An Evaluation of Operational Activities of Losing Branch(es) of Nationalised Bank in Urban Area of Bangladesh: A Case Study of Janata Bank.

Thesis submitted to the University of Dhaka
for the award of the Degree of
Master of Philosophy

BY

Subrota Kumar Bahadur
M.Phil Research Scholar
Registration No. 393
Session: 2001-02

Under the Supervision of
Professor Dr. Saroj Kumar Saha

Department of Accounting & Information Systems
University of Dhaka, Dhaka,
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TO

MY BELOVED

GRANDFATHER
&
GRANDMOTHER.

Dr. Saroj Kumar Saha
Professor
Department of Accounting & Information Systems
Faculty of Business Studies
University of Dhaka, Dhaka.

CERTIFICATE

This is to certify that the M.Phil thesis titled on **"An Evaluation of Operational Activities of Losing Branch (es) of Nationalised Bank in Urban Area of Bangladesh: A Case Study of Janata Bank"** is a bonafide record of the research work done by Subrota Kumar Bahadur, Roll-01, Session 2001-02. The thesis represents an independent and original work on the part of the candidate. The research work or any other similar title has not previously formed the base for the award of any degree. The entire work has been planned and carried out by the candidate under my supervision and guidance.

Saha 18/9/2010

Saroj Kumar Saha
Supervisor,
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DECLARATION OF THE CANDIDATE

I do hereby declare that the thesis titled on **"An Evaluation of Operational Activities of Losing Branch (es) of Nationalised Bank in Urban Area of Bangladesh: A Case Study of Janata Bank"** for the award of the degree of M. Phil is my original work and that it has not been previously formed the basis for the award of any degree. The entire work has been planned and carried out under the supervision of **Professor Dr. Saroj Kumar Saha.**

18.09.2010

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Bahadur 18.09.2010

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ABBREVIATIONS USED

Short form	Full form
A/C	Account
ADB	Asian Development Bank
BB	Bangladesh Bank
BIDS	Bangladesh Institute of Development Agency
BIBM	Bangladesh Institute of Bank Management
BIM	Bangladesh Institute of Management
BKB	Bangladesh Krishi Bank
BSRS	Bangladesh Shilpa Rin Shangstha
BASIC	Bangladesh Small Industries and Commerce Bank Ltd.
BER	Bangladesh Economic Review
BSBL	Bangladesh Samabay Bank Ltd.
CIB	Credit Information Bureau
COF	Cost Of Fund
Cc	Cash credit
CEO	Chief Executive Officer
DFI	Development Financial Institution
DSE	Dhaka Stock Exchange
F.C	Foreign Currency
FCB	Foreign Commercial Bank
FSRP	Financial Sector Reform Project
FI	Financial Institution
FY	Financial Year
GOB	Government of Bangladesh
HBFC	House Building Finance Corporation
H.O	Head Office
ICB	Investment Corporation of Bangladesh
JB	Janata Bank
L.C	Letter of Credit
LI	Loss Incurring
MBHC	Multi Bank Holdings Companies
MOU	Memorandum Of Understanding
MIS	Management Information System
NCB	Nationalized Commercial Bank
NFCD	Non-resident Foreign Currency Deposit
NLL	New Loan Lender
NPL	Non-Performing Loan
OBHC	One Bank Holdings Company

Short form	Full form
PCB	Private Commercial Bank
PE	Profit Earning
PICIC	Pakistan Industrial Credit & Investment Corporation
PPS	Performance Planning System
RAKUB	Rajshahi Krishi Unnayan Bank
SB	Specialized Bank
SBP	State Bank of Pakistan
SME	Small and Medium Enterprise
UMPC	Union Multipurpose Cooperative Society
VOB	Volume of Business
WEDB	Wage Earners Development Bonds

ABSTRACT

After Independence of Bangladesh, all the private owned commercial banks were nationalized, commonly known as Nationalised Commercial Banks (NCBs). Janata Bank one of the rare profit making nationalized banks in Bangladesh. Better management of funds and expenses is a major reason for its success. All branches of Janata Bank are not profit earning branch. Some branches are incurring losses every year. This study focuses on two of the losing branches of Janata bank to identify the causes of their failure in making profits. This study focuses to find out basic causes of incurring loss by the branches.

Janata Bank is the second largest Commercial Bank in Bangladesh which has 847 branches including 4 overseas branches. Out of which 249 branches (Urban 59 and Rural 190) are incurring losses for consecutive five years. But Janata Bank has declared that there is only 176 losing branches and rest of the losing branches are being merged with other profitable branches. At present, Janata Bank has 671 profit branches. It is estimated that about eighty percent (80%) of the total branches of Janata Bank are profitable and rest twenty (20%) are losing branches. Near about twenty four percent (24%) urban branches and seventy six percent (76%) rural branches are loss incurring branches.

In the current study, two losing branches of Janata Bank, namely Imamgong branch and Nawabpur branch have been studied. For this purpose, their profit and loss accounts have been analyzed to identity the reasons of their incurring losses. One of the profit making branches of Janata bank has also been considered. Three years data (from 2003 to 2005) have been used for comparison between loss incurring and profit making branches. The bad loan and high operating expenses are the dominating causes for the losing branches. The study results show that inefficiency on part of the management of the losing branches in sanctioning loans and/or controlling expenses result in losses over the years.

As the Janata Bank has the burden for provision of classified loan, the bank has to make greater difference between interest on deposit and interest on credit. The present scenario of Janata bank shows that the overall performance of the bank is satisfactory. So, if the top management becomes aware of the causes of the losing branches and takes remedial actions in the matter, the

losing branches can overcome the position of losses and make themselves as profit making branches like other branches of the bank.

From the discussion with the stakeholder like bankers, it is gathered that lack of necessary deposit, non-recovery of stuck-up advances, unskilled man power, non-availability of technology, bad communications etc. are main causes for the loss in the rural branches. The urban branches have all the facilities and scope for sizeable business but they are also incurring loss. This study recommends that by adopting better management policy, Janata Bank can recover losses. Therefore, the bank should adopt better management policy.

CHAPTER-ONE

INTRODUCTION

1.1 Context of the study:

"Money and banking is the centre, around which all economic science clusters".

—Prof. Marshall.

Bank is being an institutions, firm, company or corporation, generally deals in the business of money and credit. In our country , according to Bank Company Act, 1991, any institution which accepts, for the purpose of lending or investment , deposits of money from the public, repayable on demand or otherwise and withdrawable by cheque ,draft, or otherwise is called a bank (Bhuiya, 1996). Banks perform catalytic role in economic development in a country. They act as intermediaries between small savers and users of fund . They are fiduciary institutions as they collect other peoples money and lend money to another group of people with the objective of earning interest and other charges from transacting fund transfers from one part and place to another. Banks are allowed to operate with much smaller capitals bases unlike other companies as they are more closely regulated by the central bank of a country . To protect interest of depositors 15-20% of deposits are placed with Bangladesh Bank as liquidity reserve. Banks create money supply by lending money to borrowers in a chain manner (Haque, 1999). In ancient days, keeping in custody other people's money and lending a part of it were the chief functions a bank. Gradually these functions were extended, and others were added. Now-a-days, the dependence of commerce upon banking has become so great that in a modern money economy, the cessation, even for a day or two , of a bank's activities would completely paralyze the economic life of a nation. (Bhuiya, 1996).

Though profit earning is the motto of bank but a good number of branches of NCBs (Nationalized Commercial Bank) are loss incurring for years together. Former Finance and Planning Minister Mr. Saifur Rahman intended to close down the loss incurring branches of NCBs and declared for merging of loss incurring branches which are incurring losses for last five consecutive year which are profitable. The number of loss incurring branches of NCBs which incur losses for last five consecutive years has been presented in Table-1

Table-1

Sl.No.	Name of the Banks	No. of losing Branches
1.	**Janata Bank**	**249**
2.	Sonali Bank	212
3.	Agrani Bank	142
4.	Rupali Bank	82

Source: The Daily Jugantor, on 23 March, 2002.

Janata Bank is the second largest Commercial Bank in Bangladesh having 847 branches including 4 overseas branches. Out of which 249 branches (Urban 59 and Rural 190) are incurring loss for consecutive five years. However, Janata Bank has declared only 176 losing branches and rest of the losing branches are being merged with other profitable branches. At present, Janata Bank's profit earning branches is 671. It is estimated that about eighty percent (80%) of the total branches of Janata Bank are profitable and rest twenty (20%) are losing branches. Out of loss incurring branches, about twenty four percent (24%) urban branchesand seventy six percent (76%) rural branches are incurring losses.

For the matter of overall viability of a financial institution, it is a common notion to close down it's loss incurring branch. It is estimated that around thirty eight (38 %) percent of the urban branches of Nationalized Commercial Banks are currently loss incurring and therefore, it is argued that these should be closed. On the contrary, it is also argued that before taking such a strategy of closing down urban loss incurring branches across the board, it would be wise to rethink whether loss incurring branches can be converted into profit earning branches. In this case, not only overall amount of loss would be diminished but also augment the extent of overall viability of a financial institution. If it is not possible on the part of loss incurring branches to overcome their loss related problem , in that case, closing down those loss incurring branches would be a better decision. But how to determine the curability or non- curability of loss related problems of a loss incurring branches so as the arrive at a correct decision regarding it's closure is the concern of this study.

1.2 Rationale of the study:

The introduction of new branches by Janata Bank in the urban areas was a common phenomena with an expectation of making profit . But matter of great regret that a remarkable number of branches in the urban areas are facing loss which was undesirable to the bank .In fact , there may have so many causes behind incurring loss. So it is necessary to find out the causes to take necessary measures to over come the problems . It is to be mentioned here that it is most rationale to study the topic like" An evaluation of losing branches of Nationalized Bank in the urban area with special reference to Janata Bank." 'Because the findings and suggestions may help to over come the problems and to make the branches profitable which will bring the ultimate benefits to the nation. The researcher also assumes that the branches have got their licenses from Bangladesh Bank having no feasibility study for opening branch in the urban areas or may be overlapped by synonymous opening of branches by various banks. So, study of such burning problem is most rationale for the interest of the nation.

1.3 Objectives of the study:

The main objectives of the Study are as follows:

1. To identify whether the loss incurring branches complied all the rules and regulation while in performing the lending activities.
2. To find whether economic condition of branch area has changed after the operation started.
3. To compare advantages /disadvantages of merging of the loss incurring branches with the nearest other bank branches.
4. To make a comparative analysis between profit branches and losing branches.
5. To compare the loan supervision between loss incurring branch and profit making branches of the bank.
6. To identify the recovery performance of the bank.
7. To make a comparison between the financial profit shown and the real there on.
8. To assess the credit structure of the banks under study.
9. To suggest the remedial and measures for preventing bank losses.

1.4 Methodology of the study:

The study report were used both Primary and Secondary sources of data. Primary sources of data collected were collection face to face conversation, supplemented by discussion, opinion of the respective officers and concerned people of the bank. Data were also collected from the sampled branches i.e Imamgonj branch, Nawabpur branch, Janata Bhaban Corporate branch through a structured questionnaire, containing queries like age, manpower, competitors, location, average business transactions, details on deposits, advance, profit , performance of the branches and practical work exposures from different sections of the bank.

Secondary sources of data required for the study were also collected from annual reports of the respective bank, Bangladesh Bank Report, Resume of the Activities of the Financial Institutions in Bangladesh, various local & international Journals , News papers etc. Data required from published materials like budget, quarterly reviews, operational statistics, various statements were also collected.

1.5 Limitations of the Study:

Janata Bank is one of the largest bank in the banking sector of Bangladesh. So it is difficult for the researcher to analyze the performance of losing branches of the bank for the following barriers:

- It was difficult to get complete and up to date information because of secrecy of the bank
- There is a lack of sufficient data records and publications.
- Losing Concern is most confidential of any bank. It is needed to get co-operation from banking officer to gather experience of losing activities But most of the banking officer do not talk about losing branch.
- To make a meaningful and useful report, the first and the most important requirement is to collect recent statistical banking data from any authorized research and /or bureau office but there is no available data.
- Now the world is a globally networking world due to advancement of IT. But it a matter of regret that networking in our banking sector like other sectors has not yet been developed. So sometimes it is difficult to get information from internet.

1.6 Terminologies used in the study:

Bank: A bank performs an essentially distributive task, service or acts as an intermediary between borrowers & lenders. However, a bank may be considered as the heart of a complex financial structure.

Bank is the financial institution which earns profit through acceptance of deposit, extending credit, issuing notes & cheque, receiving and paying interest.

Banker: Any person carrying on the business of banking is banker.

Bankrupt: The situation in which a borrower is unable to pay obligated debts.

Losing Branch: Loss incurring branches have been defined as branches incurring losses for consecutive 5 (five) years.

Profit Earning Branch: Profit earning branch have been defined as branches earning profit for last consecutive 5(five) years.

Classified Loans: Any loan overdue for 3 months or more is to be subjects to adversely classified.

Bad / Loss: Any loan overdue for 12 months or more become subject to loss/ bad classification.

Interest: This is paid on the balances outstanding to the credit of a deposit account. Deposit rate generally follows the fluctuations of base rate, being between 1.5 percent to 3 per cent bellow it at any time.

Loan Accounts: This is the traditional method of lending and it differs quite significantly in operation from the overdraft. When a loan facility is granted a separated loan account is opened in the borrower's name; the full amount of the loan is debited to the account after disbursement and the funds credited to the current account for use.

Monetary Policy: Monetary policy involves the direction of economic activity through control of the supply and price of money. Government can attempt to influence the economy by varying the quantity of money available to the country or by assumed that increasing the supply of money will stimulate the economy while restricting it will depress the economy.

Inflation: Allowing uncontrolled expansion of the money supply.

Deflation: Rapid contraction of the money supply.

Reflation : Allowing a mild form of inflation designed to gently stimulate the economy.

Disinflation: A mild form of deflation designed to slow down economic activity without causing a severe depression.

Volume of Business (VOB): The business characteristics of the branch (es) separately from the point of view of deposits as well as Advance. Here, VOB= Deposit+ Advance.

CHAPTER-TWO

Evolution and Functions of Bank

2.1 History of evolution of banking system:

a) British period:

Banking was known in India long ago, when the rest of the world was in darkness about it. Even in Manu Sanghita, we find that there was deposit banking in ancient India (Bhattacharjee, 1964) Banking in one form or another is as old as civilization itself. The earliest banks go back to biblical days, about 4000 years ago. We also know from early records that the ancient civilizations of Rome , Greece ,Babylon, china, and Egypt all made use of banks (Klein & Lambert, 1987) Even now a days, grocers, jewelers etc. receive deposits from public. In the villages also, we find many money lenders even today's. But the importance of these indigenous bankers is fast dwindling as they are not able to adjust themselves to modern banking conditions. Banking in India is traceable in ancient Vedic era. Ancient bankers performed the functions such as accepting deposits, granting loan against security, acting as bailey to customers, or as treasurers and bankers to the state, and managing the currency of the country Also they used loan deeds. During Buddhist Period . Brahmins and Kshatiyas entered banking business. The concept of hundis or indigenous bills of exchange come in use .(Ahmed 1992). During Mughal rule, indigenous banks granted loans for both domestic and foreign trade assisted the state issued metallic coin and acted as money changer, revenue collectors and bankers to the state . The banking house of Jeagath Seth's had great influence and power .They financed trade , performed treasury function and were trusted custodians of deposits (Ahmed 1992). However ,the Jagath Seth's did not provide banking services. With the disappearance of the Jews from England in 1290. the Lombard's and causines established themselves as bankers. So great was their influence that a street in the centre of London -Lombard Street-was named after them. It was their customs to sit on a 'banca' or bench and transact their business. When the business failed, the bench was Smashed and from this the word 'bankrupt' is derived. The Lombard's carried out the business of money – changing and lending to merchants of London and anybody else who needed finance. Furthermore , they bought with them their skills in international trade , extending the methods of settlement between this country and continent by the use of bills of exchange (Klein & Lambert, 1987). In 1690 Massachusetts printed "bills of credit" to finance king Williams War a practice that was adopted by some of the other countries. These bills of credit become the first paper money introduced in the British Emprise. A few "land banks" which issued bank notes secured by real estate, were established. The certain of these banks as well as the issuance of bills of credit, raised the ire of the British Parliament, which insisted on "sound" money throughout the empire (Reed & Gill, 1989). There was a succession of Acts of Parliament that tried to restore confidence in the banking system. On the first ,measures was to allow the Bank of England to established branches in various parts of the country. Another Act (1826) allowed joint stock banks to be established with note issuing powers-providing they did not operate within a 65 miles radius of London. In 1833 another act did permit joint-stock banks to operate within the restricted area, providing that they did not issue banknotes .Since 1844 Balance Sheet have .always been published. Commercial Banks in Bangladesh has been functioning for the last centuries. The bank of Hindustan was the first modern bank formed in 1770 by an English Agency House in Calcutta but was wound up in 1832(Guru Datta,1987) in Abrol (1987) & Ahmed 1992).The East India Company and European private share holders mostly owned these banks. The presidency banks had the monopoly of Government banking and the issue of notes. In1876 the presidency banks act was passed and government had withdrawn its capitals. The governments balances were kept in three reserve treasuries. The policy of the Presidency Banks Act was to safeguard the interest of the government and also it imposed restriction on all three banks to carry out the business of banking only (Ahmed1992:30) In that period , the English agencies established mostly the joint stock banks. After 1813,several Joint Stock Banks were established by the British settlers in India , but most of them could not banking business only (Ahmed1992). Between 1861 and 1865 there was a mushroom growth of banking companies. Under the Indian management , the Oudh Commercial Bank was first formed in 1880 followed by the Punjab National Bank and the Alliance Bank of simla (Srinivasa-Raghavan,1955). The three presidency banks and Indian Joint Stock Banks were established by the acts of Indian legislature. In 1860, the principal of limited liability was first applied to the banks(Ahmed1992) The three presidency banks viz. Bank of Bengal, Bank of Bombay and Bank of Madras were amalgamated into imperial bank of India on 27.1.21. by the Imperial Bank of India Act 1920 .After passing of State Bank of India Act 1955,no.23 of 1955. The understanding of Imperial Bank of India was taken over by the newly constituted State Bank of India. There was no separate provision regulating banking till 1936 . The state regulatory of banking companies started by Indian Companies Ltd. 1936 which prohibited banking companies from carrying on business other than banking. Several events were remarkable in the historical development of banking in India during the British rule e.g. the a) the imperial Bank of India Act 1920 b)the Imperial Bank of India (amendment)Act 1934 c)the Reserve Bank of India Act 1934 d)the establishment of the Reserve Bank of India in 1935 (Ahmed ,1992) Since 1946, when the bank of England Nationalization Act was passed , the bank has been totally owned by the government . its present day functions are 1)Bankers to the government 2)Managers the Equalization Account 3)Note issuing authority 4)Manages the issue of Treasury bills 5)Bankers to other banks and financial institution 6)Sterling banker to other central banks and international organizations 7) Lender of last resort to the discount houses 8)Commercial Banking 9)Supervision of the banking of government policy. (Bharttacharjee, 1964).

b) Pakistan Period:

In undivided India, the areas that were covered by Pakistan had been fairly well provided with commercial banking facilities. In 1947, there were 46 scheduled banks in the Pakistan territory. Prior to independence in 1947, there were about an equal number of scheduled and non- scheduled bank branches in the subcontinent. In March 1947, number of Indian scheduled bank offices in undivided India were 3,496 of which 631 were in Pakistan . Of the total number of bank offices (631) , 487 were in the West Pakistan (77%) and 144 were in the East Pakistan (33%) . Banking facilities in East Pakistan were mainly provided by small and mostly non-scheduled banks. The importance of non- scheduled banks in Pakistan declined steadily over the years (Meenai, 1966)

The bank offices which belonged to India almost closed their business. Only a few remained in name but without business. This resulted in a sharp curtailment of banking business in Pakistan. The country has two banks owned by Pakistani national. In East Pakistan, number of bank offices remained unchanged but banking functions reduced sharply due to the fact that non-Muslims had withdraw all their deposits and went to India. In June 1948, of the total bank offices (195) that remained in Pakistan, 81 were in the west Pakistan and 114 were in East Pakistan (Srinivasaraghavan, p.569 in Islam p.26)At that time, Pakistan banking system consisted primarily of non-Indian foreign banks. June, 1947, Nineteen non- Indian foreign bank offices and a number of Indian banks were in limited operation. Prior to June,1947, only one muslim managed scheduled bank, Bank of Bahawalpur limited, was functioning in the Pakistan territory. The Habib Bank Limited which was established in 1941 transferred its head office to Karachi after partition (Andrus & Mohammed, 1966). Due to management inefficiency and unwise policies , the non-scheduled banks had been gradually weeded out over the years. In 1949, the number of non- scheduled bank offices were 704 in Pakistan. The number declined to thirty as on June 1966, of which thirteen were in West Pakistan and seventeen were in East Pakistan (Meenai, p.16). A negotiation agreement between the Government of India and Government of Pakistan was passed to serve the Reserve Bank of India as monetary authority in Pakistan from 30th September, 1947 to June, 1948 (Ibid, p.16). The reserve Bank of India discharged all central banking functions and operated in Pakistan.

To recovery from the disrupted situation in banking system, the State Bank of Pakistan (SBP) order was promulgated on 12th May, 1948 by the Government General of Pakistan .The SBP order has been amended from time to time and embodied in the State Bank of Pakistan Act 1956. The State Bank of Pakistan (Central Bank) was opened on 1st July, 1948. The State Bank of Pakistan and Government encouraged Pakistani banks to open new branches. The State Bank of Pakistan took many initiative to foster the banking system. The state Bank of Pakistan held powers issues notes, had influence on availability, cost and use of credit. Scheduled banks had to maintain 5% of their demand and 2% of their time liabilities to the State bank of Pakistan as reserve. The State bank could change bank rate, cost of credit and amount of credit supply. The banking companies ordinance, 1962 was passed by replacing several related acts, empowering State Bank Pakistan to control credit, to give direction to the scheduled banks regarding advances, margin and interest rate. It could inspect a bank, examine affairs, order to change bank management etc. The State Bank might also prescribe the bank to maintain within Pakistan a certain percentage of assets their against their deposit to ensure that funds were not substantially used outside the country. The scheduled banks had to maintain 20% of their deposit in the form of liquid assets such as cash, gold and unencumbered approved securities to ensure a reasonable degree of liquidity.

Under the guidance of State Bank of Pakistan, the Institute of Bankers was established in September, 1951 to facilitate studies in banking and to develop the profession. Under the guidance of State Bank of Pakistan, the National Bank of Pakistan was established (1949) as a quasi- public commercial bank to take over agency functions of the SBR (1952) for transacting government business and managing currency chests at places where he SBP did not have a office of its own which were previously performed by the Imperial bank of India (Andrus & Mohammed, 1966). The State Bank of Pakistan had undertaken promotional activities in establishing new institutions such as the Pakistan Industrial Credit Investment Corporation (PICIC) , the Pakistan Industrial Finance Corporation (1949, PIFCO) , the

Agriculture Bank of Pakistan (1958-59, Successor of ADBP) , the Eastern Mercantile Bank etc.

The National bank of Pakistan was established in 1949 with six offices in east Pakistan, located at Narayangonj, Mymensingh, Chandpur, Rangpur, Khulna, and head office being at Karachi. In march 1950, it started commercial banking functions . the National Bank of Pakistan primarily continued financing in the trade in jute, cotton and other agricultural commodities. On 31st December, 1964 it had 443 branches in Pakistan and 7 abroad. The Habib bank Limited was established in 1941. It was the only scheduled bank which had transferred its head office from India to Pakistan during partition. It started its function with two offices in Pakistan. By the end of 1964 it had 325 branches in Pakistan and 6 branches overseas. The National Bank of Pakistan (1949) and the Habib Bank Limited (1941) greatly contributed to the development of commercial banking system in Pakistan . Another contributing event in the development of banking system of Pakistan could be observed in 1959 when the appointment of Credit Inquiry Commission was made to examine the credit facilities to agriculture, business and industry. The commission identified problems and made recommendations for the development of credit activities in the country.

Pakistan Industrial Finance Corporation (PIFCO) was established in June, 1949 to finance exclusively the industrial concerns through grant of loans ; underwriting stocks , bonds and debentures; and by raising loans inside and outside Pakistan. Between 1948 and 1965 , about 27 banks were incorporated as scheduled banks of which the following were remarkable : Muslim Commercial Bank Limited (1948) , Bank of Bahawalpur Limited (1947), National Bank of Pakistan (1949) , United Bank of India, State Bank of India, Punjab Provincial Co-Operative Bank Ltd., National Commercial Bank Limited (1958) Agricultural Development Bank of Pakistan (1961) Standard Co-Operative Bank Limited , Eastern Banking CO-Operation, United Bank Limited (1959) Eastern Mercantile Bank Limited (1959), Union Bank Limited (1959), Standard Bank Limited (1963), Premier Bank Limited (1963), Habib Bank (Overseas) Limited (1952) (Banking Statistics of Pakistan, 1960-61, Department of Statistics , State Bank of Pakistan).

Scheduled banks incorporated in Pakistan which had offices in East Pakistan with their number of branches (in bracket) as on 30th June, 1965 were : Australasia bank Limited (7), Bank of Bahawalpur Limited (2), Habib Bank Limited (103), Muslim Commercial Bank Limited (50), National Bank of Pakistan Limited (152), Agricultural Development bank of Pakistan (49), Eastern Mercantile Bank Limited (33), United Bank Limited (111), Union Bank Limited (3), Industrial Development Bank of Pakistan (3), Standard Bank Limited (7).

Commerce Bank Limited (13), and Eastern Banking Corporation Limited (2) [Banking Statistics of Pakistan, 1964-65, Department of Statistics, State Bank of Pakistan]. Among the banks , Eastern Mercantile Bank Limited and Union Bank Limited had head offices in the East Pakistan and both were located at Chittagonj. The head offices of other banks were in West Pakistan and mainly at Karachi and Lahore.

A brief review of Schedule banks offices by nationality since 1948 show a gradual increase in the number of Pakistani banks and their branches whereas a gradual decrease in the number of foreign banks and their branches presented in Table-2.

Table-2: Trend of Banks and Branches in Pakistan by Nationality:

June each Year	Pakistani Banks		Foreign banks		Total	
	Banks	Branches	Banks	Branches	Banks	Branches
1948	4	23	34	172	38	195
1950	5	81	31	121	36	202
1955	5	163	27	88	32	251
1960	10	358	19	72	29	430
1965	16	1521	20	70	36	1591
1970	18	3247	18	65	36	3312

Source : Banking Statistics of Pakistan, 1964-65, Department of Statistics, State Bank of Pakistan; and Pakistan Economic Survey, 1970-71, MOF, GOP, Islamabad, P.60

In Bengal , the rural informal credit was part of the social economic and trade culture . Traditional Mahajans were goldsmith and Hindu businessman ,especially 'baniyas' who acted as money lender since long. But many have left for other areas of India and their place in money lending was taken by the Muslim landowners (Maloney and Ahmed, 1988:49).After the Pakistan of British India into Pakistan and India , the territories now from Bangladesh become integral part of Pakistan and was called East Pakistan immediately after independence as aforesaid in e in 1971, the new government had to take over management and ownership of all such institutions. The Banks Nationalization Order 1972 was issued to nationalize banks and financial institutions (except those incorporated abroad) in order to control chaos in field of ownership, party, bureaucracy, the intelligentsia, and pr1947 an expert committee was appointed to study the issue of banking in the then Pakistan. On the recommendation of the Expert Committee, the Reserve Bank of India continued its function of Pakistan up to 30th September, 1948 and thereafter the State Bank of Pakistan , having been establishment on 1st july,1948. Started functioning and assumed full control of banking and currency . By the date Bangladesh proclaimed independence ,there were about 14 scheduled banks with about 3042 branches all over the country. Some foreign banks were also functioning in Pakistan on that date (Bhuiya, 1996) .

The State Bank of Pakistan mainly initiated the branch expansion program. During the Pakistan period ,the banking vocabulary was enriched by increased use of several concepts such as economic knowledge of banking , bankers, approach to national objectives, socio-economic regeneration, public interest, profitability liquidity, welfare, community enterprise, credit policies, interest of deposits & shareholders etc.(Ismail & Uzair,1967) . Pakistan government policies and arrangement allowed a group of Bengali entrepreneurs to establish industrial units with a minimal investment. This was however a political process initiated by the West Pakistani ruler with an attempt to create a loyal Bengali Capitalist class. The role of promoting Bengali industrial entrepreneurs was ably supplemented by the policy owned or controlled financial institutions (Ahmed 1987).

c) Banking in Bangladesh:

Banking system, after independence of Bangladesh in 1971, have been more dynamic. Attempts have been made towards attaining economic growth. The scheduled banks have been striving to allocate mopped up resources among different sectors. They have been following a policy giving preferential treatment to sectors like industry, agriculture, export, self employment etc. After independence of Bangladesh, banks and financial institutions operating here (except those incorporated abroad) were nationalized by the Banks Nationalization Order 1972 (also by a separate order for financial institutions) By these orders six nationalized commercial Banks (NCBs) , one Industrial bank (BSB), one agriculture bank (BKB),, and one industrial development financial institution (BSRS) were created.

After independence in 1971, the nationalized banks and foreign banks constituted the total banking system of Bangladesh. The State Bank of India opened one branch during July-September, 1975. In 1975, he four foreign banks operating in Bangladesh Were: (a) American Express International Banking Corporation, (b) Grind lays Bank Ltd , (c) The Chartered bank Ltd , and (d) State bank of India. Now, there are twelve foreign banks i.e. American Express bank Ltd., ANZ Grind lays Bank Ltd., Standard Chartered Bank, State Bank of India, Habib Bank Ltd., Citibank N.A., Banque Indosuez, National bank of Pakistan, Muslim Commercial bank Ltd., Society General bank, Hanil Bank, and Hong Kong Bank [Scheduled Banks Statistics, September-December, 1997]. Investment Corporation of Bangladesh was established in 1976 and Grameen Bank in 1983. In the years 1983 the

Government allowed private sector to participate in the banking business. The Pubali Bank and the Uttara Bank have been transferred to private sector with effect from January 1985. This action reduced the number of NCBs to four. Rupali Bank has been reorganized as a public limited company from 14th December, 1986. Rajshahi Krishi Unnayan Bank was established in 1987 through a bifurcation of the offices of Bangladesh Krishi Bank of Rajshahi division. Bank of small Industries and Commerce Bangladesh Ltd. was established in 1993 (Islam, 1998).

2.2 Functions of the Bank:-

On being asked the role of their own banks in the banking system, all respondents see the role of their bank as the provider of both short and long –term finance to industry. It appears that the NCB's were forced into long term borrowing by the Government of following the failure in the 1980s of the two DFIs in promoting the industrial sector'. About the desirability or necessity of a specialized Industrialized bank in Bangladesh, there was unanimous agreement as to the need specialized industrial bank in Bangladesh. According to the opinions of bankers working in private banks in Bangladesh, an efficient and well-managed industrial bank in necessary in Bangladesh.Commercial banks should provide short-term working capital loans. Long- term finance should be the province of an industrial bank because long-term finance is different from short- term finance. Industrial Banks should also provide venture capital. One banker stated: 'a specialized bank is a must for expediting the growth and development of industries in Bangladesh. In Long term run, commercial banks will not be able to supervise and monitor industrial credit effectively. Only one industrial bank can meaningfully provide logistical support and infrastructure for industrial development. One of the DFI bankers made the point that an entrepreneurs development institute should be created as a precondition for the establishment of a specialized of a industrial bank. This caveat reflects doubts about the capacity and intentions of entrepreneurs (Jahan & Neill, 2003).

Bank is being an individual,_firm, Company or corporation, generally deals in the business of money and credit is called a bank. In our country, any institute which accepts, for the purpose of lending or investment, deposits of money from the public , repayable on demand or otherwise and withdraw able by cheque ,draft, order or otherwise is called a bank. Bank and Banking are classified into different types according to their structure and functions. Depending upon the functions, we have three styles of banking : deposit banking , investment banking , and mixed banking. We can easily understand group banking, chain banking , and correspondent banking. In the first type group banking are two or more banks which are separately incorporated are brought under the control of a holding company (which may or may not be a banking company itself). Chain banks separately incorporated banks which are brought under a common control. This process of integration is achieved by a device other than a holding company. In the category of Correspondent system, banks are linked together through deposits by smaller banks of some of their cash reserve with bigger banks. The bigger banks are usually called correspondent banks.

Deposits banking is based on the belief that banks are custodians and trustees for the majority of depositors; a large proportion of this money is payable on demand. Bankers keep large part of their assets in the form of cash or highly liquid assets ; commercial banks are bound to concentrate on short- term loans. This type of banking is good for the protection of depositors as well as for the safety of the banking system. England is most inclined to promote deposit banking.

Industrial banking or investment banking was popular in Germany, where a number of such banks were formed after 1853. These banks helped float new concerns and funds in purchasing share and debentures of industrial concerns. A system of industrial credit account was formed in Germany ; industrial units were given loans to met their working capital needs. (Kutty, 1979) . "Investment banks are organizations which assist business corporations and government bodies to raise funds for long term capital requirements through the sale of shares , stocks and bonds. Generally , they purchase entire issue of new securities of the business corporations or of governmental bodies and reissue them for public subscription at a higher price.(Shekhar, 1977).

Mixed banking is typically Indian. Indian banks largely follow the British pattern. Only short term loans are given to industrial undertakings. However, banks participate in long-term financing in n indirect manner ; they purchase shares and debentures of industrial ventures and also make advances against shares of the Industrial Finance Corporation and State Financial business (Kutty, 1979). Ordinarily, all functions of a bank in the course of its business Companies Act 1991 (Act 14 of the word "banking" has been defined to mean the accepting for the purpose of lending or Investment of deposits of money from the public, repayable on demand or otherwise and withdraw able by cheque ,draft, order or otherwise. But any company which is engaged in the manufacture of goods or carries on any trade and which accept deposits of money from the public merely for the purpose of financing its business is excluded from being deemed to transact the business of banking.

"banking as the business of dealing in credit" (USA Act of congress) Defines Bank as "Institution which appeals to the public for deposit" (Swiss Law).

Bankers have now a days deal with a large number of matters. They serve as custodian medium of exchange, they help economic activities of a country. There is no denying in it that capital formation is the key of development of modern nations. Bankers collect small amount of money from the people and help in the formation of capital and simultaneously help in the development of industry ,commerce, trade, agriculture etc. by providing loans and advances to entrepreneurs imports into and exports out of a country are financed by banks. They advance money on securities and issue letters of credit, travelers cheque, credit notes, circular notes etc. To customers wishing to travel abroad. The ever expanding sphere of bank activities may be presumed from following list of forms of business, other than business of banking as defined above. Which a banking company or bank may engage itself, namely:-

(i) the borrowing , raising or taking up of money; the lending or advancing of money either upon or without securities ; the drawing making ,accepting, discounting, buying, selling, collecting, and dealing in bills of exchange, hundis, promissory notes, coupons, drafts, bills of landing, railway receipts, warrants, debentures certificates , scripts, participation term certificates, term finance certificates, musharika certificates , mudaraba certificates and such other investment as may be approved by the Bangladesh Bank and other instruments and securities , whether transferable or negotiable or not ; the granting and issuing of letters of credit, the exchange buying, selling and dealing in bullion and species, the buying and selling of foreign including foreign banknotes; the acquiring holding, issuing on commission, under writing and dealing in stock , funds, shares , debentures stock, bonds, obligations, securities, participation term certificates, term finance, certificates, musharika certificates, mudaraba certificates and such other investments as may be approved by the Central Bank and investments of all kinds; the purchasing and selling of bonds , scripts or other form of securities, participation terms certificates, term finance certificates, moderaba certificates, musharika certificates and such other investments as may be approved by the competent authority of a country , negotiating of loans and advances; the receiving of all kinds of bonds, scrip's or valuable on deposits or for safe custody or otherwise; the providing of safe deposit vaults; the collecting end transmitting of money and securities.

(ii) acting as agents for the Government or local authority or any other person or persons the carrying on of agency business of any description including the clearing and forwarding of goods , giving of receipts and discharges and otherwise acting as an attorney on behalf of customers, but excluding the business of a managing agent or treasurer of a company;

(iii) Contracting for public and private loans and negotiating and issuing the same;

(iv) the affecting, insuring, guaranteeing, underwriting, participating in managing and carrying out of any issue , public or private, government ,municipal or other loans or of share stock, debentures or debenture stock of any company, corporation or association and the lending of money for the purpose of any such issue;

(v) carrying on and transacting every kind of guarantee and indemnity business;

(vi) purchases or acquit ion in the normal course of its banking business of any property, including commodities, patents, designs, trade marks, and copy rights with or without buy-back arrangements by the seller or for sale in the from of hire purchase or on deferred payment basis with making or for any other mode of financing

(vii) managing selling and realizing any property which may come into the possession of the

company in satisfaction or part satisfaction of any of its claims ;

(viii) acquiring and holding and generally dealing with any property or any right , title or interest in any such property which may from the security or part of the security for any loans or advances or which may be connected with any such security;

(ix) undertaking and executing trusts

(x) undertaking the administration of estates as executor ; trustee or otherwise (Bhuiya, 1996).

2.3 Functions of Commercial Bank:

Modern Banking is a fairly complicated business. The modern banker has three ancestors : the merchant, the money lender, and the goldsmith. The old institution of the money-lender was something similar to the modern bank. But the primitive methods of usury are wholly different from modern banking. According to the R.S. Sayers, a bank is an institution whose debts (usually referred to as bank deposits) are commonly accepted in final settlement of other people's debts. The most important kind of banking institutions is commercial banks. In fact when the word 'bank' is used without any prefix, it generally refers to a particular types of institutions- the commercial bank. To define commercial bank as which is concerned with accepting deposits or otherwise and withdraw able, by cheque, draft, order or otherwise and employing the deposits so pooled in the form of loans and investment to meet financial needs of business and other classes of the society (Shrivastavan, 1955).

A commercial bank is a bank whose primary business is to hold deposits and make loans and investments with the object of securing profits for its shareholders. The following are the main functions of commercial banks:

a) receiving deposits from the public ; b) giving loans and advances ; c) using the cheque system ; d) transferring of funds and e) miscellaneous functions. Commercial banks have come to occupy a very important place in the economic life of countries all over the world. Banks promote the economic development of countries. They promote industrialization and trade and commerce. They mobilize savings and help capital formation, banking is playing an increasing important role all over the world. As repositories of saving commercial banks provide to their customers with a range of instruments to choose from current deposits repayable on demand and savings deposits for individuals to fixed deposits for various terms apart from variety of deposits tailored to the individual depositors needs. Thus , deposits which are generally accepted by the bank are of different types, important being-current, saving, and fixed deposits. Deposits accepted under current account are withdraw able on demand by drawing cheques. The depositor can run down money from this account any times he likes. But he will not be permitted to withdraw more than his deposit in the account unless there is an arrangement to overdraw the account. The bank does not pay any interest on current account . Current account holders mostly come from business community. Commercial banks also accept deposits from people through savings account. Saving deposit scheme is intended to promote thriftiness among the lower income groups of persons. Fixed deposits are accepted by commercial banks for fixed period of time. Fixed deposit holder can withdraw the money only after the expiry of specific period. Such deposits are also know as "Time deposits". Banks allows interest on the deposit for the period which is usually higher for longer periods.

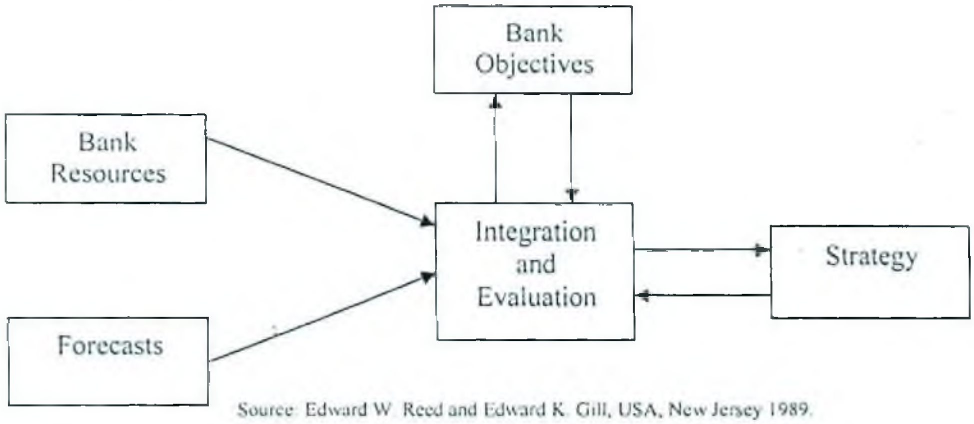
The second major function of commercial banks is that of employment of funds in different sectors of the economy. Commercial banks utilize their funds by way of granting loans and advances investing in industrial securities and by underwriting industrial issue. Major portion of funds is employment by commercial banks in loans. A commercial bank provides varied types of loans to wide variety of sectors of the economy. Banks loans can be classified in a variety of ways, according to form security, maturity method of repayment, origin and purpose. By form, bank loans can be categorized in four groups: loans and advances, overdraft, cash credits and bill discounting. In loans banks makes an advances in a lump sum which is repaid in one single installment. Once the loan is sanctioned the borrower is required to draw out the amount and pay interest on the whole amount sanctioned as if it has been sanctioned. An overdraft is an arrangement whereby the customer is allowed to overdraw his account. It is usually granted against some collateral securities. In cash credit arrangement the customer is allowed to borrow up to a certain limit against either a bond of credit by one or more sureties or certain other securities. It may be secured or unsecured depending up to credit standing of the party and relationship between the bank and the borrower. By securities, bank loans may be secured or unsecured. Secured loan is made on the security of specific collateral, viz., stock in trade, account receivables, plant, equipments, and premises, corporate stocks and bonds, gold silver, era. The basic requirement of such assets is marketability. Banks generally prefer to provide secured loans because security provides additional protection against risk of non- payment of loans. Unsecured loan , also clean loan, is granted against the promissory note of the borrower. Unsecured loan are highly risky. Such loan are generally provided to industrialists. By maturity bank loans may be classified into short, intermediate and long- term loans. Short-term loans are provided for a period of less than one year, intermediate loans carry maturity period from one to five years and long-term loans are in excess of five years.

Commercial banks in India following British banking practice have confined their operations to short-terms lending and have until recently abstained from term-lending business. In recent years the banking system in our country has shown remarkable resilience and vitality. It has tended to adapt itself to the sweeping changes in the economy with the consequence that there has been an interesting diversification of banking functions. Commercial bank loan can also be classified according to method of repayment as lump sum loans installment loans. In lump- sum loan usually referred to as 'straight' loans the borrower is required to repay the entire principal amount at one final maturity date. Bank loans can classified according to the purpose for which loans were sought by the borrowers. Thus, bank loans may take the form of commercial and industrial loans, real estate loan, loans to other banks, loans to other financial institutions, loans to brokers and dealers in securities, loans to farmers and loans to individuals. The classified is made on the basis of information which the bank collects regarding uses of the funds requested.

Besides functioning as repositories of deposits and employer of funds, commercial bank perform a number of functions to render variety of services to their customers. These can be categories in two broad group : the agency functions and general utility functions. A bank acts as agent of its customers in various ways. It undertake on behalf of its customers payment of subscription insurance premium, rents, income tax, etc. and collection of cheque, bills, salaries, pensions, dividends, interests, etc. It purchase and sells on behalf of its customers share, stocks, debenture and bonds, on the stock exchanges. Banks also arrange to transfer money from one place to another by means of cheque or bank draft by mail transfers. They also act as a representative or correspondent for their customers. They act as trustee, executor, administrator and attorney. Commercial banks perform a number of functions which are of general utility nature. These include the are keeping of valuables and documents , issue of credit instruments to enables easy transfer of funds from one part of the country to the other as referee for their customer.

In England commercial banks used to be referred to as joint stock banks. Commercial banks are also called clearing banks ; this again is fashionable in England. In the United States, the commercial banks is commonly used ; they are also referred to as the member banks. In Western Europe, commercial banks are called credit banks ; they are distinguished from investment banks. But in al pars of the world, a typical branches scattered all over the country (Kutty, 1979). The basic objective of commercial bank management is the same as that found in other profit seeking organization. Decision making in commercial banks must be done quickly and decisively. Customers deserve and in fact demand efficient, expeditions financial services and prompt decisions on many financial requests. The management cycle in every business consists of several steps or procedures such as planning , organizing and controlling designed to accomplish a desirable end. Although there is no established point at which to start. We begin with planning, probably the most important procedure in the management process. Planning is the activity through which a business firm charts its future course of action. The end result of planning is to develop a strategies for utilizing the resources of a business within its projected environment so as attain its overall objectives. Planning important because of the competitive environment within which banks operate and their desire to improve efficiency that will, it is hoped , result is increased growth, which in turn will result increase in the return or equity . Planning is an excise ; Infect, the process may be as useful as the plan itself in that it requires management to look ahead, recognize problems and search for solutions to them. A schematic diagram of commercial bank planning is shown in Figure-1.

Figure 1: Planning Arrangement in a Commercial Bank



Source: Edward W. Reed and Edward K. Gill, USA, New Jersey 1989.

2.4 Controlling Organs of Banking System:-

To implement strategies and attain objectives, work must be performed ; consequently, someone must lead and direct. There are many types of organizational structures. They are efficient if they facilities the accomplishment of objects by people. Although all banks do not have the same organizational structure , there are great similarities. Part of this is due to bank regulations and part to tradition .By law , a bank must have a board of directors and certain committees and officers. Banks in general are highly departmentalized. Departmentalization in banking, as in other business organization, results from the inability of one person to perform all the tasks connected with one group of activities. It is an outgrowth of a need to assemble the specialized knowledge that develops from an increasing volume and from the complexities of bank operations and the varied services rendered to customers. Departmentalization enables improved and expended services to customers, develops move efficient officers and employees and reduces the cost of operation.

The organization of banks for management purpose also varies because of differences in size, personalities and capabilities of officers and employees; the importance of the different function performed and services offered; and the work load of the bank. The number of employees also varies from on to another (Reed & Gill, 1989).

Managers must make decisions regarding a broad range of new issue that formerly did not affect the industry and the decisions are increasingly complex because of change in the economic environment competitive pressures and regulation. The main focus on commercial bank risk management. Because regulatory differences are rapidly disappearing between commercial banks, saving and loans, credit unions, and investment banks, the concept and decisions models apply generally to any of these firms and others that make loans or accept deposits. Thus, while the term 'bank' serves as an abbreviation for commercial bank, the analysis encompasses the behavior of other financial Institutions. The purpose is to introduce and apply financial concepts to the fundamental decisions that bank managers make (Koch & Donald, 2000).

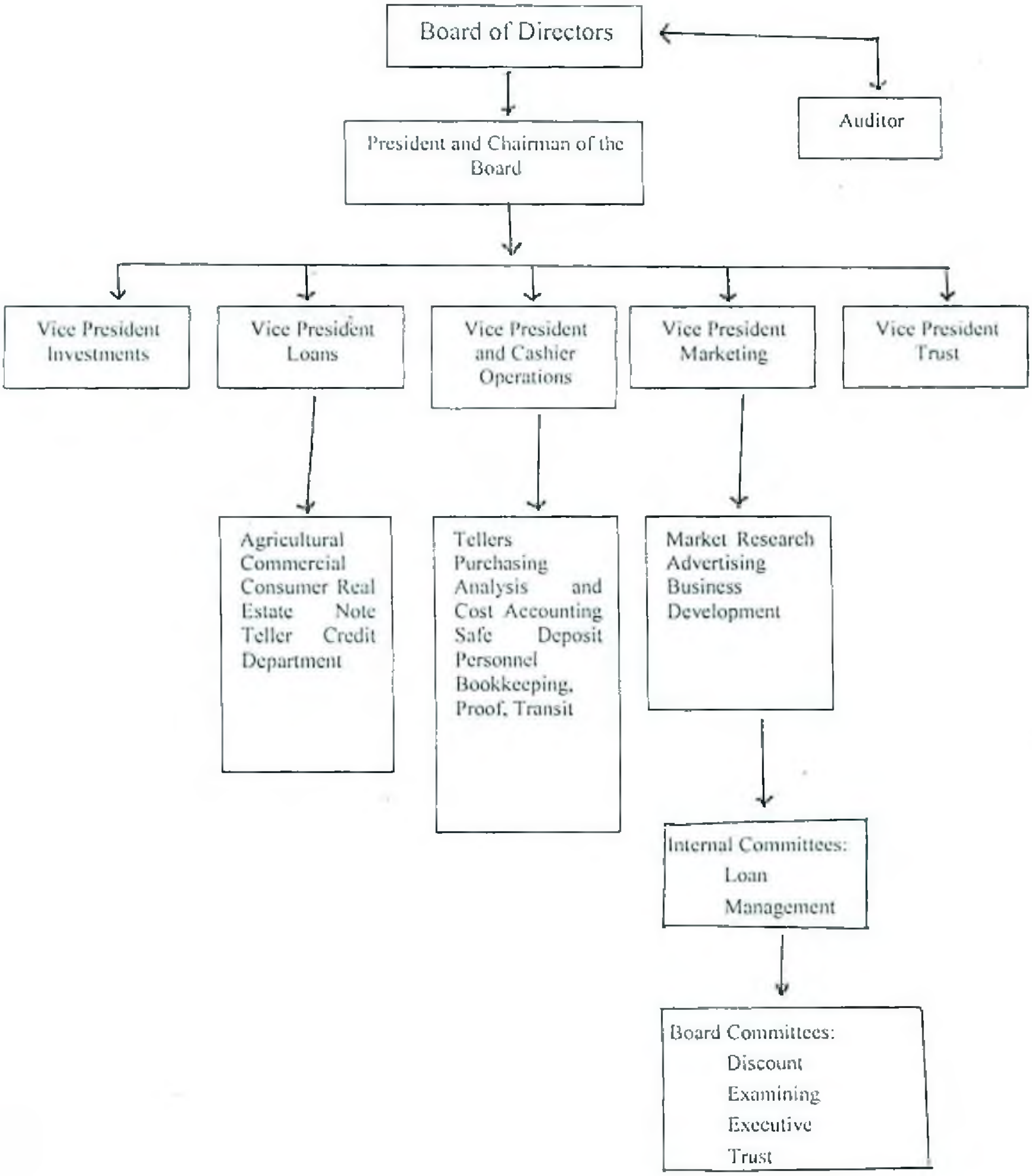
Three Forms of Bank Organization:-

The different legal forms of bank organizational in the banking industry are three type: (i) the unit bank, which limits its business to a single bank location. (ii) the branch bank which has a number of branches for its banking operations as well as the main office, and (iii) the holding company, which holds controlling stock interests in a group of banks. Holding company banking is also sometimes called group banking, because a number of banks are associated together in a network of banks.

(i) Unit Banking / Organization of small Banks:-

Some unit banks have grown to large size, even through they may be operating under stases restrictions severely limiting or completely prohibiting the establishment of branches. Through correspondent relations with other banks they have been able to provide their customers with service that would be unavailable if they had to rely entirely on their own resources. But the inability to establish branches restricts the ability of a unit bank to provide at least some of the services which its customers might desire. The following are the merits of unit banking. First, local resources can be well utilized for developmental purposes. Second, the unit banker knows the locality well; he knows the customs and prejudices prevailing there. This can be beneficial to serve the small community in an effective manner. Third, the management will be easy and there will not be much chances of fraud and irregularities (Kutty, 1979). A hypothetical organization chart for a relatively small unit bank is presented in figure-2.

Figure 2: Hypothetical Organization of a Unit Bank.

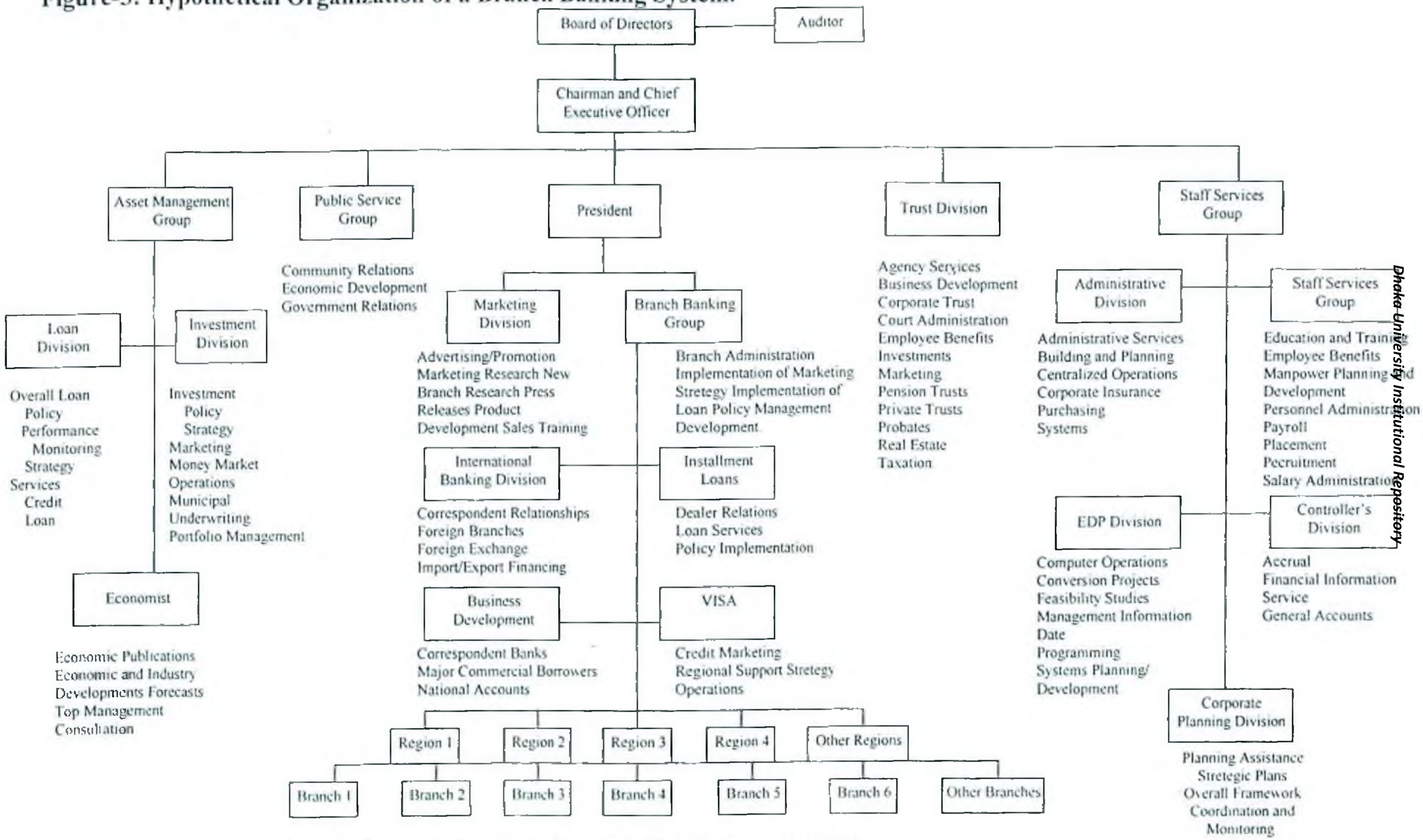


Source Edward W Reed and Edward K Gill, USA, New Jersey 1989.

(ii) Branch Banking/ Organization in large Bank:-

When branch banking is permitted, large city banks have branches not only within the legal limits of the city, but in the greater metropolitan areas as well and perhaps through the entire state. With the increasing in banking functions, it is impossible from the stand point of the span of control principle, for the chief executive to administrator all of them. Consequently, different functions that are similar in nature are grouped together. For many years the loan and investment functions were separate and to a certain degree, completed for funds. Obviously, these two functions should complement one another since the size of the Investment and loan portfolios varies, depending on the stage of the business cycle. It is logical that one person could more effectively manage the overall function, keeping in harmony with the banks objectives. The asset management group shown in a hypothetical organization of a Branch Banking System (Reed & Gill, 1989). The following are the advantage of branch banking. First, there is the advantage arising from large financial resources. Loans and advantage can be had on a large scale ; and more particularly, it can meet any financial crisis because of its financial strength. Second, branch banking can command greater efficiency in management. Third, in view of the vastness of the area which branch banking can command , there are greater possibilities of diversification relating to both deposits and assets. Fourth, there is proper distribution of capital. It is easy to transfer capital from surplus areas to areas which are in need .of capital. arising from large financial resources (Kutty, 1979). A hypothetical organization of a Branch Banking System structure presented in Figure-3.

Figure-3: Hypothetical Organization of a Branch Banking System.

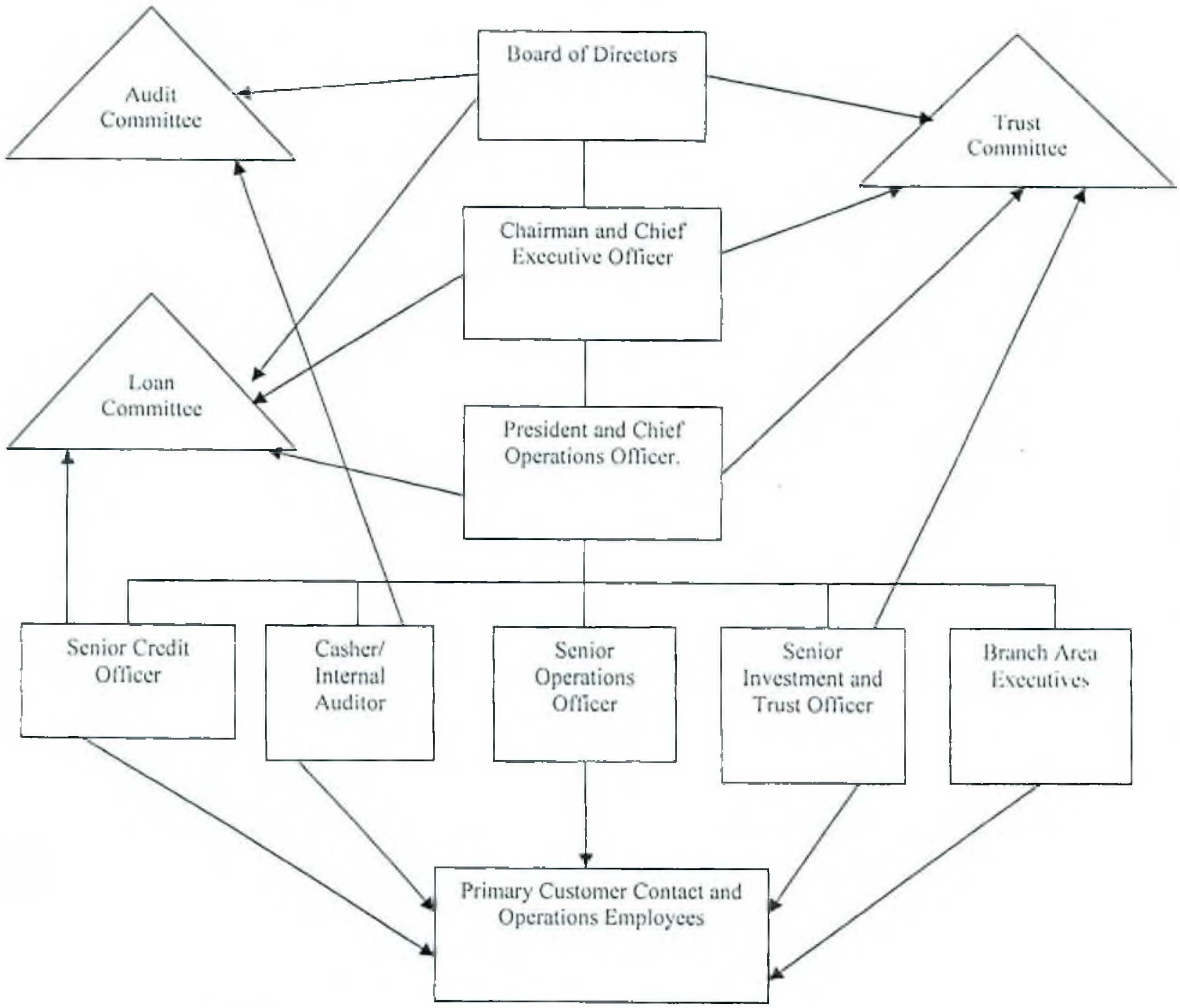


Source: Edward W.Reed and Edward K. Gill, USA, New Jersey 1989.

Independent Banks:-

The term Independent Bank normally refers to a bank that is not controlled by a multi bank holding company or any other outside interest. Consider an independent bank that is not part of a holding company. Organization Structure of an Independent Bank presented in Figure-4.

Figure 4 : Organizational Structure of an Independent Bank.



Source: Timothy w. Koch & S. Scott Mac Donald : Bank Management (2000), USA

The Structure typically consists of five levels of responsibilities and reporting. At the top of the chart are the line personnel who have primary responsibility in customer contract and handing back room operations such as check processing and teller services. Their role is extremely important because most deposits and loan customers deal with these individuals. They largely project the banks image and serve to market bank services.

Most independent banks separate activities into at least the four or five functional areas listed above the line personnel. A senior credit officer is responsible for implanting a banks credit policy. The president and chief executives officer (CEO) also manage loan portfolios because they deal directly with borrowers. A banks Cashier or Chief financial Officer is responsible for financial management responsibilities in the areas of budgeting, accounting, and record keeping. This individual verifies that financial information. Confirms to regulatory guidelines and is conveyed correctly to stockholders and regulators. Each bank should also have an internal auditor who monitors financial reporting. The senior operations officer is responsible for backroom operations involving data processing lock box services and check processing.

The primary role of directors is to represent and serve stockholders who are the owners of serve stockholders who are the owners of the bank. A secondary role is to represent customers and employees. Directors use their expertise to oversee the broad direction of the bank. Solve problem , and make decisions regarding bank policy. Their role is not to manage the bank by getting involved in day to day operations or details of each specific pricing, investment or credit decision. Because the board is ultimately responsible for the banks performance, most banks establish directors committees that set policy guidelines in the major functional areas and regularly monitor performance.

2.5 Fund Management Core Function of Bank:

The effective management of capital funds may enhance the profitability of a bank while maintaining the traditional and necessary function of safety for depositors. Commercial Banks relied historically on asset management rather than on liability and capital funds management to attain their profitability and liquidity objectives. Higher profitability has been realized. Additional liquidity requirements or increases in legal reserves have been met by shifting funds from the loan or investment portfolio to cash . Once deposits have been attracted to a bank ,the emphasis of management has been placed on the means to invest or lend the funds that have been attracted subject to was desired (Reed & Gill, 1989). Bankers and bank supervisors have always been at odds on the subject of bank capital. The differences arise because both consider a different setoff competing objects when arriving at the measurement and amount of capital that a bank should have, bank management which represents bank owners, choose capital ratios that maximize shareholders interest. Fund management consists are three core functions a) Protective functions b) operational functions c)Regulatory functions. These functions discussed below:-

a) Protective functions: Because such high percentage of a banks assets is financed by depositors - around eighty percent -the primary function of the limited amount of equity capital has been considered to be the protection of depositors. In addition to this important function, bank capital reduced the risks borne by the Federal Deposit Insurance Corporation and bank stock holders. The protective function has been viewed not only as ensuring pay off of depositors in case of liquidation, but also as contributing to the maintenance of solvency by providing a cushion of excess assets so that a bank threatened with losses might continue in operation.

b) Operational Functions : The operational functions of bank capital have been considered secondary, in contrast to the typical non banking firm. Operational functions includes the provision of funds for the purchases of land , building, machinery and equipment and providing a buffer to absorb occasional operating losses.

c) Regulatory Functions : In addition to providing a basis for operations and for protection of depositors, other functions have been attributed to the capital funds of commercial banks. These functions arise only because of the publics special interest in the successful operations of banking firms and the laws and regulations that enable public agencies to exercise some control over these operations. Regulations relating to bank capital include those that have to do with minimum requirements necessary to obtain a charter, establish branch operations and limit a banks loans, investment and acquisitions. Bank capital regulations also impact bank holding companies when acquit ions are being considered (Reed & Gill, 1989).

2.6 The Source of Bank Funds:

The effective management of capital funds may enhance the profitable of a bank while maintaining the traditional and necessary function of safety for deposits. Commercial Banks have relied historically on asset management , rather than on liability and capital funds management to attain their profitability and liability objectives (Reed &Gill, 1989). All Commercial Banks in the country—the commercial banking are collectively the most important part of our monetary system. Commercial banking in this total sense is the central subject of study in "money and banking" courses (Robinson, 1962). Capital is nothing but a level by which the entrepreneur subjects to his control the concrete goods he needs.

nothing but a means of diverting the factors of production to new uses of dictation a new direction to production (Schumpeter, 1949). The Balance Sheet of a modern Commercial Bank is divided into assets and liabilities. In the analysis of any business we may treat the liabilities as source of funds, the assets as uses of funds. As is very evident, deposits as the main source of bank fund. In the ordinary course of business it is as important for an individual bank to get funds as it is to put them to work safely and profitability . Deposits , even under the operation of deposit insurance , like to have their funds in a "safe" bank (Robinson, 1962).

The principal types of non- capital sources of funds for commercial banks according to primary ownership, nature of interest paid and maturity . Major non-capital sources of funds are as follows:

Non-Capital Source of Funds:

Demand Deposits: Demand deposits are non-interest bearing transaction deposits that have no maturity and must be paid by banks when a negotiable instrument generally in the form of a check or an electronic impulse, is presented. Since demand deposits have no explicit interest cost, they are generally a banks lowest cost source of funding. The declining importance of demand deposits in the last three decades can be attributed to more efficient cash management by individuals, business and government units, significantly higher interest rates; and the appearance of competitive instruments and money market instruments at banks and other financial institutions money market funds and can management accounts (Hampel & Simonson, p.210).

Saving Deposits: Saving deposits without specific maturity. A check or other order of withdrawal cannot be written directly on most saving accounts withdrawal can be made whenever the depositors desires, and it is easy to shift funds to a transaction account on which checks may be written. These accounts have no fixed maturity and individuals, keep truck of their balances through passbooks or periodic bank statements. Pass book savings deposits may be the lowest overall cost sources of funds currently available to commercial banks.

Time Deposits: Time deposits differ from saving deposits primarily because they have a predetermined maturity date and withdrawals prior to that date are often subject to interest penalties. These deposits are non-negotiable, can have fixed or flexible maturities, and are deposited by individuals, partnerships, corporations and municipalities.

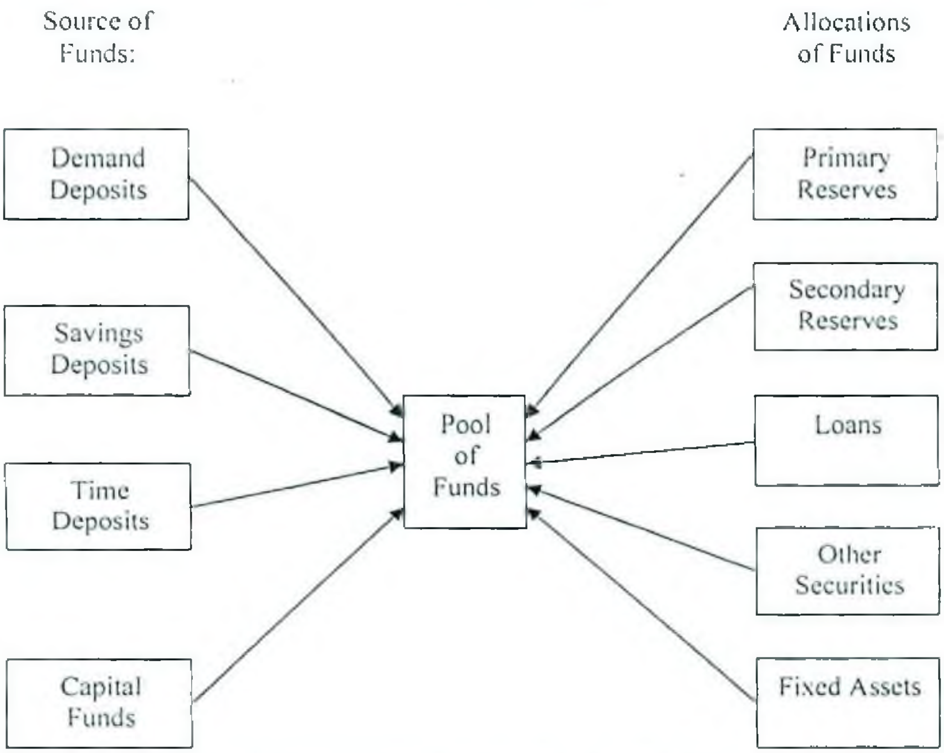
Brokered Deposits: Brokered deposits are small and large time deposits obtained by banks from middleman seeking insured- deposit accounts on behalf of their customers. Brokers entered deposits markets to bring together depositors seeking insured accounts with banks and other depository intuitions demanding (owner- cost, insured- deposit funds.

Money Market Accounts: Money market account are savings deposits of individuals and partnership. This type of deposit was created in December, 1982 to provide banks with an instrument that could complete effectively with money market mutual funds.

Public Deposits: Public deposits are demand saving or time deposits of government units. Treasury tax and loan accounts are interest- bearing, demand type accounts of the US government. Most other government unit, such as agencies and state and local units, have both non-interest bearing demand deposits and savings or time deposits.

Correspondent Deposits: Deposits of other banks are a significant source of funds for some up stream correspondent banks. Most Correspondent deposits are demand deposits that are left by one bank in another banks because the letter offers services such as check Clearance international transactions, investment advice and loans participations. The Pool of fund Model for act Management has been presented in Figure-5.

Figure 5: The Pool of Funds Model for Act Management:



Source: Edward W. Reed and Edward K. Gill, USA, New Jersey 1989

Non-Deposit Short-term Sources of Funds:

Non-deposit sources of funds are money market liabilities that are purchased for relatively short periods of time to adjust to liquidity demands. The use of purchased funds came about as a consequence of tight money periods in which deposits rate ceilings caused to develop alternative sources of funds. Descriptions of non-deposit short term funding are shown below:

Borrowing from federal reserve: Credit extended on a short-term basis by a federal reserve bank to a bank or other depository institution. Security required for either discounts or advances.

Repurchased Agreements: Non bank deposits supply funds to banks through repurchase agreements. An repurchases agreements is created by the sale of securities in exchange for immediately available money with the simultaneous promise to buy back the securities at a specific date at a set price within the next year. The repurchase price is typically the initial sale price plus negotiated rate of interest.

Bankers Acceptances : A bankers acceptance is a time draft drawn on a bank by either an exporter or an importer to finance international business transactions. The bank may discount the acceptance in money market to finance the transaction.

Commercial Paper: Commercial Paper is a short-term, unsecured promissory note sold by large companies with strong credit rating. Banks can be use their holding companies to issue commercial paper and acquire loans and investments form.

Other liability forms: Other liability sources of liquidity include ineligible acceptances, sold through holding companies etc.

Fed funds purchased: Purchase of another banks excess reserves on daily or short term basis. Other side of fed funds sold. Purchased through correspondent or informal phone market at existing 'fed funds' rate.

Other foreign sources: Other foreign sources also used by very large banks. Banks must not engage in activities or assume risks that could potentially blemish its name.

Principal forms of fund:

Capital performs the function of enabling the establishment of a banking entity by supplying the funds necessary to acquire the physical and human resources. Capital plays an all important role from the inception of a bank and throughout its functioning life. The principal form of bank capital are common stock, preferred stock, capital surplus, undivided profits, contingency reserve for loan losses and secondary capital consists of limited life preferred stock and subordinated notes and debentures. The important source of Bank Capital in the part decade has come from retained earnings:

Common Stock: The bank of the new equity funds was provided by retention of earnings . for several reasons. Some relate to the costs of marketing new issues and the difficulties in findings buyers. Other relate to the liking dilution of earnings and control for existing stockholders. The retention of earnings is often the easiest and least expensive way to provide additional equity capital. Dividends performs a dual function : increasing the wealth of existing stockholders and making it easier to sell additional stock to provide needed increases in capital.

Reserve for Loan and Losses: Commercial Banks strategically located for lending(Roland I. Robinson) .Lending involves risk and losses do occur ; Consequently , most banks maintain a reserve for loan losses. This practice has been encouraged by banks regulatory authorities and the internal Revenue service. Since reserves for loan losses serve to protect depositors. these reserves have been included as an important source of bank capital over the years.

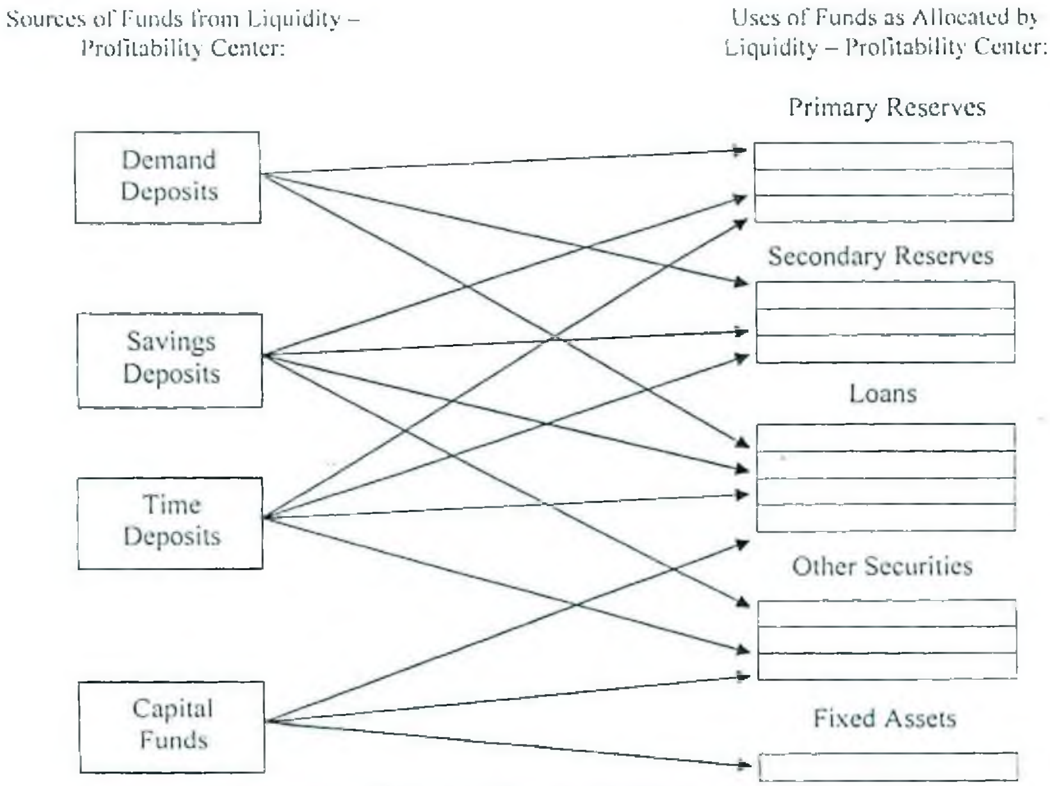
Preferred stock, Capital Notes and Debentures: Preferred stock and subordinated capital debt instruments share some characteristics of Savings type debt instruments, such as promissory notes and certificates of deposits with longer maturities. They provides long term or permanent additions to a banks capital structure. Senior securities enables a commercial bank to use capital funds to provide additional financial leverage. When the proceeds of a debenture or preferred stock issue can be loaned or invested to earn more than the rate that must be paid to the security holder, the difference will accrue to the benefit of Common stockholders.

Preferred Stock: Preferred stock is considered a component of primary capital, whereas limited life preferred stock is considered a part of secondary capital. The restrictions impose on these securities are similar to those applicable to capital notes and debentures and are discussed in the paragraphs.

Capital Notes and Debentures: Capital Notes and Debentures by commercial banks also was associated with the need for so- called "distress financing" in earlier years, bankers' and "supervisory authorities" attitudes have changed as to the desirability of long term instruments in the capital structure of commercial banks. Capital notes and debentures, just as limited life preferred stock are considered as a part of secondary capital. The amount of limited life preferred stock and subordinated debt may not exceed 50 percent of the primary capital of a bank. Finally as they Secondary Capital components approach maturity.

redemption or payment the amount considered to be capital declines in accordance with the schedule set forth earlier (Reed & Gill, 1989). The pool of funds approach to commercial bank asset management provides broad rules for a bank to follow in allocating funds to various assets categories. The approach emphasize priorities that are stated in rather general terms. The method does not provides an explicit means for determining the proportion of funds that should be invested in each asset classification; neither does it provide a solution to be dilemma between liquidity and profitability in asset management. Asset Management allocation model shown in Figure-6.

Figure 6: The Asset Allocation Model for Asset Management



Source: Edward W. Reed and Edward K. Gill, USA, New Jersey 1989

2.7 Banking Systems and its role in the economic development of a country:

The banking system of the United States in an economic environment of strength , growth, and dynamic change. Change gives strong underlying support to financial development. An active and even aggressive financial system is important because a high rate of savings is needed . Change means that Obsolescence becomes more important than depreciation: new methods means new machines which, in turn, require saving. When functioning properly our banking system also assures the employment of savings in some productive form (Robinson, p.20). Financial Institutions like banks have much to contribute in economic development though mobilization of capital from generated income to formation and utilization of capital fund for its optimum use. " During the last few decades the primary determinant of economic change has been technological advancement. The economies exhibiting high rates of technological change have been characterized by increasing urbanization and the concomitant modernization of agriculture. Social Institutions however , are not amenable to rapid adjustment and in general, these institutions tend to be stable and to resist change. Nonetheless, institutional innovation took place during the period. One such innovation is the introduction of a progressive banking system. Economic growth leads to a general rise in the quality of goods and services available to a nation, while economic development gradually changes its economic structure. As Higgins observes, Fundamentally, growth consists of rising national and per capita real income; development entails a good deal more-structural change, technological advance, resource discovery, and closing sect oral and regional gap. The requirement for capital accumulation is the existence of a wide spread and efficient financial structure that can mobilize saving and channel the same for prudent investments. In this regard financial institutions indirectly play a key role in the capital formation and economic development of a nation. Goldsmith states that existence and development of a super structure of financial instruments and financial institutions is a necessary condition of economic growth. Goldsmith also observes, "once financial institutions exit, a units investment may be larger or smaller than its saving. this is where the importance of monetary financial instruments lies, as saving not investment within the unit will now yield income and will thus provide an incentive to saving in excess of the sterile accumulation of money" . Increasing financial intermediation provides wide range of financial assets and liabilities to the general public, facilities the flow of inter-regional and intersect oral saving, distributes risk more evenly on investments and gets advantages of administrative and other economies of scale in investing as well as mobilizing saving.

Commercial banks, because of useful functions they perform, not only occupy an important place in the economic structure of a country but they also play an efficient role I its economic growth. They help in prompting the place of economic growth by promoting the rate of capital formation. Commercial banks go a long way in garnering. Scattered saving by providing their customers with a range of financial instruments to choose from current deposits to fixed deposits. By introducing variety of deposits schemes tailored to individual depositors need, banks not only attract idle savings of myriads of people but do inculcate saving habits among them. It may be well to observe that commercial banks have edge over other financial institutions in respect of mobilization of saving because with their wide net work of branches they can reach income earners sprawling allover the country.

Commercial banks do not confine their role of mobilizing the idle savings of the community but at the same time make effective use of these savings by providing loans to trade and industry and investing industrial securities. Bank lending has considerable significance in the economy because it makes possible the financing of the agriculture, commercial and industrial activities of the nation. Loans to farmers enable them to purchase seed, feed, fertilizer and the many other commodities necessary for the raising and harvesting of the agriculture commodities that feed the huge population. With the helps of bank loans manufacturers produce goods for customers at large. Bank also enable retailers and wholesalers to stock their shelves and move good for people to consume. Bank loans also make possible for investory loans to canners enable them to purchase process, can and state the food which can at a later time be sold to retailers and ultimately to consumers. During this interval of time - from producer to canner to wholesaler, to retailer and finally to consumers- bank loans have made possible the economical handing of the food crop (Shrivastavan, 1955).

CHAPTER- THREE

Banking System in Bangladesh

3.1 Evolutions and Chronological Development:

The banking system at independence consisted of two branch offices of the former State Bank of Pakistan and seventeen large commercial banks, two of which were controlled by Bangladeshi interests and three by foreigners other than West Pakistanis. There were fourteen smaller commercial banks. Virtually all banking services were concentrated in urban areas. The newly independent government immediately designated the Dhaka branch of the State Bank of Pakistan as the central bank and renamed it the Bangladesh Bank. The bank was responsible for regulating currency, controlling credit and monetary policy, and administering exchange control and the official foreign exchange reserves. The Bangladesh government initially nationalized the entire domestic banking system and proceeded to reorganize and rename the various banks. Foreign-owned banks were permitted to continue doing business in Bangladesh. The insurance business was also nationalized and became a source of potential investment funds. Cooperative credit systems and postal savings offices handled service to small individual and rural accounts. The new banking system succeeded in establishing reasonably efficient procedures for managing credit and foreign exchange. The primary function of the credit system throughout the 1970s was to finance trade and the public sector, which together absorbed 75 percent of total advances.

The government's encouragement during the late 1970s and early 1980s of agricultural development and private industry brought changes in lending strategies. Managed by the Bangladesh Krishi Bank, a specialized agricultural banking institution, lending to farmers and fishermen dramatically expanded. The number of rural bank branches doubled between 1977 and 1985, to more than 3,330. Denationalization and private industrial growth led the Bangladesh Bank and the World Bank to focus their lending on the emerging private manufacturing sector. Scheduled bank advances to private agriculture, as a percentage of sectoral GDP, rose from 2 percent in FY 1979 to 11 percent in FY 1987, while advances to private manufacturing rose from 13 percent to 53 percent.

The transformation of finance priorities has brought with it problems in administration. No sound project-appraisal system was in place to identify viable borrowers and projects. Lending institutions did not have adequate autonomy to choose borrowers and projects and were often instructed by the political authorities. In addition, the incentive system for the banks stressed disbursements rather than recoveries, and the accounting and debt collection systems were inadequate to deal with the problems of loan recovery. It became more common for borrowers to default on loans than to repay them; the lending system was simply disbursing grant assistance to private individuals who qualified for loans more for political than for economic reasons. The rate of recovery on agricultural loans was only 27 percent in FY 1986, and the rate on industrial loans was even worse. As a result of this poor showing, major donors applied pressure to induce the government and banks to take firmer action to strengthen internal bank management and credit discipline. As a consequence, recovery rates began to improve in 1987. The National Commission on Money, Credit, and Banking recommended broad structural changes in Bangladesh's system of financial intermediation early in 1987, many of which were built into a three-year compensatory financing facility signed by Bangladesh with the IMF in February 1987.

One major exception to the management problems of Bangladeshi banks was the Grameen Bank, begun as a government project in 1976 and established in 1983 as an independent bank. In the late 1980s, the bank continued to provide financial resources to the poor on reasonable terms and to generate productive self-employment without external assistance. Its customers were landless persons who took small loans for all types of economic activities, including housing. About 70 percent of the borrowers were women, who were otherwise not much represented in institutional finance. Collective rural enterprises also could borrow from the Grameen Bank for investments in tube wells, rice and oil mills, and power looms and for leasing land for joint cultivation.

Bangladesh Bank (Nationalization) President Order 26 of 1972) under article-4 of Nationalizing law six new banks have been constituted with all the legal characteristics of body corporate . Each of the new banks has common seal and perpetual succession and subject to the provisions of the law, each new bank is empowered to acquire, hold and dispose of the property ,to contract and to sue and be sued in its own name. The following table shows existing banks and transferred to the new banks.

The banks and financial institutions which originated during Pakistan period and merged, renamed and continued their functioning after independence of Bangladesh has been presented in Table-3.

Table-3: Banks and Financial Institution Originating during Pakistan Period and functioning after Independent of Bangladesh:

Banks	Predecessors	Branch (1971)
1.Janata Bank	**a) United Bank Ltd.** **b) Union Bank Ltd.**	**243** **6**
2. Sonali Bank	a) National Bank of Pakistan b) Bank of Bahawalpur Ltd. c) Premier Bank Ltd.	365 1 1
3.Agrani Bank	a) Habib Bank Ltd. b)Commercial Bank Ltd	218 29
4.Rupali Bank	a) Muslim Commercial Bank Ltd. b) Standard Bank Ltd.	143 16
5.Pubali Bank Ltd.	a) Eastern Mercantile Bank Ltd. b) Australasia Bank Ltd.	81 26
6.Uttara Bank	a) Eastern Banking Corporation	57
7.Bangladesh Shilpa Bank	a)Industrial Development Bank of Pakistan 2) Equity Participation Fund	6 1
8.Bangladesh Krishi Bank	1) Agriculture Development Bank Of Pakistan	70
9.Bangladesh Shilpa Rin Shangstha	1) Pakistan Industrial Credit Investment Corporation 2) National Investment Trust	3 1

Source: Resume of activities of the financial institutions of Bangladesh (Various Issues)

Before liberation of Bangladesh, all banks were government and management from the had offices located in West Pakistan. However, the major banks of different categories functioned in east Pakistan in different arena owned by state and private ownership were as follows:-

The National Bank was the mother national bank of all commercial banks functioned both the functions of deposits/ advance and treasury of the state governed controlled by state bank of Pakistan. Some other Commercial Bank were United Banks Ltd., Union Banks Ltd., Bank Of Bahawalpur Ltd., Premier Bank Ltd., Habib Bank Ltd., Commercial Bank Ltd., Muslim

Commercial Bank Ltd., standard Bank Ltd., and Eastern Mercantile Bank were mostly private owned bank functioned as limited Commercial banks having partial share of the govt. of Pakistan. Those banks performed the functions of deposit and advance. Australasia bank Ltd. And eastern banking Corporation were the multinational banks performed as commercial banks i.e. deposit and advance.

After independence in 1971, the new government had to take over management and ownership Of all such institutions. The banks Nationalization Order 1972 was issued to nationalize banks and financial institutions (except those incorporated abroad) in order to control chaos in the field of ownership, party , bureaucracy, the intelligentsia. and pressure group. By several orders six Nationalized Commercial Banks(NCB's) one Industrial Bank(BKB). One Agriculture Bank (BKB)and one industrial development financial institution(BSRS) were created. The banks and financial institutions originated during the Pakistan period and were merged , and renamed and continued their functioning after independence of Bangladesh (Islam & Husain, 2001). Bangladesh Bank (Nationalization) Order 1972 (President's order no. 26 of 1972) was presented by "Nationalizing law).A short discussion of the provisions of the Nationalizing law is made in t he following paragraph's: Main provisions of Nationalizing Law. The problems of the Nationalizing law reads as follow; Namely: "Whereas it is expedient to provide for the taking over of the undertaking of certain banks in Bangladesh and formatters connected therewith and incidental thereto" (Bhuiyan, p-15). It may be pointed out that on the eve of our independence only one bank is this country was fully owned by Bangladeshis while all the others were owned and operated by Pakistanis who had just left and abandoned these enterprises (Islam & Husain. 2001).

The new Central Bank in additional to its normal function of monetary, exchange rate and credit management, was assigned the promotional role of developing the banking system while overseeing it and boosting the country's economic development through maximum utilization of domestic resources and employment generation. It may be noted that Uttara Bank and Pubali Bank were subsequently fully denationalized while Rupali Bank was partly privatized (Ashraful & Masud ,p.16). This was made with the intent of reversing the Urban monopoly of banking and the flow of capital from rural to urban areas. Such restructuring of public sector banks was in order to attain economic growth, and policies were formulated for schedule banks to play their role in industry , agriculture ,export ,self-employment etc. As a result, there has been a advancement in the public sector banks in terms of increase in the number of branches, deposit mobilization and advances to the society (Ashraful & Masud, 2001).

3.2 Different Types of Banks:

The banking services have slowly flourished in Bangladesh territory. Even today, in many places, money lenders provide credit provide credit services. Small shopkeepers and businessmen use informal credit at high interest rate (Maloney and Ahmed, 1988). Traditional mahajans money lending business gradually decided due to expansion of bank and the micro credit programs of NGO, Co-Operative banks and government agencies.

(i) Nationalised Commercial Banks:

Now, the four nationalized Commercial Banks stand in Bangladesh. The Operational activities of commercial banks (including private sector banks incorporated in Bangladesh) along with in financial Institution in the country a thread bare study.

a) Janata Bank: Apart from carrying on with all traditional functions of a commercial bank the Janata bank in line with priorities laid down in the national economic plan, has undertaken the responsibilities of rendering agency services in the form of making payments to different public sector corporations and in respect of food procurement scheme. In development of resources in productive channels, the credit facilities which were traditionally limited to selected groups of people among traders and industries , exclusively in the urban areas, have now been expanded to all classes of people and professions. In order to enlarge its participation in the field of the country's economic development, the bank has diversified its functions to meet the needs in financing of agriculture and other priority sectors. Moreover, the bank has been providing term finances accompanied by specialized advice and services to promote the growth of small scale industries. The bank has recently undertaken the functions of disbursements of government grants to the teachers of private educational institutions like school, college and madrasa.

b) Agrani Bank : Mobilization of saving of the people and keeping of all types of deposits accounts. Making advances specially for productive activities trade and supporting of specially export activities. Introduce modern banking services in the country.

c) Rupali Bank: The banks performs all traditional functions of commercial bank. During the period under report the bank made notable progress in all areas of its operation. In the areas of lending besides the traditional operation the bank has realigned its lending policy to fit into the national objectives of rural development. Finance in the areas of house building construction and transport etc. .for development of country's economy has been brought under the lending policy of the bank and significant portion of the total credit port-folio of the bank is now employed for these purpose. The bank is also participating in special rural experimental financial projects, such as the 'Shawnirvar Bangladesh' the loan scheme for widow destitute and low income group women etc. and has made substantial head way in these fields also. Besides, the bank performs considerable volume of foreign exchange business of the country by way of financing exports particularly the non- traditional items of export in easy and soft terms.

d) Sonali Bank: Beside the traditional type of functioning of a Commercial bank the Sonali Bank perform the following:-

Conducting of treasury business as agent of a commercial bank, collections of D.C. tax, stamp duty and registration free entrusted by government under special arrangements payment of value under the food procurement scheme of the government, primary school teachers salaries throughout the country under special arrangement with education department, payment of pension bills of retired government employees under special arrangement, operation of "deposit pension scheme" collection from passport fees and foreign travel tax on behalf of the government.

(ii) De-nationalized Commercial Banks:

The Pubali Bank and the Uttara bank were denationalized in January 1985, due to non-profitability.

a) Pubali Bank Limited: Pubali Bank was de nationalized under article 27A(1) of Bangladesh bank (Nationalization) amendment ordinance, 1983 and was named as the Pubali bank Ltd. The functions of the bank are broadly grouped as follows: (1) To undertake all activities and business usually undertaken by commercial bank (2) To provide credit for financing productive activities and other socio- economic needs and objectives of the country (3) To provide banking service for common people by opening branches in the un banked rural area (4) To provide banking services to export and import trade and to promote export of Bangladesh products.

b) Uttara Bank Limited: In September, 1983 banks Nationalization Order 1972 was amended under Ordinance No. 47 of 1983 the Uttara bank was converted to a limited company to function as private sector bank . The principal function of the bank include all traditional functions of a commercial bank. In recent years the government has entrusted the bank with responsibility of rendering agency services to government in food , procurement scheme through the net work of its branches all over Bangladesh

(iii) Bank of the Public Limited Company:

a) Rupali Bank: Rupali bank was converted into a public limited company on 14th December 1986 The bank perform all traditional functions of Commercial Bank. Finance in the areas of house building construction and transport etc. The bank is also participating in special rural experimental financial projects. Besides the bank perform considerable volume of foreign exchange business of the country by way of financing exports particularly the non-traditional items of export on easy and soft terms.

(iv) Specialized Banks (SBs):

Specialized Banks(SBs) and financial institutions have their special purpose. The role and functions often overlap among the banks and financial Institutions. SBs like Bangladesh Krishi Bank (BKB), Rajshahi Krishi Unnayan Bank, Bangladesh Shilpa Bank (BSB), Bangladesh Shilpa Rin Sangstha (BSRS) Bangladesh Small Industries and Commerce (BASIC) Bank Limited, Grameen Bank (GB) and Investment Corporation of Bangladesh (ICB) are different function performed as follows:

a) Bangladesh Krishi Bank (BKB): The BKB provides credit facilities to individuals and corporate bodies engaged in crop production , horticulture, forestry and fishers. It also helps agro- based and cottage industries with financial technical assistance. Its charter requires the bank to act on commercial consideration but with due regard to the development of agriculture, agro-based and other related industries in the rural as well as urban areas. Under the provisions of its charter, BKB should as far as possible, give preference to the credit needs of small farmers and other disadvantage groups. BKB therefore, has to fulfill both special and economic objectives. Being a scheduled bank , BKB also receives deposits, issues letter of credit and performs other banking business.

b) Rajshahi Krishi Unnayan Bank (RKUB): Rajshahi Krishi Unnayan Bank (RKUB) was established in 1987 through a bifurcation of the offices of Bangladesh Krishi Bank of Rajshahi division. RKUB have been financing the agriculture sector. This banks provides credit facilities to individuals and corporate bodies engaged in crop production and various agriculture program.

c) Bangladesh Shilpa Bank (BSB): The prime objective of the Bangladesh Shilpa Bank (BSB) is to accelerate industrial growth in the country by way of financing and advising industries regarding setting up of new projects and balancing modernization, replacement and expansion of existing units with these objective in view, the bank is required to mobilize resources from home and abroad. BSB provides long and medium term loans both in local an foreign currencies , guarantees repayment of loans raised by investors from other sources and provide equity support by way of out right purchases of shares and underwriting the public issue of shares to companies with limited liabilities. It also extends short-term bridge financing and working capital loans on a limited scale to its financial projects. In selection of projects the BSB provides free technical advice in respect of plant and machinery , product and process availability of raw materials market for products and other related aspects to the prospective entrepreneur. It also prepares project profile for private entrepreneurs. All industries projects either in the public sector or in the private sector are eligible for financial assistance from the BSB. In there private sector, financial assistance is extended only to these projects which are generally listed in the Industrial investment schedule published by the government from time to time.

d) Bangladesh Shilpa Rin Sangstha (BSRS): In the light of the goals and objectives set and priorities determined by the government, The BSRS's role Is to contribute significantly to the achievement of national objectives with regard to industrial development within the limitations of its resources and skilled man power. extending loan assistances for balancing . modernization and expansion of the industrial units within the portfolio of BSRS. Taking appropriate measures for achieving the target of recovery. Emphasizing development of capabilities for technical and management services for defaulting companies as well as for Industrial production, research and consultancy. Taking necessary steps for speedy implementation of sanctioned projects. Development of necessary expertise in project management and rehabilitation.

e) Bangladesh Small Industries and Commerce (BASIC) Bank Limited: BASIC Bank was established in 1993. This was made with the intent of reversing the urban monopoly of banking and the flow of capital form rural to urban areas. Such restructuring of public sector banks was in order to attain economic growth , and policies were formulated for schedule banks to play their role in industry, agriculture, export, self-employment etc.

f) Grameen Bank (GB): The Grameen Bank emerged as a full fielded Specialized Bank under the GB. Ordinance promulgated in October 1983.Forerly, I was a project launched in the country in June 1979. with the aim of (1) designing an organizational framework through which a banking system could emerge for extending credit to the landless people without collateral securities as to protect than from the grip of the money lenders and (2) helping the unemployed and under-employed rural people to final gainful employment for themselves by underwriting income generating activities with bank finance and with which they are familiar. the main objectives of the bank are (1) To extend the banking facilities to the poor people of the rural society, both men and women (2) To eliminate he exploitation of the money lenders (3) to create opportunities for self-employment for the unemployed and under employed men and women (4) To bring the disadvantaged people of the rural society with he folds of some organizational form which they can understand and operate through mutual support (5) to encourage application of improved technologies in various economics activities suited to them for income generation.

g) Investment Corporation of Bangladesh (ICB): ICB has been functioning in capital market. Under write the public issue of shares and provide bridging loans against underwriting were necessary. Purchase corporate debenture/ bonds. Merchandise stock and shares, provide investment counsel to issues and investors, receives term deposits, participate in govt. disinvestment program, and joint venture collaboration projects.

(v) Private Commercial Banks (PCBs):

Taking advantage of the liberalization policy of the government regarding participation of private sector in the banking business , a number of private sector banks were established in and after 1983. With the emergence of Private banks in Bangladesh a competitive situation in the sector has been created. There are twenty seven private banks. in Bangladesh. They are, the City bank (1983), National Bank (1983), Islami Bank Bangladesh Ltd. (1983), United Commercial Bank (1983), International Finance Investment and Commerce Bank (1983), Arab Bangladesh Bank (1986), Al- Baraka Bank Bangladesh (1987), Eastern bank (1992), National Credit and Commerce Bank (1995), Prime bank (1995), South-East Bank (1995), Dhaka bank (1996), Dutch- Bangla bank (1996), Al-Arafa Islami Bank (1996), Social Investment bank (1996), mercantile Bank , Standard bank, One Bank, EXIM Bank, Bank Asia, The Trust Bank, Bangladesh Commerce Bank, Mutual Trust Bank Ltd. , First Security Bank Ltd. and The Premier Bank Ltd . The emergence of private banks has added a new dimension to the banking system in Bangladesh (Islam and Hussain, 2001).

(vi) Foreign Banks:

The State Bank of India opened one branch during July- September 1975. In 1975 the four foreign banks operating in Bangladesh were a) American Express International banking Corporation b) Grin lays Bank c) The Chartered Bank and d) State Bank of India. Now there are thirteen foreign banks-American Express Bank, ANZ Grind lays Bank, Standard Chartered Bank, State Bank of India, Habib Bank, Citibank N.A. , The Bank of Nova Scotia, Hanil Bank, Hong Kong and Shanghai Banking Corporation, Faysal Islamic Bank Of Bahrain E.C.

(vii) Co-Operative Banks:

Co-Operative Banks are indigenous banks in model and functions. They are organize in three tiers and their form of functioning is unit banking. The British government promulgated Co-operative riles in 1904 and 1912 to shape the organization. In 1947 the East Pakistan had twenty-six thousand Co-operatives in Bengal were mostly organized by savings and credit societies. In 1948, Union Multipurpose Co-operative Societies (UMPCSs) were formed with government patronage but were mostly dissolved due to malfunctioning . The Co-operative Societies in the original three tier form are linked with the Samabay Bank to provide Co-operative functioning (Maloney and Ahmed, 1988). They supplied long-term and medium-term loans to their members on the mortgage of land for agriculture purpose. They also performed banking functions of deposit mobilization, supply of credit, and provision of remittance facilities.

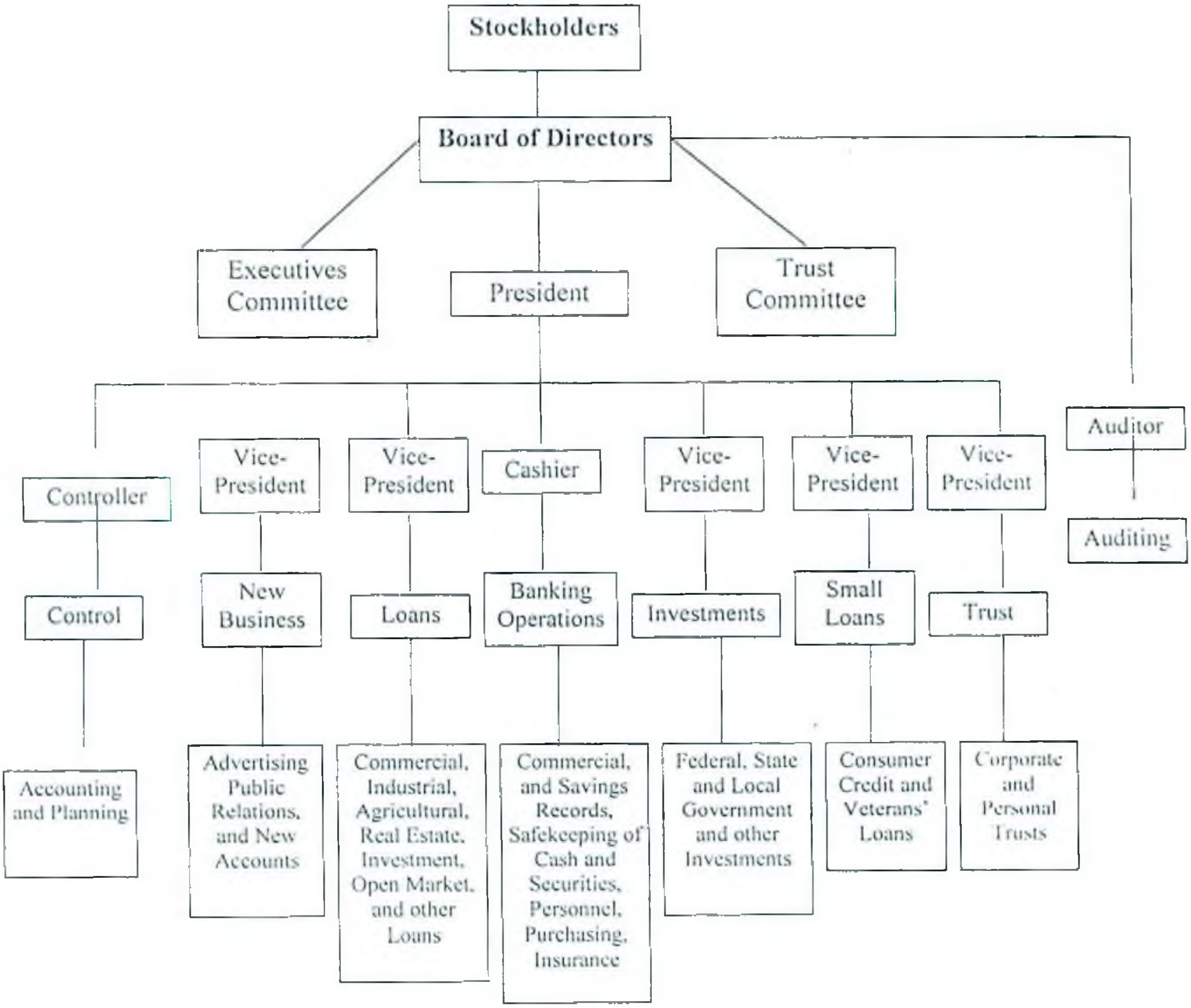
Since inception, Co-operatives inherited problems and many of these continue to prevail still today. The Samabay bank has not been able to mobilize much rural saving through C-operative system. Consequently, It has to regularly receive capital for credit from Bangladesh bank on which it has defaulted (Maloney and Ahmed (1988). In the three either system, the Bangladesh Samabay bank Limited (BSBL) is at the apex , the Central Cooperative banks at the middle and primary societies at the base. The BSBL provides finance to the central Co-operative Banks, which in turn, provide finance to the Primary Societies. The Societies finance thief members mostly engaged in agriculture, frosty, fisheries and cottage industries. Land- mortgage banks and urban city Co-operative banks also come under the category of primary Societies. The Co-operative Societies ordinance 1984 has been ravished in order to gear-up activities and bring discipline through the department of Cooperative but no improvement had taken place till date (Islam and Hussain, 2001).

3.3 Controlling Organs in Banks:

Banks are organized along the same lines as other corporations with stockholders, directors, officers and employees and management in the hands of officers and directors. Banks are permitted to issue both common and Preferred stock but they made little use of their power to issue Preferred stock. A banks stock may be owned only by natural persons but later, stock may be acquired by Corporations. A national bank is required by law to have a board of directors of not less than 5 or more than 25 members. Each directors is elected for a term of one year and serves until his successor has legally qualified to serve in his position. The President of a bank must be one of the banks directors and other members of the official staff may also be directors. The board of directors formulates major politics. selects the banks officers enacts by laws. And otherwise controls the banks operations . The Chief officers of a bank are known as President, Vice-President and Cashier or by Similar titles. Their duties may be defined in the by laws formulated by the board of directors and adopted by the shareholders. The President is selected by the board from among its own members to serve for one year but usually is reelected from year to year. The national and most state banking Codes require that each bank have at least one Vice-President. If there are two or more Vice-President , one is designated as the Senior or First Vice-President in order to fix responsibility for the Presidents duties . When the latter is not present.

The Specific duties of Vice-Presidents depends primarily on their assignments and these in turn depend on the size and organization of the bank. Customarily, Vice-President is placed in charge of each major department and in charge of large branch offices. if the bank has branch officers. A medium sized Commercial Bank Management Organization- Chart has been presented in figure-7.

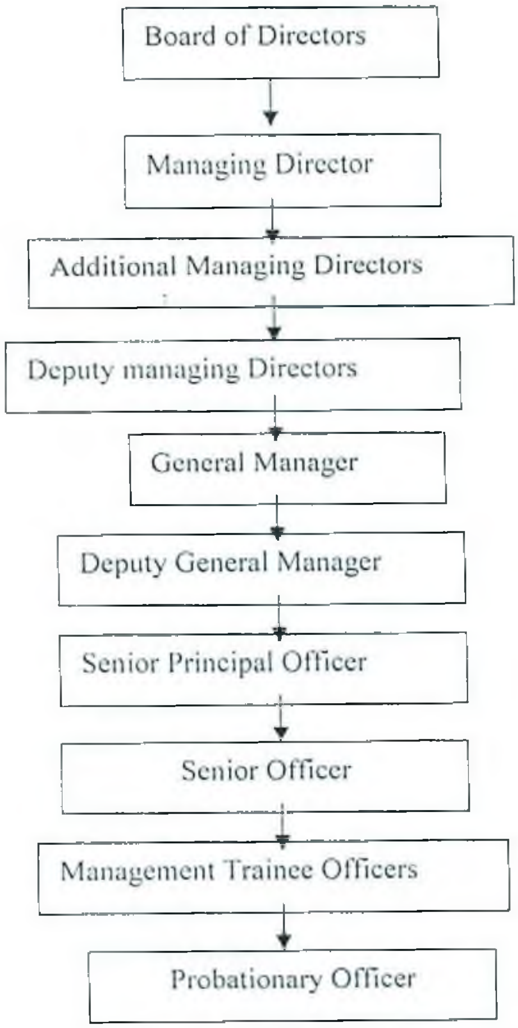
Figure 7: Bank Management – Organization Chart



Source: Prather C.L., Money and Banking, Page- 215.

This Chart presented to show the channels of administrative responsibilities of the chief officers. The number of departments will vary according to the volume of business of the bank. foreign exchange, bond, real estate, savings, branch- management, legal and other departments may be added as needed. In small banks all the activities of the bank may be in the banking operations department. The Organizational Chart of the Nationalized Commercial Bank in Bangladesh has been presented in top to bottom as their responsibilities.

Chart-1: The Organizational Chart of the Nationalized Commercial Bank in Bangladesh:



Source: Bangladesh Bank

The role and functions of different portfolios shown in the organ gram discussed below:

Board of Directors is the supreme management having the functions of policy formulation, direction and major decision making for smooth Management of the bank. The post of Managing Director is the top Management having the multi-dimensional roles of Management like decision making of the general notes initiated by the subordinates in all affairs within his jurisdiction, look after and supervise all subordinates through different strata's of management and conducting meetings of Board of Directors with the help of Board secretary. Additional Managing Directors is the post of Top Management to assist the Managing Directors and also a proxy post in absence of Managing Directors of the Bank empowered and delegated some powers to make decisions in general management affairs. Deputy Managing Directors is also a post to assist top management in general decision-making and for supervising the subordinate affairs. General Manager is the top post for overall management of the bank. There are twelve numbers of General Managers of the bank allocating different functions by the Managing Directors. General Manager of administration performs the functions of Human Resource Division (HRD).Deputy general Manager is the post to assist General Manager in decision making of the initiated files and for over all supervisions of the bank. There are numbers of Deputy General Managers posted in head office and regional offices of the Banks. Some Deputy General Managers are also deputed as Branch Manager of some important branches of the banks. Assistant General Manager is the mid-level managerial post to assist. The Deputy General Managers of the bank. Some Assist. General Managers are also deputed as Branch Managers of the important branches of the banks. Senior Principal officer is the post of lower-mid-level management. They are generally deputed as branch managers and also posted to the head office and regional offices for helping in decision making of the general Management of the bank. Senior officer is the post of first line management having the functions of initiating files and supervision of the branches. They also deputed in the branches for different functions as second officers. Management Trainee officer and Probationary officer are the post of starting post of the officer. They are being trained and skilled to perform the functions of general banking .They have to serve at least two years s probationary or trainee officer.

3.4 Different functions performed by Commercial Bank in Bangladesh:

"Banking means the accepting for the purpose of lending or investment of deposits of money from the public repayable on demand order otherwise and withdraw able by cheque. draft. order or otherwise".(Banking Regulation Act 1949). Sir John Paget also that "No person or body , corporate or otherwise can be a banker who does not (i) take deposit account (ii) take current accounts (iii) issue and pay cheques and (iv) collect cheques crossed and uncrossed for his customers". From the above, we find that the two main functions of a bank are 1)borrowing moneys from the public and 2)lending money to the public.

A. Statutory Functions:

1. Borrowing: Banks borrow money from the public by accepting demand and time deposits in C/D. S/D . F/D. R/D , and C/C A/c's. these deposits from the working capital of the Bank (Bhartacharjee. 1964). A commercial bank collects and manages deposits. It provides checking facilities and interest for its customers, deposits which may be either demands or time deposits of various maturity . Thus, a commercial bank serves as safe custody for peoples money as well as a medium of investment" (Ahmed,1999).

2. Lending: Next important function of a bank in lending. For the deposits accepted by it, it is pay interest to the depositors. Moreover, it is meet all necessary expense in running the establishment . These expense are met by it by earning interest from its lending money to the public loan, overdraft, cash credit, Bills Discounted, Bills Purchased, Cheque purchased A/C's (Bhartacharjee). Commercial Banks provide a variety of other services to their customers e.g. remittance facilities, credit information about customers, financial advice and collection of debts and etc.(Ahmed, 1999).

3. Investment: Bank is to maintain a position of its liabilities in liquid assets. So , it invests some position of its liabilities in shares, debentures etc. Commercial bank extends credit to a great variety of borrowers through loans as well as by purchasing securities. In fact, most business trade and industry today are either fully or partly financed by commercial bank.

B. Agency Functions :

1. Collection of funds: Banks collect bills and cheques (both domestic and foreign) for their customers, other banks and other parties. Though it is not a statutory function, but it is an important and profitable function of a bank , in this category, banks collect inland and foreign inward cheque, inland and foreign outward cheque, local cheque and bills etc.

2. Remittance of Funds: it is another important and profitable function of a bank .On behalf of its customer, it remits money from one place to another and earns exchange there from. It sells Demand Drafts, Mail Transfers and Telegraphic Transfers, Travelers cheques etc.

C. Utility Functions:

Besides the above, it also performs some utility services:-

1. Safe Custody: Banks keep the valuables of their customers in their custody for safety. They get charges therefore.

2. Safe Deposit Lockers: Banks let out lockers to their customers for safe keeping of their valuable .

3. Standing Instructions: Banks comply with the standing instructions of their customers in respect of payment of life-insurance premium , rent, electric bills, telephone bills, remittance of money etc.

4. **Issuing Letters of Credit:** To help its customers in their trade, a bank issues letters of credit on behalf of its customers in favor of the Suppliers of commodities to its customers.
5. **Issuing Letters of Guarantee and Indemnity:** Banks also issue Letters of Guarantee on behalf of their customers in favor of the Government or other parties for sundry purposes.
6. To act as Administrator , Executor, Receiver, Trustee etc. Banks often work as administrator , executors, receivers, assignees trustees etc. On behalf of their Customers.

D. Other Functions:

Banks provide a number of trust service to their customers . these service may be either corporate trust service which arise in connection with the issue of banks, personal trust services under which they manage. Property on behalf of their clients or corporate pension funds under individual firms providing retirement benefits for their employees (Ahmed).

3.5. Growth of Banking Operations in Bangladesh:

The banking sector of Bangladesh comprises four categories of scheduled banks. As of June 2005, 49 scheduled banks are operating in Bangladesh with a network of 6318 branches. NCBs, SBs, local PCBs and FCBs have 3388, 1334, 1557, and 39 branches respectively operating in different places. In addition, One national co-operative bank, one Ansar-VDP bank, one Karmasangsthan Bank and one Grameen Bank and some non-scheduled banks are also in operation In order to enhance he overall efficiency of NCBs, decisions have been taken to rationalize bank branches, and up to June 2005 , 91 new branches were established and 9 existing branches were closed under the branch rationalization program' Table-4 summarizes the structure of the system in Bangladesh according to their categories.

Table-4: Structure of the system in Bangladesh (up to March 2005):

Type of Banks	No.	No. of Branches	% of total asset	% of total deposit
NCBs	4	3388	40.14	39.78
SBs	5	1334	7.73	7.22
PCBs	30	1557	42.67	47.18
FCBs	10	39	9.46	5.82
Total	49	6318	100	100

Source: Bangladesh Bank

Deployment of Bank Branches

Although foreign banks and private show better performance according to different criteria such as capital adequacy, quality of assets and expenditure-income ratio, the common people throughout the country have far better access to NCBs and because of their present locations. Foreign banks do not have a single branch in any rural area of Bangladesh. Bangladesh, Besides, though PCBs have branches outside the urban area. it is area, it is only 25.82 percent of their total number of branches. On the contrary, 63.37 percent and 88.68 percent of the total branches of NCBs and SBs are located in different sub-urban and rural areas of Bangladesh respectively has been shown in Table-5.

Table-5: Branch located in Urban & Rural Area:

Type of Banks	No. of Banks of its kind	No. of Branches			As % of the total branches		
		Urban	Rural	Total	Urban	Rural	Total
NCBs	4	1241	2147	3388	36.69	63.37	100
SBs	5	151	1183	134	11.32	88.68	100
PCBs	30	1155	402	1557	74.18	25.82	100
FCBs	10	39	0	39	100.00	0.00	100

Source: Bangladesh Bank.

Non-Bank Financial Institutes:

In the financial sector of Bangladesh, some non-bank financial institution (NBFIs) are also making significant contribution towards financing various sectors like industry, commerce, house-building, ICT and others. As of June2005, there are 28 licensed financial institutions operating, in Bangladesh. The paid-up capital and reserve of these NBFIs as of June, 2005 totals up to Tk. billion. At the same time, the investment of these institutions in different sectors of the economy amounts to Tk. 60.91 billion. Since December 2000, lending and leases extended by these NBFIs like other scheduled banks are subject to the classification and provisioning regulations. The goal of such initiative was to strengthen and revitalise these institutions though regular reviewing of the loan position as well as improving the recovery process. Up to June 2005, the ratio of classified loan of financial institutions stood at 6.81 percent and classified loan stood at 1.43 percent excluding net suspended interest and provisioning.

Financing Agriculture, Industry and commerce by Banks and Other FIs.

Agriculture sector and its activities in areas play a very crucial role in the overall socioeconomic development of Bangladesh. The Government in a bid to enhance agricultural output continues its agricultural credit schemes though NCBs and SBs. to ensure adequate credit flow to agriculture and other rural economic activities, the Government had a target of disbursing Tk. 5537.91 crore in FY 2004-05 though BKB, RAKUB, four NCBs, BRDB and Bangladesh cooperative Bank Limited. Which is 26.46 percent higher than that of the previous year. Against this targeted amount. Tk. 4956.78 crore was disbursed up to June 2005, which is 22.44 percent higher than the amount disbursed in the previous year.

Industrialization is one of the most important strategies for achieving the desired pace of development in Bangladesh. The Government is encouraging small and medium enterprises (SMEs) along with large ones. Banks and other FIs are supporting this effort of the Government by extending industrial industrial credit and other necessary assistance to this sector. In FY 2004-05, term loan disbursement in the industrial sector stood at Tk. 8704.52 crore, which is 30.39 percent higher than of the same period of the previous year.

3.5.1 Recent Reforms Policies adopted for efficient Operations of Banking System:

3.5.1.1 Monetary and Credit Policy reforms:

a. Legal Reforms:

In FY 2002-03, Bangladesh Bank Order (Amendment) 2003, Bank company (Amendment) Act 2003 and Bangladesh Bank's (Nationalization) Order (Amendment) Act, 2003 were introduced. By enacting Bangladesh Bank Order (Amendment) Act 2003, the bank has been empowered with increased autonomy. Amendment of the Bank Company Act, 1991 contributes towards better protection of the interest of the bank-management and customers. Through the introduction of the Bangladesh Bank's (Nationalization) Order (Amendment) Act, 2003 capital reserve requirement for NCBs is now administered according to the Bank company Act. Besides, this amendment requires the Government to consult the Bangladesh Bank in appointing or/ and dismissing Managing Director and Deputy Managing Directors of NCBs These reforms are expected to bring internal gook governance in the banking sector as well as enhance efficiency and make the banking sector stronger and more dynamic.

b. Reforms in Banking Sector:

i) Reforms in Bangladesh Bank:

Implementation of " Strengthening Project'' is underway which is tasked to formulate and implement a prudent policy, enhance the capability of Bangladesh Bank to supervise financial institutions, establish banking polices and regulations that conform to international standards and increase operational efficiency of Bangladesh Bank through computerization.

ii) Reforms in NCBs:

- Signing a Memorandum of Understanding (MOU) by NCBs with Bangladesh Bank to monitor overall performance:
- Four internationally reputed auditing firms have audited the asset quality of banks:
- As parts of the reform program, steps have been taken to hand over Rupali Bank to private management. To implement the initiatives a Financial Advisor has already been appointed:
- A management team along with a Chief executive has been appointed in the Agrani Bank;
- A management support team has been appointed in Sonali Bank, and
- Appointment of a management support team in the Janata Bank is in process.

3.5.1.2 Banking Systems and its Development:

A good banking system is indispensable for economic growth and development generally. It is now becoming increasing evident that existence of a properly functioning banking system facilitates the development process in many important ways. Both economist and economic historians have shown increasing interest in the role of financial institutions in the process of industrialization.24 p-47 .Despite the aforesaid expansion and introduction of private commercial banks aimed at ushering in a spirit of competition, the health of the banking sector in Bangladesh was showing signs of steady deterioration due partly to directed lending and misallocation of resources and partly to inefficiency and corruption. All the necessitated the setting up of a National commission on Money, Banking and Credit in 1984 which had submitted its report to the Govt. in 1986 after having reviewed the entire banking and credit system. On the basis of this report as also the recommendations of the World bank, the Government initiated the Financial Sector Reform Program (FSRP) in1990. The main objectives of the FSRP were: deregulation of interest rates, pursuance of monetary policy with indirect means of control, strengthening the operational efficiency of banks, establishment of appropriate accounting standards and modes of recapitalization, improvement in Bangladesh Bank's prudential regulation capability, development of human resources in the banking sector and improvement in the process of loan recovery. A brief review of the developments under FSRP is as follows:-

A. Interest Rate Deregulation:

Liberalization of the interest rate determination policy was initiated early in the reform program. Prior to 1989 deposit and lending rates were fixed by the Bangladesh Bank . In addition to fixing the normal rates of interest, the central bank had an elaborate set of preferential rates of refinance to direct credit to what were considered as "priority sectors". As a prelude to establishing a market based method of determination of interest rates, the system of fixing of interest rates by administrative fait was done away with.

B. Classification and Provisioning:

The FSRP made the banks recognize the cost of bad debt that some of the loans will not be repaid and that an extra amount will have to kept aside to cover these debts. Prior to 1989, the standards for assessing the quality of loans made by the banks were very poor. In a regime of collateral-based lending, ,it was naively thought that, since loans were adequately backed by securities, the need for provisioning was minimal. Profit were thus inflated and dividends and bonus were also paid. In later 1989 , Bangladesh Bank introduced appropriate rules for assessing loan quality and provisioning for bad debts. All loans were required to be reviewed and put into four categories, viz., unclassified, substandard, doubtful and bad/loss.

C. Capital Adequacy:

By the end of 1989, it was found that, with the application of more rigorous rules for provisioning , the banks in general had lost much of their capital stock. It may be noted that the capital adequacy requirements are prudential in nature. It seeks to protect the depositors from any losses owing to the harmful actions of the bank management. However, the prudential reasons for holdings a minimum level of capital are less compelling for the Nationalize Commercial Banks (NCBs) , because the Government implicitly stands guarantee for the depositors.

D. Reform of the Legal Framework:

In order to improve the legal environment for recovery of banks loans, a good deal of work has been done. In the first place, it s realize that measures to step up loan recovery was to be a top priority among the banks. The first major step in this respect was the establishment of Financial Loan Courts under which banks can obtain decrees in their favor against defaulters. A Bankruptcy Act and law governing non-banking financial institutions have also been enacted and bankruptcy Courts have been set up in Dhaka and Chittagong. In addition to the above the following initiatives have been taken under FSRP—

a) **Performance Planning System (PPS):-** A performance Planning System (PPS) has been introduced in the NCBs under which participants are required to develop a number of clearly-specified, measurable and dated goal statements to be accomplished over the following year. PPS allows for a "top-down" cascading of goals and action plans from the Managing Director down to each layer of the organization as well as a "bottom-up" feedback from the lower levels.

b) **New Loan Ledger (NLL):-** As the ledgers of the NCBs did not contain adequate data to monitors their loan portfolio effectively, a new system called New LOAN Ledger has been introduced. To correct record keeping at the account by account level, FSRP designed the New Loan Ledger (NLL) system. Progress in the use of NLL has been very rapid.

c) **New MIS:-** FSRP developed a new Management Information System (MIS) for banks including an Executive Summary Report which contains critical management information . the number of monthly MIS reports thus in produced stood at 83 by October. 1984.

d) **Computerization:-** Computerization of NCBs has been going on at a steady pace as per the FSRP program. This includes financing the purchase of PCs in NCBs in addition to their own purchase. Mid- range computer systems are in the process of installation in Janata bank and Rupali banks. Sonali and Agrani Banks already have their own mid-range systems.

e) **Training: - FSRP** regularly conducted training through project consultants and counterparts. FSRP has so far trained around 28,000 NCBs participants in various training courses. Besides. senior/ mid-level NCBs officers have been sent abroad for training in banking and computer in batches.

f) **Credit Improvement Actions:-** Credit is broadly agreed to be the most important area for NCBs performance improvement. The large burden of classified debt from the past and the general lack of financial analysis and credit management skills made development of "credit culture" in all commercial banks a top priority. FSRP efforts in this respect have focused on Collection of stuck-up loans, Monitoring of unclassified loans, Introduction of risk analysis and credit discipline. Accordingly, the Govt. initiated the Commercial Banking Restructuring Project (CBRP) in 1997 to ensure a continuity of the reforms as well as to attain the following objectives:

a. strengthening bank management with increased accountability, improved auditing and loan management practices and procedures b. improving the legal environment for debt recovery c. modernizing the technology in the banking sector d. restoring the capital adequacy of banks on risk weighted assets e. improving income position of banks f. strengthening the supervisory and monitoring capacity of the central bank.

Finally, it can be said that the banking system in Bangladesh has witnessed substantial improvement during the last few years with interest rates almost fully liberalized and made market-oriented . Here too the old proverb will hold equally good-" you can take the horse to the water but can't make it drink unless it really wants to."(Jahan and Neill. p.1to9).

3.6 Management Structure in Banks in Bangladesh:

Banks and financial Institution in Bangladesh have been following a traditional management structure, in many operational areas, there were no procedures manual. Financial areas were partly guided by circular and self initiative of the executives. Management structure had changed but the reflection had not been made in the documents. The changed Management Structure remained internal to the banks. Executives were unable to provide the existing management structure. Based on the through discussion with the executives and the documents provided, the management structure might grossly be considered as (1) head office management and (2) fields management. At head office, the Board of Directors, chaired by a Chairman, was the highest body followed by Managing Director (MD) i.e. Chief Executive Officer. Next to MD were Deputy Managing Director (DMD) and General Manager (GM). Deputy Managing Director and General Manager were head of divisions. Organization of banks and financial institutions at head office were divided into major functional divisions. There were several committees at head office to perform specific assignments. Although the management structure of bank in Bangladesh is more or less same but there are some differences in designation or portfolio of managerial levels of public banks and private banks in Bangladesh. The different levels of management in public and private banks discussed simultaneously below shown in Table-6.

Table-6: Management Structure in Banks:

Public Banks	Private Banks
Board of Directors ↓	Board of Directors ↓
Managing Director ↓	Managing Director ↓
Additional Managing Director ↓	Deputy managing Director ↓
Deputy Managing Director ↓	General Manager ↓
General Manager ↓	Executive Vice-President ↓
Deputy General Manager ↓	Senior Vice-President ↓
Assist. General Manager ↓	Vice-President ↓
Senior Principal Officer ↓	Asst. Vice-President ↓
Principal Officers ↓	Senior Officers ↓
Senior Officers ↓	Management Trainee Officers ↓
Management Trainee Officers ↓	Probationary Officer
Probationary Officer	

Source: Bangladesh Bank

Organizational chart: Administrative divisions were requested to supply Organizational Chart. It was observed that charts were prepared four to ten years back but not updated to reflect changed structure.

Job Description: Most of the banks financial institutions were unable to provide documents containing job description. In case of NCBs the gazette. Notification of 1984 contains the job description of the top and middle executives in most cases there were no job description for executives and job specification for work areas. What were going on might be termed informal in many respect. Generally, head of the departments allocate job among the officers. Jobs were, in rare cases, documented in a manual (Islam, p.166-67).

The above Management Structure obey his duties in various managerial levels i.e. top, mid and lower level which shown in Table -7.

Table-7: Level wise Management Structure

Public Banks	Private Banks
Top Level Management:	
Board Of Directors Managing Directors Deputy Managing Directors	Board Of Directors Managing Directors Deputy Managing Directors
Mid Level Management:	
General Manager Deputy General Manager Assist. General Manager	General Manager Executive Vice-President Senior Vice-President Vice-President
Lower Level Management:	
Senior Principal Officer Principal Officer Officer	Assist. Vice-President Senior Officer Officer

Source: Bangladesh Bank

3.7 Operational Procedures Followed by NCB's in Bangladesh:

3.7.1 Account operating procedures:

In banking, deposits are given by customers and received by bankers through the accounts. Similarly payments are made by the banker and received by or to the order of the customers on the strength of their accounts. So the account is a well devised system agreed upon by the banker and the customer within the limit of law. Legally speaking, an account is nothing but a contract between two partiers, namely the banker and customer. Hence relationship between a banker and a customer is contractual involvement under certain rights and obligations on each of them. Any person of sound mind having crossed (18) Eighteen years of age is entitled to open an account. Anyone capable of entering into a valid contract may open an account. A minor can also open an account under guardianship. Current account can not be opened in the name of minor. Insolvent , Lunatic ,Liquidator and any other individual or organization restricted by law who can not open an account.

3.7.2 Procedure of opening an account:

Following procedure should be maintained to open an account:

i) Proper A/C opening form to be filled up. ii) Required papers to be obtained as per type of account. Account operating form and specimen signature card to be signed by the opener. Proper introduction to be obtained and introducer's signature to be verified by tile authorized officer. iii) two copies of passport size photograph to be obtained which the introducer will attest. iv) Initial deposit to be obtained. v) Category wise serial number to be allotted which will be known as account number. vi) Opening an account must be approved by manager/authorized officer. vii) Thanks letter be issued in favor of opener and introducer.

The Janata Bank offers to its customers Current deposit, Savings deposit, Short term deposit and Fixed deposit etc. types of accounts . A current deposit account is common type of account where frequent transactions like deposits and withdrawals are allowed and fund in this account shall be payable on demand. Interest on the balance of current deposit account shall not be allowed. So bank prefers this type of account due to its cost free nature.

Current account can be opened both in die name of an individual, firm, and club society etc.

This account shall be opened with a minimum of TK 1000. Under this type of deposit account is opened by the individual for saving purpose. In this account, frequent deposits allowed but frequent withdrawals are restricted. This type of account shall be opened with a minimum of TK 500. It is a interest bearing account where (04.50%) interest (chargeable) allowed presently under some terms and conditions. No interest will be paid for the month in which withdrawals have been made more than twice a week or over 25% of the total balance. A short ten-n deposit account is a less active account which can not be operated upon frequently like a current account. There are certain restrictions on the number and the amount of withdrawals from a short term deposit. These restrictions differ from bank to bank and this is an interest bearing account. Normally, interest (03%) is paid at a lower than of savings account. No cheque book is issued and the client should have a current account in this bank Fixed deposits are deposited with a bank for a fixed period of time, which is specified period time of making a deposit. Fixed deposits are payable on the expiry of the specified period, chosen by the depositors to suit their purpose.

3.7.3 Procedure of Cheque Book Issue and Loss:

Cheque book is the important instrument to withdrawal money from the account. Account holder will request in prescribed form to issue cheque book in writing. Authorized officer will verify tile signature of account holder. Cheque book issue register shall be maintained. The prefix number of the cheque must be recorded in the cheque book issue register. Stock register of cheque book shall be maintained. Cheque requisition slips to be kept in respective file. Cheque no. shall be posted in computer (if any) against respective account number. Adequate precaution to be taken to issue cheque book so that no fraud can be occurred.

Cheque book may be lost from the counter of the account holder. In that case account holder should inform the bank in written immediately and will instruct the bank to stop payment against lost Cheque. Bank will take precautionary measure to stop payment against said Cheque in computer or in Cheque book register. Stop payment register shall be maintained. Instrument lost register shall be maintained. Fresh Cheque book to be issued against proper indemnity bond signed by the account holder.

3.7.4 Procedure of Inland Remittance:

To facilitate the need of customers, commercial banks transfer funds from one place to another through Demand Draft, Pay Order, Telegraphic Transfer and so an so. These methods of remitting money from one place to another within the Country are called inland remittance. A Demand Draft (DD) an unconditional order of the bankers on branch to another to pay to some person or order the amount maintained therein on demand.

Procedure of issuance a DD:

Filling of DD application form; Commission to calculate as per Bangladesh Bank rate: Total amount due must be paid by the customer at the cash receive counter, after receiving tile cashier will issue a voucher for the DD issue officer; The draft is prepared and entered in tile draft issue register; The draft number is then written oil the application form and the amount is protect graphed on the face of the draft; The voucher then sent to the department in charge for checking tile signature; Then all tile documents are sent to the branch in charge for second signature: After all the signatures are completed, the draft is give n to tile customer and his or her signature must be taken; An IBCA (for DD only) must be prepared, stating the details of the issued draft and must be sent to "Drawee Branch" on same day.

Encashment of DD:

When a draft is presented for payment, the following things be checked scrupulously; DD is issued by Janata Bank; DD is drawn on branches of Janata Bank Amount in world and figure agree:DD issue date is not more than six months earlier; Verify the signatures of the draft and the test number; Then the draft is sent to the department in charge for cancellation; After cancellation. payment is made to the customer.

Procedure of issuance a Pay Order (PO):

Pay order is a written order, issued by a branch of bank, to pay a certain sum of money to a specific person of a bank. It may be said as a banker's check as it is issued and payable by a bank. Filling of PO application form; Commission to be calculated as per Bangladesh Bank; Total amount due must be paid by the customer in the cash receive counter, after receiving the cashier will issue a voucher for the PO issue offer; The PO is prepared and entered in the PO register; The PO number is then written on the application form and the amount is protect graphed on the face of the PO: The voucher then sent to the department in charge for checking the signature; Then all the documents are sent to the branch in charge for second signature; After all the signatures are completed. the PO is given to the customer and his or her signature must be taken.

Encashment of pay order:

When a PO is presented for payment, the following things be checked scrupulously; PO is issued by branch of Janata Bank ;PO is drawn on branches of Janata Bank Amount in world and figure agree; PO issue date is not more than six months earlier; Verify the signatures of the PO and the test number; Then the PO is sent to the department in charge for cancellation; After cancellation. payment is made to the customer.

Procedure of Telegraphic Transfer (TT):

A Telegraphic Transfer is method of remittance which is effected by the banker through a coded telegram attested by secret check signal, on receipt if which, the paying office pays the amount to the payee by crediting his account. Filling of TT application form;

Commission to be calculated as per Bangladesh bank rate; Telex charge to be taken from customer: Total amount due must be paid by the customer at the cash receive Customer; A cost memo must be prepared by the TT issuing department; Then the TT should be tested correctly by authorized officer only; Then pass the message through telex or in case of emergency, through telephone: Prepare an advice note and should be sent through mail on the same day.

Procedure of clearing cheque:

When the payee or endorsee (who ever deposits the cheque for collection) and the drawer of cheque maintain accounts with different banks, the collecting bank can receive the amounts of cheque from the paying banker in any of the rules. It can send its representative with tile cheque to each of the following banks and collect cash. The procedure is wasteful of time, cumbersome and risky. The most efficient method of collecting and paying such cheque is that in which these cheque are exchanged by representatives of the various banks, who meet a fixed place at fixed hour and make their settlement through controlling banks. The banks meeting at a fixed place for settlement their indebtedness is called 'clearing house. When a particular branch receives instrument drawn on the other bank within the clearing one and those instruments for collection through the clearing arrangement is considered as outward clearing for the particular branch. When a particular branch receives instrument drawn on them and sent by other member for collection are treated as inward clearing.

Procedure of One-Stop Services:

Janata Bank, first among the Nationalized Commercial Banks in Bangladesh, has introduced One Stop Service. A customer can deposit and withdraw money from a single counter. The system of Token and Scroll has been discontinued. Customers are getting prompt and personalized services from a single counter. Verification of signature is easy as the same is stored in the Computer.

Procedure of Remittance Function of JB:

Janata Bank has a network of 847 domestic branches in Bangladesh covering whole of the country including the rural areas. Remittance services are available at all branches and foreign remittances may be sent to any branch by the remitters favoring their beneficiaries. Remittances are credited to the account of beneficiaries instantly or within shortest possible time. Janata Bank has correspondent banking relationship with all major banks located in almost all the countries/cities. Expatriate Bangladeshis may send their hard earned foreign currencies through those banks or may contact any renowned banks nearby (where they reside/work) to send their money to their dear ones in Bangladesh.

Taka Remittance Arrangements:

To facilitate sending money in Bangladeshi Taka directly, Janata Bank has Taka Drawing Arrangement with many banks/exchange companies in different countries. The expatriate Bangladeshis may send their money in BDT (Bangladeshi Taka) through the branches/subsidiaries of Janata Bank and foreign banks/exchange companies mentioned below:

Table: 8 Overseas Branches & Subsidiary of Janata Bank:

1	Janata Bank, Abu Dhabi Branch.
2	Janata Bank, Dubai Branch
3	Janata Bank, Al-Ain Branch
4	Janata Bank, Sharjah Branch

Facilities offered to the remitters:

For quick payment of TTs issued by 4(Four) UAE branches of Janata Bank (Abu Dhabi. Al-Ain. Dubai & Sharjah branch) Foreign Exchange Corporate Branch, Dhaka (FECB. Dhaka). Laldighi East Corporate Branch, Chittagong (LDE, Ctg), Foreign Exchange Corporate Branch. Sylhet (FECB. Sylhet), Khulna Corporate Branch, Khulna, Barisal Corporate Branch. Barisal & Rajshahi Corporate Branch, Rajshahi are nominated.

Non Resident Foreign Currency Fixed Deposit Account (NFCD):

Expatriate Bangladeshi Nationals and persons of Bangladesh origin including those having dual nationality may open non-Resident Foreign Currency Fixed Deposit Account with any authorized dealer branches of Janata Bank in Bangladesh for a period of one month, three months. six months or twelve months on renewable basis depositing minimum US Dollar 1000/- or Pound Sterling 500/-. The eligible persons may open this account at any time of their return to Bangladesh.

Procedures for Opening NFCD Account:

Application in plain paper to Manager of any Authorized Dealer branches of Janata bank. Signature of the applicant verified by an official of Bangladesh Embassy /High Commission abroad or Notary Public of the country where the applicant resides and photocopy of the pages of passport containing specimen signature of the applicant. Photocopy of passport attested by officials of Embassy / High Commission Office of Bangladesh abroad. Two copies of passport size photograph. Letter of authority for handover of NFCD Receipts

CHAPTER- FOUR

Profile of Janata Bank

4.1 History and Overview of Janata Bank:

Janata is a Bengali word and it stands for people. Janata Bank is the second largest commercial Bank in Bangladesh, has an authorized capital of Tk. 8000 million, paid up capital of Tk. 2594 million and reserve of Tk. 1296 million. The Bank has a total asset of US$ 1881661.76 million. Immediately after the emergence of Bangladesh in 1971, the erstwhile United Bank Limited and Union Bank Limited were nationalized and renamed as Janata Bank. Janata Bank is a 100% govt. owned commercial Bank in Bangladesh. Janata Bank Vision is to be the Financial giant in Bangladesh. Janata Bank operates through 847 branches (671 profit branches and 176 losing branches) including 4 overseas branches at United Arab Emirates. It is linked with 1221 foreign correspondents all over the world. The Bank employs more than sixteen thousand persons.

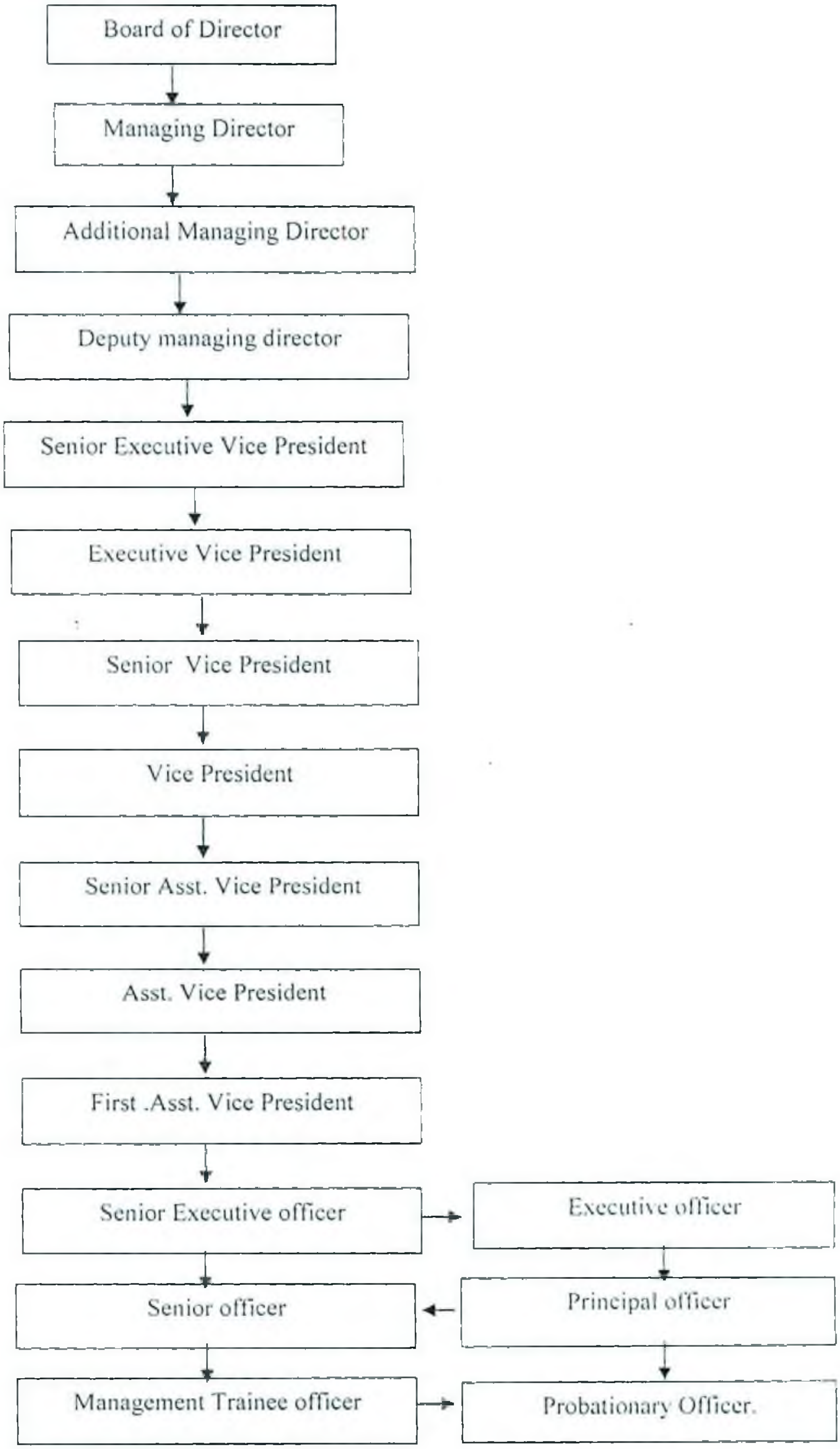
Janata Bank main mission is to be the largest, Strongest, Innovative and Service Engineering Commercial bank. The mission of the bank is to actively participate in the socio- economic development of the nation by operating a commercially sound banking organization, providing credit to viable borrowers, 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 7 (seven) members headed by a Chairman. The Directors are representatives from both public and private sectors. The Bank is headed by the Managing Director (Chief Executive), who is a reputed banker. The corporate head office is located at Dhaka with 32 (thirty two) Divisions.

Recently The Bank has been recognized internationally and domestically for its good performance. The Banker a Magazine of the London based Financial Times group of Companies, has selected Janata Bank as the Bank of the Year 2004. The jury Board of the Banker has recognized Janata Bank with this award for improving its performance Technology advancement, Qualitative improvement of its service, prudent liability and assets management and others. Due to introducing a new product line named as "Mohila Uddokta Unnoyan Financing scheme" Janata Bank has been awarded with the '**Asian Banking awarded 2004** runner up by the Asian Banking Association at Philippine Manila on 26.03.04.

Earlier, Janata Bank has been awarded the reward as the Bank of the Year 2003 by the Financial Times group of Magazine, The Banker. During the recent time Janata Bank has been able to acquire a prestigious and shining position with the improvement in operational activities e.g. Automation of quite a large no. of Branches, Internet Banking, One Stop Banking service. Website. Ready Cash card etc.

The Banker, a magazine of the London based Financial Times Group of Companies, has voted Janata Bank as the bank of the year for Bangladesh for 2001. While making this selection the panel has recognized the efforts made by Janata Bank in recent times for improving its performances. The bank has also been included in the listing of top 200 Asian Banks for the year 2001. This listing will be available to delegates attending the forthcoming IMF/Word Bank meeting in Washington. The September edition of the Banker will also highlight the recent achievements of Janata Bank. Besides, a certificate of merit and a bank of the year logo will be given to Janata Bank for exclusive use on all publicity and advertising. It may be noted here that Janata Bank has been working hard in improving the customer services in recent times by introducing a number of IT-based reform measures.

4.2 Organisational Structure of Janata Bank:



4.3 Post and Man power of Janata Bank (JB):

The approved designations and positions of the personnel of Janata Bank is 4014 as on 1996 whereas the working manpower as on 31st December,2005 was 3224 and the vacant post was 794. It is observed that most of the managerial posts like officers, Principal officers and Senior officers have been recruited as per approved post in 1996.3 vacant posts of principal officers are reserved for 3 Senior Officer who are now working in UAE. 611 posts are reserved for direct recruitment among 677 vacant posts of Senior officers. 1372 posts are reserved for director recruitment among 1387 vacant posts of officer. 85 posts are reserved for recruitment among 88 vacant posts Officer (Cash). The overall class wise manpower has been presented in Table-9.

Table-9: Summery of Manpower

Designation Types	Approved Post in the Year 1996	Working Manpower as on 31.12.2005	Vacant Posts as on 31.12.2005	Additional Posts as on 31.12.2005
1st Class	4018	3224	794	-
2nd Class	6522	4784	1738	-
3rd Class	3629	4507	-	978
4th Class	2066	3231	-	1312
Total Manpower:	16235	15746	2532	2290

Source: Janata Bank, Head Office, Dhaka.

The total personnel have been classified into fur categories i.e. 1st class, 2nd Class. 3rd Class and 4th Class. The approved posts as in 1996 were 1st class4018, 2nd Class 6522, 3rd Class 3629.and 4th Class 2066. The total number of approved posts was 16235. The total recruited personnel in different categories was 15746as on 31st December, 2005 and additional post on that date was 2290.

4.4 Growth of Janata Bank:

Table-10: Salient feature of the Progress of the Banks Business at a Glance

Tk. In Crore

SL. no.	Particulars	Initial Position	1st Decade	2nd Decade	3rd Decade	Present Position
		1972	1972-81	1982-91	1992-01	2005
1.	Authorized Capital	5.00	5.00	800	800	800
2.	Paid up capital	1.50	3.00	259.4	259.4	259.4
3.	Reserve Fund	----	7.90	12.2	54.8	129.6
4.	Deposits	157.69	869.84	5458.1	12506.6	16889.7
5.	Advance	113.20	889.78	3565.0	9329.3	12446.7
6.	Investment	20.41	145.01	1253.5	2045.5	2916.8
7.	Revenue	12.07	128.37	479.8	970.3	1314.3
8.	Cost	11.01	122.30	479.1	969.2	984.2
9.	Operating Profit	1.06	6.07	0.68	1.1	330.1
10.	Foreign Exchange Business:					
	Export	70.00	359.80	1555.0	3238.7	5839.5
	Import	198.80	1307.70	----	5466.6	7291.2
11.	Total No. of Employee	3408	11,517	18151	16692	15321
12.	No. of Branches:					
	Bangladesh	260	825	893	843	843
	Overseas	1	5	4	4	4
13.	No. of Foreign Correspondent	-------		780	1274	1125

Source: Annual Report of Janata Bank

The gradual development of bank business of Janata bank is narrated in brief as under:

The Authorized Capital in1972 was Tk.5.00 crore and the present position stands Tk.800 crore. So the authorized capital has been enhanced Tk.795 crore from inception to till date. The paid up capital as Tk.1.5 crore in the year of 1972 and it has been raised to Tk.259.4crore in 2005 i.e. the total enhancement stands Tk.257.90 crore. There was no reserve Fund in the inception period but the present reserve position is Tk.129.6 crore. The deposit position in the year 1972 was Tk. 157.69 crore whereas the present deposit position is Tk. 16889.70 crore. The trend deposit is apparently high. The total investment was Tk. 20.41 in the year 1972 whereas the present position of investment is Tk.2916.80 crore. The operating profit was Tk.1.06 at the initial year which has been enhanced to Tk. 330.1 crore in the year 2005. Since the trend of Import & Export has been up warded, the foreign currency mobilization has been up warded accordingly. Consequently the foreign correspondents have been geared up. The gradual development in business of Janata Bank has been geared up decade after decade, which made the bank a bank of high liquidity. So overall performance of Janata Bank from inception to present period is well enough.

4.5 Role of Janata Bank in total Banking System in Bangladesh:

Apart from carrying on with all traditional functions of a commercial bank the Janata bank in line with priorities laid down in the national economic plan, has undertaken the responsibilities of rendering agency services in the form of making payments to different public sector corporations and in respect of food procurement scheme. In development of resources in productive channels, the credit facilities which were traditionally limited to selected groups of people among traders and industries, exclusively in the urban areas, have now been expanded to all classes of people and professions. In order to enlarge its participation in the field of the country's economic development, the bank has diversified its functions to meet the needs in financing of agriculture and other priority sectors. Moreover, the bank has been providing term finances accompanied by specialized advice and services to promote the growth of small scale industries. The bank has recently undertaken the functions of disbursements of government grants to the teachers of private educational institutions like school, college and madrasa.

Deposit of the bank: The Janata Bank has been making concerted and sustained efforts to mobilize deposits from untapped resources both urban and rural areas by expanding banking facilities to outlying areas. The bank introduced a system of incentives for encouraging deposit mobilization.

Bank credit: Credit portfolio of the Janata Bank increased substantially between the period 1972 to till date. Immediately after liberation the bank followed a liberal lending policy to priority sector and adopted credit norms in order to cater to credit needs in these in sectors. For balancing, modernization and renovation of the major industries facing acute shortage, the bank provided substantial credit to them. Small traders continued to receive liberal credits under the small loan scheme. The bank while extending credit facilities also paid due emphasis on sectoral balance and created to the needs of both public and private sectors.

Rural credit: In consideration of the importance of rural sector on overall economy of country , the Janata Bank has been involved in rural financing since 1974. with view to a) enlarge the flow of institutional credit for boost ion up agricultural production and b) to met the genuine credit of the rural population , the Government took a of measures including launching of 100 crore Special Agriculture Credit Program (SACP). The program has been co-ordinate under Lead Bank Scheme where the Janata Bank is the lead bank in few old districts namely, Rajshahi, Jessore, Pabna, and Rangpur. The Bank continued to provide credit under SACP and other projects for farm and off farm activities. The credit policy and program cover all the segments of the rural population whether skilled or unskilled such as farmers, landless, laborers women, educated youths, artisans, weavers etc.

Under Rural Credit Program the bank has so far covered the following boards areas of the rural activities such as financing of different seasonal crops, installation of irrigation equipments, development of fishers, livestock and other allied activities like horticulture, shrimp culture, development of cottage industries, land development, duckery, rearing of milky cow, beef and goat fattening, vegetable gardening, rural transport, electrification and paddy processing etc.

Special Agricultural Credit Program: A Special Agricultural Credit Program is a mass oriented program which was mounted with a view to enlarging flow of institutional credit to the agriculture sector in the year 1977. Te program was designed with simplified loaning procedure to provide credit support to the various intensive crop production. Under the simplified procedure the loans are provided to a farmer cultivating his land or other's land as tenant or share cropper and the disbursement is made in two ways, in cash and in kind. One of the objective of the program is to change the bank's security oriented lending policy to make it production-oriented. Another objective is to increase the coverage of small farmers.

Financing of Irrigation Equipments and Allied Activities: The Janata Bank has been extending credit facilities to the farmers for purchasing different irrigation equipments under term financing program in collaboration with Bangladesh Agriculture Development corporation.

Agricultural Credit Project (Minor Irrigation): In order to exploit the ground water potentials of Rajshahi division to increase agricultural production, rural income and employment opportunities , the Janata Bank has been participating in Agricultural Credit Project (Minor Irrigation). The component of the project financing are installation of shallow tube well. , establishment of workshop complex, construction of grain storage, purchase of tools and equipments for village mechanics and other diversified activities.

Rural Financing Experimental Project: Rural Finance Experimental Project was initiated in 1979 by the bank in collaboration with USAID to extend credit to groups of small farmers and landless laborers to improve their economic condition through various farms and off-farm activities. The rural finance experimental project is an attempts to test different ways to deliver credit and mobilize saving for small farmer and rural dwellers not presently reached by institutional credit.

Swanirvar Rin Karmasuchi: The Swanirvor Rin Karmasuchi was undertaken by Swanirvor Bangladesh in order to provide employment to the disadvantaged rural people and to farm and off-farm activities in the rural area. The Janata Bank has been actively participating in the program for granting loans without collateral security in 43 Swanirvor Upazillas.

Rural Housing Financing Scheme: In order to solve the housing problems and raise the living standard of the poor villagers the Bangladesh bank has launched a scheme named as Rural housing Scheme since 1984.

Credit Scheme for Slam Dwellers of Metropolitan City, Dhaka: in order to extend credit facilities to the slum- dwellers of the metropolitan city, Dhaka, the Janata bank has launched a credit Scheme for the slum dwellers in collaboration with OXFAM-Bangladesh and a Local voluntary organization named Manabik Shahajya Sangstha (MASS).

Credit to Small Scale Industries: Not withstanding the primary function of a commercial bank as short term lending for trade and commerce and meeting working capital requirement for industries , the Janata bank had to step towards medium and long term financing in industrial projects in order to meet financing need in this sector. This change in policy was necessitated after nationalization of commercial banks in view of their huge network of branches in the country and larger demand for industrial financing.

4.6 Operational Performance of Janata Bank:

Janata Bank is the second largest commercial Bank in Bangladesh. The aim of the Bank is to actively participate in the socio-economic development of the nation by operating a commercially sound Banking system. It provides credit to deserving borrowers and at the same time protects depositor's interest. Operating profit, Deposits & Advances increased by 43%, 12% & 15% respectively over the last year, 2005. However the Total Statistics of Operational Performance is shown in the Table –11

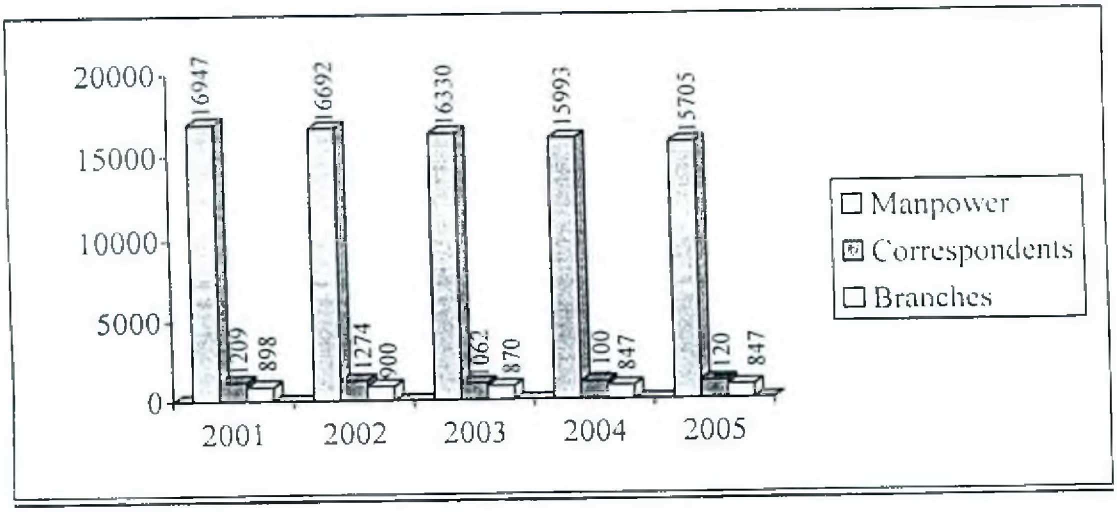
Table-11: Financial & Operational Performance: 1995-2005

Taka in Million

Particulars	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Authorized Capital	8000	8000	8000	8000	8000	8000	8000	8000	8000	8000	8000
Paid up Capital	2594	2594	2594	2594	2594	2594	2594	2594	2594	2594	2594
Reserve Fund	134.3	135.0	143.3	523.2	531.3	539.7	548.0	558.60	574.37	1293	1296
Deposits	66562.7	75704.2	47031.7	88488.9	93322.0	104678.0	125066.4	138892.6	138597	151036	168897
Advance	41960.8	48754.6	52946.1	57329.9	73409.9	80952.9	93293.9	99748.7	101461.9	107786	124467
Investment	15215.9	15857.1	18907.5	18064.8	19416.8	20559.6	20455.8	29718.6	22821.8	28375	29168
Revenue	4570.5	5359.5	6576.7	7304.0	8112.5	9207.0	9703.3	10990.0	11518.4	10934.5	13143
Cost	4557.9	5348.4	6556.3	7276.5	8102.2	9195.8	9692.1	9750.2	9397.5	8621.6	9842
Operating Profit	680.6	941.1	1037.0	1275.5	242.8	831.2	402.6	1239.8	2120.9	2312.9	3301
Provision for Loans/Assets	668.0	930.0	1016.6	1248.0	232.5	820.0	391.3	1225.0	2100	2180.4	3123
Net Profit	12.6	11.1	20.4	27.5	10.3	11.2	11.2	14.8	20.9	-	-
Export	19140.3	20569.8	22968.7	21349.7	21596.00	30780.0	32387.7	34454.6	42865	54623.3	58395
Foreign Funds	46000.00	37860.00	36940.00	45400.00	43250.00	48004.8	54666.30	58889.10	60475	74920	72912
Total Number of Employees	17620	17351	17113	17451	17138	16947	16692	16330	15993	15705	15321
No. of Foreign Correspondent	820	1050	1102	1160	1170	1209	1274	1062	1100	1120	1125
No. of Branches (Including 4 Overseace br.)	897	897	897	897	898	898	900	870	847	847	847

Source: Janata Bank Head office & Annual Report of the bank.

Graphic view Of Manpower, Correspondents and Branches



Source: Annual Report of Janata Bank

Equity of the bank for 2005

a) Paid-up Capital	Tk. 2593.9	million
b) Statutory Reserve	Tk. 206.3	million
c) Others Reserve	Tk. 1089.7	million
	Tk. 3889.9	**million**

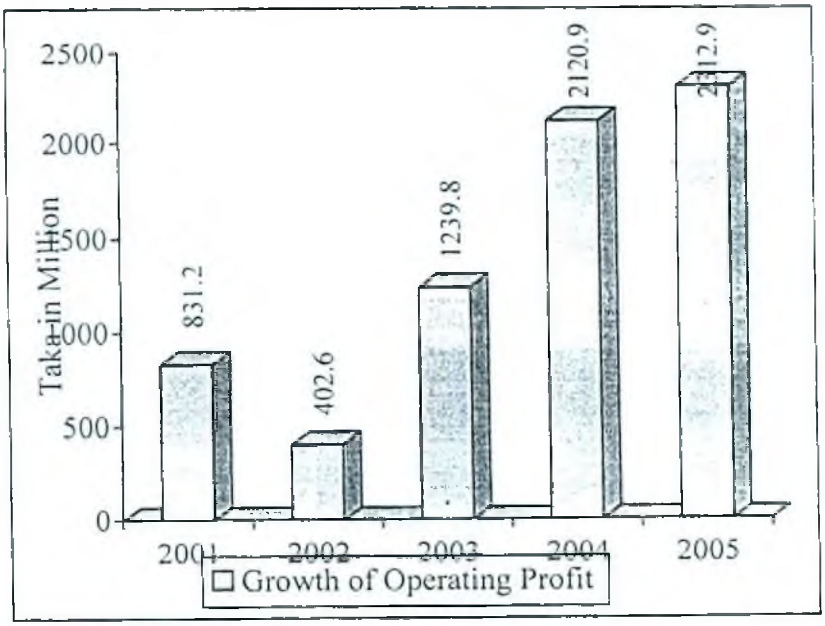
Profit:

The operating profit of the bank increased by 43% over the last year. 2005. The Table-12 & Graph are indicate the operating profit, Growth of operating profit in the year of 2004 and 2005.

Table-12: Operating Profit, Growth of operating profit:

		Taka in million	
		2005	2004
a)	Operating Profit	3301	2312.9
b)	Movement of Profit:		
	Transferred to provision of bad debt	2450.0	1669.0
	Transferred as 1% Gen. provision for UC loan	173.0	101.4
	Transferred to provision for other Assets	500.0	410.0
	Transferred provision for Exgratia	120.0	100.0
	Trans. to prov. for jamuna Levy (for Deposit to BB)	-	27.3
	Trans. To Benevolent Fund	05.0	03.2
	Trans. To Insurance Fund	03.0	02.0
	Trans. To Provision for Gratuity	50.0	-
	TOTAL	3301.0	2312.9

Source: Annual Report of Janata Bank



Source: Annual Report of Janata Bank

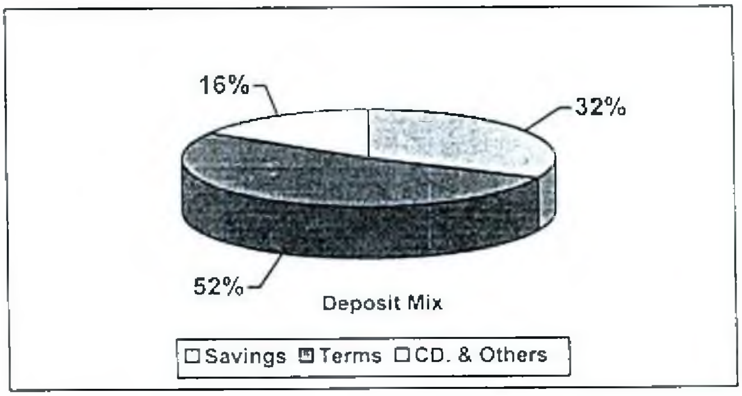
Deposit & Deposit Mix:

Deposit & Deposit mix has been presented in Table-13 and Percentage wise Types of Deposit & Deposit Mix like Saving, Terms, and CD & Others also shown in Deposit Mix Graph.

Table-13: Break-up of Deposit & Deposit Mix:

TYPE	Taka in million	
	As on 31.12.05	As on 31.12.04
Currents & Others account deposits	26194	22378
Bills Payable	1248	1141
Savings Bank Deposit	53106	48354
Term deposit	88349	79163
Total	168897	151036

Source: Annual Report of Janata Bank



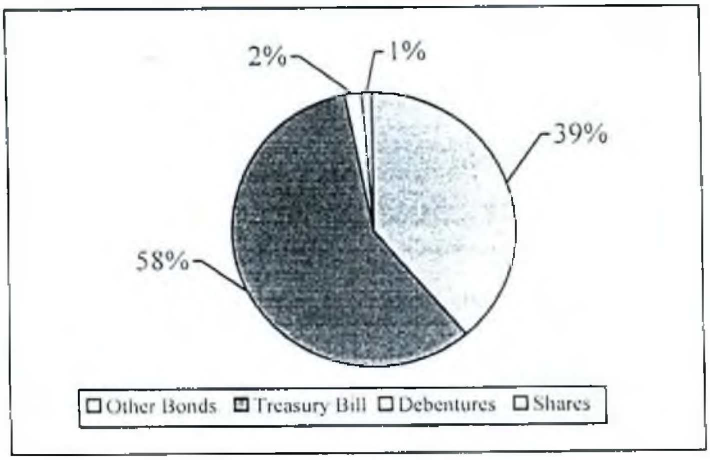
Investments:

\Portfolio wise investment is described in Table-14. And the below Graph Shown the Percentage:

Table-14: Portfolio wise investment

Sl No.	ITEMS	Taka in million	
		2005	**2004**
a.	Treasury Bill	18350.0	16450.0
b.	Other Bonds	9993.7	11057.2
c.	Debentures	636.2	682.3
d.	Shares	188.1	185.5
	Total	**29168.0**	**28375.0**

Source: Annual Report of Janata Bank



Loans and Advances:

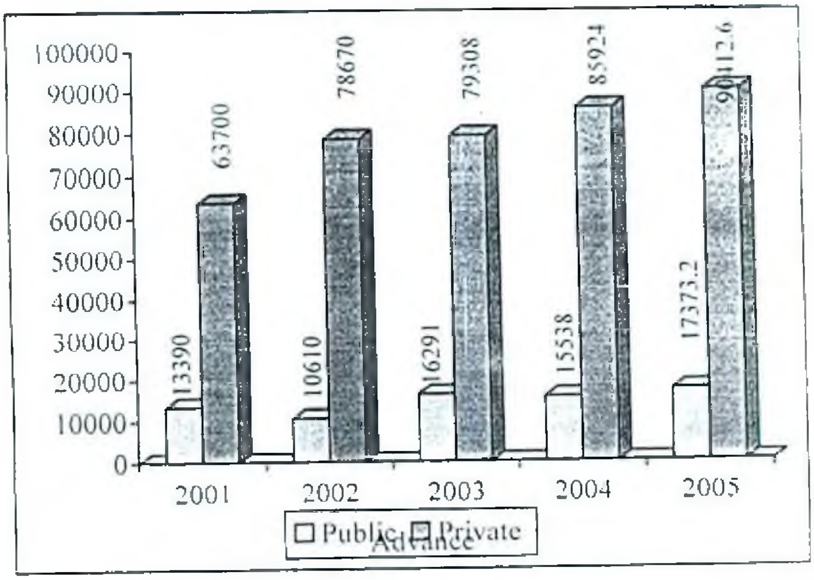
Following the guidelines of Bangladesh Bank, credit facilities have been extended to productive and priority sectors. The Outstanding advance of the bank is Tk. 124467.3 million on 31st December 2005. In extending credit facilities, the Bank has given due importance to sectoral needs and requirements of both public and private sectors. Sector wise Public and private Advances has been presented in Table-15 and also Advance Graph.

Table-15: Sector wise Advance:

Taka in million

SL.	Name of Sector	Public	Private	Total	%
1.	Jute Sector	4872.0	3801.8	8673.8	7
2.	Textile Ind. & Trade	775.5	4181.0	4956.5	4
3.	Steel & Engineering	654.5	397.5	1052.0	1
4.	Food & Allied	83.0	1164.2	1247.2	1
5.	Export Credit	-	11256.0	11256.0	9
6.	Import Credit	16433.7	10870.9	27304.6	22
7.	Industrial Credit	-	14372.4	14372.4	12
8.	Rural, ME Financing	65.0	9663.6	9728.6	8
9.	Housing	15.0	7999.2	8014.2	6
10.	Others	1577.4	36284.6	37862.0	30
	Grand Total	**24476.1**	**99991.2**	**124467.3**	**100**

Source: Annual Report of Janata Bank



Source: Annual Report of Janata Bank

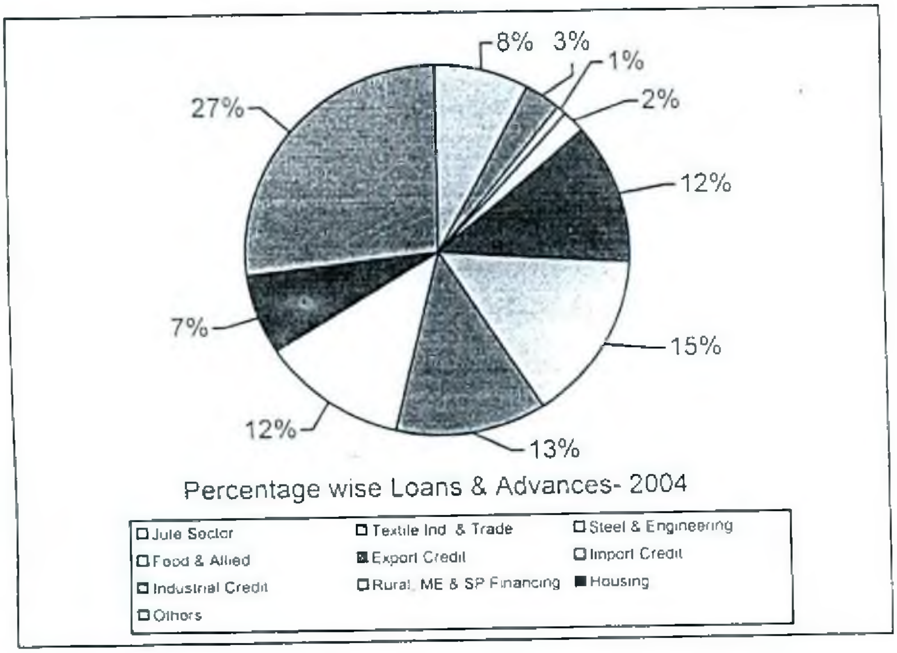


Table-16: Yearly Budget

Revenue:

Taka in Million

Sl. No.	ITEMS	2005		2004		2003	
		Budget	Actual	Budget	Actual	Budget	Actual
01.	Intt. Income	8900.00	8967.67	7420.00	7398.60	8200.00	7928.70
02.	Intt. Expenditure	6250.00	6179.08	5305.00	5519.90	6775.00	6115.80
03.	Intt. Margin (1-2)	**2650.00**	**2788.59**	**2115.00**	**1878.70**	1425.00	1512.90
04.	Investment Income including Other income	4116.00	4294.80	3473.00	3670.00	3992.10	3692.50
05.	Total Operating Income (3+4)	**6766.00**	**7083.39**	**5588.00**	**5548.70**	5417.10	5205.40
06.	Salaries & Allowances	3006.60	2841.14	2372.00	2320.50	2443.30	2237.20
07.	Fixed Cost	472.10	464.76	447.50	474.80	480.50	414.10
08.	Variable Cost	475.70	476.13	461.50	440.40	493.00	433.30
09.	**Total Operating Cost (6+7+8)**	**3954.40**	**3782.03**	**3281.00**	**3235.70**	3416.80	3084.60
10.	**Operating Profit (5-9)**	**2811.60**	**3301.36**	**2307.00**	**2313.00**	2000.30	2120.80

Capital:

Sl No.	ITEMS	2005		2004		2003	
		Budget	Actual	Budget	Actual	Budget	Actual
01.	Interest Income	779.90	751.28	2886.30	3021.35	1177.70	1177.70
02.	Interest Expenditure	1113.00	1072.47	935.20	461.93	836.90	869.10

Source: Annual Report of Janata Bank

Table-17: Social Impact Report:

DETAILS	Figure In Million		
	2005	2004	2003
Value addition:			
Income from Services	13143.5	10934.6	11518.4
Less Cost of services	6918.2	6185.9	7085.0
Value added	**6225.3**	**4748.7**	**4433.4**
Distribution of value added:			
To Employee's	2989.4	2406.0	2311.4
To Retain Assets (Loan loss and provision and other Provision)	3123.0	2209.7	2012.0
To Expansion & Growth			
(i) Depreciation	112.9	133.0	94.2
(ii) Reserve Fund		--	15.8
Total	**6225.3**	**4748.7**	**4433.4**

Source: Annual Report of Janata Bank

CHAPTER-FIVE

Characteristics of Losing Branches of Janata Bank and its comparison with Profit Earning branches

5.1 Features of Losing Branches:

Based on the feature of losing branch, losing branch may be defined as the branch of any Commercial bank is facing loss during last three consecutive years due to various causes. The basic features of losing branch are described below:

The losing branch posses a huge amount of loan undercover due to multifarious causes i.e. loan sanctioned and disbursed in irrational and unethical ways which originated from the bad practice of the branch managers. The researcher finds such evidence during data collection and analysis. As such the one of the Prime features of losing branch is obviously bad advance. The striking feature is traced that the posted managers are not up to the marks in skill and managerial abilities. Manager should have the traits like farsightness, sincerity and bank interest oriented. But the researcher finds that branch managers are lacking in posing such traits.

The researcher has traced the common feature that the losing branch managers are not so trained and efficient to justify the loans proposals by examining the feasibility of the projects. In facts, most of the managers of losing branch are appointed from diversified academic back ground like general Arts graduate, Masters from Science and Arts faculty which is the great lacking in appraising the loan proposals. The unethical feature of losing branch has been traced by the researcher that losing branch sanctioned loan having no sufficient collateral security, which results bad to immoral characteristics of the branch managers of losing branches. Political influence for sanctioning bad advance is another common feature of losing branch. Surprise phoning to the branch manager as political pressure is the common feature of the losing branch. Political pressure is the one of the bad loan, which causes the branch manager for taking undue personal advantage against sanctioning and disbursement of loan.

Loan supervision for recovering loan installment or adjustment is another feature of the losing branch. Very often the branch manager of losing branch found to monitor the recovery seriously. The branch manager of losing branches are habituated to be relaxed although the recent policy of Nationalized Banks make them compelled to supervise and closely.

The losing branches bear some common features in response to their activities, deposit, advance, performance, business transactions etc. The main features of losing branches are as follows:

1. Huge amount of classified advance on the part of NCBs have restricted their lending to only selective viable areas.
2. Concentration of the many branches in different banks.
3. Lacking of quality advance in Losing branches of NCBs.
4. NCBs inefficient Advance allocation and low recovery performance in development financing rendered the impression in the banking sector.
5. Commercial banks attach importance to the strategy for short run profit making rather than long- run development out look.
6. The deposit mobilization and turn-over i.e. transaction of the accounts are poor.
7. Cost of Operation for development financing is rendering high pushing up the lending rates which sometimes turns the bank financed projects unviable.
8. NCBs advance allocation is not based on systematic analysis of potential economic activities.
9. Adverse of Commercial potentiality or economic viability.
10. Collateral- free Advance to some portion of the target group was not handled properly and increased the risk of recovery for the banks in case of genuine.
11. Some lacking of Business feasibility.
12. Lack of supervision whether the installments are paid or not.
13. Authorization of loan without proper supervision of client character , capacity, capability and willing pressure.
14. Govt.'s support and extension facilities in the form of provision of data base, investment counseling, appropriate technology, infrastructure, marketing of products etc. appear to be inadequate.
15. Sanction of the big amount advance beyond of banking rules and principle.

5.2 Analysis of Data of the Losing Branches of Janata Bank:

5.2.1 Comparative Analysis of Profit & Loss Account:

Table-18: Summarized Profit & Loss Account of Imamgonj Branch:

JANATA BANK

Comparative Income Statement

For the end of 31st December, 2005, 2004, 2003

Particulars	2005		2004		2003		Increase (Decrease)			
							2004 vs. 2003		2005 vs. 2003	
	Amount in Lac Tk.	% of 2003	Amount in Lac Tk.	% of 2003	Amount in Lac Tk.	%	Amount	%	Amount	%
Total Revenue (A)	877.91	66.57	1,055.08	80.00	1,318.81	100	(263.73)	(20.00)	440.90	33.43
Interest Expenses	1,357.28	74.00	1,600.09	87.24	1,834.02	100	(233.93)	(12.76)	(476.74)	(26.00)
Operating Expenses	155.09	116.58	142.70	107.27	133.03	100	9.67	7.27	22.06	16.58
Total Expenses (B)	1,512.37	76.89	1,742.79	88.60	1,967.05	100	(224.26)	(11.40)	(454.68)	(23.11)
Net Loss (A-B)	634.46	97.87	687.71	106.09	648.24	100	39.47	6.09	(13.78)	(2.13)

The Imamgonj branch is one of the largest losing branches of Janata Bank. The comparative Income statement presented above shows that net loss increases from 648.24 lac taka in 2003 to 687.71 lac taka in 2004 and then decrease to 634.46 lac taka in 2005. The summarized Profit & Loss account also shows that net loss of 2005 was 97.87%, 2004 was 106.09%in compared to the base. The net loss increases 6.09% in 2004 and 2.13 % decreases in 2005 in compared to 2003. Even through performance was better in 2005 among these 3 years; total revenue shows a decreasing trend from 1,318.81 lac in 2003 to 877.91 lac in 2005.Consistent with total revenue, interest expenses show a decrease of 454.68 lac taka from 2003 to 2005. However, operating expense increases over time. Operating expenses, which was 133.03 lac in 2003, became 142.70 lac in 2004 and 155.09 lac in 2005.

Table 19: Summarized Profit & Loss Account of Nawabpur Branch:

JANATA BANK

Comparative Income Statement

For the end of 31st December, 2005,2004,2003

Particulars	2005		2004		2003		Increase (Decrease)			
							2004 vs. 2003		2005 vs. 2003	
	Amount in Lac Tk.	%	Amount in Lac Tk.	%	Amount in Lac Tk.	%	Amount	%	Amount	%
Total Revenue (A)	117.90	139.33	73.86	87.28	84.62	100	(10.76)	(12.72)	33.28	39.33
Interest Expenses	55.57	98.65	45.99	81.64	56.33	100	(10.34)	(18.36)	(0.76)	(1.35)
Operating expenses	78.89	119.89	73.43	111.60	65.80	100	7.63	11.60	13.09	19.89
Total Expenses (B)	134.46	110.10	119.42	97.78	122.13	100	(2.71)	(2.22)	12.33	10.10
Net Loss (A-B)	16.56	44.15	45.56	121.46	37.51	100	8.05	21.46	(20.95)	(55.85)

The Nawabpur branch is one of the oldest branches of Janata Bank. The comparative Income statement presented above shows that net loss increases from 37.51 lac taka in 2003 to 45.56 lac taka in 2004 and then decrease to 16.56 lac taka in 2005. The summarized Profit & Loss account also shows that net loss of 2005 was 44.15%, 2004 was 121.46%in compared to 2003. The net loss increases 21.46% in 2004 and 20.95 % decreases in 2005 in compared to 2003. Even through performance was better in 2005 among these 3 years. Total revenue was increased by 39.33% in 2005 and decreases 12.72% in 2004 compared to 2003. Total expenses were increased by 10.10%in 2005 and decreased 2.22% in 2004 in compared to 2003. However, operating expense increases over time. Operating expenses, which was 65.80 lac in 2003, became 73.43 lac in 2004 and 78.89 lac in 2005. The branch is trying to improve year to year though the present lose is very high.

5.2.2 Common Size Analysis of Profit & Loss Account:

Common size Analysis:

In common size analysis, expenses the various components of Income statements as percentage of the total revenue of losing branch i.e. Imamgonj branch, Nawabpur branch, Janata Bhaban Branch of Janata Bank. All Income statement items related to total revenues. The total interest expenses, operating expenses, total expenses, net loss/profit margin and the procedure can be extended to include all the items of the income statement as percentage of total helps the analyst spot trends with respect to the related importance of these items over time.

To illustrate common size income statement were shown alongside regular statements in Table-20, 21, 24 for Imamgonj Branch, Nawabpur Branch, Janata Bhaban Branch of Janata Bank from 2003 to 2005.

Table-20: Common size Profit & Loss Account of Imamgonj Branch:

JANATA BANK
For the year ended 31st December, 2005, 2004, 2003

Particulars	2005	2004	2003	2005	2004	2003
	In Tk. 00,000			%		
Interest paid on deposit	60.51	59.08	56.00	6.89	5.60	4.25
Interest on H.O A/C	1,296.77	1,541.01	1,778.02	147.71	146.06	134.82
Total Interest Expenses (A)	**1,357.28**	**1,600.09**	**1,834.02**	**154.6**	**151.66**	**139.07**
Salaries	58.57	42.07	41.40	6.67	3.99	3.14
Leave salary encashment	0.07	0.02	0.63	7.97	1.90	.05
Allowance	23.58	27.26	24.48	2.69	2.58	1.86
Provident Fund(CPF)	0.35	0.32	0.17	.04	.03	.01
Bonus	10.31	7.19	6.87	1.17	.68	.52
Pension & Gratuity(SAF)	19.13	16.03	15.34	2.18	1.52	1.16
Directors Fees	0.15	0.37	-	.02	.04	-
Rent, Rates & Taxes	1.21	1.06	3.44	.14	.10	.26
Lighting	1.58	1.82	1.18	.18	.17	.09
Law Charges	6.96	8.52	2.38	.79	.81	.18
Postage, Telegram, Telephone & Stamp	5.42	6.41	6.02	.62	.61	.46
Depreciation:						
On Assets	1.92	5.72	8.83	.22	.54	.67
On Computers	3.22	3.22	1.16	.37	.31	.09
Repair Renovation & Maintenance	3.96	3.11	3.25	.45	.29	.25
Stationary	1.67	2.03	2.25	.19	.19	.17
Petty Stationary	0.27	0.26	0.22	.03	.02	.02
Entertainment	1.64	1.60	1.37	.19	.15	.10
Car Expenses	3.78	5.84	4.89	.43	.55	.37
Subscriptions	0.42	0.52	0.48	.05	.05	.04
Traveling	0.01	0.07	0.19	1.14	.006	.01
Cartage/Freight	2.60	2.65	2.60	.30	.25	.20
Miscellaneous Exp.	1.25	1.66	1.82	.14	.16	.14
Business Development	0.35	0.25	-	.04	.02	-
Welfare & Recreation	0.07	0.06	0.07	.007	.005	.005
Medical Charges	0.002	-	-	.000	-	-
Training Expenses	0.14	0.31	0.23	.02	.03	.02
Employees Lunch Subsidy	6.21	3.98	3.41	.71	.38	.26
Cash carring Charges	0.25	0.35	0.35	.03	.03	.03
Operating expenses(B)	**155.09**	**142.70**	**133.03**	**17.67**	**13.52**	**10.08**
Total Expenses C=A+B	**1,512.37**	**1,742.79**	**1,967.05**	**172.27**	**165.18**	**149.15**
Less: Net Loss (E)	**634.46**	**687.71**	**648.24**	**72.27**	**65.18**	**49.15**
Total Revenue D=C-E	**877.91**	**1055.08**	**1318.81**	**100**	**100**	**100**

Particulars	2005	2004	2003	2005	2004	2003
	inTk. 00,000			%		
Interest Received	785.95	946.62	1,171.51	89.50	89.72	88.83
Commission	13.93	15.40	19.33	1.50	1.46	1.47
Exchange	37.92	64.38	81.50	4.30	6.10	6.18
Rent	0.01	0.08	0.10	1.10	.007	.007
Other Receipt	40.10	28.60	46.37	4.50	2.72	3.52
Total Revenue	**877.91**	**1055.08**	**1318.81**	**100**	**100**	**100**
Net Loss (E)	**634.46**	**687.71**	**648.24**	**72.27**	**65.18**	**49.15**
Total	**1,512.37**	**1,742.79**	**1,967.05**	**172.27**	**165.18**	**149.15**

Over the year, the Imamgonj Branch continues to incur the loss. The amount of loss increases from 648.24 lac to 687.71 lac in 2004. In 2005, the amount decreases by 53.25-lac taka and becomes 634.46-lac taka. The percentage of net loss was 49.15, 65.18 and 72.27 from 2003 to 2005. Such high amount of losses over the year is due to the fact that the branch fails to cover its expense through generating sufficient revenue. During the period 2003-2005 total revenue show a declining trend moving from 1318.81 lac to 877.91 lac. Interest expense is the main component of total expenses also decline during the said pattern, but in absolute term, the revenue decreases at a higher rate than the interest expenses. In contrast to the above, operating expenses continue to increases during this period which was 133.03 lac in 2003, 142.70 lac in 2004 and 155.09 lac in 2005.

The trend of total expenses of Imamganj corporate branch from 2003 to 2005 was downward i.e. Tk. 1967.05 lac in 2003, Tk.1742.79 lac in 2004 and Tk.1512.37 lac in 2005. The total expenses were 149.15%, 165.18%, and 172.27% from 2003 to 2005. Interest Paid on deposit were increased from 2003 to 2005, which were 4.25%, 5.60%, 6.89%. Interest on H.O account was shown upward trend which 134.82%, 146.06%, 147.71% from 2003 to 2005. The branch paid salaries huge amount of money which were 41.40 lac to 58.57 lac in 2005 which 3.14%, 3.99%, 6.67%. Other items do not change significantly over the year. The trend of the total revenue from 2003 to 2005 was downward i.e. Tk. 1318.81 lac in 2003, Tk. 1055.08 lac in 2004, and Tk.877.91 lac in 2005. Interest receive was 88.83%, 89.72%, 89.50%. Other income items do not change significantly over the year. The overall performance of this branch was not satisfactory because of high expenses and paid the huge amount of interest to the Head office account.

Table-21: Common size Profit and Loss Account of Nawabpur Branch:

JANATA BANK

For the year ended 31st December, 2005, 2004, 2003

Particulars	2005	2004	2003	2005	2004	2003
	In Tk. 00,000			%		
Interest paid on deposit	55.57	45.99	56.33	47.13	62.27	66.57
Interest on H.O A/C	-	-	-	-	-	-
Interest Expenses (A)	**55.57**	**45.99**	**56.33**	**47.13**	**62.27**	**66.57**
Salaries	27.70	20.10	20.19	23.49	27.21	23.86
Leave salary encashment	-	-	0.04	-	-	.05
Allowance	11.42	12.51	11.53	9.69	16.94	13.63
Provident Fund(CPF)	0.18	0.13	0.12	.15	.18	.14
Bonus	4.90	3.34	3.25	4.16	4.52	3.84
Pension & Gratuity (SAF)	9.32	7.30	7.34	7.91	9.88	8.67
Rent, Rates & Taxes	11.77	10.29	10.63	9.98	13.93	12.56
Lighting	0.66	0.70	0.59	.56	.95	.70
Law Charges	0.58	1.20	0.61	.49	1.62	.72
Postage, Telegram, Telephone & Stamp	1.09	1.77	1.43	.92	2.40	1.69
Depreciation:						
On Assets	0.78	0.95	0.89	.66	1.29	1.05
On Computers	0.65	6.65	1.55	.55	9.00	5.38
Repair Renovation & Maintenance	1.61	0.78	1.35	1.37	1.06	1.60
Stationary	2.09	1.88	1.45	1.77	2.55	1.71
Petty Stationary	0.31	0.21	0.22	.26	.28	.26
Publicity& Advertisement	-	-	0.09	-	-	.11
Entertainment	0.48	0.56	0.42	.41	.76	.50
Car Expenses	0.17	0.14	0.17	.14	.19	.20
Subscriptions	0.24	0.22	0.13	.20	.30	.15
Traveling	0.07	0.03	0.13	.06	.04	.15
Cartage/Freight	1.28	1.35	1.09	1.09	1.83	1.29
Miscellaneous Exp.	0.53	0.64	0.75	.45	.87	.89
Business Development	-	-	-	-	-	-
Welfare & Recreation	0.04	0.04	0.05	.03	.05	.06
Training Expenses	0.11	-	-	.09	-	-
Employees Lunch Subsidy	2.91	1.98	1.78	2.47	2.68	2.10
Operating Expenses (B)	**78.89**	**73.43**	**65.80**	**67.37**	**99.41**	**77.76**
Total Expenses C=A+B	**134.46**	**119.42**	**122.13**	**114.05**	**161.68**	**144.33**
Less: Net Loss (E)	**16.56**	**45.56**	**37.51**	**14.05**	**61.68**	**44.33**
Total Revenue	**117.90**	**73.86**	**84.62**	**100**	**100**	**100**

Particulars	2005	2004	2003	2005	2004	2003
	inTk. 00,000			%		
Interest Received	58.69	60.24	69.59	49.80	81.56	82.23
Commission	2.27	3.42	2.61	1.94	4.65	3.09
Exchange	0.13	0.32	0.31	.12	.45	.38
Rent	0.16	-	0.01	.04	-	.01
Other Receipt	27.41	5.39	4.44	23.30	7.31	5.25
Interest on H.O	29.24	4.49	7.66	24.80	6.10	9.05
Total Receipt	**117.90**	**73.86**	**84.62**	**100**	**100**	**100**
Net Loss (E)	**16.56**	**45.56**	**37.51**	**14.05**	**61.68**	**44.33**
Total Expenses	**134.46**	**119.42**	**122.13**	**114.05**	**161.68**	**144.33**

D=C-E													

The Table-21 shows a mixed trend in the net loss figure for Nawabpur branch. Net loss increases from 37.51 lac (44.33%) to 45.56 lac (61.68%) in 2004. However, the branch does well in reducing the net loss figure from 45.56 lac to 16.56 lac (14.05%) in 2005. The operating expenses of Nawabpur branch continue to increase every year and it is higher than interest expenses that are supposed to the main expenses head. The operating expenses increases 65.80 lac (77.76%) to 78.89 lac (67.37%) in 2005.

The trend of total expenses of Nawabpur Corporate branch was upward from 2003 to 2005 i.e. Tk.122.13 lac (144.33%) in 2003, Tk.119.42 lac (161.68%) in 2004, Tk.134.46 lac (114.05%) in 2005. Salaries was also a factor to incur the loss which 23.86%, 27.21%, 23.49% from 2003 to 2005. Interest paid on deposit was 66.57%, 62.27%, 47.13% from 2003 to 2005. Other items do not change significantly over the year.

The trend of the total receipt of the branch was upward from 2003 to 2005 that was 84.62 lac, 73.86 lac, and 117.90 lac. Interest received were (49.80%, 81.56% and 82.23% from 2003 to 2005. Other income items do not change significantly over the year. The branch expenses were very high but receipt was not increased in the ratio of expenses. So, overall performance was not satisfactory.

5.3: Analysis of Financial and Operational Performance:

Table-22: Financial and Operational Performance in 2005-2003 of Imamgonj Branch:

SL. No.	P ARTICULARS	2005		2004		2003	
		(In 00 '000 Tk.)	% of Changes	(In 00'000 Tk.)	% of Changes	(In 00'000 Tk.)	% of Changes
1.	Total Deposits	2948.1	211.09	2001.8	143.33	1396.6	100
2.	Total Advance	19309.2	66.16	23557.9	80.72	29184.6	100
3.	Interest Suspense	1553.6	28.85	2241.6	41.63	5384.7	100
4.	Net Advance (2-3)	17755.6	74.60	21316.3	89.57	23799.8	100
5.	Total Income	877.91	66.57	1055.08	80	1318.81	100
6.	Total Expenditure	1512.37	76.89	1742.79	88.60	1967.05	100
7.	Operating Loss (5-6)	- 634.46	97.87	-687.71	106.09	-648.24	100

Source: Accounts Division of Janata Bank, Head office, Dhaka

Taking 2003 as the base year, the percentage of total deposit of Imamgonj Branch from 143.33 to 211.09 in 2005 which amount was Tk. 1396.6 lac in 2003; Tk.2001.8 lac Tk. 2948.1 lac in 2004 and Tk. 2948.1 lac in 2005. So, the total deposit increased by 111.09% (211.09%-100%) in 2005. The trend of total advance was reverse i.e. downward because of the conservative policy of the bank. The total advanced was decreased by -33.84% (66.06%-100%) in 2005 and 19.28% (80.72-100) in 2004. Consequently the total income had been declined accordingly. The total income was Tk.1318.81 lac (100%) in 2003; Tk. 1055.08 lac (80%) in 2004 and Tk.877.91 lac (66.57%) in 2005. So, the total income was decreased by 33.43% (66.57%-100%)in 2005 and 20% (80-100) in 2004. Total expenses was 88.60% in 2004, 76.89% in 2005 So, expenses was decreased by 23.11% (76.89%-100%) in 2005 and 11.40% (88.60-100) in 2004. As a matter of fact, the branch faced loss Tk. 687.71 lac (106.09%) to Tk.634.16 lac (97.87%) in 2005. The operating loss by 2.13% (97.87%-100%), deposit increase 111.09%, advanced decreased 33.84%, income decrease 33.43%, expenses decreased by 23.11% in 2005 and the operating loss by 6.09%, deposit increase 43.33%, advanced decreased 19.28%, income decrease 20%, expenses decreased by 11.40% in 2004.

Table-23: Financial and Operational Performance in 2005-2003 of Nawabpur Branch:

SL. No	PARTICULARS	2005		2004		2003	
		(In 00 '000 Tk.)	% of Changes	(In 00'000 Tk.)	% of Changes	(In 00 '000 Tk.)	% of Changes
1.	Total Deposits	1163.7	93.46	1662.1	133.49	1245.1	100
2.	Total Advance	966.4	84.73	1075.8	94.33	1140.5	100
3.	Interest Suspense	107.5	64.72	119.3	71.82	166.1	100
4.	Net Advance (2-3)	858.9	88.15	956.5	98.16	974.4	100
5.	Total Income	117.90	139.33	73.86	87.28	84.62	100
6.	Total Expenditure	134.46	110.10	119.42	97.78	122.13	100
7.	Operating Loss (5-6)	-16.56	44.15	-45.56	121.46	-37.51	100

Source: Accounts Division of Janata Bank, Head office, Dhaka

Taking 2003 as the base year, the percentage of total deposit of Nawabpur Corporate Branch was 133.49 to 94.33 in 2005 which amount was 1245.1 lac in 2003, 1075.8 lac in 2004, and 1163.7 lac in 2005. The trend of total advance was descending order, which was 1140.5 lac (100%) in 2003, 1075.8 lac (94.33%) in 2004, 966.4 lac (84.73%) in 2005. The Income was Tk.73.86 (87.28%) in 2004 and Tk.117.90 (139.33%) in 2005. The income was increased by 39.33% (139.33-100) in 2005 and 12.72% (87.28-100) in 2004. The expenses were 119.42 lac (97.78%) in 2004, 134.46 lac (110.10%) in 2005. The expenses were also increased by 10.10% (110.10-100) in 2005 and 2.28% (97.78-100) in 2004. The percentage of expenses was higher than the income percentage. As a matter a fact that, the branch faced loss Tk. 45.56 lac (45.56%) to Tk. 16.56 lac (44.15%) in 2005.

The branch does very well and decreased the operating loss from year to year. The decreases loss by 55.85% (44.15-100) in 2005 and increases by 21.46% in 2004.

5.4: Analysis of the activities of Losing Branches of Janata Bank:

In this suction, results of analysis of data rearing age, manpower and completive characteristic as well as business characteristics of the sampled losing branches have been examined with a view to identify the viable or nonviable operations.

Age, Manpower, and Competitive Characteristics:

Age of a branch is an important factor for incretions, and diversifying volume of banking operations, achieving cost efficiency and ultimately viability the Table -4 shows that profit earning (PE) an well as Loss incurring (LI) branches are far difference in the age rage or PE branches 16 years .it is a model branch of Janata Bank of all over Bangladesh. The Age(of a branch) itself is the factor. Whether in course of time the concerned ranch has been able to increase volume of business and thus increase in income and decrease is cost is the point of commiseration. Over the period since establishment, the PE branched have been able to dot but LI branches war established in the time of after independent of Bangladesh.

Man power of employees working is the urban branches are also an important factor for making these viable. Yaron (1994) argues that well trained, motivated and productive employee structure is one of the important characteristics of successful financial institution the table shows that Li branches is a not large number of employees but most of them are not well trained and productive employee. On the other hand PI branch having a large number of employee they are well trained and enough knowledge about banking. Though it is very difficult to prescribe a standard amount of business for a standard number of manpower a branch is having. This see that for the whole PE branches of NCBS are having higher volume of business per employee and higher manpower productivity as compared to those of LI branches. Urban branches face most competition for other banks and very slate non-banks (Such as Grameen Bank, BRAC and other NGO's in their respective operational areas, which may have some impact of their viability. Nawabpur Corporate branches 5 competitive non-banks, institution.

Deposit Mobilization:

The Table-30 shows that on an average PE branch have higher deposit per branch than LI branches not only absolute volume of deposits, but also the average number of deposit accounts, deposit per account (average size of deposit) and deposit per employee are all higher in case of PE branch than LI branches

Deployment of Advance:

For the matter of profitability, judicious deployment of credit is very significant factor. Table-31 shows that in respect of Advance also PE branch of NCB,s have higher Advance per branch and Advance per account that those of LI branches.

Number of Advance accounts per branch and Advance per employee another two indicators of Advance performances are higher for LI branches than PE branches of NCBs. Even after commanding large Advance per employee and per employee and per account, why the financial performance of LI branches are poor, we discussed here. This can be explained by looking at the volume of classified advance of PE and LI branches as given Table-31. On an average, 26.16% of outstanding advance of LI branches has been classified and again out of total classified advance, 29.377% is bad loan. On the other hand, one of the PE branches has no classified Advance at all and on an average, 14.55% classified bad loan.

Volume of Business (Deposit plus Advance):

We have discussed so far the business characteristics of the sampled branches separately from the point of view of deposit as well as advance. The Table-32 contains information relating to volume of business of NCB branches. The table shows that volume of business per branch, number of accounts per branch, amount per account & amount per employee-all commanding higher values for PE branch than LI branches.

Financial Performance of the sampled Branches:

In the ultimate analysis, financial viability should be the main performance indicator of a financial institution. It is also true that determinants of financial performance of viability are the business and structural Characteristics of financial institution. Therefore while discussing the financial performance of the sampled branches, their business and structure characteristics should also be kept in mind. Financial performance of bank or a branch is generally summarized by absolute profit volume, which again may increase or decrease as the volume of business increases or decreases. But from the were absolute profit figure, one cannot have any idea about financial performance strength of a banker a branch. Therefore, in order to know the actual strength or profit, the absolute profit figure and its constituents mainly income (both interest and non-interest income) and expenditure (both interest and non-interest expenditure) are to define by volume of business (VOB) should be considered. In that case, we show get relative profit or neither profitability of a branch nor only profitability, productivity (both overall and manpower productivity) of the sampled branches have also been calculated and shown in this section.

5.5: Analysis of Data of the Profit Earning (PE) Branch of Janata Bank:

Feathers of the Profit Earning Branch:

1. Profit Earning branch are sufficient advance allocation and high recovery performance in development financing rendered the impression in the banking sector.
2. Number of quality Advance in Profit earning branch of Nationalized Commercial Banks
3. The deposit mobilization and turnover i.e. transaction of the accounts are very high. Advance allocation is based on systematic way of potential economic activities.
4. Strong business feasibility, commercial potentiality or economic viability of profit earning branch.
5. Strong and effective Supervision of the sanction of big amount advance of the profit making branch.
6. Volume of Business (VOB) of Profit earning branch are very strong.

Table-24: Common Size Analysis of Profit and Loss Account of Janata Bhaban Branch:

JANATA BANK

For the year ended 31st December, 2005, 2004, 2003

Particulars	2005	2004	2003	2005	2004	2003
	In Tk. 00,000			%		
Interest paid on deposit	1,343.52	1,594.49	2,650.50	10.39	13.64	22.52
Interest on H O A/C	6,104.14	5,237.34	3,968.82	47.19	44.80	33.73
Total Interest Expenses (A)	**7,447.66**	**6,831.83**	**6,619.32**	**57.58**	**58.44**	**56.25**
Discount Paid	0.01	0.01	0.00	.000	0.000	-
Salaries	118.35	98.34	84.03	.91	.84	.71
Allowance	45.37	46.85	48.54	.35	.40	.41
Provident Fund (CPF)	0.10	0.10	0.10	.000	0.000	0.00
Bonus	21.19	19.45	13.79	.16	.17	.12
Pension & Gratuity(SAF)	46.49	41.60	33.08	.36	.36	.28
Directors Fees	0.20	0.20	-	.001	.001	-
Rent, Rates & Taxes	19.02	5.96	3.74	.15	.05	.03
Law Charges	4.72	2.62	1.41	.04	02	.01
Postage, Telegram, Telephone & Stamp	37.77	25.96	31.84	.29	22	.27
Depreciation:						
On Assets	8.32	7.86	7.53	.06	.07	.06
On Computers	3.42	6.16	8.94	.03	.05	.08
Repair Renovation & Maintenance	5.00	3.86	2.83	.04	.03	.02
Stationary	12.24	9.14	6.40	09	.08	.05
Petty Stationary	1.76	1.23	1.42	.01	.01	.01
Publicity & Advertisement	1.02	0.90	0.73	.007	.007	0.00
Entertainment	10.05	6.70	11.69	.08	06	.10
Car Expenses	0.09	0.81	3.20	.0007	.006	03
Subscriptions	-	0.00	-	-	-	-
Traveling	0.67	0.81	0.65	.005	.006	0.00
Cartage/Freight	7.37	6.67	4.72	.06	.06	.04
Miscellaneous Exp	21.47	3.31	3.19	.17	.03	.03
Business Development	1.74	3.57	1.82	.01	.03	.02
Welfare & Recreation	0,06	0.06	0.06	.0004	.0005	0.00
Medical Charges	0.01	0.00	0.01	.000	-	0.00
Training Expenses	-	-	0.05	-	-	0.00
Employees Lunch Subsidy	11.07	7.10	6.09	.09	.06	.05
Pay & Allowance to Police	0.95	0.78	0.78	.007	.006	0.00
Operating Expenses (B)	**378.46**	**300.05**	**276.64**	**2.92**	**2.56**	**2.35**
Total Expenditure C=A+B	**7826.12**	**7131.88**	**6895.96**	**60.50**	**61.00**	**58.60**
Net Profit D= E-C	**5,109.22**	**4,558.28**	**4871.30**	**39.50**	**38.90**	**41.40**
Total Revenue (E)	**12,935.34**	**11,690.16**	**11,767.26**	100	100	100

Particulars	2005	2004	2003	2005	2004	2003
	inTk. 00,000			%		
Interest Received	10,912.52	9,953.97	10,329.66	84.36	85.15	87.78
Commission	181.49	134.88	90.13	1.4	1.15	77
Exchange	1,575.53	1,331.19	991.25	12.18	11.39	8.42
Rent	2.07	4.01	3.65	02	03	03
Other Receipt	263.73	266.11	352.57	2.04	2.28	3.0
Total Revenue (E)	**12,935.34**	**11,690.16**	**11,767.26**	100	100	100

Janata Bhaban branch is most profitable model corporate branch of Janata Bank of Bangladesh. The Profit and Loss Account of the branch of Janata Bank shows that net profit decrease from 4871.30 lac to 4558.28 lac in 2004. In 2005, this figure increases by 550.94 lac and becomes 5109.22 lac. The common size income statement shown in Table -24 shows the net profit margin fluctuating from year to year. The branch operating expenses were very few amounts only 2.92%, 2.56%, 2.35% but net profits were 39.50%, 38.90% and 41.40% from 2003 to 2005. This branch was better combination between the expenses and income. The net profit of the branch was showing upward trend from 2003 to 2005. The net profit was 4871.30 lac (41.40%) in 2003, 4558.28 lac (38.90 %) in 2004, 5109.22 lac (39.50%) in 2005. The net profit in 2005 was increased by .60% (39.50%-38.90%) than 2004; whereas, profit decreased in 2004 and 2005 by 2.50% (38.90%-41.40%) & 1.90% (39.50%-41.40%) than 2003 respectively. The trend of total expenses of Janata Bhaban Corporate branch was increased by year to year. The expenses were Tk.7826.12 lac (60.50%) in 2005, Tk.7131.88 lac (61.00%) and in 2004, Tk. 6895.96 lac (58.60%) in 2005. Interest paid on deposit was 22.52%, 13.64%, and 10.39%. Other items do not change significantly over the year. The total income trend of the branch was upward in 2005 than 2004 and shows downward trend 2004 than 2003. Interest received was 87.78%, 85.15%, and 84.36%. Interest received was decreased by 2.63% (85.15%-87.78%) in 2004 and by 3.42% (84.36%-87.78%) in 2005. Other income items do not change significantly over the year. As per P/L Account, Interest received, commission and exchange were the principal items that earned huge money.

Table-25: Summarized Profit & Loss Account of Janata Bhaban Branch:

JANATA BANK

Comparative Income Statement

For the end of 31st December, 2005,2004,2003

Particulars	2005		2004		2003		Increase (Decrease)			
							2004 vs. 2003		2005 vs. 2003	
	Amount in Lac Tk.	%	Amount in Lac Tk.	%	Amount in Lac Tk.	%	Amount	%	Amount	%
Total Revenue (A)	12,935.34	109.93	11,690.16	99.34	11,767.26	100	(77.10)	(0.66)	1168.08	9.93
Interest Expenses	7,447.66	112.51	6,831.83	103.21	6,619.32	100	212.51	3.21	828.34	12.51
Operating Expenses	378.46	136.81	300.05	108.50	276.64	100	23.41	8.50	101.82	36.81
Total Expenses (B)	7,826.12	113.49	7,131.88	103.42	6,895.96	100	235.92	3.42	930.16	13.49
Net Profit (A-B)	5,109.22	104.88	4,558.28	93.57	4,871.30	100	(313.02)	(6.43)	237.92	4.88

The Janata Bhaban Branch is the model profit branch of Janata Bank. Taking 2003 as the base year, the comparative income statement presented above shows that net profits increases by 237.90 lac and becomes 5109.22-lac taka in 2005; decreases by 313.02 lac and becomes 4558.28-lac taka in 2004. It was increases by 4.88% in 2005 but decreases by 6.43% in 2004. The summarized Profit & Loss account also shows that the total expenses were increases by 235.92 lac (3.42%) in 2004 and 930.16 lac (13.49%)in 2005 in compare to 2003. Interest Expenses were gradually increases from 2003 to 2005, which was 212.51 lac (3.21%) in 2004 and 828.34 lac (12.51%) in 2005. Operating expenses were increases from 2003 to 2005 i.e. (378.46 lac) 136.81% in 2005, 300.05 lac (108.50%) in 2004. However, operating expense increases over the time. Operating expenses were increases by 23.41 lac (8.50%) in 2004 and 101.82 lac (36.81) in 2005 in compare to 2003. Even through performance was better in 2005 among these 3 years. The branch does very well.

Table-26: Financial & Operational Performance in 2005-2003 of Janata Bhaban Branch:

SL. No	PARTICULARS	2005		2004		2003	
		In 00'000 Tk.	%of the Changes	In 00'000 Tk.	%of the Changes	In 00'000 Tk.	%of the Changes
1.	Total Deposits	45681.9	97.10	46670.8	99.20	47047.2	100
2.	Total Advance	137464.6	116.46	128522.1	108.88	118035.9	100
3.	Interest Suspense	2175.2	216.29	1637.8	162.85	1005.7	100
4.	Net Advance (2-3)	135289.4	115.60	126884.3	108.42	117030.2	100
5.	Total Income	12935.34	109.93	11690.16	99.34	11767.26	100
6.	Total Expenditure	7826.12	113.49	7131.88	103.42	6895.96	100
7.	Operating Profit (5-6)	5109.22	104.88	+ 4558.28	93.57	+ 4871.30	100

Source: Accounts Division of Janata Bank, Head office, Dhaka

Taking 2003 as the base year, the percentage of total deposit of Janata Bhaban Corporate Branch was 99.20% in 2004 and 97.10% in 2005. The amount of total deposit was Tk.46670.8 lac in 2004 and Tk.45681.9 lac in 2005. The advance was also upward from year to year which was 128522.1 lac (108.88%) in 2004, 137464.6 lac (116.46%) in 2005. Net advance was 126884.3 lac (108.42%) in 2004, 135289.4 lac (115.60%) in 2005. The total expenses were 7131.88 lac (103.42%) in 2004, 7826.12 lac (113.49%) in 2005. Total expenses were increased in year to year. The expenses were increased by 13.49% in 2005 and 3.42% in 2004 in compare to 2003. Consequently, the profit-earning trend had been geared up. The total income was Tk.11690.16 lac (99.34%) in 2004, Tk.12935.34 lac (109.93%) in 2005. It was decreases by 0.66% in 2004 and increases by 9.93% in

2005 in compare to the base year. On the other hand, the operating profit was Tk 4558.28 lac (93.57%) in 2004 and Tk. 5109.22 lac (104.88%)in 2005. The operating profit was increased by 4.88% (104.88-100) in 2005 and 6.43% (93.57-100) in 2004.

5.6: Comparative Analysis between Loss Incurring (LI) Branches and Profit Earning (PE) Branch:

5.6.1: Comparative analysis of LI branches & PE Branch:

Table-27: Comparative Data of Imamgonj Branch & Nawabpur branch with the Janata Bhaban Branch:

Particulars	2005			2004			2003		
	% of Changes			% of Changes			% of Changes		
	*LI		*PE	LI		PE	LI		PE
	*IMG	*NWP	*JBB	IMG	NWP	JBB	IMG	NWP	JBB
Total Revenue (A)	66.57	139.33	109.93	80.00	87.28	99.34	100	100	100
Interest Expenses	74.00	98.65	112.51	87.24	81.64	103.21	100	100	100
Operating expenses	116.58	119.89	136.81	107.27	111.60	108.50	100	100	100
Total Expenses (B)	76.89	110.10	113.49	88.60	97.78	103.42	100	100	100
Net Loss/ Profit (A-B)	(97.87)	(44.15)	104.88	(106.09)	(121.46)	93.57	(100)	(100)	100

* Imamgonj Branch (IMG); Nawabpur Branch (NWP); Janata Bhaban Branch (JBB)

- Loss Incurring (LI); Profit Earning (PE)

Taking 2003 as a base year, the percentage of total revenue, interest expenses & total expenses of Imamgonj Branch (IMG) were decreases in 2005 and 2004. The percentage of operating expenses of LI branches and PE branch were increases in every year. As per the comparative statement, total expenses were up and down in year to year both LI and PE branch but Nawabpur branch trying to control the total expenses. In comparison with 2003, the percentage of net loss was decreased in 2005 and 2004. For Nawabpur branch, net loss was decreases by 55.85% (100-44.15) in 2005 and increases 21.46% (121.46-100) in 2004. For Imamgonj branch, net loss was decreases by 2.13%% (97.87-100) in 2005 and increases 6.09% (106.09-100) in 2004. So, IMG and NWP branch is improving day by day and reduced the loss.

5.6.2: Findings from the Comparative analysis:

- Total revenues were decreasing where operating expenses were increasing from year to year in Loss Incurring branches whereas in Profit Earning branch it is the opposite. As the operating expenses in a branch is supposed to be fixed in nature. It is one of the main reasons to incur the loss.
- Expense management was very poor.
- For Imamgonj branch, the huge amount of interest paid to Head Office. The branch funds were not available to recovery the clients demand, in this reason the branch borrowed fund from the Head office.
- The huge amount expended for salaries. Therefore, the branch should deduct the employees
- . The branches revenue was not increased in comparison with the expense trend.

5.6.3: Common Size analysis of LI branches & PE Branch:

Table- 28: Common Size Data of Imamgonj Branch & Nawabpur branch with the Janata Bhaban Branch:

JANATA BANK

For the year ended 31st December, 2005, 2004, 2003

Particulars	2005			2004			2003		
	LI		PE	LI		PE	LI		PE
	*IMG	*NWP	*JBB	IMG	NWP	JBB	IMG	NWP	JBB
Interest paid on deposit	6.89	47.13	10.39	5.60	62.27	13.64	4.25	66.57	22.52
Interest on H.O.A.C	147.71	-	47.19	146.06	-	44.80	134.82	-	33.73 -
Total Interest Expenses (A)	**154.60**	**47.13**	**57.58**	**151.66**	**62.27**	**58.44**	**139.07**	**66.57**	**56.25**
Discount Paid	-	-	.000	-	-	0.000	-	-	-
Salaries	6.67	23.49	.91	3.99	27.21	.84	3.14	23.86	.71
Leave salary encashment	7.97	-		1.90	-	-	.05	.05	
Allowance	2.69	9.69	.35	2.58	16.94	.40	1.86	13.63	.41
Provident Fund (CPF)	.04	.15	.000	.03	.18	0.000	.01	.14	0.00
Bonus	1.17	4.16	.16	.68	4.52	.17	.52	3.84	.12
Pension & Gratuity(SAF)	2.18	7.91	.36	1.52	9.88	.36	1.16	8.67	.28
Directors Fees	.02	9.98	.001	.04	-	.001	-	-	-
Rent, Rates & Taxes	.14	.56	.15	.10	13.93	.05	.26	12.56	.03
Law Charges	.79	.49	.04	.81	.95	.02	.18	.72	.01
Lighting	.18	.56		.17	1.62		.09	.70	
Postage, Telegram, Telephone & Stamp	.62	.92	.29	.61	2.40	.22	.46	1.69	.27
Depreciation									
On Assets	.22	.66	.06	.54	1.29	.07	.67	1.05	.06
On Computers	.37	.55	.03	.31	9.00	.05	.09	5.38	.08
Repair Renovation & Maintenance	.45	1.37	.04	.29	1.06	.03	.25	1.60	.02

Particulars	2005			2004			2003		
	LI		PE	LI		PE	LI		PE
	IMG	NWP	JBB	IMG	NWP	JBB	IMG	NWP	JBB
Interest Received	89.40	49.80	84.36	89.72	81.56	85.15	88.83	82.23	87.78
Commission	1.50	1.94	1.4	1.46	4.65	1.15	1.47	3.09	.77
Exchange	4.00	.12	12.18	6.10	.45	11.39	6.18	.38	8.42
Rent	1.10	.04	.02	.007	-	.03	.007	.01	.03
Other Receipt	4.00	23.30	2.04	2.72	7.31	2.28	3.52	5.25	3.0
Interest on H.O	-	24.80			6.10			9.05	
Total Revenue (E)	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Continue.......

Particulars	2005 LI *IMG	2005 LI *NWP	2005 PE *JBB	2004 LI IMG	2004 LI NWP	2004 PE JBB	2003 LI IMG	2003 LI NWP	2003 PE JBB
Stationary	19	1 77	09	19	2 55	08	17	1 71	05
Petty Stationary	03	26	01	02	28	01	02	26	01
Publicity & Advertisement	-	-	007	-	-	007	-	11	00
Entertainment	19	41	08	15	76	06	.10	50	10
Car Expenses	43	14	000	55	19	006	37	20	03
Subscriptions	05	20	-	05	30	-	04	15	-
Traveling	1 14	006	005	006	04	006	01	15	00
Cartage Freight	30	1 09	06	25	1 83	06	20	1 29	04
Miscellaneous Exp	14	45	17	16	87	03	14	89	03
Business Development	04	-	01	02	-	03	-	-	02
Welfare & Recreation	007	03	0004	005	.05	0005	005	06	00
Medical Charges	000		000	-	-	-	-	-	00
Training Expenses	02	09	-	03	-	-	02	-	00
Employees Lunch Subsidy	71	2 47	09	38	2 68	06	26	2 10	05
Pay & Allowance to Police	-	-	007	-	-	006	-	-	00
Cash Carring Chaeges	03			03	-		03	-	
Operating Expenses (B)	17.67	67.37	2.92	13.52	99.41	2.56	10.08	77.76	2.35
Total Expenditure C=A+B	172.27	114.05	60.50	165.18	161.68	61.10	149.15	144.33	58.60
Net Loss/Profit D=E-C	(72.27)	(14.05)	39.50	(65.18)	(61.68)	38.90	(49.15)	(44.33)	41.40
Total Revenue (E)	100	100	100	100	100	100	100	100	100

Particulars	2005 LI IMG	2005 LI NWP	2005 PE JBB	2004 LI IMG	2004 LI NWP	2004 PE JBB	2003 LI IMG	2003 LI NWP	2003 PE JBB
Total Expenditure C=A+B	172.27	114.05	60.50	165.18	161.68	61.10	149.15	144.33	58.60
Net Loss	(72.27)	(14.05)	-	(65.18)	(61.68)	-	(49.15)	(44.33)	-
Total Revenue (E)	100	100	100	100	100	100	100	100	100

***Imamgonj Branch (IMG); Nawabpur Branch (NWP); Janata Bhaban Branch (JBB)**
LI (Loss Incurring); PE (Profit Earning)

Imamgonj Branch (IMG):

In common size analysis, we express the components of income statements percentage of interest expenses, operating expenses, total expenses and net loss etc. compare among the LI branches and PE branch. The total interest expenses were increased by 97.02% (154.60-57.58) in 2005; 93.22% (151.66-58.44) in 2004; 82.82% (139.07-56.25) in 2003. So, the percentage of total interest expenses expended by 97.02%, 93.22%, 82.82% in 2005, 2004, 2003 respectively. The interest expenses were gradually increased from year to year in compare with the PE (Janata Bhaban branch). The branch did not control in operating expenses. It was 14.75% (17.67-2.92) in 2005; 10.96% (13.52-2.56) in 2004; and .21 %(2.56-2.35) in 2003. Therefore, it was the gradually upward from year to year. The total expenses increased by 111.77%, (172.27-60.50) in 2005; 104.08% (165.18-61.10) in 2004; and 90.55% (149.15-58.60) in 2003 in compare with the PE Branch. Some expenses were expended huge amount of money i.e. interest on H.O A/c. salaries, traveling etc. The branch funds were not available to recovery the clients demand, in this reason the branch borrowed fund from the Head office. The huge amount expended for the purpose of salaries. Therefore, the branch should deduct the employee. The branches revenue was not increased in comparison with the expense trend. Interest received of PE branch was more than the LI branches. Other items do not change significantly over the year.

Nawabpur Branch (NWP):

In common, size income statement shown in Table-28 shows the various components of income statement of two LI branches comparison with the one PE branch. The percentage of total interest expenses was decreased from PE branch. The total interest expenses were decreased by -10.45% (47.13-57.58) in 2005; increased by 3.83% (62.27-58.44) in 2004; increased by 10.32% (66.57-56.25) in 2003 in comparison with the PI branch (Janata Bhaban Corporate Branch). The Interest expenses were gradually decreased from year to year. The branch expended the huge amount for the interest on deposit but did not borrow the fund in H.O. In these case, the branch did not pay the interest on H.O A/c but salaries, directors fees, repairs & renovation, employee lunch etc. were so high amount which were intended the expenses. The operating expenses were 64.45 %(67.37-2.92) in 2005; 96.85% (99.41-2.56) in 2004; 75.41% (77.76-2.35) in 2003. Operating expenses of this branch were more than PE branch. The LI branch could not control the operating expenses. Most of the expenses items were rapidly increased from year to year. In these reason, the operating expenses were upward. Total expenses were also increased from year to year. Total expenses increased by 53.55% (114.05-60.50) in 2005; 100.58% (161.68-61.10) in 2004; 85.73% (144.33-58.60) in 2003 in comparison the profit earning branch. The branch were controlled the expenses but revenue were not increased into all year. Some expenses i.e. interest received, commission, exchange were decreased from 2003. Though the branch was not revenue but loss was decreased from year to year.

5.6.4: Findings from the Common size analysis:

- Total interest expenses as a percentage of total revenue is very high over the year.
- Expense management of Profit Earning (PE) branch is better than the Loss Incurring (LI) branch.
- Operating expenses as percentage of total revenue is very high over the year.
- For PE branch, operating expenses as percentage of total revenue is very higher but LI branch is significantly different.
- The characteristics of income and expenditures of losing branch was flexible and not maintained specific trend / rules.
- The PI branch controlled his expenses and gradually increased income from year to year.
- Strong relationship & good combination of profit making branch between expenses and income, but losing branch was totally absent.
- Salaries of LI branch as a percentage of total revenue are very high over the year. Therefore, the branch should deduct the employees or controlled the others expenses.

5.7: Analysis of the Other Factors:

Table-29: Age, Manpower and Competitive Characteristics as on 2005.

SL. No.	Name of the branch	Status	Age (Years)	Manpower			Competitors		
				Officers	Staff	Total	Bank	Non Bank	Total
1.	Imamgonj Corporate Branch	Loss	34	39	22	61	50	nil	50
2.	Nawabpur Corporate Branch	Loss	27	13	13	26	12	5	17
3.	Janata Bhaban Corporate Branch	Profit	16	110	20	130	20	Nil	20

Source: Accounts Division of Janata Bank, Head Office, Dhaka

The important point to be emphasized that although the age of Imamgonj Branch is 18 years (34-16); 11 years (27-16) of Nawabpur Corporate Branch than the Janata Bhaban Corporate Branch. Imamgonj branch and Nawabpur Corporate Branch faced loss in consecutive three years from 2003 to 2005 whereas Janata Bhaban Corporate Branch made profit in those years. The huge number of personnel of JBB in comparison to Imamgonj Branch. The number of competitors of Imamgonj branch was 50; Nawabpur Corporate Branch 17 whereas the number of competitors of Janata Bhaban Corporate is 20, which might be a factor to collect the higher deposit. But in fact, the total deposit of the consecutive years of Imamgonj Branch was upward. The picture of Nawabpur Corporate branch was same as Imamgonj Branch. So it was observed that branch age, man power, competitors were affected on the factor of loss or profit.

Table-30: Business Characteristics of the Sampled Branches:

Deposit Mobilization as on 2005

S.L. No.	Name of the Branches	Status	Deposit (In 00'000Tk.)	Deposit Growth (2005-2003) in %	No. of Accounts	Deposit per Account (00'000)	Employee	Deposit Per Employee (00'000)
1	2	3	4	5	6	7=4/6	8	9=4/8
1.	**Imamgonj Corporate Branch**	Loss	2948.1	111.0%	2859	1.0	61	48.3
2.	**Nawabpur Corporate Branch**	Loss	1163.7	-6.54%	5518	0.2	26	44.7
3.	**Janata Bhaban Corporate Branch**	Profit	45681.9	-2.9%	4688	9.7	130	351.4

Source: Accounts Division of Janata Bank, Head Office, Dhaka

The profit-earning branch (Janata Bhaban Corporate Branch) was excellent performance in all side. Janata Bhaban Corporate Branch was 2.90% (97.10-100) table-26; Imamgonj Corporate Branch was 111.0% (211.09-100) table -22; Nawabpur Corporate Branch was 6.54 % (93.46-100) table-23. Deposit per account of Immamgonj branch & Nawabpur branch 1.0 and .2 lac whereas Janata Bhaban branch was 9.7 lac. Deposit per account & deposit per employee was the Vass difference among the PE and LI branch.

Table-31: Business Characteristics of the sampled Branches:

Details of Advances as on 2005

Sl. No.	Name of the Branch	Status	Total Advances In 00,000 Tk	Advance Growth in % (2003-05)	No. of accounts	Advance Per Account (00,000 Tk)	Advance Per Employee (00,000 Tk)	Classified Advance	
								As % of Total Outstanding Advance	Bad Loan as % of Classified Advance
1.	Imamgonj Corporate	Loss	19309.2	-33.8	446	43.3	316.5	31.86	31.84
2.	Nawabpur Corporate	Loss	966.4	-15.3	548	1.8	37.2	20.47	27.7
3.	Janata Bhaban Corporate	Profit	137464.6	16.5	692	198.6	1,057.4	10.92	14.55

Source: Accounts Division of Janata Bank, Head Office, Dhaka.

The PE branch of advance per account, advance per employee was higher than the LI branches. The advance per account and advance per employee of Imamgonj branch was 43.33 lac was 316.5 lac. For Nawabpur branch was 1.8 lac, 20.47 lac whereas Janata Bhaban branch (PI) was 198.6 lac, 10.92 lac respectively. So, PI branch was good performance than the LI branches.

Table-32: Volume of Business (VOB) of the Sampled Branch:

Deposit and Advance as on 31st December, 2005

SL No.	Name of the Branches	Status	VOB in 00,000 Tk	No. of Accounts	Amount per account (in 00,000 Tk)	VOB amount per employee (in 00,000 Tk.)
1.	Imamganj Corporate branch	Loss	22257.3	3305	6.73	364.87
2.	Nawabpur Corporate Branch	Loss	2130.1	6066	0.35	81.93
3.	Janata Bhaban Corporate Branch	Profit	183146.5	5380	34.04	1408.82

Source: Accounts Division of Janata Bank, Head Office, Dhaka.

The volume of Business of LI branch was so small than the PI branch. VOB per account of Imamgonj Branch and Nawabpur Branch was 6.73 lac & .35 lac but Janata Bhaban branch was 34.04 lac, which was gigantic difference among the LI branches. On the other hand, VOB per employee of LI branches were 364.87 lac and 81.93 lac but PE branch was 1408.82 lac. VOB per employee of Nawabpur branch was increased by 1,043.95 lac (1408.82-364.87) than Imamgonj Branch; 1326.89 lac (1408.82-81.93) than Nawabpur Branch.

Table-33: Financial Performance as on 31st December 2005

Sl. No.	Name of the branches	Status	Total Income (in 00,000 Tk.)	VOB in Tk 00,000	Loss/ Profit in Tk 00,000	Loss/ Profit as % of VOB	Income as % of VOB	Expenditure as % of VOB	Expenditure Per Account (in 00,000 Tk)
	1	2	3	4	5	6=5/4	7=3/4	8=Exp/4	9=Exp/Acc
1.	Imamganj Corporate branch	Loss	877.9	22257.3	634.46	-2.85	3.94	6.8	0.46
2.	Nawabpur Corporate Branch	Loss	117.9	2130.1	16.56	-0.78	5.53	6.31	0.02
3.	Janata Bhaban Corporate Branch	Profit	12935.4	183146.5	5,109.22	2.79	7.06	4.27	1.45

Source: Accounts Division of Janata Bank, Head Office, Dhaka.

The percentage of VOB of both LI branches was negative, but PE branch was positive. Income % of VOB of LI branches was 3.94% & 5.53% whereas PE branch was 7.06%. Expenditure per account of PE branch was higher than LI branches. Expenditure per account of PI branch was increased by 0.99 lac (1.45-.46) than Imamgonj branch and 1.43 lac (1.45-.02) than Nawabpur branch.

A comparative study of performance between the Loss Incurring (LI) branches and a Profit Earning (PE) branch has been done based on total deposit, total Advance, Net advance, total income , total expenses and operating profit/ loss. It is observed that the total deposit of losing branches like Imamganj Corporate Branch was Tk. 1396.6 lac in 2003, Tk. 2001.8 lac in 2004, Tk. 2948.1 lac in 2005. Whereas, the total deposit of profit earnings branch (Janata Bhaban Corporate branch) was Tk. Tk. 47047.2 lac in 2003, Tk. 46670.8 lac in 2004, Tk. 45681.9 lac in 2005. The deposit growth of the losing branch (Imamganj Corporate Branch) was 111.0 % (2003-05) whereas the deposit growth of profit earning branch was -2.9 (2003-05).

The total advance of losing branches like Nawabpur Corporate Branch was Tk. 1140.5 lac in 2003, Tk. 1075.8 lac in 2004,,Tk. 966.4 lac in 2005. The total advance of profit earning branch was Tk. 118035.9 lac in 2003, Tk. 128522.1 lac in 2004, Tk. 137464.6 lac in 2005. The net advance of loss incurring branch like Imamganj Corp. branch was Tk. 23799.8 lac, Tk. 21316.3 lac, Tk. 17755.6 lac in 2003, 2004 and 2005 respectively. The trend of net advance was declined due to want of real sponsor. Whereas the net advance of PI branch was

Tk.117030.2 lac, Tk. 126884.3 lac, 135289.4 lac in 2003, 2004, 2005 respectively. The trend of net advance was upward trend than loss incurring branches.

The total income of loss incurring branches was poor than profit earning branch. It is shows that LI branches i.e. Imamganj branch total income was Tk. 1318.81, Tk. 1055.08. Tk. 877.91 lac in 2003, 2004 and 2005 respectively and Nawabpur Corporate branch was Tk. 84.62, 73.86, 117.90 lac in 2003, 2004 and 2005 respectively. On the other hand, the total income of PE Branch was Tk. 11767.26, Tk. 11690.16, Tk. 12935.34 lac in 2003, 2004 and 2005 respectively. The expenses of LI branches i.e. Imamganj branch was Tk. 1967.05, 1742.79, 1512.37 lac in 2003, 2004 and 2005 respectively and Nawabpur Corporate branch was Tk. 122.12, Tk. 119.42, Tk. 134.46 lac in 2003, 2004 and 2005 respectively. On the other hand, the expenses of PE branch was Tk. 6895.96, Tk. 7131.88, Tk. 7826.12 lac in 2003, 2004 and 2005 respectively. It is demonstrated that every LI branches expenses was very high than PE branch.

The Operating Loss of both Imamgonj & Nawabpur Corporate branches was Tk. 648.46 and 37.52 lac in 2003; Tk. 687.71, Tk. 45.56 lac in 2004 and Tk. 634.46, Tk. 16.56 lac in 2005 respectively. Whereas, the PI branch of Janata Bhaban Corporate Branch made the profit Tk. 4871.30, Tk. 4558.28, and Tk.5109.22 lac in 2003, 2004 and 2005 respectively.

From the above numerical analysis it is observed that the LI branch to incur loss from year to year with a upward trend, while both the LI branches are senior (Imamgonj is 34 years and Nawabpur is 27 years). But PI branch like Janata Bhaban Corporate branch age is 16 years.

CHAPTER- SIX

FINDINGS OF THE STUDY:

In the current study, two losing branches of Janata Bank, namely Imamgong branch and Nawabpur branch have been studied. For this purpose, their profit and loss accounts have been analyzed to identity the financial reasons of their incurring losses. One of the profits making branch of Janata bank has also been considered. 3 years data (2003 to 2005) have been used for comparison purpose. The study results that inefficiency on part of the management of the losing branches in sanctioning loans and/or controlling expenses result in losses over the years. However, the following reasons have been traced from the study of losing branches:

- Total revenues were decreasing where operating expenses were increasing from year to year in Loss Incurring branches whereas in Profit Earning branch it is the opposite. As the operating expenses in a branch is supposed to be fixed in nature. It is one of the main reasons to incur the loss.
- The huge amount of interest paid to Head Office. The branch funds were not available to recovery the clients demand, in this reason the branch borrowed fund from the Head office.
- Expense management of Profit Earning (PE) branch is better than the Loss Incurring (LI) branch.
- Total interest expenses as a percentage of total revenue is very high over the year. The losing branch borrowing fund from the Head office. Therefore, big interest was created for losing branch.
- Operating expenses as percentage of total revenue is very high over the year.
- For PE branch, operating expenses as percentage of total revenue is very higher but LI branch is significantly different.
- The characteristics of income and expenditures of losing branch were flexible and not maintained specific trend / rules.
- The PI branch controlled his expenses and gradually increased income from year to year.
- Strong relationship & good combination of profit making branch between expenses and income, but losing branch was totally absent.

- Salaries of LI branch as a percentage of total revenue are very high over the year. Therefore, the branch should deduct the employees or controlled the others expenses.
- To huge number of employees against deposit and advance of losing the branch and the big amount of bad loss also the losing branch.
- The income of the losing branch was decreased from year to year but expenses were increased rapidly.
- Volume of Business (VOB) of losing branch was not enough against the profit branch.
- The rate of deposit & advance growth of losing branch was lower than the profit making branch.
- The deposit per account & advance per account of profit making branch were better than the losing branch.

It is said that "Bank creates bad credit rather than customer" that is, the response behind the classified loan. The reasons for bad advance can be summarized as follows:

- Scheme of loan beyond the capacity and the ability of clients to repay
- Acceptance of insufficient collateral securities against loan.
- Acceptance of fabricated over valued collateral securities.
- Sanction of loan by political pressure to break the banking rules and principles.
- Sanction of loan on the basis of fraud and fabricated information.
- Sanction of loan below requirement of the project due to wrong appraisal.
- Lack of accountability of branch manager in recovering loan and bad loan.
- Wrong appraisal of the project proposals
- Failure to analyze and evaluate the security and amount of risk.
- Lack of close supervision and persuasion in recovering installments or over dues of the clients.
- The sampled losing branches lack the modern technological facilities and efficient personnel.
- Govt. imposes some unpractical and impragmatic credit programs, which creates ultimate bad loan.
- There is no relation between deposit and advance. No specific rules are abided by to make balance between deposit and advance.

- High cost deposits like FDR, Pension Scheme deposit also have got adverse effect in profit making.
- Sanction of loan without proper supervision of clients character, capacity, and capability.

CHAPTER – SEVEN

Conclusions and Recommendations

CONCLUSIONS OF THE STUDY:

Janata Bank is one of the viable nationalized banks in Bangladesh. Better management of funds and expenses is a major reason for its success. However not all the branches of Janata bank are making profits. Some branches are incurring huge amount of losses every year. This study has focused on two of the losing branches of Janata bank to identify the causes of their failure in making profits. This study focuses to find out basic causes to incur loss from the branch. The bad loan and high operating expenses are the dominating causes for the losing branches.

A pragmatic phenomenon cannot be ignored that our society as a whole has become affected by corruption. The corruption has also a role in making a profitable branch to a losing branch. The study shows that the deposit positions of the sampled branches are rich to a great extent. In spite of that branches faced loss due to the causes traced in findings of the study.

As the Janata Bank has the burden for provision of classified loan the bank has to make greater difference between deposit interest and interest on credit. In this competitive banking world, Janata Bank should make herself a competitive one in all respect providing quality service like one stop service, ready cash facility and the facility of networking banking. The present scenario of Janata bank shows that the overall performance of the bank is satisfactory. So, if the top management become aware of the traced causes of the losing branch and take remedial actions in the matter the losing branches can over come the position of losing and can make themselves as profit making branches like other braches of the bank.

The study observes that inefficiency on the part of the management of the losing branches in sanctioning loans and or controlling expenses resulted in losses over the years. However, it is expected that the recent steps of Janata Bank like better expenses management, high Volume of Business (VOB), expected revenue, sufficient deposit and low advance etc will contribute greatly to recover the losses.

RECOMMENDATIONS OF THE STUDY:

The recommends of the study are followings: -

1. The losing branches of Janata Bank should adopt better expenses management policy. The top management of Janata bank has to ensure good governance and controlling specially for the losing branches.
2. Bangladesh Bank should monitor the losing branches ensuring the accountability of the Branch Managers in sanctioning loan and recovery of the same.
3. The losing branches should be upgraded by introducing on-line banking, computerized accounts, trained personnel etc.
4. The Management of Janata Bank must ensure transparent auditing of the branch accounts as a check and balance to eliminate Corruption of the branch managers.
5. The Management of Janata Bank must fix up a target of recovery for each and every branch of the bank which ensure the achievement for the bank.
6. The Management of Janata Bank should ensure the supply of reasonable man power to each and every branch especially to the losing branches.
7. The Management of Janata should arrange frequent training program for different levels of officer and staff for substantial benefit of the personnel.
8. Govt. should be aware in fixing bank rate, Interest rate for protecting the interests of the banks.
9. The Management of Janata Bank may take some preventive steps like:-
   - Proper classification of loan.
   - Establishing contract and relationship.
   - Discussion and advice.
   - Frequents inspection of the loan projects.
   - Strict in following banking rules.
   - Accountability of bank officers.
   - Advice for inventory control.

10. The Management of Janata Bank may take some pragmatic steps like:-
    - Reduction of bank interest.
    - No-rescheduling for the second time
    - Proper selection of clients for sanctioning loan.

- Enchancing of expertise of the Branch Managers for credit program by special training.

11. The Branch Managers should be aware of the followings before sanctioning loan:
- Whether the feasibility study of the applicant is authenticated,
- Whether the collateral securities are sufficient to recover the loan,
- Whether the client is reputed business man,
- Whether there is over-lapping in sanctioning loan by other banks,
- Whether the previous dealings with the branch by the prospective client are fair and good,
- Whether the valuation of the assets to be mortgaged is authenticated and
- Whether the project is profitable or not

12. The Management of Janata Bank should upgrade the infrastructure and external and internal decoration including modern technological facilities.
13. The previous loan accounts should be kept under blocked account and some loan accounts should be written off if those are totally bad debt.
14. The Management of Janata bank should have close supervision over the losing branches. The management may arrange routine inspection and motivational program for the personnel.
15. Special incentive may be introduced for the Branch Managers and officers of losing branches with a pre-condition to gear up from the worst position.
16. Special trained Managers & officers should be posted to the losing branches.
17. The govt. should not pressurizes or interfere in the matter of sanctioning loan unduly. Any interference that should be done through banking division of Ministry of Finance only.

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Appendix-A

PROFORMA "A"

SURVEY REPORT FOR OPENING BANK BRANCH IN URBAN AREA

Date of Survey:

1. Name of the Bank :

2. Name of the Proposed Branch :

3. Exact location and full address of the proposed branch I,e. plot No. name, of road/area, Thana &district :

4. Name of the Municipality :

5. a) Name and location of the nearest Bank branch and its distance from the proposed place :

   b) Name, Location &distance of other bank branches already operating within a radius of one mile of the proposed branch
   1)
   2)
   3)

6. Number and nature of Industrial/commercial/ Trade/ Organizations :
   Located within one mile of the proposed branch :

7. Estimate of Life :

	1999	2000	2001
a) Deposits (Taka in Crore)			
b) advances (Taka in Crore)			
c) Profit/ Loss (during first three years of opening the proposed branch) :			

8. If the existing banking facilities of the place/aea are considere inadequate:State reasons for the same :

9. Security problem, if any :

10. Another important information :

....

Signature, Name, Designation
of the officer surveying the place
Date: