

Loan Recovery and Performance of Commercial Banks: A Study on Jamuna Bank Limited (JBL) & Janata Bank Limited (JB)

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Abstract

There are different forms of credit related to the loan facilities, hence several ways to structure a credit facility. But how the loans could be recover from the loaners to increase the deposits so that the banks can invest the other projects/ loaners. Through this study we have shown a comparative analysis of critical issue between two highly mentioning bank in Bangladesh. The Jamuna Bank limited (JBL) Bangladesh is a private sector commercial bank and the Janata Bank Limited (JB) Bangladesh is state- owned commercial bank. Jamuna Bank limited (JBL) potentially performed well. The recovery percentage of DFR was 93%(2010) and comparatively it is shown that the Janata Bank Limited (JB) default loans decreased .77(2014) percentage point due to better recovery system .The Gap between two banks about the recovery system are shown in the strategic level and the efficiency level of participation of their performances evaluation. A statistical tool like percentage is generally used to find out the execution level of mentioning issue. After in depth study we made some recommendation from the specific two banks problems of recovery system. For the Jamuna Bank Limited (JBL) follows short term loans, restructuring issues, cloning services, forming monitoring cell with taking the legal actions by the help of the government and for the Janata Bank (JB) limited we have also recommend some issues to recover the loans from the regional consideration of the problems is to give more emphasis on more power of the branch manager, making an integrating loan sanction policy, legal actions issues and unsound borrower issues problems solving. This study highly focuses on the performance of the two banks on recovery issue.

Key Words: Recovery, Unsound Borrower, LRA, DFR, JBL, JB, Recovery Strategy etc.

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1. Introduction

The financial system of Bangladesh consists of Bangladesh Bank (BB) as the central Bank of Bangladesh patronizing four nationalized commercial banks, four state or government owned specialized banks, 39 domestic private banks, 9 foreign commercial banks and 29 non-bank financial institutions. The Janata Bank is one of the largest states owned Bank. The loan and advance system and recovery is very much complex issues in the recent trendy banking services in sophistication banking arena .On the other hand the Jamuna Bank ltd. is one of the domestic private leading bank in Bangladesh. From the sense of comparative study there include a comparison with concerning the issues of recovery system and performance of the two banks. We tried to enquire about the recovery system of private and public banks and to find the difference between two banks. It is the deviation that shows the difference between standard level and expected level. It can also be described as the different methodological issues in recovery system of different banks. Actually Recovery system and Performance works as the one of triggering factors and complicated issues to handle from pragmatic orientation of the banking sector .For that case there is not adopted or accepted as global oriented methodology that means neither any “Cost Benefit” analysis nor any “Efficiency” or so to say there is not used a scientific method on this whole context. However, in this study there will be shown the gap or deviation level between two banks and will provide some recommendations overcoming deviation.

Competition among banks is becoming stronger as some of the PCBs improve their services in recent years (Islam & Ezaz, 2004). Even FCBs, which usually undertake only handpicked projects, have started to enter into some new mass segments of the local market recently. Clearly, NCBs are on the losing side of this battle. As competition intensifies, they may end up having lost of all their good borrowers as well as their best employees. There is a danger that all NCBs will become an empty shell having only liabilities without any good quality assets supporting them. Ezaz, Ziaur & Ahmed, 2006, revealed their study that the loan default is quite enormous in the banking sector. They analysed the issues governing the recovery rate and procedure with respect to Islamic Banking while comparing with the conventional baking principles amongst NCBs, PCBs and ICB. It has been threatening the existence of the banking system. Though it is argued that upswings and downswings of the economic development had impacts on the performances of the banks on the while, the reasons for widespread loan defaults and recovery rate of loans in the banking sector both in the public and private banks were inherent in the characteristics of the operational systems/mechanisms of the banks in the case of Bangladesh. Nevertheless, loan default in banks has special significance because extending credit is almost the exclusive business of banking institutions (Alam and Jahan, 1999).Sokder, Alam & Z Alam, 2006, studied on the operational performance of the Bangladesh Krishi Bank and evaluated in terms of some indicators viz. deposit mobilization, loan disbursement, loan recovery and profit and found that the operational performance of the bank is very poor due to some lending procedural drawbacks reaching the profit target fixed by the authority concerned. Banik & C Das studied on classified loans and recovery performance between SCBs abd PCBs in Bangladesh where they revealed that average % of classified loans are higher in Bangladesh compared to other countries. Government has taken the different initiatives to reduce the rate. Afroz & Uddin (2010) found in their empirical study that from the views of employees of the banks those

steps taken to prevent loan classification and provisioning requirements are not sufficient; due to lack of persuasion the rate of willful defaulters is high. Migwi (2013) stated his project works that strategy could involve one loan, or include a series of loans, all associated with the same facility. He sought to establish the credit monitoring and recovery strategies adopted by commercial banks in Kenya. Added that all loans involved in the process may be short-term, meaning they are paid in full within one calendar year, or be structured for repayment over a long period of time.

2. Objectives of the study

The main objective of the study is to evaluate the recovery system of recovery of the said two banks.

This study has been also carried out with the following objectives-

- to highlight the loan recovery system between the two mentioned banks;
- to compare the loan recovery system between the banks;
- to find the gap or deviation between two banks from the issue of recovery system and
- to recommend some suggestions for recovering the gap.

3. Research Methodology

The study has been conducted only to evaluate the recovery system of those banks. Here some criteria have been selected for the purposive basis of the study on empirical manner. Mainly secondary data have been used. The main sources of the secondary data are the different articles, websites, annual report of the Janata Banka Limited (JB) and the Jamuna Bank Ltd. (JBL). The collected data has been summarized, analyzed and interpreted to make study more congruent and meaningful. In the interpretation some statistical tools like percentage, average have been used.

4. Limitations of the study

Generally this study is conducted on the basis of the secondary data and minor enquiries of primary data. For that cases there are not possible to cover the whole situation from the deepest senses of the problem but mostly there taken the experimental data of the various sources of the two banks.

5. Analysis and findings

5.1.1 Overview of Jamuna Bank Limited (JBL):

The Jamuna Bank Limited (JBL) is a Banking Company registered under the Companies Act, 1994 with its Head Office at ChiniShilpaBhaban, 3, Dilkusha C/A, Dhaka-1000. The Bank started its operation from 3rd June 2001. The Jamuna Bank Limited is a highly capitalized new generation Bank with an Authorized Capital and Paid-up Capital of Tk.10000 million and Tk.4488 million respectively. The Paid-up capital has been raised to 840 million and the total equity of the bank stands at 8325 million as on December 31, 2012. JBL undertakes all types of banking transactions to support the development of trade and commerce of the country.

5.1.2 Tools for Appraisal Loan of the Jamuna Bank limited (JBL):

The 10 C's of Good and Bad Loan- In addition to the formal loan appraisal, the loan an official of JBL tries to judge the possible client based on some criteria. These criteria are called the C's of good and bad loan. These are described below:

- Character: Make sure that the individual or company they are lending has outstanding integrity.
- Capacity: Make sure that the individual or the company they are lending has the capability of repaying the loan.
- Condition: Understanding the business and economic conditions that whether it will change after the loan is made.
- Capital: Make sure that the individual or the company they are lending has an appropriate level of investment in the company.
- Collateral: Make sure that there is a second way out of a loan but do not allow that to drive the loan decision.
- Complacency: Official do not rely on past. They remain alert every time whether any mistake is taking place or not.
- Carelessness: They believe that documentation, follow up and consistent monitoring is essential to high quality loan portfolio.
- Communication: They share loan objectives and loan decision making both vertically and laterally within the bank.
- Contingencies: Make sure that they understand the risk; particularly the downside possibilities and those they structure and price the loan consistently with the understanding.
- Competition: They do not get swept away by what others are doing

5.1.3 Loan Facilities of the Jamuna Bank (JBL):

The main focus of Jamuna Bank Ltd. Loan Line/Program is centered on financing business, trade and industrial activities through an effective delivery system for ensuring the productivity.

- Jamuna Bank Ltd. offers loan to almost all sectors of commercial activities having productive purpose.
- Loan facilities are offered to individuals including housewives, businessmen, small and big business houses, traders, manufactures, corporate bodies, etc.
- Loan is provided to the rural people for agricultural production and other off-farm activities.
- Loan pricing system is customer friendly.
- Prime customers enjoy prime rate in lending and other services.
- Quick appreciation, appraisal, decision and disbursement are ensured.
- Loan facilities are extended as per guidelines of Bangladesh Bank (Central Bank of Bangladesh) and operational procedures of the Bank.

5.1.4 Table- 01: Recovery Performance of Jamuna Bank Ltd. (JBL) of Several Years

Particulars	2008	2009	2010
Total Disbursement	2106	32287	4934
Demand for recovery (DFR)	28391	42743	54633
Recovery	24321	34935	51301
Overdue	4069	7808	3332
Recovery as a percentage of DFR	85%	81%	93%

Source: Annual Report Jamuna Bank Limited 2010

It is seen that in 2008 the recovery percentage of DFR was 85%. But in 2009 it was decreased 4.94% compare to 2008. The good thing is that in 2010 it was increased by 12.90%. In 2010 the Recovery as a percentage of DFR was 93%.

5.1.5 The Jamuna Bank (JBL) recovers its Loan:

When Jamuna Bank sanctions loans and advances to its customers, they clearly state the repayment pattern in the loan agreement. But for reasons obvious, some credit holders do not pay their credit in due period. The nationalized and private sector commercial banks have to face this sort of problems. This situation is also found in Jamuna Bank. To overcome the problem of overdue loan, the bank has taken particular loan recovery programs.

Recovery Programs taken by Jamuna Bank Limited (JBL): Establishing credit supervision, monitoring cell form, re-structuring, more emphasis on distributing policy of the bank, powerful the branch manager in credit management, find sound borrowers, looking short term loan, meeting legal action quickly etc.

5.1.6 Problems in Loan Recovery:

Though Jamuna Bank Ltd. (JBL) is performing better in managing loan and advances, still 12.39% of total loan and advances are classified. There are a lot of reasons for which the loan recovery of the bank is still now defective. In most cases, problems may be raised from sanctioning procedures of loan, investigation of the project, and investigation of the loans etc. that is, the problem in loan recovery proves the outcomes of the default process in loan disbursement. The main reasons of poor loan recovery are categorized in the following broad types:

A. Problems created by economic environment:

- i) Changing in the management pattern: Changing of management patterns may delay the recovery of mature loan.
- ii) Changing in industrial patterns: The banks sometimes sanction loan to the losing concern for further improvement of the respective sector, but in most cases, they fail to achieve progress.
- iii) Operation of open market economy: In our country mainly industries become sick and also close their business on account of emerging of open market economy. The cost of production is high and the quality of goods is not of required of standard. As a result, they become the losing concerns and the amount of bad loan increases.
- iv) Rapid expansion of business: There are many companies which expand their business

rapidly, but the expansion is for short time. In the long run, the amount of classified loan increases.

B. Problems created by government:

The following problems are arisen by the government- i) External pressure: Jamuna Bank has also faced many problems in the loan recovery process as a part of continuous pressure from various interested groups. ii) Legal problems: Existing rules and regulations are insufficient to cover the legal aspects of loan recovery. As a result, defaulters can get release easily from all charges against them. iii) Instability of Govt. policy: Frequent changes in government policies in regard to recovery of loan.

C. Problems created by the bank:

The following problems are created by the banks themselves-

i) Lack of analysis of business risk: Before lending, Sometime Jamuna Bank fails to properly analyze the business risk of the borrowers and the bank cannot forecast whether the business will succeed or fail. If it fails to run well, the loan becomes classified. ii) Lack of proper valuation of security or mortgage property: In some cases, bank fails to determine the value of security against the loan. As a result, if the loan becomes classified, the bank cannot recover its loan through the sale of mortgage.

5.1.7 The Jamuna Bank (JBL) recovers its loan:

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

5.1.8 Strategies for Recovery:

Recovery of loan can be made in the following *three methods*-

i) **Persuasive Recovery:** The first step in recovery procedure is private communication that creates a mental pressure on borrower to repay the loan. In this situation bank can provide some advice to the borrower for repaying the loan. ii) **Voluntarily:** In this method, some steps are followed for recovering loan. These are- 50 Credit Department of JBL; Building Task Force; Arranging Seminar; Loan Rescheduling Policy and Waiver of Interest Rate and iii) **Legal Recovery:** When all steps fail to keep an account regular and the borrower does not pay the installments and interests then the bank take necessary legal steps against the borrower for realization of its dues. In this case “ArthaRinAdalat Law 2003” plays an important role for collecting the loan.

5.2.1 Overview of Janata Bank Limited (JB):

JANATA Bank Limited (JB) welcomes all to explore the world of progressive Banking in Bangladesh. It is a state owned commercial bank and is catering the need of the mass business people. Immediately after the independence of Bangladesh in 1971, the erstwhile United Bank Limited and Union Bank Limited were nationalized and renamed as Janata Bank. It was corporatized on 15th November 2007. Janata Bank was born with a new concept of purposeful banking sub serving the growing and diversified financial needs of

planned economic development of the country. The noble intention behind starting of this Bank was to bring about a qualitative change in the sphere of banking and financial management. Janata Bank is playing a significant role towards socio-economic development of the country by financing Non-Banking Financial Institutions dealing with Home Loan, Corporate Financing & Loan Syndication. Janata Bank is always vigilant to develop its market potentialities way before others are thinking/planning today. Janata Bank is the first among to start SWIFT operation to minimize transmission cost in lieu of the telex system and simultaneously increase remittance business and foreign trade. It has automated 92 branches and developed 20-application software by its own staff, which has reduced huge internal expenses and enriches operational efficiency as well. Janata Bank Limited operates through 864 branches including 4 overseas branches at United Arab Emirates. It is linked with 1202 foreign correspondents all over the world. JB is a leading bank in banking sector. It provided different types of loan and advances those are- Personal loan; Salary loan; House loan; SME loan; Nari-uddog loan; Agro based loan; Car loan etc. JB recovery systems are *two types*- i) Regular Loan recovery and ii) Bad loan. Recovery: Regular loan recovery system there bank provide loan after the proper verification on customers then customers will provide certain amount of money which term as “installment” in per month to bank. Bank only monitors the loan whether customer pays the installment properly or not. This type of loan has been provided for two years or three years only proper monitoring can be achieved a good amount of recovery .JB has always monitoring customers and their recovery amount can be well mention. Bad loan system is a type of loan recovery system that shows more complexity. This (JB) bank recovers the loan by the following process- Verbal Communication; written; meeting with clients friends and family; legal notice issue; filling suit under NI act.; filling suit under the RinAdalat; auction of mortgaged property etc.

Provision for loans and advances: Provision for loans and advances are made on quarter basis as well as year-end review by management following instructions contained in BRPD Circulars issued by Bangladesh Bank. General Provision on unclassified loans and advances and specific provision on classified loans & advances are given below: **Table- 02:**

Particulars		Short-term agri-credit	Consumer Financing			SMEF	Loan to BHs/ MBs/S Ds	All other credit
			Other than HF & Loan	HF	LP			
Classified	Standard	5%	5%	2%	2%	0.25%	2%	1%
	SMA	-	5%	2%	2%	0.25%	2%	1%
Unclassified	SS	5%	20%	20%	20%	20%	20%	20%
	DF	5%	50%	50%	50%	50%	50%	50%
	BL	100%	100%	100%	100%	100%	100%	100%

Source: Annual Report JB 2014

5.2.2 Analysis of loan disbursement outstanding, classified and recovery status:

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

Table- 03: Loans and Advances of Janata Bank (JB) from 2007 -11 (Tk In Millions):

Years	2007	2008	2009	2010	2011
Amounts	124467	138493	121200	144678	166359

Source: Janata Bank's Annual Report (2007- 11)

In the above figure we see that the total Loan & advances of Janata Bank from 2007 to 2011 is increasing trend that indicates better performance in providing Loan & advances. In the total Loan & advances of Janata 25% to 30% Loan is Industrial sector Loan. Industrial sector of Janata Bank consists of Jute industries, Tannery Industries, Textile Industries, Agro Industries and Industrial credit etc.

Table- 04: Sector wise Loans and Advance: (Taka in Millions)

SI	Name of Sector	2011	2010	+ /(-) TK.	+(-) %
1.	Jute Sector	9368	8909	459	5.51
2.	Textile Ind. & trade	11076	11325	(249)	2.20
3.	Steel & Engineering	2218	1515	703	46.40
4.	Food & Allied	4692	3903	789	20.22
5.	Import Credit	32704	32510	194	.60
6.	Industrial Credit	22372	17160	5212	30.37
7.	Rural, ME&SP. Financing	12855	11496	1359	11.82
8.	Housing	2362	2490	(128)	5.14
9.	Others	49629	39820	9809	24.17
	Grand total	166359	144678	21681	

Source: Janata Bank's Annual Report (2010- 11)

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

Table- 05: Some Key Indicators of JB from 2008- 2013

Year	Deposit	Loans and Advances	Classified Loans
2008	22133	14467	1714
2009	24617	16635	1403
2010	28656	22573	1182
2011	36167	25780	1504
2012	40977	30534	5320
2013	47854	28573	3177

Source: Annual Report of JB 2014

Table- 06: Geographical area-wise Loans and Advances:

Region	2008	2009	2010	2011
Dhaka	89143	94889	101537	115096
Chittagong	15005	16629	17750	21772
Khulna	8533	8577	10516	12720
Rajshahi	8789	9830	11531	12984
Sylhet	838	888	944	1092
Barishal	1136	1158	1290	1433
Overseas Branches(UAE Branches)	750	990	1110	1262

Source: Janata Bank's Annual Report (2008- 11)

From the table and graph, we see that the flow of Loans and advances of Janata Bank is showing an increasing trend from 2008 to 2011. It indicates a better performance in extending credit facilities. Bank disburses Loans more in Dhaka region than other regions. And loans Recovered in average 35%. Loan Disbursement, Recovery & Classification of Industrial sector of Janata Bank Ltd (JB). From fiscal year 2008 to 2011 according to various sectors wise is given below:

Table- 07: Textile Industry (in Crore):

Year	Loan Disbursement	Classified	Recovery
2011	443.21	217.17	118.51
2010	439.60	211.16	112.68
2009	369.95	141.78	130.15
2008	372.72	133.52	101.16

Source: Janata Bank's HQ document (collect web based)

In the above figure we see that the Loan disbursement on industrial credit of Janata Bank is increasing at a decreasing rate from 2008 to 2011.

Table- 08: Jute Industry:

Years	Loan Disbursement	Recovery
2011	801.02	634.43
2010	790.31	570.64
2009	543.35	235.19
2008	469.95	130.26

Source: Janata Bank's HQ document (collect web based)

The above figure demonstrates that the Loan recovery on industrial credit of Janata bank is upward increasing rate from 2008 to 2011, which indicates better performance in industrial Loan recovery. The main reason of this better performance of Janata bank is that the bank uses LRA format before providing industrial Loan.

Table- 09: Rural, Micro and Special Program Financing (in Tk. Crore):

Sl. no	Name of Products	No. of Loanee	Disbursement	Recovery
1	Crop Loan program	346528	5765.20	2582.23
2	Agriculture & Irrigation Equipment	229	13.90	10.01
3	Fisheries & Shrimp Culture Credit	321	130.30	90
4	Cyber Café Loan	13	1.70	.95
5	Credit for Forestry	751	16.90	12.03
6	Credit Program of Employees	78368	1907.20	1653.2
7	Financing Women Entrepreneur	267	43.92	35.63
8	Financing Goat & Sheep Farming	11370	77.70	67.4
9	Gharoa Project	3812	74.80	61.24
10	Doctors Loan	66	12.96	9
11	Small Business Development Loan	161	14.63	11.79
12	Credit for Disabled People	113	1.59	.80
13	Consumers Credit	1069	45.80	41.8
14	Agro-based Industry	1567	540.90	517.23
15	Others	140699	4225.20	3789

Source: Janata Bank's HQ document (collect web based)

Here mentionable that in the year- 2011 there is no bad loan loss. Rural, Micro and Special Program recover at most all loans.

Scenario of Doubtful & bad Loan of Janata Bank Ltd (JB):

Table- 10: Doubtful & Bad of Janata Bank 2009- 10

Year	2010	2009
Total Amount	893500000	702500000

Source: Janata Bank's HQ document (collect web based)

In the above figure we see that the Debt that is considered doubtful & bad of Janata Bank on total Loan disbursement from 2008 to 2011. There is no doubtful & bad loan in 2011,. So, it is clear to us due to use of LRA format in industrial credit default risk is less and recovery rate is well but in the other sector's recovery is good enough.

5.2.3 Present scenario of Janata Bank Limited (JB) bad debt recovery:

Janata Bank's (JB) default loans decreased by 0.77 percentage due to better recovery. The bank's defaults were Tk 3,306 crores or 10.34 percent of its total loans in December 2014, compared to 11.11 percent in the same month of the previous year, according to statistics disclosed at the bank's Annual Conference. Defaults were much lower than state banks' average rate of 20 percent. Janata's performance was mixed in 2014 but it does not have any provision shortfall at present and its capital adequacy ratio stands at 10.30 percent, against a minimum requirement of 10 percent. In 2014, Janata realized Tk 885 crore against its classified loans, which is almost 85 percent of its annual target. The bank made an operating profit of Tk 1,053 crore in 2014, which was 13 percent lower than in the previous year. However, among the state owned banks, Janata Bank succeeded in bagging the highest profit. The bank realized Tk 261 crore in cash from the written-off loans, and the number of its loss-making branches is now 60 out of a total of 904 branches. It aims to turn 50 percent of those into profit-making units this year. Due to the finance ministry's reservation, Janata Bank could distribute only Tk 13.84 crore against a target of disbursing Tk 35 crore under its corporate social responsibility.

5.2.4 Recovery Performance of Janata Bank Ltd.(JB):

JB management was very much concerned and proactive about recovery and reduction of classified loans (CL) from the beginning of the year 2013. So, keeping eye on the recovery of the broad spectrum of default loans, bank designed various action plans and also took all out efforts to substantially in 2013. The savings deposits of the bank increased by BDT 4,070.66 million to BDT 93,526.88 million in 2013 from BDT. 89,456.22 million In the preceding year showing a growth of 4.55 percent. The share of high cost fixed deposits increased to 66.93 percent of total deposits in 2013 from 62.71 percent of the preceding year while the absolute amount of fixed deposits increased by BDT 63,313.84 million. Deposit growth and mix Deposit mix at the end of 2013 and 2012 are: (BDT in Million) Outstanding amount Growth Deposit mix (%) implements the same for reducing classified loans and increased cash recovery as well. In 2013, despite of the adverse effects of political turmoil, bank was able to recover and reduce classified loans for BDT 27,678.40 million where cash recovery

was BDT 5,757.10 million which is 107 percent higher than recovery target. As a result, the rate of classified Loans of the bank came down to 11.12 percent in 2013 from 17.42 percent in 2012. Apart from this, the bank also recovered BDT 130 million from write off loans. The bank's legal lending limit and other constraints should be set forth to avoid inadvertent violation of banking regulations.

5.2.5 Problems of recovery of Janata Bank Limited (JB)

It has been discovered through study that due problems created by economic environment the bank cannot sometimes recover loans due to government changes related to recovery rules. Even mismatch between old and new established regulations. Bank could not recover their disbursed loan in time due to the borrowers' unconsciousness or willful defaulters. This bank is engaged in the allocated loan in classified loan in the earlier that impacts on the present banking business. We sought that employees do not communicate with potential business holders on time thought time is changing.

Other general causes of poor loan recovery:

Apart from the specific reasons, there exist some other general causes which have a great impact on creating the problems which are faced by the Janata Bank Ltd. under study in the loan recovery process. These are: early sanction and disbursement of loan to the borrowers without proper inspection of the project by the bank on account of pressure from lobbying group, lack evaluation of technical and economic feasibility of the program, delay in disbursement of credit, credit is not allowed to actual entrepreneurs, lack of proper supervision, illiteracy of borrowers, negative attitude of borrowers to repay the loan, deterioration of the value system of the borrowers, money borrowers use their loan-money other than specified project, i.e., if the loan is sanctioned for industrial purpose; they use the money in house building or purchase of land for their own purpose, sometimes borrowers invest their money outside the country, many borrowers transfer loan money to abroad where they deposited this money in their own account or spent some other purpose, problems responsible for non-implementation and delayed implementation of project for which the entrepreneurs of the project cannot repay the loan. The causes of failure may be: failure to ascertain the economic availability of the projects time lag between approval and sanctioning of the projects import of machinery and raw materials both are the problems of paucity of foreign exchange and procedures of licensing, all of these reasons discussed above are general reasons for problems loan recovery of Janata Bank Ltd. Besides these, there are some specific reasons for loan recovery problems faced continuously by Janata Bank Ltd (JBL). They are as: loans are given under fictitious names and enterprise; loans are given without sufficient securities approval of the loans in excess of the branch manager's power improper monitoring and supervision of credit, political misuse if loan programs operated by the public sector banks, lack of timely action against willful defaulter, loans are sometimes for economically unsound project problems in loan recovery are the outcome of the default on loans disbursements in the earlier period.

5.2.6 Recovery Program of Janata Bank Limited (JBL):

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

5.3 Critical comparison and findings of two Banks:

The recovery rate of the two banks is increasing in comparison to the earlier years. Jantata Bank's Recovery Rate is less than the Jamuna Bank Ltd (JBL) due to some lending procedure and asset management. By watching the recovery rate of the Jamuna Bank Limited is the first generated private bank. This is why; Jamuna Bank Limited is trying to meet the challenges in the banking sectors in the country by recruiting the right employees through a sophisticated selection process. Due to a private commercial bank this bank is now operating the other banking systems for survival. Janata Bank is a state-owned commercial bank having huge number of branches in the country operating the different product and giving the services to the customers. It does not have the funding problems but due to public formal procedures there is a bureaucratic drawback. The Janata bank limited and the Jamuna Bank limited are the two banks highly involving to execute the regular basis of services for requiring basis of two perceptions of the Bangladesh. It is commonly matter of the banking sectors to faces loan relates problem like loan, bad loan, installment problem of the loans, and recovery problem of the banks .it a praiseworthy matter is that the defaults loans decreased due to the better recovery system of Janata Bank Limited (JB). Comparing the December 2013 to December 2014 in 2013 it was 11.11% and 2014 ended month it was 10.34%. It is seen that capital adequacy rate is 10.30% against a minimum requirement of 10% in mixed system of 2014 with doesn't showing any provision shortfall at now. This praiseworthy by the state owned is possible by followings, better supervision with making a cell division of the credit, restructuring the credit policy and concerning the loan with advances of the loan in against of available securities as per the best, for the strategic point of view giving more power to the branch manager, find sound borrower with paying special incentives , paying more concentration of the short term basis loan with perfect matching of sound transactions , imposing restriction on poor or sick industries , and taking special legal action promptly for implication and the nature of the problem of the recovery system .Janta Bank pay special attention to programs causational for the regional basis to and fro if we include communication matter, documentation matter legal action matter are mentionable of them .on the contrary The Jamunabank limited also a bank of nationalized and private sector commercial banks faces a sort of problem like recovery problem it is seen that a common manner of the Janata Bank this bank also following mostly same way of the recovering management. Survey shows that by the efficient management of Jamuna Bank (JBL) in 2008 the recovery percentage DFR was 85% but In 2010 it was 93%.If we include the bad loan

percentage of the Ranpur branch that is .0042 %there deposit is 66.335 crore loan and Advances is 27.94 cr, profit is 91.76 lacs and bad loan is 1.18 lacs. In order to improve recovery of default loans, JBL management has designed various action plans and is committed to invest its best efforts. It wants to reduce classified loans to single digit and increase cash recovery to maintain asset quality. In 2014, the bank was able to reduce classified loans by BDT 16,459.10 million where cash recovery was BDT 7,337.30 million which was 91.72 percent of cash recovery target. The bank also recovered BDT 1,374.70 million from written-off loans. JBL management was extremely concerned about recovery and reduction of classified loans (CL) from the beginning of the reporting year. At present, JBL's CL Rate is lower than those of other state owned banks.

Recommendations:

Some recommendations are given for the banks in the competitive advantages to be met. In the global business regarding the banking defined and adapted some credit recovery strategies in order to reduce the bad debts and improve their loan books (CBK, 2013). Researchers suggested implementing the theory of sustainable competitive advantage (SCA), basic competitive advantages (BCA), and Revealed competitive advantages (RCA) which reflected a firm's market share so that the banks can face the greatest challenges in the loan defaulters. Short messaging systems should be developed for reminding the loan holders. Credit Reference Bureau (CRB) may change in reducing the loan defaulters. Credit monitoring and lending process should be in easy. In its efforts to recover a delinquent debt, a bank uses private collection agencies (Early, 2006). Private collection agencies (PCA) charge fees, which are paid out of amounts collected. The creditor agency remains the final authority to resolve disputes, compromise debts, suspend or terminate collection action, and refer accounts to CRB. The credit reference agency ought therefore to supplement and interpose between the lending institution/ creditor and the borrower/ debtor. The credit institutions simply require seeking advisory and other services if credit activity will not be paralyzed. Credit scoring systems can be used by the banks a credit recovery strategy. While written communication, telephone/ cell phone numbers or visits by the bank's representatives to loan holders' place or residence will be used as loan follow up measures.

Concluding Remarks:

This study is a comparative one based on two banks. Finally we have found that there is a significant difference between the banks. Jamuna Bank Limited (JBL) follows the strategies to survive in the competitive market. Janata Bank, a public commercial bank which is trying to compete the challenges in the arena of banking businesses. This study helps for further project/ research related to the banking systems. Banking is one of the most potential and growing industries in the world. In the commercial world it is a big question how to deal the growing customer and adapt the appearing demand through the banking services. In the commercial banks of Bangladesh it is an important matter. Loan recovery and its system to recover should be consistent with the bank performance.

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