

Internship Report on
Financial Performance Analysis of Sonali Bank Limited”

Submitted by:

Name: Md Imranul Haque Fihad

ID: BBA1803015091

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Sonargaon University (SU)

Dhaka- 1215

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Internship Report

on

“Financial Performance Analysis of Sonali Bank Limited”

Prepared for:

Abul Kalam

Associate Professor

Department of Business Administration

Prepared by:

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LETTER OF TRANSMITTAL

February 10, 2021

To

Abul Kalam

Associate Professor

Department of Business Administration

Sonargaon University (SU)

Subject: **Submission of Internship Report.**

Dear sir,

I am truly pleased to submit my internship report on the **Financial Performance Analysis of Sonali Bank Limited.** I have gathered what I consider to be the most complete information available. This report gave me the prospect to have a brief knowledge about the Credit Management Policy and Performance Analysis of Sonali Bank Limited. It is a great achievement to work under your active supervision, care and guidance.

I tried my best to incorporate all the information that I have collected during the internship period. I wish the report would fulfill your expectation and standard. I must mention here that, I am extremely grateful to you for your valuable supervision, tireless effort and continuous attention in preparing this report.

Yours Sincerely,

Md Imranul Haque Fihad
ID: BBA1803015091
Sonargaon University (SU)

Certificate of Supervisor

This is to certify that the thesis paper **Financial Performance Analysis of Sonali Bank Limited.**” has been prepared as a part of completion of the BBA program from Department of Business Administration, Sonargaon University (SU), carried out by Md Imranul Haque Fihad , ID: BBA1803015091 under my supervision. The report or the information will not be used for any other purposes.

.....

Abul Kalam

Associate Professor

Department of Business Administration

Sonargaon University (SU)

Student Declaration

I am Md Imranul Haque Fihad, a student of Bachelor of Business Administration, ID: BBA1803015091 from Sonargaon University would like to solemnly declare here that this report on **Financial Performance Analysis of Sonali Bank Limited.**” has been authentically prepared by me. While preparing this report, I didn’t breach any copyright act internationally. I am further declaring that, I did not submit this report anywhere for awarding any degree, diploma or certificate.

Sincerely Yours

Md. Imranul Haque Fihad
ID: BBA1803015091
Sonargaon University (SU)
Major: Accounting

Letter of Authorization

Certified that this project report titled **Financial Performance Analysis of Sonali Bank Limited.**” is the bonafide work of Md Imranul Haque Fihad , who carried out the research under my supervision. Certified further that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.

.....

Abul Kalam

Associate Professor

Department of Business Administration

Sonargaon University (SU)

ACKNOWLEDGEMENT

As a student of BBA Program, Internship is one of the most important partial requirements of the total courses BBA program. In this regard I would like to thank all the faculties Sonargaon University who helps me to finish my courses.

This is a synopsis of my recent study on **Financial Performance Analysis of Sonali Bank Limited**” as a part of the internship program. At the beginning I want to remember almighty Allah for giving me the opportunity, strength to do this work smoothly & blessings for our success. I would like to thank my honorable teacher Abul Kalam, Associate Professor, Department of Business Administration, Sonargaon University (SU)

for helping me to prepare the report. I will remain indebted to him for the valuable suggestions and the time he has given in supervising my work on report.

I am grateful to Md. Abdul Rab Manager (Branch In charge) of Sonali Bank Limited for his cooperation and necessary support.

I am also grateful to all other employees of the branch for their support and assistance. I humbly appreciated the patience of the entire individual at Sonali Bank who spent their time in making my report.

Lastly, I sincere gratitude to all the wonderful people of Sonargaon University (my teacher, my classmates and others) for supports and understanding. It would be impossible without their help.

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Executive summary

The report is originated in result of my internship, which I have done, as a requirement of BBA program. This report is done based on my research on Sonali Bank Limited.

The Sonali Bank Limited is one of the leading public Banks operating in Bangladesh. All the aspects of Risk Management of SBL Like; rules, regulations activities, approval processes of loan, credit operation dept. and also credit collection dept., various product diversity and their facilities and recovery process of different types of loan etc. have been attached to this report.

However, I've done lots of financial calculations, observed their financial reports & from my working experience I also gathered knowledge about their administrative process of managing different issues. After preparing the whole report, I had some findings regarding the **Performance Analysis of Sonali Bank Limited**. As an inexperienced person I may have made many mistakes in those findings, but whatever I felt from my point of view, I only pointed out those. Based on those findings, I recommended some points which may help the bank to remove their many shortcomings.

LIST OF ACRONYMS

AIM	Ace Institute of Management
HRD	Human Resource Department
HR	Human Resource
BBA	Bachelor of Business Administration
SU	Sonargaon University
(ROE)	Return on Equity
HRMS	Human Resource Management System
OB	Organization Behavior
MC	Managerial Communication

CHAPTER : 01

History of Banking Business in Bangladesh

1.1: Introduction

The Jews in Jerusalem introduced a kind of banking in the form of money lending before the birth of Christ. The word 'bank' was probably derived from the word 'bench' as during ancient time Jews used to do money lending business sitting on long benches. First modern banking was introduced in 1668 in Stockholm as 'Savings Pis Bank' which opened up a new era of banking activities throughout the European Mainland. In the South Asian region, early banking system was introduced by the Afghan traders popularly known as Kabuliwallas. Muslim businessmen from Kabul, Afghanistan came to India and started money lending business in exchange of interest sometime in 1312 A.D. They were known as 'Kabuliwallas'. The territories which now constitute Bangladesh were integral part of Mughal Empire and thereafter British-India and then Pakistan. Hence we have the common historical background of banking and banking institutions as that of Pakistan and India. For the beginning of banking in the territory now comprised Bangladesh, we must go back to the Calcutta Agency Houses. These trading firms started their banking operations for the welfare of their constituents. The important among those Houses were Messers. Alexander & CO. Messers. Fergusson & Co. both the firms started the business of banking with other business, and both were the predecessors of the early joint stock Banks in the then India. The Bank of Hindustan was the earliest bank started under the direction of the British rule in British India After the partition of British-India into Pakistan and India, the territories now form Bangladesh became integral part of Pakistan and was called East Pakistan. Immediately after partition, as aforesaid, in 1987, 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 in Pakistan up to 30th September, 1948 and thereafter the State Bank of Pakistan, having been established on the 1st July, 1948 started functioning and assumed full control of banking and currency Banking sector of Bangladesh is one of the major sectors, which contributes significantly to the national economy. The sector comprises a number of banks in various categories. Considering ownership the sector can be classified in to four major categories - such as Nationalized Commercial Banks (NCBs), Specialized Banks (SPBs), Private Commercial Banks (PCBs), and Trans-National Banks (TNBs) (Islam, 2001).

1.2: Beginning of Banking in Bangladesh:

After independence the Government of People's Republic of Bangladesh was formally to cover the charge of the administration of the territory now constitute Bangladesh. In an

attempt to rehabilitate the war - devastated banking Bangladesh, the government promulgated a law called Bangladesh Bank (temporary) Order, 1971 (Acting President's order No.2 of 1971). By this Order, the state bank of Pakistan was declared to be deemed as Bangladesh Bank and offices, branches and assets of said State Bank was declared to be deemed as offices, branches and assets of Bangladesh Bank. On that date there existed 14 scheduled banks with about 3042 branches all over the country.

On the 16th December 1971, there existed the following 12 banks in Bangladesh, namely:

1. National Bank of Pakistan
2. Bank Bahawalpur Ltd.
3. Habib Bank Ltd.
4. Premier Bank Ltd.
5. Commerce Bank Ltd.
6. United Bank Ltd.
7. Union Bank Ltd.
8. Muslim Commercial Bank Ltd.
9. Standard Bank Ltd.
10. Australasia Bank Ltd.
11. Eastern Mercantile Bank Ltd.
12. Eastern Banking Corporation Ltd.

1.2.1: Nationalization of Banks in Bangladesh:

Immediately after the Government of Bangladesh Consolidated its authority, it decided to adopt socialist pattern of society as its goal. Hence in order to implement the above mentioned state policy; the Government of Bangladesh decides to nationalize all the

banks of the country accordingly on the 26th March, 1972, Bangladesh Banks (Nationalization) Order , 1972 (President Order No.26 of 1972)was Promulgated.

<u>Existing Bank</u>	<u>New Bank</u>
1. National Bank of Pakistan. 2. Bank Bahwalpur Ltd. 3. Premier Bank Ltd.	Sonali Bank Ltd.
4. Habib Bank Ltd. 5. Commerce Bank Ltd.	Agroni Bank Ltd.
6. United Bank Ltd. 7. Union Bank Ltd.	Janata Bank Ltd.

8. Muslim Commercial Bank Ltd.	Pubali Bank Ltd.
9. Standard Bank Ltd.	
10. Australasia Bank Ltd.	
11. Eastern Mercantile Bank Ltd.	Rupali Bank Ltd.
12. Eastern Banking Corporation Ltd	Uttara Bank Ltd.

Pursuant to Bangladesh Bank Order, 1972 the Government of Bangladesh reorganized the Dhaka branch of the State Bank of Pakistan as the central bank of the country, and named it Bangladesh Bank with retrospective effect from 16 December 1971.

After the independence, the banking industry in Bangladesh started its journey with 6 nationalized commercialized banks, 2 State owned specialized banks and 3 Foreign Banks.

In the 1980s the banking industry achieved a significant expansion with the entrance of private banks. Now, banks in Bangladesh are primarily of two types:

1.2.2: Scheduled Banks:

The banks which get licenses to operate under the Bank Company Act, 1991 (Amended in 2003) are termed as Scheduled Banks. Non-Scheduled Banks: The banks which are established for special and definite objective and operate under the acts that are enacted for meeting up those objectives, are termed as Non-Scheduled Banks. These banks cannot perform all functions of scheduled banks.

- † Agroni Bank Ltd
- † Sonali Bank Ltd
- † Rupali Bank Ltd
- † Sonali Bank Ltd

1.2.3: Privatization of Banks in Bangladesh

Until the early 1980's the Government owned, controlled, and directed Bangladesh's financial systems with the objective of allocating funds to priority sectors. In 1983 the Government began to reform the financial sector interest rates on deposits were raised to provide a positive real return in deposits. Private Banks were allowed to enter, two NCBs were denationalized and another nationalized bank was converted into a limited liability company and partially privatized.

After the amendment in the nationalizing law, the Pubali Bank, the Uttara Bank and the Rupali Bank have been transferred to the private sector. These banks have now been re designated respectively as Pubali bank Ltd, Uttara Bank Ltd and the Rupali Bank Ltd. Further in order to accommodate private sector share in Bangladesh Shilpa Bank, suitable amendments have been made in the Bangladesh Shilpa Bank Order 1972 (presidents Order No. 129 of 1972).

Private Banks are the highest growth sector due to the dismal performances of government banks (above). They tend to offer better service and products. Here is the list

–

- AB Bank Limited

- Bangladesh Commerce Bank Limited
- Bank Asia Limited
- Brac Bank Limited

- Dhaka Bank Limited

- Dutch Bangla Bank Limited

- Eastern Bank Limited

- Farmers Bank
- Ific Bank Limited

- Jamuna Bank Limited

- Meghna Bank

- Mercantile Bank Limited

- Modhumoti Bank

- Mutual Trust Bank Limited

- National Bank Limited

- Ncc Bank Limited

- Nrb Bank □

- ☐ Nrb Commercial Bank Limited
- ☐ One Bank Limited
- ☐ Prime Bank Limited
- ☐ Pubali Bank Limited
- ☐ South Bangla Agriculture And Commerce Bank Ltd
- ☐ Southeast Bank Limited
 - Standard Bank Limited
 - The City Bank Limited
 - The Premier Bank Limited
 - Trust Bank Limited
 - United Commercial Bank Limited
 - Uttara Bank Limited

1.2.4: Foreign commercial banks

9 foreign commercial banks are operating in Bangladesh. These are:

- Bank Alfalah
- Citibank NA
- Commercial Bank of Ceylon
- Habib Bank Limited
- HSBC
- National Bank of Pakistan
- ☐ Standard Chartered Bank
- ☐ State Bank of India
- ☐

Woori Bank

1.2.5: Specialized development Bank

Specialized Banks (SDBs): 4 specialized banks are now operating which were established for specific objectives like agricultural or industrial development. These banks are also fully or majorly owned by the Government of Bangladesh.

- Bangladesh Development Bank Ltd
- Bangladesh Krishi Bank
- BASIC Bank Limited (Bangladesh Small Industries and Commerce Bank Limited)
- Probation Kollan Bank
- Rajshahi Krishi Unnayan Bank

Chapter :02

Organisational profile

Sonali Bank Limited

2.1: Introduction

Sonali Bank was established in 1972 under the Bangladesh Banks (Nationalisation) Order, through the amalgamation and nationalisation of the branches of National Bank of Pakistan, Bank of Bahawalpur and Premier Bank branches located in East Pakistan until the 1971 Bangladesh Liberation War. When it was established, Sonali Bank had a paid up capital of 30 million taka. In 2001, its authorised and paid up capital were Tk 10 billion and Tk 3.272 billion respectively. Presently, its authorised and paid up capital is Tk 10 billion and Tk 9 billion respectively. The bank's reserve funds were Tk 60 million in 1979 and Tk 2.050 billion on 30 June 2000. In 2013, \$250,000 was stolen from the bank by Cyber criminals using the Swift International payments network. In 2016 the Bank signed an Memorandum of Understanding with PayPal.

Sonali Bank, Ltd. is a Bangladesh-based Company that provides commercial banking services. The Company offers Internet banking, credit facilities and program, retail and personal banking, foreign remittance, international banking, micro enterprise and special credit, rural banking and credit program services. It also offers Financing Information Technology Sector, Financing of Industries, Ready Cash, and Windows for SMEs, Loan to Travel Agencies, Loan to Diagnostic Centers, NRB Escrow Account and NRB Gift Cheque products. The Company currently operates through 872 branches including 4 overseas branches at United Arab Emirates.

The goal 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 depositors’ funds and providing a satisfactory return on equity to the owners. The **Vision** is to become the effective largest commercial bank in Bangladesh to support socio economic development of the country and to be a leading bank in South Asia.

The **Mission** of Sonali Bank Limited will be an effective commercial bank by maintaining a stable growth strategy, delivering high quality financial products, providing excellent customer service through an experienced management team and ensuring good corporate governance in every step of banking network.

2.2: Sonali Bank at a glance:

Features	Values
Name	Sonali Bank Limited

Genesis	<p>History. Sonali Bank was established in 1972 under the Bangladesh Banks (Nationalisation) Order, through the amalgamation and nationalisation of the branches of National Bank of Pakistan, Bank of Bahawalpur and Premier Bank branches located in East Pakistan until the 1971 Bangladesh Liberation War.</p> <p>Headquarters: Motijheel, Dhaka, Bangladesh Area served: Bangladesh & Overseas Founded: 1972; 50 years ago</p>
Registered Address	Sonali Bhaban, 110, Motijheel Commercial Area Dhaka - 1000, Bangladesh.
Legal Status	Public Limited Company
Chairman	Ziaul Hasan Siddiqui
Managing & Direct or CEO	Ataur Rahman Prodhan
Date of Incorporation	November 15, 2007
Authorized Capital	Tk. 6000.00 Crore.
Paid up Capital	Tk. 4530.00 Crore
Face value per share	BDT 100 per share
Shareholding Pattern	100% Share owned by the Government of Bangladesh

Number of Employees	21,839 (As on 31.12.2013)
Banking license obtained from Bangladesh Bank	31 May 2007
Phone	9560000, 9566020, 9556245-49, 9565041-45, 9560027-30
Fax	88-02-9554460, 9553329, 9552078
Website	https://www.sonalibank.com.bd
E-mail	md@Sonalibank-bd.com

2.3: Board of Directors:

According to the approval of Bangladesh Bank and to the section 95 of the 'Articles of Associations', the members of Board of Directors are determined maximum 13 persons. At present the number of Board of Directors including the CEO & MD of Sonali Bank Ltd is 13. After being corporatized, the Board has become active and applied more autonomous power to run the bank effectively than before. According to the Bangladesh Securities & Exchange Commission, the members of the Board of Directors are independent. They all are nominated by the Government and the proprietor of one share of the bank. Their shares are less than 1% of the paid up share.

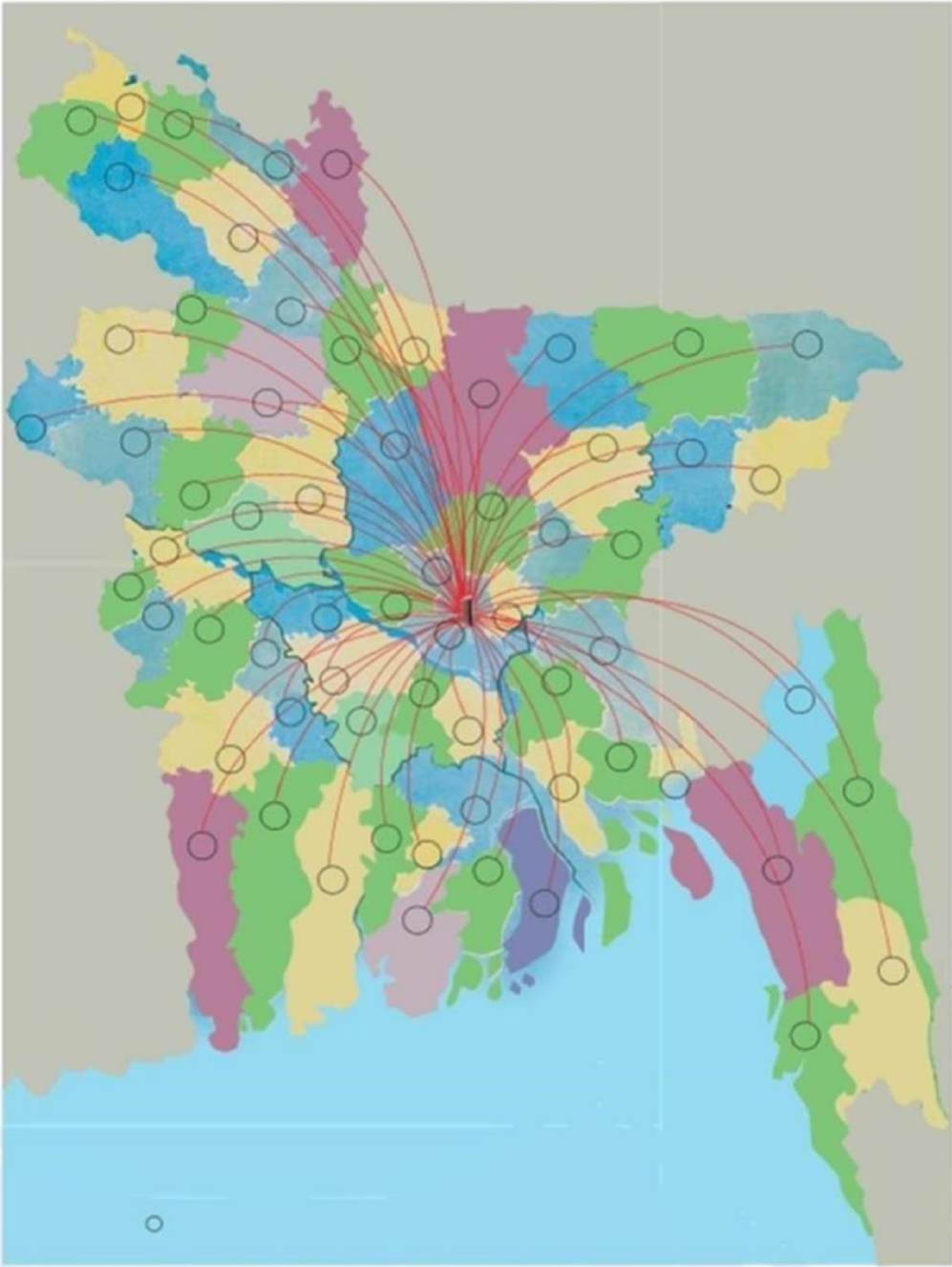
Chairman of the Board of Directors:

† **Ziaul Hasan Siddiqui**

Members of the Board of Directors:

1. Mr. A.B.M Ruhul Azad
Director
Additional Secretary (on PRL)
2. Mr. A.K.M Kamrul Islam, FCA, FCS
Director
3. Mr. Ishtiaque Ahmed Chowdhury
Director
Ex-Managing Director & CEO
4. Dr. Daulatunnaher Khanam
Director
Ex-Deputy Managing Director
5. Mr. Md. Mofazzal Husain
Director
Ex-Managing Director Rajshahi Krishi Unnayan Bank
6. Mr. Molla Abdul Wadud
Director
Ex-General Manager
7. Professor Dr. Mohammad Kaykobad
Director
Retired Professor
8. Dr. Md. Matiur Rahman
Director
Member

2.4: District wise JBL Branches in Bangladesh



2.5: Award and Recognition

Since its commencement back in 1972 Sonali Bank has earned plaudits time and again from the global society. As a token of its acclamation the Bank has been adorned with a number of lofty awards and recognitions by esteemed organizations of home and abroad which testify the Bank's dedication towards professionalism, customer services and success as well. The supercilious performance of the Bank translated into its claiming laudation through appreciable contribution to the spurring economic development of the country.

Any recognition is enthralling as well as encouraging to us that make us more pledgebound towards delivering up- marked services to our customers and thus to the society. □

These accolades will be our force in setting milestones in days to come.

2.6: Corporate Rating Status:

Entry rating (2012)	: A+ in the long run
	: AR- 2 in the short run
As Government owned Bank□□	: AAA in the long run□



: AR- 1 in the short run

2.7: Products offered by Sonali Bank:

Mainly four types of products are by Sonali Bank.

- Deposits
- Loans and advantages
- Special product
- Green Banking

2.7.1: Deposits:

- **Current Deposit:** Sonali Bank Limited offers customers current deposit facility for day-to-day business transaction without any restriction. This deposit account pays no interest but a customer can withdraw money from this account when he wants by presenting his account cheque over counter during any working day. This type of account may be opened in the name of individual or firms. This account suits best for business man or business firm.
- **Saving Deposits:** Savings Bank Account can be opened in any branch of Sonali Bank depositing any amount of taka by any Bangladeshi citizen in the name of an individual or a group of individuals which can be operated singly or jointly. Account holder can deposit or withdraw any amount during any working day with prior notice or without notice.
- **Special Notice Deposit:** Sonali Bank Limited offers interest on customer's special notice deposit (SND) account and gives facility to withdraw money at any time.

- **Term Deposit:** A depositor can open Fixed Deposit Account for different terms with any branch of Sonali Bank easily. Any individual or a group of individuals can go to any branch, fill a prescribed form, depositing cash or easily cashable
- instrument of FDR amount and a Fixed Deposit Receipt will be issued by the Bank on behalf of the applicant.
- **Schemes:** Under this scheme Sonali Bank offers various deposit schemes following monthly savings plan suitable for all classes of people and continue depositing to complete the respective tenor.

2.7.2: Loans and Advances:

The main focus of Sonali Bank Limited Credit Line/Program is financing business, trade and industrial activities through an effective delivery system.

- **SME Banking:** The role of Small and Medium Enterprises (SMEs) is indispensable for overall economic development of a country. SMEs are recognized as engine of economic growth and employment generation for sustainable industrialization in both developed and developing countries of the world particularly like Bangladesh. Since this sector is labour intensive with short gestation period, it is capable of increasing national income as well as rapid employment generation ; achieving Millennium Development Goals (MDGs) especially eradication of extreme poverty and hunger, gender equality and women empowerment.

Sonali Bank Limited, as development associate of the government, gives more importance in SME financing for economic development, creating employment opportunities and increasing GDP.

- **Export Financing:** In our export product line we have a number of products and we are looking ahead to include more products in this line. Our major export products

are-

- ECC (HYPO & PLEDGE)
- PACKING CREDIT
- Other Export Finance
- LTR(FC)
- ECC for export Oriented Project
- BMRE for export Oriented Project
- Loan General
- Cash Credit
- Demand Loan
- Advance against Cash Subsidy
- PAD(EDF)
- PAD (GMT)

➤ ***Import Financing:***

The import products are:

- PAD (Cash)
- LIM LTR
- Demand Loan

○ **Working Capital Loan:**

- Credit Program for Agro-based Industry/Project
- Working capital for husking mill
- Credit program for Preservation of Potatoes in Cold storage
- Other Working Capital

○ **Rural and Micro Credit Loan:** A vast majority of the Bangladeshis live in the rural areas and their main source of income is agriculture and agro-business. Sonali Bank Limited has opened branches in rural areas to cater to the banking needs of

- rural people. Apart from accepting deposits from the rich and moderately well-off villagers, Sonali Bank Limited encourages the poor people to make small savings
- through different mechanisms. So far lending in rural areas is concerned; Sonali Bank Limited has been financing agricultural production and poverty alleviation programs since 1977. It also lends to the poor landless so that they can make a living. The average loan size is about Taka 20,000.00 (around US\$ 285).

 - **Specialist Loan Program:** The Micro Enterprise & Special Program Division (MESPD) is responsible for implementing of
 - Micro Credit Programs related with the poverty reduction,
 - Special credit programs related with employment generation and Financing of agro-based industries.

Bank has different micro-credit programs of its own & in collaboration with other agencies. For successful implementation of these credit programs especially poverty reduction credit programs it requires close supervision and monitoring. Considering Bank's manpower/field staff it is not always possible to ensure intensive supervision at the grass root level. To make the micro credit programs time & cost effective bank has initiated linkage program using intermediaries/collaborating agencies (GOs & NGOs). Collaborating agencies are responsible for organizing the target groups (conducting survey, formation of groups, providing training etc.) including supervision and recovery of credit.

- **Agriculture loan Program:**
 - All kinds of Crops Loan & Cultivation Loan
 - Loan for Shripm culture development
 - Loan for Irrigation and agricultural equipment
 - Loan for Salt production plant
 - Dal,spices,oil seeds& mase

- **Poverty Alleviation:** The Micro Enterprise & Special Program Division (MESPD) is responsible for implementing of

Micro Credit Programs related with the poverty reduction, Special credit programs related with employment generation and

- Financing of agro-based industries.

○ **Thrust Sector:** To augment the growth in industrial sector and broaden the base of investment, Sonali Bank (JB) has already taken some positive initiatives. The Bank has invested a sizeable amount of fund in the development of Cement manufacturing, Composite textile, spinning mills, Paper/Board mills, Knit Garments industries and other small and medium enterprises. Sonali Bank is marching ahead by adopting consortium lending strategy. Under this lending scheme, two or more banks are invited to finance big projects with JB acting as the lead Bank. Besides supporting the export oriented Ready Made Garment enterprises, it also lays special emphasis on agroprocessing and IT related industries while promoting the thrust sectors.

○ **Joint Venture:** In line with the government investment policies, Sonali Bank undertakes joint venture financing and foreign investment in Bangladesh. The country offers attractive facilities and incentives to foreign investors. The main facilities and The Policy framework for fore incentives are appended below:

○ Foreign investment in Bangladesh is based on Foreign Private Investment (Promotion and Protection) Act, 1980 which provides for;

- Non - discriminatory treatment between foreign and local investment.
- protection of foreign investment from expropriation by the state
- ensured repatriation of proceeds from sale of shares and profit

○ **Other commercial Loan:**

- Transport

○ **Consumer credit Program:** Sonali Bank has introduced a strong product line under its consumer financing profile. In light of 'Prudential Regulations for Consumer Financing' of Bangladesh Bank all the consumer financing products have been

Included in our product list.

- - Credit Card
 - Debit Card
 - Auto Loan
 - General House Building Loan
 - Staff House Building Loan
 - Service Holders Loan
 - Doctors Loan
 - Cyber Cafe Loan
 - Household Commodity Loan
 - Building Renovation Loan

2.7.3: Special Products:

A product for non- Resident Bangladeshis

○ Special NRB product:

NRB Gift Cheque

- NRB Escrow A/C
- Continuous Benefit Account
- Advance Benefit Account
- Foreign Currency Account NRB
- Home Loan Scheme

○ Credits:

- Advance Benefit Account
- **Special deposit**

product:

- Q- Cash Deposit
- NRB Gift Cheque

Ghore Ghore Sanchay

Sonali Bank Limited with its widely speeded branch network and skilled personnel provides prompt and personalized services like issuing

- Demand Draft
- Telegraphic Transfer
- Mail Transfer
- Pay Order
- Security Deposit Receipt
- Transfer of fund by special arrangement
- Normal transfer
- Electronic transfer through Ready Cash Card
- Locker Service
- Gift Cheque Scheme
- NRB Escrow A/C
Continuous Benefit Account
- Foreign Currency
Account

•

2.7.4: Green Banking:

The environment of the world is facing serious threat because of environmental pollution and climatic change. A rapid climatic change is causing negative impacts on agriculture, forests, water resources, human health, bio-diversity, etc. Banking sector performs a vital role in the economy of a country. Industries founded by bank finance make dynamics of the economy, but simultaneously, the environmental pollution have been occurred by their production, process and related activities.

2.8: Services offered by Sonali Bank :

2.8.1: Personalized Services:

2.8.2: Online Banking:

Times have changed and technological boom has given the businesses superlative edges over the manual and traditional functionalities of business operations. So the bank business in Bangladesh has overwhelmingly changed with the introduction of on-line banking in bank business. Sonali Bank Limited has also stepped into the world of on-line

banking and is rapidly progressing in implementation of on-line banking through Core Banking System (CBS). Up to January, 2018 total 174 branches out of 904 branches have been brought under CBS and as planned all the branches will be brought under this system by 2019. Introduction of CBS in 114 branches of the Bank has already had encouraging impact on our business and full implementation of it will definitely have tremendously positive impact on our customer services and business growth.

2.8.3: ATM Service:

To offer modern banking services, Janata Bank Limited is providing its customers with ATM facilities. At present, this ATM service is being provided under the largest network comprised of 28 banks of which 26 are member banks and 2 are network- sharing banks. Card- holders of our bank have access to more than 2800 ATMs, of which 6 are of the Bank's own and the others are of network- sharing and member banks'. Apart, Card- holders have the opportunity to use approximately 3 ,600 Point of Sales. Schemes have also been taken to increase the number of ATMs of the Bank.

2.8.4 : Utility Services:

As per decision of the Government 46 branches of our bank (40 branches in Dhaka city, one branch in Narayanganj city and five branches in Chittagong city) are involved in receiving all utility bills in a same station from January'2004. Sonali Bank collects various types of utility bills like-

- Gas bill
- Electricity Bill
- Telephone Bill
- Sewerage Bill Collection
- Municipality Holding Tax Collection

2.8.5: Inland Remittance:

•
Sonali Bank Limited with its wide ranging branch network and skilled personnel provides prompt and personalized services like issuing:

- Demand Draft
- Telegraphic Transfer
- Mail Transfer
- Pay Order
- Security Deposit Receipt

Transfer of fund by special arrangement,

- ✦ Normal transfer
- ✦ Electronic transfer through Ready Cash Card.

2.8.6: Government Service:

National e- Government Procurement (e- GP) portal of the Government of the People's Republic of Bangladesh is developed, owned and being operated by the Central Procurement Technical Unit (CPTU), IME Division of Ministry of Planning. The e- GP system provides an on- line platform to carry out the procurement activities by the Public Agencies - Procuring Agencies (PAs) and Procuring Entities (PEs).

2.8.7 : Other Services:

- **Locker Service:** Our safe deposit locker service offered from selected branches gives a completely secured facility for safekeeping of precious items, confidential documents and other valuables.
- **Issuance of Television License:** Only Sonali Bank Limited is providing this service in Bangladesh.

2.9: Future outlook of Sonali Bank limited:

The global financial meltdown caused a spillover effect in the economy around the world. The efficacy of policy tools and their applications in managing systematic crises were challenged. These almost inevitably compelled the policy makers and financial sectors supervisors to revisit their policy choices. SBL is well positioned to meet the challenges of 2013 and will continue to strive to innovate and capture opportunity for growth and value creation. Against the backdrop for achieving the short and long term goals, SBL will concentrate its focus on the following:

- SBL is well placed to meet the challenges of 2018 and will strive to achieve the opportunity for growth.
- Continue to launch new deposit, loan products and innovative banking services.
- Carry on expansion of branch network in rural and urban area.
- The Bank will give more emphases on green banking, corporate social responsibility, financial inclusion etc.
- Continue to develop the employees' database and borrower's database.
- Shifting of branches, branch up-gradation and renovation will be continuing at commercially important locations.

CHEPTER :03

METHODOLOGY

3.1 Background of the Study:

It has become essential for every person to have some idea on the bank and banking procedure. As our educational system predominantly text based, inclusion of practical orientation program is an exception to the norm. From theoretical knowledge, we will be able to know real life situations and start a career with some practical experience. Bachelor of Business Administration (BBA) is a professional course. The course is designed with an excellent combination of practical and theoretical aspects. After completing BBA, certain times are preserved for internship.

As a student of BBA, internship is an academic requirement. For internship every student is required to work in a selected institution to enhance one's practical knowledge and experiences. For the requirement of my course I was assigned to Sonali Bank Limited (SBL), Rajanigandha Corporate Branch for my internship. In this situation I was assigned to prepare report on "Credit Management System and performance analysis of Sonali Bank Limited."

Basically, this report is highlighted Credit management of the bank, Structure, Analysis, Present status, Performance of SBL, Own Experience, Recommendation and Conclusion.

3.2: Significance of the Report:

This internship report is an important partial requirement of four years BBA graduation program. This is because knowledge and learning become perfect when it is associated with theory and practice. By this internship program students can establish contacts and networking. Contacts may help to get a job in practical life. Student can train and prepare themselves for the job market. There are many overwhelming number of unemployed educated graduates in Bangladesh. As they have no internship experience they have not been able to gain normal professional experience of establish networking system, which is important in getting a job. Therefore, it is obvious that the significance of internship is clearly justified as the crucial requirement of four years BBA graduation.

3.3: Origin of the Report:

After completion of credit hours of BBA program demands a report on practical experience. Internship program is a must criterion for Bachelor of Business Administration (BBA) students, designed to put them in a challenging environment of the relevant field, where the students get sample opportunity to apply their theoretical knowledge into practical applications. During the internship training, students have the opportunity to adopt themselves into the particular environment of the organization. It provides a unique opportunity to see the reality of business during student life, which enables them to building confidence and working knowledge in advance of the start of their career. To fulfill this requirement every university of business arrange a program of internship. Here we get a chance to apply our theoretical knowledge that we acquired from class lectures, books, journals, case studies, seminar, project, workshop, etc. and compare them with practical setting.

3.4: Objectives of the Report:

3.4.1 General objective:

- To analyze the Credit Management system and performances of Sonali Bank Limited.

3.4.2 Specific objectives:

- To get enough knowledge about General banking activities of JBL.
 - To Know About Central bank requirements for the commercial banks on Loan and Advances
 - To analyze the Credit Management s tatement of SBL by using some statistical measures
- To find out the internal system & actual Loan and advances process of JBL
- To point out the major findings of the report & provide some valuable recommendations based on them.

3.5: Methodology:

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Methodology refers to the essential part of the study and the process of collecting information and arranging it in terms of the relevant issues of the study. It is designed in a way so that it correspondent to achieve the objectives of the study.

3.5.1: Sources of data:

For preparing a report, someone can use basically two sources for collecting data & necessary information.

I had collected data from secondary source.

Secondary source:

- a) Annual Reports of The Sonali Bank Limited of the year 2015, 2016, 2017, 2018, 2019
 - b) The basic idea about The Sonali Bank Limited was taken from its website
 - c) Papers and Journals of central bank relating to credit management system
 - d) CMS solution of Sonali Bank limited.
- a) Analyzing all the annual reports from 2015, 2016, 2017,

2018, 2019

- b) I tried to identify all the elements of liquidity and prepared the report

3.6: Data Collection process:

Mainly, the purpose of data collection is to obtain information to keep on record, to make decisions about important issues, to pass information on to others. Primarily, data is collected to provide information regarding a specific topic. A formal data collection process is necessary as it ensures that data gathered is both defined and accurate and that subsequent decisions based on arguments embodied in the findings are valid. However, I've collected secondary data by different processes. Those are described below:

Secondary Data:

From working in this organization, I've got the facility to go through maximum of the record file related to the liquidity issue. So many important data were been collected from there. Some other data I've collected from the website.

Other than that, it was easy for me to make a positive relation with the manager of finance department & to collect all annual report from him

3.7: Techniques & Tools:

Data-collection techniques allow us to systematically collect information about our objects of study (people, objects, phenomena) and about the settings in which they occur. In the collection of data we have to be systematic. If data are collected haphazardly, it will be difficult to answer our research questions in a conclusive way. However, I've used some statistical techniques to analyze the data. Those are

- Trends Analysis.
- Ratio Analysis.

Tools:

The tool those I've used to implicate the techniques for analyzing data, are simple MSWord & MS Excel.

3.8: Limitations of the Report:

Though I have given utmost effort to prepare this paper but there are some limitations of the study. Such are as follows-

- The main constrain of the study was insufficiency of information, which was required for the study. There are various information the bank employee can't provide due to security and other corporate obligations.
- Due to time limitation many of the aspects could not be discussed in the present report.
- Since the bank personnel were very busy, they could not provide enough time to me. Lack of opportunity to visit more than one branch.
- The functions and activities of Dhaka Bank are too vast, so they change their strategy day by day. As a result I can't collect update information & strategy.

CHEPTER: 04

Performance Analysis of Sonali Bank Limited

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4.1: Introduction:

Banks today are great pressure to perform to meet the objectives of their stock holder, employees, depositors and borrowing customers, while somehow keeping government regulators satisfied that the banks policies, loan and investments are sound. A commercial bank is simply a business corporation organized for the purpose of maximizing the value of the shareholders wealth invested at the firm at an acceptable level of risk.

To evaluate the banks' performance financial statements, particularly its reports of condition and reports of income are prepared. How its management deal with when the bank face serious problem. Bank performance must be directed toward specific objectives. A fair evolution evaluation of any bank's performance should start by evaluating whether it has been able to achieve the objectives its management and shareholders have chosen.

To evaluate the performance of Sonali Bank limited some ratios are calculating given below from 2015 to 2019 and after that compare it with South East Bank Limited:

4.2: Return on Equity:

ROE measures the rate of return on the ownership interest (shareholders' equity) of the common stock owners. It measures a firm's efficiency at generating profits from every unit of shareholders' equity (also known as net assets or assets minus liabilities).

Among the most important ratio measures of bank profitability used today are following:

Return on Equity (ROE) = Net income after taxes/ Total equity capital.

Year	2015	2016	2017	2018	2019	South East Bank(2019)
ROE	15.3%	10.80%	12.67%	3.32%	3.92%	16.2%

Interpretations:

- The ROE of Sonali Bank Limited in 2019 is very satisfactory
- ROEs of Sonali Bank in 2019 is far better than that of 2018.
- The ROE of Sonali Bank is higher than SEBL

4.3: Return on Asset:

Year	2015	2016	2017	2018	2019	SEBL (2019)
ROA	1%	.77%	1.12%	(3.50%)	1.42%	1.64%

Interpretations:

- The ROA of Sonali Bank in 2019 is also far better than 2018.
- ROA of SEBL is slightly better than SBL
- The ROA of Sonali Bank Limited in 2019 is very satisfactory

4.4: Net Interest Margin:

Year	2015	2016	2017	2018	2019	SEBL (2019)

Net Interest Margin	1.8%	2.61%	2.53%	(1.78%)	.47%	.89%
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Interpretations:

- Net interest margin in 2019 is very close to zero
- From the financial report of Sonali Bank it can be said that the net interest margin in year 2018 was far better than year 2019.
- SEBL NIM is better than SBL

4.5: Net non-Interest Margin:

Year	2015	2016	2017	2018	2019	SEBL (2019)
Net non-Interest Margin	.51%	.0058%	.25%	(.0034%)	.61%	Unavailable Data

4.6: Net Bank Operating Margin:

Year	2015	2016	2017	2018	2019	SEBL (2019)
Net Bank Operating Margin	2.91%	3.49%	3.52 %	2.84%	2.07 %	3.03%

- In 2019 net operating margin is lower among all the years
- The net operating margin of Sonali Bank is also higher in 2018 than in 2019, so the profit earned by Sonali bank was higher in year 2018. ○ The NBOM is satisfactory of SEBL than SBL

4.7: Earning per Share:

Year	2015	2016	2017	2018	2019	SEBL (2019)
EPS	79.3%	98.16%	43.46 %	138.91	86.31 %	3.86%

- In 2019 EPS is lower among all the years
- The EPS of Sonali Bank is also higher in 2018 than in 2019, so the profit earned by Sonali bank was higher in year 2018.

- The EPS is satisfactory of SEBL than SBL

4.8: Net profit margin:

Net profit margin is the percentage of revenue remaining after all operating expenses, interest, taxes and preferred stock dividends (but not common stock dividends) have been deducted from a company's total revenue.

Net profit margin= Net income after taxes/ Total operating revenue

Year	2015	2016	2017	2018	2019	SEBL(2019)
Net profit margin	11.64%	16.03%	10.93%	(30.86%)	17.37%	12.55%

Interpretations:

- Net profit margin is better than all previous year
- Net profit margin is 17.37% in 2013 where in 2012 it was negative.
- The AU ratio of SEBL is higher than SBL

4.9: Asset Utilization:

Year	2015	2016	2017	2018	2019	SEBL (2019)
Asstet Utilization	8.19%	8.87%	9.10 %	9.69	9.39 %	12.18%

- In 2019 Asstet Utilization is lower among all the years
- The Asstet Utilization of Sonali Bank is also higher in 2018 than in 2019, so the profit earned by Sonali bank was higher in year 2018.
- The Asstet Utilization is satisfactory of SEBL than SBL
- ER is more higher of SEBL

CHAPTER: 05

Findings, Recommendation and Conclusion

best practices that are not practiced currently. These are:

- Continuous monitoring of the customer should be conducted so that loan cannot be classified.
- The bank should emphasis more on loan diversification like loans on different promising sectors and newly invented thrust sectors in the economy.
- Political intervention should be avoided while approving and sanctioning loan.

- Every day the business environment is changing and so the risk. So the bank should be developed as a dynamic organization to adapt with the changing circumstances.
- All the loan documentations have to done honestly. The bank should concentrate more on proper documentation of all types of loans to make the department trustworthy & healthy.
- The documents supporting the security against the loan have to be verified properly by the bank before sanctioning the loan.
- An Early Alert Account system should be introduced to have adequate monitoring, supervision or close attention by management
- There should be a Recovery Unit to manage directly the account with sustained deterioration. To encourage Recovery Unit, incentive program may also be introduced ○ Sonali Bank Ltd. should provide short-term scheme like Micro credit for poor people.
- It may be a fair deal if the high-risk borrowers and the low risk borrowers should not have to pay the same interest rate. Interest rate could be arranged according to the sum they borrow
- SBL should built separate loan recovery division if it happen then their classified loan amount will reduce.
- SBL should give the competitive interest rate, so that the clients are not shifting their accounts to other bank
- The amount of non-performing loan should be reduced by analysis proper evaluation of loan proposal and monitoring.

5.1: Findings of the Report:

Every bank has its own credit procedure. The Sonali Bank Ltd possesses a standard credit procedure. As the objective of my report is to make a comment on the credit risk management of Sonali Bank Ltd, I tried my best to collect data for the report and find out the reality. Based on the data generated during my internship report I have summed up my findings here and I think this will help me to achieve my objectives.

- The bank follows the overall credit assessment and risk grading process according to the rules of Bangladesh Bank in a somewhat manner.
- With a view to implementing government policies, SBL has been maintaining its position in extending credit to government bodies, sector corporations and private enterprises.
- But in practice credit officers do not fill up the proposal form properly. Most of the cases, they use assumption rather than exact figure. This practice might end up with bad or classified one.
- SBL distribute loans without sufficient security in some cases. This is violation of the Bangladesh bank order.
- Sometime the document verification is done after loan sanctioning the loan.
- There is shortage of manpower and lack of proper training for the employees in credit section.

- The credit proposal evaluation process is lengthy Therefore, sometimes valuable clients are lost.
- The website of SBL does not contain all required information about loan and advance.
- In many cases bank face the problem of recovery because the credit officer fails to value collateral property. Proper valuation means collateral will exactly cover the risk of bad loan. Officials must do it with due care.
- SBL is not efficient in processing and executing legal actions against defaulters for their nonpayment of loans and advances.

5.2: Recommendations:

To improve the risk management culture further, Sonali Bank Limited should adopt some of the industry's

- Continuous monitoring of the customer should be conducted so that loan cannot be classified.
- The bank should emphasis more on loan diversification like loans on different promising sectors and newly invented thrust sectors in the economy.
- Political intervention should be avoided while approving and sanctioning loan.
- Every day the business environment is changing and so the risk. So the bank should be developed as a dynamic organization to adapt with the changing circumstances.
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- SBL should built separate loan recovery division if it happen then their classified loan amount will reduce.
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- The amount of non-performing loan should be reduced by analysis proper evaluation of loan proposal and monitoring

5.3: Conclusion:

It goes without saying that credit policy cannot be isolated from the broader monetary policy of the country. Like any other segment of the economic policy, credit is very important for any financial institution as it generates profit and gear up economic activities of the country.

In other words, credit is business and it is input in the production process of the country. Since credit has an inherent risk, therefore proper utilization of the loans are essential to meet the requirements of the borrower. The loan applied for by the borrower must not be

employed for unproductive purpose. In this regard, the Sonali Bank Limited must closely follow the progress of the loan and the way the borrower is utilizing the funds. In this way the Sonali Bank Limited will deter any fake activities on the part of the borrower. Credit evaluation system of Sonali Bank Limited is a very lengthy process. It has been revised time to time in response to the respective circulars of Bangladesh Bank. The overall credit activity of Sonali Bank Limited is composed of corporate credit division and credit administration. The credit management system of Sonali Bank Limited is more or less effective as the recovery position of classified loans is high and classified loans have been decreasing gradually during the year. They always try to improve their credit policy for minimizing loss and maximizing profit and various measures are undertaken to develop the credit management system.

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