecturer & Student Advisor (MBA Program) Department of Business Administration, Daffodil Institute of IT (DIIT) also approved the topic and authorized me to prepare this report as part of the fulfillment of project Report requirement.

1.3 Objectives of the study:

1.3.1 General Objective:

- ✓ To find out the Loan and Advances procedure of Janata Bank PLC.

1.3.2 Specific Objectives:

- ✓ To know the procedure for approval of loans.
- ✓ To understand the criteria of Loan and Advances
- ✓ To analyze the loan disbursement and recovery scenario.
- ✓ To provide recommendations on the basis of findings.

1.4 Methodology of the study:

Janata Bank PLC is one of the well-known state owned banks. Its public reporting system is appreciable. Data is managed in well manner. Data arrangement is logical that helps in easy application of analytical tool. Statistical tools and much graphical presentation are used for performance analysis. I have gathered information from their Annual report, some circular, various brochures, and web site of Janata Bank PLC. Some information has been taken from some of my friends.

Both primary and secondary data sources were used to generate this report. This is exploratory types of study. Data are collected to finish this report from both primary and secondary sources. The overall process of methodology has been given below:

1.4.1 Primary data:

It includes the fresh or completely new data sources collected for specified purpose such as

- Officers of the bank
- Clients of the bank

1.4.2 Secondary data:

The secondary data of this report are collected from Janata Bank PLC. annual report and some others report. Secondary data are collected in the following ways:-

- Data gathered from Banker's training book
- Internet sources
- Publications of Janata Bank PLC
- Annual reports
- Website of Janata Bank PLC

1.5 Scope of the study:

This paper will cover the details of Janata Bank PLC activities about Loan and advances system of Janata Bank PLC. Now a day's loan disbursement is very much important for all banks because they are easily received profit from their customers. In this paper, I will try to focus on the various functions of LA. The deterioration of loan quality will also affect the intermediation efficiency of the financial institutions and thus the economic growth process of the country. This establishes the fact that banks should provide increasing emphasis on various analytical tools and techniques for screening proposals and loan decision taking.

1.6 Limitations of the Report:

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

- ✓ Large scale analysis was not possible due to constraints & restrictions posted by the banking authority.
- ✓ In many cases, up to date information was not published.
- ✓ In some cases, access to relevant papers & documents were strictly prohibited.
- ✓ The time duration was not enough for a completed and fruitful study.

Chapter 2

Literature Review

2.1 Literature Review:

Janata Bank PLC is whether geographic diversification can create a spillover effect, in which adverse loan supply shocks in one regions lead to decreased bank lending in other regions. The primary objective of social control and nationalization is to ensure a better alignment of the commercial banking system to meet the needs of the economy. It is the duty of the banks to see that credit flows into channels that are most productive and most helpful to our growth and development. To promote the welfare of the people who are socially and economically backward, the concept of priority sector lending was evolved. Quantitative targets were set for lending to priority sector and separate sub-targets were also set for lending to agriculture and weaker sections of the society. As a result, lending to the borrowers in priority sectors have increased substantially. Increased flow of credit to the different sectors assisted the developmental activities and thereby expanded the income as well as the standard of living of the people. Several studies on this subject in a restricted sense have been undertaken by particular bank group of banks, individuals and organizations. Number of Committees appointed by the Government of Bangladesh has also studied the banking problems of the country. Presented below is the review of such literature.

P N Joshi (1972): Remarks that Commercial Bank are reluctant to give loans and advances to the priority sector, including self-employment schemes. This is mainly due to the reason that the banks have no clear and precise role about the scope of lending to the priority sector. He has also argued that the Reserve Bank of Bangladesh should give a clear definition of the different components of the priority sector, which will enable the commercial banks to increase their participation in lending to priority sector.

M.A.Ommen (1972): States that, commercial banks have an important role in financing SSI units in Dhaka. Though the financial institution at state level and all Bangladesh level provided financial assistance to SSI units for meeting their fixed and working capital requirements, the major part of the financial requirements of SSI units are satisfied by the loans and advances of commercial banks.

Purohit M, C (1973): In his study on Small Artisans and Potential for Bank Financing, conducted in Dhaka City, states that the working capital requirement alone accounts for 89 per

cent of the total financial requirements. The share of raw material in the total working capital requirement is substantial. He adds that 36 per cent of the artisans run their units with borrowed funds. These artisans who borrowed funds had mainly relied upon non-bank financing intermediaries. No artisan has borrowed from any co-operative agency or governmental agency, a few relied on commercial banks. Ignorance about the facilities provided by the commercial banks and the inability of the artisans to fulfill the bank requirements to avail easy loans have forced 8 the artisans to take financial assistance from non-banking financial institutions at a higher rate of interest.

Kahlily (1997): Observed that unlike urban credit market, rural credit market is generally repressed. Financial policies for agricultural credit are more subject to distortions. The major policies are: interest rate, loan targeting, refinancing of loans and interest and loan forgiveness program. Policies are formulated by Bangladesh Bank. These policies influence the behavior of agricultural credit in formal financial markets.

Khalily, Huda and Lalarukh (1997): Credit is necessary for agricultural development and rural economic development. But loan recovery rate is low. This has adverse impact on revolving of loan able fund and viability of rural financial system. Poor performance of lenders in agricultural credit does affect viability of rural financial system. A quick estimate shows that social cost of forgiveness program has been twenty five percent of loan outstanding. On the other hand continued interest of the political lenders in interest and loan forgiveness program also affects expected recovery behavior of the borrowers. Burden of social cost for agricultural or rural credit cannot be fully attributed to crop loans as it constitutes only forty percent of the total agricultural credit. Non crop loans are likely to be less risky. Therefore, the problem of high social cost for agricultural credit can perhaps be linked to institutional behavior.

Chapter 3

Organizational Overview

3.1 Banking in Bangladesh:

Economy of Bangladesh is in the group of world's most underdeveloped economies. One of the reasons may be its underdeveloped banking system. Modern banking system has been playing a vital role for a nation's economic development. Over the last few years the banking world has been undergoing a lot of change due to deregulation, technological innovations, globalization etc. It is well recognized that there is an urgent need for better qualified management & better-trained staff in the dynamic global financial market. Bangladesh is no exception in that trend.

Banking sector in Bangladesh is facing challenges from different angles though its prospect is bright in the future. Banks are the mainstay of the financial system of a country like Bangladesh. Because of close relationship between economic and financial development, the banking system must be robust, resilient and sound for efficient inter-mediation of financial resources. For this required sound and prudential financial regulations. Although our banking sector is so strong and healthy, the role played by it in our economy is remarkable.

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

3.2 An overview of the bank:

Janata Bank PLC welcomes to all to explore the world of progressive Banking in Bangladesh. It is the second largest state owned bank and is catering the need of the mass business people. Immediately after the independence of Bangladesh in 1971, United Bank Limited and Union Bank Limited were nationalized and renamed as Janata Bank. Keeping the target in mind JBPLC has taken preparation to open new branches by the year 2000-2001. It was corporate on 15th November 2007.

Janata Bank PLC was born with a new concept of purposeful banking sub serving the growing and diversified financial needs of planned economic development of the country. The noble intention behind starting of this Bank was to bring about a qualitative change in the sphere of banking and financial management. Janata Bank PLC is playing a significant role towards socio-economic development of the country by financing Non-Banking Financial Institutions dealing with Home Loan, Corporate Financing & Loan Syndication. Janata Bank is always vigilant to develop its market potentialities way before others are thinking/planning today.

Janata Bank PLC is the first among to start SWIFT operation to minimize transmission cost in lieu of the telex system and simultaneously increase remittance business and foreign trade. It has 421 relationship management applications. Janata Bank PLC operates through 921 branches including 4 overseas branches at United Arab Emirates. It is linked with 1202 foreign correspondents all over the world.

Janata Bank PLC was awarded Best Bank-Bangladesh in the Global Finance, World's Best Bank Awards, 2009 by New York based Financial Magazine "Global Finance". "Global Finance" has identified winning banks based on number of criteria including growth in Assets, Profitability, Strategic relationships, Customer Service, Competitive pricing and innovative products. JBPLC Awarded Top Ten Remittance Award 2021 & 2022. JBPLC achieved Certificate of Merit Award from ICAB. JBPLC is Awarded the ICMAB Best Corporate Award-2021 (Gold-1st Position). JBPLC has received the SAFA International Award-2021 (Gold Award) for Best Presented Annual Report. JBPLC crossed Tk. 8,52,087 million in Loans and Advances.

3.3 Vision of the Bank:

Becoming an effective and the largest commercial bank in Bangladesh to support socio-economic development of the country and being a leading bank in South Asia.

3.4 Mission of the Bank:

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

3.5 Objectives of the Bank:

- ✓ To earn customer satisfaction through diversified banking activities and introduction of innovative banking.
- ✓ To improve the customer services in recent times by introducing a number of IT-based reform measures.
- ✓ To remain one of the best banks in Bangladesh in terms of profitability and Assets Quality.
- ✓ To maintain adequate control systems and transparency in procedures.
- ✓ To ensure optimum utilization of all available resources.

3.6 Values of the Bank

- ✓ Professionalism
- ✓ Growth
- ✓ Diversity
- ✓ Dignity
- ✓ Accountability
- ✓ Integrity

3.7 Corporate Profile of Janata Bank PLC

Figure 1: Table of Corporate Profile of JBPLC

Name of the Company	Janata Bank PLC
Registered Office	Janata Bhaban 110, Motijheel C/A Dhaka-1000 Bangladesh.
Legal Status	Public Limited Company
Date of Incorporation	21 May 2007
Date of Commencement of Business	21 May 2007
Authorized Capital	Tk. 30,000 Million
Paid up Capital	Tk. 23,140 Million
Face value per share	Tk. 100 per share
Shareholding Pattern	100% Share owned by the Government of the People's Republic of Bangladesh
Tax Identification No	143462765792
Business Identification No	000000027-0002
Chairman	Dr. S. M. Mahfuzur Rahman
Managing Director & CEO	Md. Abdul Jabber
Head of Internal Control and Compliance	Md. Ramjan Bahar (DMD)
Chief Financial Officer (CFO)	Md. Nurul Alam FCMA, FCA (DMD)
Chief Risk Officer	Md. Quamrul Ahsan (DMD)
Company Secretary	Monsur-UI Haque Md. Jahangir (GM)

Total Number of Branch	921
Domestic Network Number of Branch	921
Number of Divisional office	12
Number of Area Office	50
Number of AD Branches	56
Overseas Network Number of Branch	04
Phone PABX	+8802-223380029, +8802-223380042, +8802-223385042, +8802-223386142, +8802-223350193
E-mail	md@janatabank-bd.com
Website	jb.com.bd
Swift	JANBBDD

3.8 Organizational Structure of Janata Bank PLC

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

Figure 2: Organizational Structure of Janata Bank PLC



Source: <https://www.jb.com.bd>

3.9 Products & Services Offer:

		Savings Account
		Current Account

1	General Service	Corporate Account
		Short term Deposit
2	Deposit Service	Fixed Deposit Scheme
		Special Savings Scheme
		Special Deposit Scheme
		Monthly Income Scheme
		Monthly Savings Scheme
3		Loan General
	Loan Scheme	Terms Loan
		Transport Loan
		Project Loan
		Loan against Imported Merchandise
		Loan against Trust Receipt
		Loan Against Packing Credits
		Loan Against House Building
		Housing Loan Scheme
		House Repairing Loan Scheme
		Consumers Finance Scheme
		Festival Small Business Loan Scheme
		Festival Personal Loan Scheme

	Small Business Loan Scheme
	Personal Loan Scheme
	Cash Credit
	Security Overdraft
	Payment against Document

3.10 Branch Network

Janata Bank is one of the largest Nationalized Commercial Bank of Bangladesh. The Branch network of the Janata Bank PLC is quite strong. These branches are situated at various strategically important commercial and industrial locations in the country. The above branch network is expected to be sufficient to maintain required growth rate of the bank. There are total 921 branches of Janata Bank PLC situated in 64 districts in Bangladesh.

Chapter 4

Theoretical Framework

4.1 Loan and Advances

Loans and advances granted by bank are highly beneficial for firms, individuals, companies and industrial concerns. Loan may be regarded as credit granted where the money is disbursed and its recovery is made on a later date. It is a debt for the borrower. Advance is a credit facility granted by the bank. Bank granted advances for short term purposes. Loan and advances granted by banks help in meeting short term and long term financial needs of business enterprises. Loan and Advances comprise the most important asset as well as the primary sources of earning of the bank .On the other hand; loan is also the major sources of risk for the bank management. A prudent bank management should always try to make an appropriate balance between return and risk involved with the loan portfolio and unregulated bank might be with unregulated risk for maximizing its potential return .In such a situation, bank might find itself in a serious financial distress instead of improving its financial health .Consequently not only the depositors but also the general shareholders will be deprived of getting back their money from the bank. Loans and advances mean lending made by the bank to weak clients for earning interest. Main objective of the loans and advances is to earn profit for the bank. On an average of 75%to 80% of the banks earning come from interest received against the loans and advances of a bank. The role played by banks in business world by way of loans and advances are as follows-

- ✓ Bank does not interfere with the use, management and control of borrowed money but takes care to ensure that the money lent is used only in business purpose.
- ✓ Loan and advances are utilized for making payment of current liabilities, wages and salaries of the employees and also the tax liability of business. 8. Finance in Home Appliance 20
- ✓ Loans and Advances from banks are found to be economical for traders and businessman because banks charge a reasonable rate of interest on such loans and advances.
- ✓ Loans and advances can be arranged from banks in keeping with the flexibility in business operation.

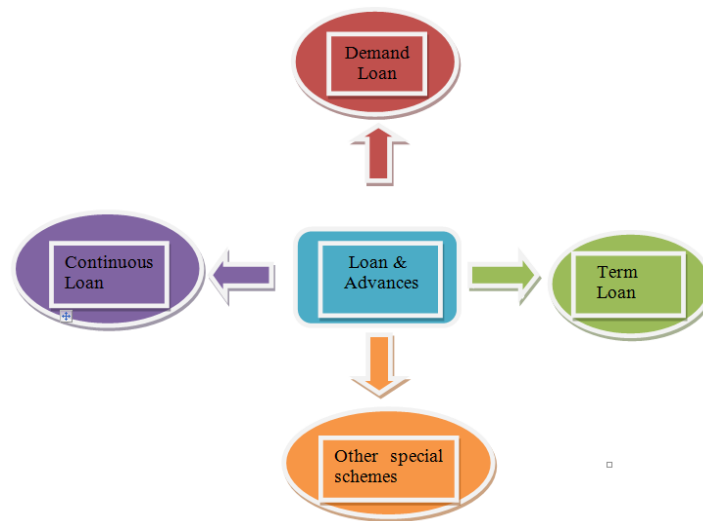
- ✓ Loans and advances by Banks generally carry element of secrecy with it. Banks are duty bound to maintain secrecy of their transactions with the customers.

4.2 Types of Loan & Advances of Janata Bank PLC

There are four types of Loan in JBPLC. Those are-

- Continuous Loan
- Demand Loan
- Term Loan
- Other special Scheme

Figure 3: Types of Loan



4.3 Loan Products

Continuous Loan

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

Demand Loan:

- ✓ Loan General
- ✓ Demand Loan against ship breaking
- ✓ Loan against import merchandise (LIM)
- ✓ Loan against trust receipt (LTR)
- ✓ Foreign documentary bills purchased (FDBP)
- ✓ Local documentary bills purchased (LDBP)
- ✓ Festival business loan

Term Loan

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

Other special Scheme

A. Micro Credit Programs

- ✓ Small Farmers & Landless Laborers Development Project (SFDP) - 1976
- ✓ Swanirvar Credit Scheme - 1978
- ✓ Co-operative Credit for rural poor - 1980
- ✓ Diversified Credit Programs - 1992

- ✓ Lending through NGOs -1996
- ✓ Grain Storage credit- 1991
- ✓ Ghoroa Prokalpa/ Family based micro credit

B. Entrepreneurship Development Program

- ✓ Women Entrepreneurship Development Credit Program
- ✓ Cyber Café loan
- ✓ Doctor's Loan Scheme
- ✓ Small business development loan scheme

C. Special Credit Program:

- ✓ Seed Development Program
- ✓ Loan for Handicapped/disabled people
- ✓ Hybrid Milking Cow Rearing (HYV-Milk Cow)
- ✓ Credit for Forestry/Horticulture Nursery
- ✓ Credit for Flower plantation & Garden
- ✓ Credit Program for Goat Rearing

D. Other credit programs:

- ✓ Credit for Employees
- ✓ Consumer Credit Scheme
- ✓ Personal Loan Scheme
- ✓ Financing in IT Sectors
- ✓ Car Loan Scheme

- ✓ Loan to Travel Agencies

4.4 Loan Classification

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

1. Classified Loan
2. Unclassified Loan

4.4.1 Classified loan:

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

1. Substandard
2. Doubtful
3. Bad/ loss

Substandard

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

Doubtful

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

Bad

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

4.4.2 Unclassified loan

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

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

4.4.3 Table of Loan classification

Figure 4: Table of Loan classification

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

Approaches to the bank

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

4.5 Nature wise distribution of loans and advances

Sanctioning advances to customers and others is one of the principal services of a modern bank. Advances by the commercial banks are made in different forms:

- ✓ Loans
- ✓ Overdrafts
- ✓ CC
- ✓ LIM
- ✓ LTR
- ✓ Bills purchase and discounted

Janata Bank PLC sanctions loans under the above mentioned category. It usually grants short term advances which are utilized to meet the working capital requirements of the borrower. Only a small portion of the bank's demand and time liability are advanced on long term basis where the banker usually insists on a regular repayment by the borrower in installments. While lending fund, a banker, therefore, follows a very cautious policy and conduct his business on the basis of well-known principles of sound lending in order to minimize the risk.

4.6 Bank Guarantee

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

1. Bid Bond

2. Performance
3. Advance payment

4.6.1 Bid bond

This type of BG is issued only for tender.

4.6.2 Performance guarantee

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

4.6.3 Advance payment guarantee (APG)

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

4.7 General procedure of loan:

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

1. Duly fill-up FIS
2. Application for Loan
3. Collecting CIB report from Bangladesh Bank
4. Making Loan proposal
5. Project appraisal
6. Head office approval
7. Sanction letter
8. Documentation
9. Charges on Securities
10. Limitation of Loan Section

4.7.1 First Information Sheet (FIS)

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

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

4.7.2 Application for Loan

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

4.7.3 Collecting CIB Report from Bangladesh Bank

After receiving the application for advance, Janata Bank sends a letter to Bangladesh Bank for obtaining a report from there. This report is called CIB (Credit Information Bureau) report.

Janata Bank generally seeks this report from the head office for all kinds of investment. The purpose of this report is to being informed that whether the borrower has taken loan from any other Bank; if „yes“ then whether the party has any overdue amount or not.

4.7.4 Making Loan Proposal

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

Following documents are necessary for sending the loan proposal:

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

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

- Borrower,
- Date of establishment, constitution,
- Main sponsor/director with background,

- Capital structure, address,
- Account opening date, introduced by type of business, particulars of previous sanctions,
- Security (existing and proposed),
- Movement of accounts,
- Components on the conduct of the account,
- Details of deposit, liabilities of allied concerns, liabilities with other Banks
- CIB report,
- Rated capacity of the project (item wise),
- Production/purchase during the period,
- Sales during the period,
- Earning received for the period

4.7.5 Project Appraisal:

It is the pre-investment analysis done by the officer before approval of the project. Project appraisal in the Banking sector is needed for the following reasons:

- To justify the soundness of an investment,
- To ensure repayment of Bank finance,
- To achieve organizational goals,
- To recommend if the project is not designed properly.

4.7.6 Head Office Approval:

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

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

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

4.7.7 Sanction Letter

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

- Name of borrower
- Facility allowed
- Purpose
- Rate of interest
- Period of the Investment and mode of adjustment
- Security

- Others terms and condition

4.7.8 Documentation

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

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

4.7.9 Charges on Securities

There are 6 types of moods of charging on securities:

- Pledge
- Hypothecation
- Mortgage
- Lien
- Assignment

- Set-Of

4.7.10 Limitation of Loan Section

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

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

4.8 Basel III Compliancy:

As per Basel III framework, maintained Capital to Risk Weighted Asset Ratio (CRAR) of JBPLC on 31 December 2022 is 7.83% & 7.91% in solo and consolidated basis respectively. Risk considered: Credit Risk, Market Risk, Operational Risk. The paid up capital of JBPLC is Tk. 23,140.00 million on 31 December 2022. Tier-1 capital of JBPLC is Tk. 36,520.60 million which is 4.55% of total risk weighted assets. Maintained Tier-2 capital of Tk. 26,316.10 million which is 3.28% of total risk weighted assets. A Supervisory Review Process (SRP) team has been reformed and approved by Board of Directors on 31.07.2019 in the 580th meeting. As per guidelines the SRP of JBPLC consists of the required three layers:

- ✓ **Strategic Layer:** Audit Committee of the Board and Risk Management Committee of the Board.
- ✓ **Managerial Layer:** Executive Risk Management Committee, 6 Sub Committees for 6 Core Risks.
- ✓ **Operational Layer:** Risk Management Department, Money Laundering and Terrorist Financing Prevention Department.

ICAAP report for the year 2022 has already been submitted to Bangladesh Bank after approval of Boards of Directors. More than 10 Risks beyond the 3 risks of pillar-I are considered here. JBPLC has its own disclosure framework approved by the Board of Directors for disclosure of its key material information. The disclosures of JBPLC are available in both qualitative and quantitative form in the bank's website along with the audited balance sheet for the period ended 31 December 2022. A copy of disclosures of JBPLC has been submitted to Department of Off-site Supervision of Bangladesh Bank.

Chapter 5

Analysis & Evaluation

5.1 Analysis of Loan disbursement, Outstanding & Recovery Scenario:

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

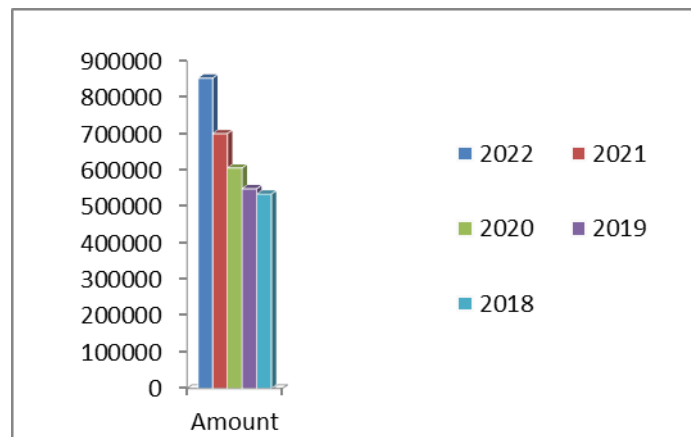
The total outstanding Loans and advances of Janata Bank PLC from 2018 to 2022 are given below:

(Tk in Million)

Year	Amount
2022	8,52,087
2021	699,656
2020	605,352
2019	548,473
2018	533,707

Source: Janata Bank's Annual Report

Figure 5: Total outstanding Loans and advances of JBPLC.



Comment: In the above figure we see that the total Loan & advances of Janata Bank from 2022 to 2018 is increasing trend that indicates better performance in providing Loan & advances. In the total Loan & advances of Janata 25% to 34.52% Loan is Industrial sector Loan. Industrial sector of Janata Bank consists of Jute industries, Tannery Industries, Textile Industries, Agro Industries and Industrial credit etc.

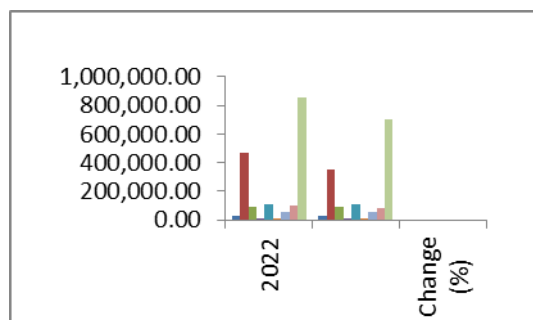
5.2 Sector wise Loans and Advances:

(Taka in Millions)

SL.NO	Name of the Sectors	2022	2021	Change (%)
1	Agriculture	24,378.40	23,453.80	3.94%
2	Industry (Manufacturing)	467,781.60	347,743.10	34.52%
3	Industry (Service)	93,275.70	86,102.40	8.33%
4	Consumer Credit	2,186.70	2,022.10	8.14%
5	Trade & Commerce	107,709.20	105,689.50	1.91%
6	Loans to Capital Market	400.00	400.00	0.00%
7	Staff Loan	54,180.97	53,167.88	1.91%
8	Others	102,174.20	81,077.98	26.02%
Grand total		8,52,087	699,656.76	21.79%

Source: Janata Bank's Annual Report

Figure 6: Sector wise Loans and Advances



Comment: In the above figure and graph we see that the percentage of Loans in the capital market remains same. On the other hand Janata Bank PLC loans process need long time. On the other hand, the flow of Loans and advances increased in case of every sectors.

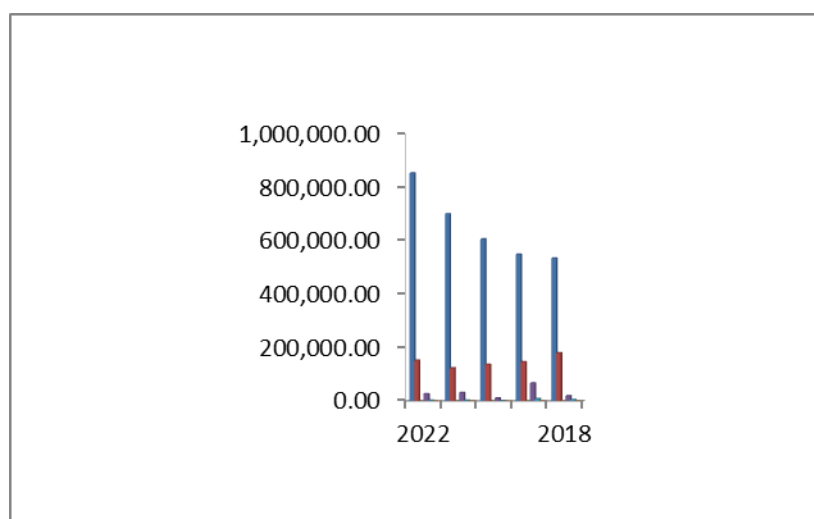
5.3 Management of Non-Performing Loans (NPL)

Due to the emergence of new variants of the Corona virus across the globe, the Bank's management of non-performing loans has faced new challenges. Despite these obstacles, JBPLC has demonstrated resilience and commitment to effectively address the issue. Under the guidance of the Board of Directors and the diligent efforts of the Bank's management, a progress has been made in reducing the Classified Loans (CL) in 2022 compared to previous years. This achievement reflects the Bank's dedication to proactive measures and strategic decision-making in managing the impact of the pandemic on loan performance. The comparative position of CL and cash recovery from Classified and Write-off loans and advances are given below:

Year	Total L & A	Total CL	% of CL	Total Reduction of CL	Cash Recovery from CL	Cash Recovery from Written off Loans
2022	852,086.77	151,975.16	17.84%	27,363.70	3,025.10	1,120.50
2021	699,656.7	123,199.9	17.61%	31,878.70	2,834.00	875.40

	6	3				
2020	605,351.70	137,362.19	22.69%	10,825.70	1,785.40	477.50
2019	548,473.94	146,033.38	26.63%	67,110.50	9,039.70	356.90
2018	533,707.16	179,984.46	33.72%	19,786.20	4,843.60	343.90

Figure 7: Management of Non-Performing Loans (NPL)



Comment: The Bank has made good progress in managing its Classified Loans (CL) in 2022. The overall reduced amount of CL, which includes cash recovery, interest waiver, rescheduling, and write-off amounted to BDT 27,363.70 million, marking an improvement compared to the previous year's figure of BDT 31,878.70 million. This reduction in CL is part of a positive trend observed since 2018, with the Bank's total loans and advances increasing from BDT 533,707.16 million to BDT 852,086.77 million in 2022. At the same time, the amount of total CL has decreased from BDT 179,984.46 million to BDT 151,975.16 million.

5.4 Loans and advances information of JBPLC

Information of different Loans and advances of Janata Bank PLC from 2018 to 2022 are given below:

Figure 8: Loans and advances information of JBPLC

Particular	2022	2021	2020	2019	2018
Classified loans & advances (Non-performing loan)	151,975.17	123,199.92	137,362.19	146,033.38	179,984.46
Percentage of NPLs to total loans and advances	17.84%	17.61%	22.69%	26.63%	33.72%
Net NPL ratio	3.44%	2.79%	7.16%	11.19%	19.50%
Gross NPL Coverage	80.73%	84.18%	68.44%	57.96%	42.18%
Required provision for unclassified loans	15,557.90	14,033.50	12,033.40	7,115.20	2,106.50
Required provision for classified loans	37,956.20	37,106.40	31,637.00	31,309.40	30,803.20
Total required provision for loans and advances	53,514.10	51,139.90	43,670.40	38,424.60	32,909.70
Total provision maintained for loans and advances	53,514.11	51,139.93	43,670.48	38,486.93	32,910.60
Provision excess/(shortfall) for loans and advances	0.01	0.03	0.08	62.33	0.90

Comments: From the table, we see that the flow of Loans and advances of Janata Bank is showing a decreasing in Gross NPL Coverage.

5.5 Year wise distribution of Loans to Women Entrepreneurs of JBPLC

JBPLC is giving special emphasis on developing women entrepreneurs and in line with the regulatory institution, the Bank provides credit facilities for home decoration, boutique, printing services, processed food, fast food etc. In 2022, JBPLC has disbursed BDT 1,071.30 million to 823 women entrepreneurs at reduced interest rate. The following table shows the number of entrepreneurs and amount disbursed during last 5 (five) years.

Figure 9: Year wise distribution of Loans to Women Entrepreneurs of JBPLC

Year	Number	Amount
2022	823	1,071.30
2021	607	370.10
2020	528	500.80
2019	525	441.60
2018	438	532.90

5.6 Industrial Financing

In 2022, total Industrial Finance is BDT 161,961.66 million in different industrial sector. The table shows the Industrial loan mix-

Figure 10: Industrial Financing

Sectors	Loan Outstanding	Total Loan Disbursement in 2022
Food & Beverage	2,383.10	1,249.40

RMG & Textile	75,754.70	582.70
Paper & Printing	5,962.00	48.80
Footwear & Leather	-	-
Pharmaceuticals	7,574.70	3,805.60
Ship Building	5,215.60	-
Others	65,071.56	7,262.60

5.7 Segment Information-Janata Bank PLC (Unit-wise Business Position)

Segment Information of Janata Bank PLC are given below:

Figure 11: Segment Information-Janata Bank PLC

SL No	Name of Branch/Division	Loans & advances	Classified Loan (CL)	Cash Recovery from CL	Cash Recovery from Write off Loans
1	Local Office	309,631.64	50,578.82	658.50	225.40
2	Janata Bhaban Corporate	185,162.26	28,769.76	1,285.50	119.10
3	Dhaka North	33,018.78	17,671.41	174.90	64.20
4	Dhaka South	78,782.73	22,281.88	162.30	194.00
5	Chattogram	126,451.29	16,966.19	70.90	123.40
6	Sylhet	4,810.36	115.60	15.70	5.30
7	Khulna	27,295.97	8,131.33	107.60	64.10
8	Barishal	8,377.73	2,497.92	46.70	11.20
9	Rajshahi	22,550.83	1,676.88	83.30	62.10
10	Rangpur	14,428.73	712.06	121.60	102.00

11	Cumilla	7,034.83	135.31	31.90	2.80
12	Mymensingh	10,031.71	249.97	68.40	19.30
13	Faridpur	8,342.89	800.85	103.40	114.20
14	Noakhali	6,501.57	208.25	32.70	4.40
15	Overseas	9,265.45	1,178.93	61.70	-
16	Head Office	400.00	-	-	9.00

5.8 Principles of sound lending:

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

5.9 Recovery performance of Janata Bank PLC

Programs for Loan Recovery

When Janata Bank PLC sanctions loans and advances to its customers, they clearly state the repayment pattern in the loan agreement. But some credit holders do not pay their credit in due period. The nationalized and private sector commercial banks have to face this sort of problems. This situation is, especially severe in Janata Bank PLC. To overcome the problem of overdue loan, the bank need take particular loan recovery program.

5.9.1 Recovery Programs to be taken by Janata Bank PLC

- To establish credit supervision and monitoring cell in the bank.
- To re-structure the loan sanctioning and distributing policy of the bank.
- To sanction loans and advances against sufficient securities as best as possible.
- To give more powers to the branch manager in credit management decision making process.

- To give more emphasis on short term loans and advances.
- To take legal actions quickly against unsound borrowers as best as possible within the period specified by the law of limitations.

5.9.2 Recovery Patterns of Loan and Advances

Generally Janata bank sanctions loans and advances to every sector of an economy. Before going into details of recovery performance, we have to be familiar with some terms used in recovery performance:

- **Disbursement:** highest outstanding balance on any date during the reporting period minus outstanding balance at the end of the preceding period.
- **Demand for recovery:** overdue at the end of the reporting period plus recovery during the reporting period.
- **Recovery:** highest outstanding balance on any date during the reporting period minus outstanding balance at the end of the recovery period.
- **Outstanding:** Outstanding figures in the ledger at the end of the reporting period.
- **Overdue:** Demand for recovery minus recovery.

5.9.3 Problems in Loan Recovery

There are a lot of reasons for which the loan recovery of the bank is very defective. In most cases, problems may be raised from sanctioning procedures of loan, investigation of the project, and investigation of the loans etc. that is, the problem in loan recovery proves the outcomes of the default process in loan disbursement.

5.9.3.1 Problems created by economic environment

The following problems arise from the effect of economic environment:

1. Changing in the management pattern
2. Changing in industrial patterns
3. Operation of open market economy

4. Rapid expansion of business

5.9.3.2 Problems created by government

1. External pressure
2. Loan to government organization
3. Legal problems
4. Frequent changes in government policies in regard to recovery of loan.

5.10 Loan Monitoring

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

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

5.11 SWOT Analysis:

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



5.11.1 Strengths:

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

5.11.2 Weaknesses:

- Some other bank charge lower interest rates than JBPLC
- Deficiency of experienced manpower
- Other banks provide more loan than JBPLC

- New entrepreneur does not get finance from the JBPLC
- Lack of ATM Booths

5.11.3 Opportunity:

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

5.11.4 Threats:

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

Chapter 6

Findings, Recommendations & Conclusion

6.1 Findings

Analyzing the Lending business and its contribution to the profit of JBPLC, found that the volume of sanctioning loan has been in an increasing trend. While making this project paper on JBPLC several matters have been gathered which have been summarized and discussed below:

- In JBPLC, They do not have sufficient number of employees so that one employee has to do more work than he/ she should which decrease the quality of work.
- Though the interest rate in JBPLC are affordable there are more banks who provide loans with lower interest rate which cause more clients to choose them instead of JBPLC.
- The credit growth in the banking sector did not increase due to lower demand of loan
- Sometimes it is difficult to collect formal documents and financial statements from the client, means the non-availability of client's detailed information. So guarantors can avoid their responsibility easily.
- JBPLC does not keep enough provisions against classified loans and advances.
- Sometime the loan documentation is not fairly done by the branch. Before sanctioning loan, sometimes CIB report is not obtained from Bangladesh Bank in the case of favored loan of employees.
- The website of Janata Bank PLC does not contain all required information about loans and advances.
- Most of the loan disbursement is centrally controlled from the H/O, Which sometime creates problem for the branch in choosing the right client.
- The credit proposal evaluation process is lengthy .Therefore, sometimes valuable clients are lost.

6.2 Recommendations

Considering the findings here is some solution to overcome those problems-

- ✓ The authority should appoint more employees to loan section to maintain the quality of work in JBPLC.
- ✓ They should lower their interest rate to increase the amount of clients.
- ✓ The bank should diversify its loans more to finance small entrepreneurs for better growth of the country.
- ✓ JBPLC should keep enough provisions against classified loans and advances.
- ✓ Employees must collect formal documents and financial statements from the client for detailed information.
- ✓ Steps should be taken so that guarantors cannot avoid their responsibility.
- ✓ The website of the Bank should be more informative that customers get the all information about the different activities and facilities of the Bank.
- ✓ The H/O should give the control of loan disbursement process to branches to avoid problem for the branch in choosing the right client,
- ✓ The credit proposal evaluation process should be shortened so that valuable customer is not lost.
- ✓ Even though JBPLC is running online business successfully, but they should open more ATM booths to meet customer needs and to meet the competitions.

6.3 Conclusion

Banking sector being a vital service sector of Bangladesh continues to contribute to a great deal in the economy of Bangladesh. The modern commercial banking is a challenging business. The banks are great monetary institutions that are important to the general welfare of the economy more than any other financial institutions. It has a vastly serious and exacting responsibility. I have discussed about the different aspects of Loan & Advance activities of Janata Bank PLC. The JBPLC is a nationalized bank in Bangladesh. JBPLC plays an important role in the banking sector as well as in our economy. It is committed to provide high quality financial services to contribute to the growth of G.D.P of the country through stimulating trade and commerce, accelerating the pace of industrialization, boosting up export and creating employment opportunities. The success of a bank depends largely on the efficient loan & advance management. A successful loan & advance management is not only needed for a bank's own performance but also it is needed for the smooth development of an economy. It is playing a vital role in financing import-exports and other areas of the country. The bank also provides General banking service, which renders a significant treatment to that locality. Now JBPLC serves its clients with one thousand and fifty branches. The loan management system of Janata Bank PLC is more or less effective as recovery position of classified loan is high and classified loan has been decreasing gradually during the year. They always trying to improve their credit policy for minimizing loss and maximizing profit and various measures are undertaken to develop the credit management system and the loan recovery system.

Appended Part

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