

“Analysis of Credit Management System of Sonali Bank Limited: A Study on New Market Branch, Dhaka”

Submitted To:

Sayed Farrukh Ahmed

Assistant Professor
Department of Business Administration
Faculty of Business & Economics
Daffodil International University

Submitted By:

Sheikh Mahbub Habib

ID No. 171-14-2362
MBA Program
Department of Business Administration
Faculty of Business & Economics
Daffodil International University

Date of Submission: 16 September, 2018

Letter of Transmittal

16.09.2018

To

Sayed Farrukh Ahmed

Assistant Professor

Department of Business Administration

Faculty of Business & Economics

Daffodil International University

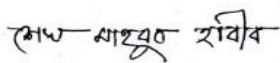
Subject: Submission of the internship report on 'Analysis of Credit Management System of Sonali Bank Limited'

Dear Sir;

This is a great pleasure for me to submit the internship report, which is a partial requirement for the Internship Program of Daffodil International University for MBA students. I have prepared my internship report on 'Analysis of Credit Management System of Sonali Bank Limited'.

I will be very glad if the report can serve its actual purpose and I am ready to explain anything to you if necessary.

Sincerely yours,



Sheikh Mahbub Habib

ID. No. 171-14-2362

Program: MBA

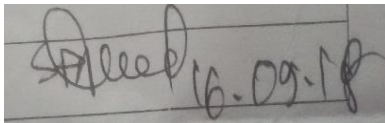
Major in Accounting

Daffodil International University

Certificate of Approval

I am pleased to certify that the Internship report on **Analysis of Credit Management System of Sonali Bank Limited** conducted by Sheikh Mahbub Habib bearing ID No. 171-14-2362 of MBA Program, Department of Business Administration has been approved for presentation and defense. Sheikh Mahbub Habib worked with Sonali Bank Limited as an intern under my supervision.

Sheikh Mahbub Habib bears a strong moral character and a very pleasing personality. It has indeed been a great pleasure working with him. I wish his all success in life.



Sayed Farrukh Ahmed

Assistant Professor
Department of Business Administration
Faculty of Business & Economics
Daffodil International University

Acknowledgement

First of all, I want to utter my gratitude to almighty Allah for giving me the mighty and the composure to conclude the task within the scheduled time.

I would also like to express my gratefulness to my internship supervisor Mr. Sayed Farrukh Ahmed (Assistant Professor) for his constant support. His supervision helps me to separate the significant and essential details from the unnecessary certainly helped me to stay on the correct track.

I acknowledge my indebtedness to Md. Shoriyot Ullah (AGM & Head of Branch), New Market Branch, Dhaka, and many special thanks to those who help me to complete this report. They have been extremely co-operative and willing to help at all time.

Executive Summary

Sonali Bank Limited is the largest government commercial bank in Bangladesh with a total of 1212 branches. Out of them, 466 are located in urban areas, 744 in rural areas, and 2 are located overseas. It also operates the Sonali Exchange Company Inc. in USA and Sonali Bank (UK) Ltd., United Kingdom, to facilitate foreign exchange remittances. Sonali Bank Ltd is one of the commercial banks of Bangladesh. The main intention of the Bank is to provide all of banking services at the doorsteps of the people.

This report is projected to focus on the Credit Function of Sonali Bank as well as analysis of their performance in this department. I've collected data's from primary and secondary sources to enrich this report. This report contains several chapters in which I've drawn my study.

First chapter is Introduction part; in this chapter I briefly discussed Background, Rationale, Objectives, Scope, Methodology and Limitation of the report. Second chapter Consist of Background of Sonali Bank Limited That is company's profile, mission, vision, logo, ancillary services, organization chart. Third chapter which is Loans and Advances, Here I briefly discussed Loans, Advances, Loan Classification, Procedure of Loan, Loan Documentation, Loan Renewal, Loan Issue, Loan Issue Process, and Loan Recovery of Sonali Bank Limited. Fourth chapter describes Finding and Analysis of Loans and Advances of Sonali Bank Limited.

Fifth chapter describes Recommendations and Conclusion of Sonali Bank Limited. The report provides recommendations on an envisioned system that has been developed from the study.

Contents

1.1 Introduction:	1
1.2 Origin of the Report:	1
1.3 Rationale of the Report:	1
1.4 Objectives of the Study:.....	2
1.5 Methodology of the Study:.....	2
1.6 Limitation of study:	3
2.1 History of Sonali Bank Limited:	4
2.2 Background of Sonali Bank Limited:	4
2.3 Mission:.....	4
2.4 Vision:	5
2.5 Corporate profile:	5
2.6 Organization Chart of Sonali Bank:	6
3.1 Concept of “Credit”	7
3.2 Credit Management.....	7
3.3 Credit Facilities of Sonali Bank Ltd.....	7
3.4 Credit Operating System.....	8
3.5 Loans & Advances	9
3.6 Credit Budget	10
3.7 Recovery Rate	12
3.8 Credit Rules and Regulation.....	14
4.1 Performance in Loans and Advances of SBL:	15
4.2 Classified Loan of SBL:.....	15
4.3 Overall Industrial Credit Position of the Bank:	16
4.4 Allocation of Loan able funds:	16
4.5 Un-Classified Load of SBL:.....	17
4.6 Statement of Changes in Loans and Advances:	17
4.7 Maturity Grouping of Loans and Advances:	18
4.8 Sector wise Segregation of Loans and Advances:.....	19
4.9 Geographical Location wise Loans and Advances:	19
4.10 Findings:.....	21
5.1 Conclusion:.....	22

Abbreviations:

FSS- Financial Spread Sheet

OD- Overdraft

FDR- Fixed Deposit Receipt

PAD- Payment against Documents

CIB- Credit Information Bureau

RM- Relationship Manager

LIM- Loan against Imported Merchandise

AD- Authorized Dealer

CC- Cash Credit

HOM- Head of Marketing

KYC- Know Your Customer

CRM- Credit Risk Management

CL- Consumer Loan

CRG- Credit Risk Grading

NPL- Non-Performing Loan

SME- Small and Medium Enterprise

RU- Recovery Unit

CHAPTER ONE

INTRODUCTION PART

1.1 Introduction:

We can easily recognize that "Bank" is the financial institution deals with currency. But there are special types of banks like; Co-operative Banks, Commercial Banks, Industrial Banks, Savings Banks, Investment Banks and Central Banks etc.

The internship program of MBA is a partial requirement to take test of real life challenge conducted by the intern. This report presents the outcomes of the Report during the internship-period at Sonali Bank Limited. During this period I have worked closely with the employee of New market Branch, Sonali Bank. Sonali Bank Limited is a state-owned leading commercial bank in Bangladesh. It is the largest bank of the country. I was focus on the topic "Credit Management system of Sonali Bank Limited (New market branch

1.2 Origin of the Report:

The internship report is a basic requirement for the MBA program. This internship report entitled "Credit Management system of Sonali bank limited." has been started of the January 31, 2018 under the instruction of my honorable intern supervisor **Sayed Farrukh Ahmed** Assistant Professor, Department of Business Administration, Daffodil International University, for the partial fulfillment of the requirement of MBA Program.

1.3 Rationale of the Report:

In this world Bangladesh is one of the poorest country. Her socio-economic development depends on rural development, 85% of its total population being dispersed in 88,000 villages and about 50% living below poverty line. The literacy level in the country is very low; consequently the skill of the labor forces is also low. So entrepreneurship is essential for Bangladesh and also essential for productive investment, which in turn contributes to capital formation. It is a strategy factor between productive investment and capital formation.

Bangladesh Bank and Bangladesh Government have undertaken various Credit Programs for the development of small-scale industries. Sonali Bank Limited gives loan to those rural landless people who are politically, economically and socially rearward and dreadfully in need of credit and who normally remain remote the orbit of the conventional Banking system.

1.4 Objectives of the Study:

This internship program is proposed for providing me valuable convenient information about banking operation system in Bangladesh. The major objective of the study is to observe the performance of Sonali Bank Ltd.

Specific Objectives:

- To analyze credit management system of Sonali Bank limited.
- To identify the sector wise Loans and Advances of Sonali Bank Limited.
- To recommend suggestions based on my findings.

1.5 Methodology of the Study:

These lessons have equipped on the basis of my realistic experience on the day-to-day banking activities and under the close supervision of my teacher. Two types of sources have been used for assembly and collecting data required for the study.

Sources of Data:

- ✓ **The Primary Sources are:**
 - (a) Interview with the officers.
 - (b) Practical work.
 - (c) File study.
- ✓ **The Secondary Sources are:**
 - (a) Annual reports of Sonali Bank Ltd.
 - (b) Lecture materials from Sonali Bank Staff College.
 - (c) Official Records of Sonali Bank Limited.
 - (d) Official website of the Sonali Bank Ltd.

1.6 Limitation of study:

Co-ordination from the bank officials, researcher faced some limitations the notable some of these are: There are some limitations of the reports which are described briefly.

1. Time factor:

Internship programs time length is only three months. Banking is a vast phenomenon and a huge concept encompassing a great variety of divergent field of studies. It is impossible to cover all the related matters within three months and construct a proper report on it. Only a bird's eyes view has been presented in the report due to the time constraint.

2. Non-disclosure of the bank's policy:

A business organization cannot reveal all its data and information to public because of its policy of secrecy. So all these secret matters have not been possible to collect and to incorporate in the report which may result in break of confidentiality.

3. Absence of relative information:

To make a conclusion of the overall actions of an organization it is compulsory to collect same and connected information of additional companies in the same industry. But it is really difficult to get that information because of business secrecy of those companies.

4. Insufficient data:

Sometimes sufficient data have not able to be collected due to many constraints. Insufficient data may suffer from the lack of reliability.

5. Absence of organization to make thorough report:

There is lack of well-organized research unit to report the present position and innovate newer ways to face the challenge of banking of the modern time.

CHAPTER TWO

ORGANIZATIONAL PART

2.1 History of Sonali Bank Limited:

Sonali Bank emerged as a largest and leading nationalized commercial bank after independence of the country by proclamation of the Bank's Nationalization Order 1972 (Presidential order- 26) liquidating the then National Bank of Pakistan, Premier Bank and Bank of Bahawalpur

Government ownership was 100% and bank has been converted to a Public Limited Company and started functioning as Sonali Bank Limited from November 15, 2007 taking over all assets, liabilities and business of National Bank of Pakistan, Premier Bank and Bank of Bahawalpur. After corporatization, the management of the bank has been given repaired autonomy to make the bank competitive and to run its business effectively.

The corporate head quarter of the bank is located at Motijheel, Dhaka, Bangladesh and the main commercial center of the capital.

2.2 Background of Sonali Bank Limited:

Sonali Bank Limited, one of the state owned commercial banks in Bangladesh, has an authorized capital of Tk.6000.00 Crore, paid up capital of Tk.3830.00 Crore. Sonali Bank operates through 1212 branches counting four abroad branches at United Arab Emirates.

The Bank employs more than 18,806 peoples. The Board of Directors is composed of 13 (Thirteen) members headed by a Chairman. The Directors are legislative body from both private and public sectors. The Bank is headed by the Chief Executive Officer & Managing Director. The corporate head office is located at Dhaka with 10 Divisions comprising of 38 Departments.

2.3 Mission:

Sonali Bank Limited will be a successful commercial bank by maintaining a constant expansion strategy, delivering high class financial products, providing exceptional customer

service through a knowledgeable administration team and ensuring good corporate authority in every step of banking system.

2.4 Vision:

To become the effective largest commercial bank in Bangladesh to support socio-economic development of the country and to be a leading bank in South Asia.

Logo of Sonali Bank:



2.5 Corporate profile:

Name of the Company: Sonali Bank Limited

Chairman: Mr. Md. Ashraful Moqbul

CEO and Managing Director: Mr. Md. Obayed Ullah Al Masud

Company Secretary: Mr. Md. Ataur Rahman

Legal Status: Public Limited Company

Genesis: Emerged as Nationalized Commercial Bank in 1972, following the Bangladesh Bank (Nationalization) Order No: 1972 (PO No. 26 of 1972)

Date of Incorporation: June 03, 2007

Date of Vendor's Agreement: November 15, 2007

Registered Office: 35-42, 44, Motijheel Commercial Area, Dhaka, Bangladesh.

Authorized Capital: BDT 6000.00 Crore

Paid up Capital: BDT 3830.00 Crore

Number of Employee: 18806

Number of Branches: 1212

Phone-PABX: 9550423-31, 33, 34, 9552924

FAX: 88-02-9561410, 9552007

SWIFT: BSONBDDH

Website: www.sonalibank.com.bd

E-mail: itd@sonalibank.com.bd

2.6 Organization Chart of Sonali Bank:

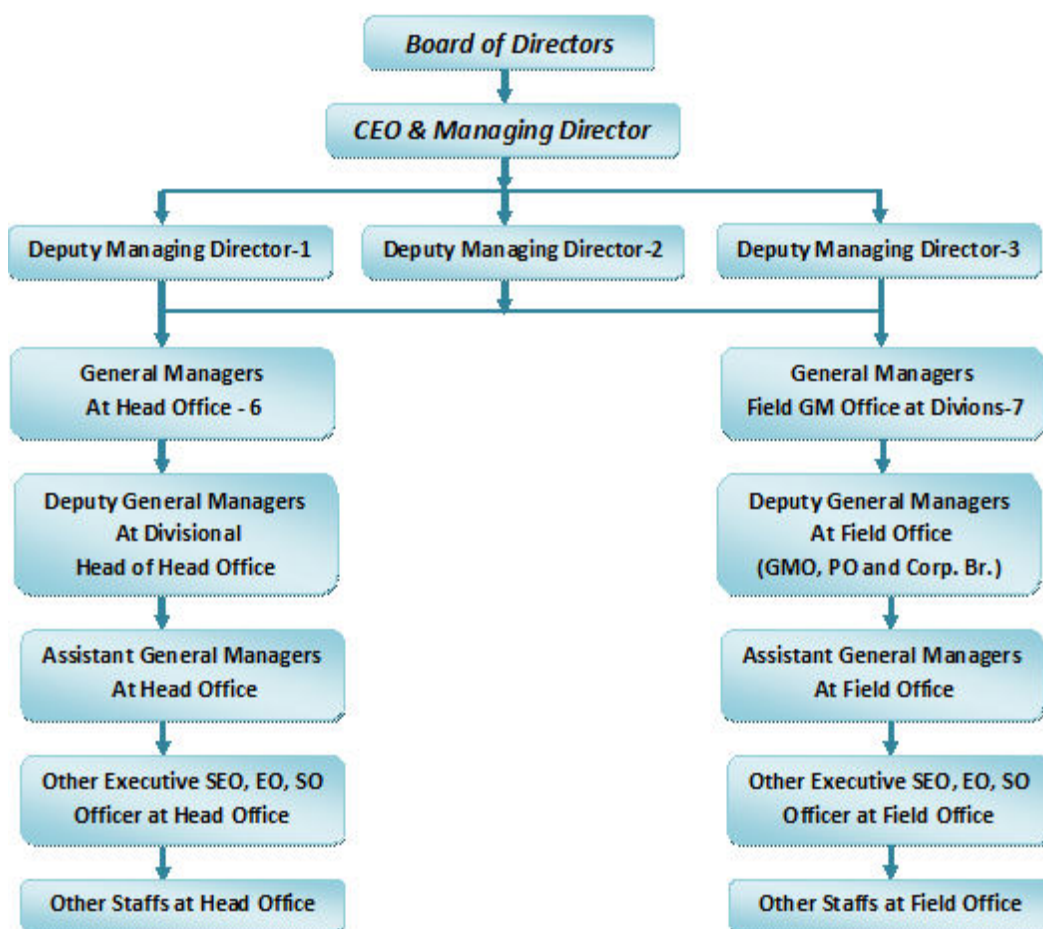


Figure-2: Organogram of Sonali Bank Limited (position wise)

CHAPTER THREE

CREDIT MANAGEMENT SYSTEM OF SBL

3.1 Concept of “Credit”

The expression "credit" is derivative from the Latin word “credo” which means “I believe” and is frequently well-defined as the capability to purchase with an assurance to recompense. It involves of authentic transport and delivery of goods and services in exchange for an assurance to recompense in future. It is basically the reverse of debt. Variation of banking service has accelerated the use of credit in the development of business function. It is a elementary principle of banking everywhere that progresses are made to customers in dependence on his promise to recompense rather than the safekeeping held by the banker.

3.2 Credit Management

Credit management is the procedure for controlling and collecting payments from your clients. A good credit management system will help you decrease the amount of capital tied up with debtors and reduce your experience to bad debts.

Credit management is basically defined as the potential that a bank borrower will be unsuccessful to gather its obligations in agreement with approved terms.

3.3 Credit Facilities of Sonali Bank Ltd.

The major focal point of Sonali Bank Ltd. Credit Line/Program is financing industrial, business and trade activities through an efficient delivery system.

- Sonali Bank Ltd. offers credit to approximately all sectors of commercial actions having industrious purpose.
- The loan variety of the Bank encompasses a wide range of credit programs.
- Credit is also presented to most important thrust sectors, as earmarked by the government, at a cheap interest rate to develop cutting edge industries.
- Credit services are presented to individuals including housewives, businessmen, small and big business houses, traders, manufactures, corporate bodies, etc.
- Loan is provided to the urban people for agricultural production and other off-farm activities.
- Loan pricing system is customer friendly.
- Prime customers enjoy primary rate in lending and other services.
- Quick appreciation, evaluation, assessment and expenditure are ensured.

3.4 Credit Operating System

Prospective Borrower

Most bank loans to individuals arise from a direct request from a customer who approaches a member of the bank's staff and asks to fill out a loan application.

Client's Interview

When a client decides to request a loan, an interview with an officer generally suggests some steps, giving the customer the opportunity to clarify his or her credit needs. That interview is mainly important because it provides a circumstance for the bank's loan officer to assess the customer's moral fiber and authenticity of purpose. If the customer appears to lack sincerity in acknowledging the need to hold on to the terms of a loan, this must be recorded as a strong reason weighing against sanction of the loan request.

Client's Request with FIS

The debtor is providing with an instruction paper, which assist him or her to organize the loan proposal appropriately. Information on loan application should be outfitted in prescribed First Information Sheet in triplicate appropriately typed in each pages should be accordingly sealed and signed by the applicant.

Information Sheet

Complete information must be well-appointed in respect of every entry maintained by documentary evidences, wherever needed, to stay away from further suspension/refusal of the request. The bank reserves the right to reject the application immediately if the application given in the form is partial and not fully recognized in all respects. Information may be provided in supplementary sheets of papers, if required. However make sure all the pages and annexure are signed under official seal. Also make sure that all the evidences have been enclosed appropriately including the feasibility reports on loan proposal.

Analysis Proposals

Sonali Bank Ltd. was well-known to offer term loan and other monetary support as well as all kinds of banking services to speed up the pace of progress to small industry. The monetary support includes short term, medium and long term working capital loan finance to feasible new- small scale industry projects and BMRE of SSI projects which accomplish the banks criteria of feasibility and adequacy. Project analysis in the banking sector is needed for the following reasons:

- To achieve organizational goals.
- To make sure reimbursement of bank finance.
- To justify the soundness of an investment

3.5 Loans & Advances

Sonali Bank Ltd. emphasis on credit eminence and customer's services yielded the preferred expansion in profit, capital assets and shareholders' value.

Industrial Credit

Sonali Bank's services are paying attention towards the entrepreneurs in the minor industries sector. A minor industry has been defined as an industrial activity whose total fixed investment is less than Tk.100 million. The industrial loan imitated a major growth of 22.59 % over the previous year. Total outstanding industrial loans including Agri-based industry, RMG, Textile, Ship Building, Ship Breaking & Other Manufacturing Industry stood Taka1359.29 crore at the end of 2012.

Commercial Credit

Sonali Bank also funds expansion of business trade, and other commercial actions in the country. All services to the importers and exporters ranging various facilities such as cash credit, export cash credit, short term loans, packing credit, and foreign and local bills purchase facilities are covered by it.

Micro Credit

Sonali Bank Ltd. introduced a Micro Credit Scheme in 1994. Micro Credit Scheme provides for the unfortunate generation of employment and income on a sustainable basis mainly in town and uptown areas. It has three systems of credit delivery. These are:

- Lending to the NGOs who on-lend to their members.
- Lending straight to the targets groups under the Bank's management.
- Lending straight to the member-borrowers and NGOs providing non-financial services. For instance, group formation and monitoring and supervision on swap for a supervision fee.

Lending Criteria

- Entrepreneur has to be credit worthy and competent enough to run the projected industry.
- The project should be feasible from economic, technical, organizational, commercial, and financial points of view.

Technical Viability

- Building should be well planned and well-constructed.
- Technology transfer in case of borrowed know-how has to be ensured.
- The project should be technically sound and environment-friendly.

Commercial viability

- Marketing channel for the manufactured goods should be easy to get to to the entrepreneur.
- Market prospect and potential for the product has to be fully assured at competitive prices.

Financial Viability

- IRR should preferably be not less than 20 %.
- Debt service coverage ratio ought to be at least 2.5 times at the finest level of production.
- There should be realistic debt equity ratio as single-minded by the Bank on character case basis.

Economic Viability

- The project should make sure advantage to the nationwide economy and create plenty employment occasion and be environment friendly.

3.6 Credit Budget

Budget is the numerical expression of a plan. It acts as the guideline for the operational people and streamlines all the efforts to desired way. In credit operation, budget performs some other important function.

Firstly, a credit budget can be used as yardstick to prevent unwarranted credit concentration in one or few sectors. A bank with high concentration in one or few sectors is likely to be severely affected from any adverse change in respective sectors.

So, a sector-wise credit budget can be used as guideline to avoid sectoral concentration. Secondly, the credit budget acts as a target to be achieved. It allows the management to review the performance with the budget and to take corrective action, if necessary.

Thirdly, since credit budget is prepared giving emphasis on potential sector and for discouraging risk sectors, credit budget provides ready reference for identifying potential sectors as well as risky sectors. Obviously, some sector bear good potential while some other sectors may have reached the situation stage.

SBL formulates credit budget indicating appetite for growth in different sectors, every year. For the year of 2011, SBL credit budget contain following:

- Preferred Areas of Business
- Mode-wise Credit Exposure Ceiling
- Large Loan Concentration Ceiling
- Management of Classified Loan and Advances to keep it at the lowest level
- Credit budget for the year 2011 with sectorial outlook and exposure ceiling
- Credit Budget for the different segments of business like Corporate, SME, Retail etc.
- Emphasizing on secured Lending
- Compliance of Basel- II framework
- Loan Pricing Policy

- Policy for the Delegation of Approval Authority as per Bangladesh Bank guideline
- Implementation of the concept of Relationship Banking.

Credit Facilities parameter:

Maximum Size:

1. Information of Bangladesh Bank is carefully complied in respect of utmost size single customer/group exposure. At present, as per guidelines of Bangladesh Bank, the total outstanding of any single enterprise or person of a group at any point of time does not exceed 35% of bank's total capital subject to the condition that the maximum outstanding against fund based financing services do not go beyond 15% of the total capital.
2. Loan sectioned to any individual enterprise or any organization of a group amounting of 10% or more of bank's total capital is consider as large loan. SBL having classified loan less than 5% (i.e. classified loan as on 31.12.2011) can extend large loan up to 56% of its total capital funds.

Maximum Tenor:

Short-term loan	Medium term loan	loang term loan
<ul style="list-style-type: none"> maximum period 12 months. actual loan period shall be fixed on a case-to-case basis considering cycle of business and requirement. 	<ul style="list-style-type: none"> Loan period shall be for more then 12 months and up to 36 months. 	<ul style="list-style-type: none"> Loan period shall be more then 36 months. Actual loan period shall be fixed considering repayment capacity and projected cash flow.

Securities:

The capital securities are secured by primary security and collateral security of substantial value and quality but the security requirements are fixable for borrowers having lower business risks. Collateral security is properly valued by enlisted independent surveyor and the recommending branch. The collateral security must have adequate value, proper demarcation, possession right and right title of document as opened by panel lawyer of the bank. The collateral must be within the commanding area of the branch. In addition to that guarantee of the sponsor s, spouses, mortgagors as well as the postdated cheques covering the facilities with usual charge documents are obtained to make the facilities secured. Asset

pledge, as security is properly ensured. Financial instrument pledged as security are properly lined and authenticated.

3.7 Recovery Rate

Comparative Recovery Rate of Loans

In banking surroundings no prize can be anticipated without risk. Considering the present non-performing loan position of the country, Sonali Bank Ltd. is very much careful about its asset. Every loan suggestion is positioned under cautious inspection before sanction. Recovery team and internal audit team implement close monitoring on every loan transaction. All out efforts were made to pick up the recovery rate and manage of non-performing loans and advance.

How Sonali bank recover their Loans

When Sonali 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 public banks have to face this sort of problems. This situation is also found in Sonali Bank. To overcome the problem of overdue loan, the bank has taken particular loan recovery programs.

Recovery Programs taken by Sonali Bank Limited:

- ✓ Establishing credit supervision and monitoring cell in the bank
- ✓ Re-structuring the loan sanctioning and distributing policy of the bank
- ✓ Sanctioning loans and advances against sufficient securities as best as possible
- ✓ Giving more powers to the branch manager in credit management decision making process
- ✓ Offering a package of incentives to the sound borrowers
- ✓ Giving more emphasis on short term loans and advances
- ✓ Imposing restrictions on loans and advances for sick industries
- ✓ Taking legal actions quickly against unsound borrowers as best as possible within the period specified by the law of limitations.

Recovery Patterns of Loan & Advances

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

- ✓ Disbursement: highest outstanding balance on any date during the reporting period minus outstanding balance at the end of the preceding period.
- ✓ Demand for recovery: overdue at the end of the reporting period plus recovery during the reporting period.

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

Problems in Loan Recovery

Sonali Bank is carrying out better in managing loan and advances, still 12.39% of total loan and advances are classified. There are a lot of causes for which the loan recovery of the bank is still now faulty. 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 describes as follow:

1. Changing of management shapes may delay the recovery of mature loan.
2. The banks sometimes sanction loan to the losing concern for further improvement of the respective sector, but in maximum cases, they fail to accomplish progress.
3. 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.
4. There are many companies which increase their business rapidly, but the development is for short time. In the long run, the amount of classified loan increases.
5. Sonali Bank has also confronted many problems in the loan recovery process as a part of continuous pressure from various interested groups.
6. Existing rules and regulations are lacking to cover the legal aspects of loan recovery. As a result, defaulters can get release easily from all charges against them.
7. Frequent changes in government strategies in regard to recovery of loan.
8. Before lending, Sometime Sonali Bank fails to properly analyze the business risk of the borrowers and the bank cannot predict whether the business will succeed or fail. If it fails to run well, the loan becomes classified.
9. 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.

3.8 Credit Rules and Regulation

Generally, lending to the borrowers by the bank is not intentional. The bank has to be consistent with regulations which state some guidelines to ensure safety of the deposit and reduce the vulnerability to credit risk. The risk is composed of majorly credit risk. So, the followings are major ones that administer the credit grant.

- Guideline on risk based capital adequacy
- Guideline on subordinated debt
- Risk management Guideline for Bank.2012
- Credit risk management guideline
- Internal control and compliance
- Policies and guidelines for CIB online services
- Agricultural and Rural credit policy and programs 2012-13
- SME credit policy and program
- Spread calculation procedure

CHAPTER FOUR

ANALYSIS AND FINDINGS

4.1 Performance in Loans and Advances of SBL:

Year	2012	2013	2014	2015	2016
Amount	384538	346346	337554	343451	374147

* TK in Millions

Explanation: Total Loans and advances of the bank as on 31th December 2016 stood at TK.374147 million showing an increase of Taka 30696 million from previous year 2015. We see that the amount of loan is decreasing from 2012 to 2014 than increasing from 2014 to 2016.

4.2 Classified Loan of SBL:

Year	2012	2013	2014	2015	2016
Amount	125975	103769	86437	86849	109715

* TK in Millions

Explanation: The table above shows that during the year 2016 banks provide classified loan of Tk.109715 million. In 2015, Classified Loan was 86849 million but in 2016 it increases almost 22866 million taka compared to year 2015.

4.3 Overall Industrial Credit Position of the Bank:

SL No.	Nature of Loan	No. of Units	Amount sanctioned	Amount recovered	Outstanding
1.	Large & Medium	698	3811.31	1050.55	2760.76
2.	Small & Cottage	21152	675.02	648.62	26.4
3.	W.C industries	1298	1421.32	851.49	569.83
	Total:	23148	5907.65	2550.66	3357.99

***Tk in millions**

Explanation: Sonali Bank Limited has three types of nature of loans. Those are Large and Medium, Small and Cottage and W.C. Industries. Numbers of units are 698, 21152 and 1298 respectively. Total 5907.65 million BDT sanctioned in loans. Among them 2550.66 million BDT recovered in process. Rest of the amount 3357.99 is outstanding.

4.4 Allocation of Loan able funds:

<i>Particulars</i>	<i>Percentage (%)</i>
Trade & working capital	45%
Industries	25%
Small industries & various sector wise finance under Govt.	15%
Real estate & civil construction	5%
Agro-based financing	5%
Lease financing	3%
Consumer financing	2%

Explanation: Sonali Bank Ltd. allocates its loan able funds to the trade & working capital, industry sectors, small industries, and real estate & civil constructions works. And it is noticeable that it allocates its 45% loan to the trade and working capital, this is the largest amount of allocation among the others. The lowest allocation of its loan is only 2% for its consumer financing.

4.5 Un-Classified Load of SBL:

The entire Un-classified loan is included here. I have furnished below the loan and advance position of Sonali Bank Limited to comparison its progress for last five years.

YEAR	Un-classified Loans
2016	897
2015	814
2014	804
2013	718
2012	479

***Tk in million**

Explanation: Here it can be observed from the chart that the Un-classified loans and advances have been increased day by day and it recorded TK. 897 in the year 2016. Total 83 million BDT increases in one year.

4.6 Statement of Changes in Loans and Advances:

Loan & Advances	Year			
	2016	2015	2014	2013
Loan, Cash Credit, Overdrafts	23038761590	19124070288	14246564951	11871742690
Bill purchased & Discounted	1639594703	1409058841	964587274	979109797
Payable in Bangladesh	1511922523	1269354527	915916032	687566839
Payable Outside Bangladesh	127672180	139704314	48671242	291542958

Total	<u>2631795099</u>	<u>20533129129</u>	<u>15211152225</u>	<u>1285085248</u>
	<u>6</u>			<u>7</u>

*TK in million

Explanation: Statement of changes in loans & advances shows that Loan, cash, credit and OD holds about 50% of the total loan and advances, and Bills purchased and discounted holds about 30% of total loan and advances. Also loan payable in Bangladesh holds about 20% of total loan and advances. And the rest is for the loan payable outside Bangladesh which is about 10% of total loan and advances.

4.7 Maturity Grouping of Loans and Advances:

Maturity Grouping Of Loans & Advances:	Year			
	2016	2015	2014	2013
Payable on demand	1687721001	17479592 13	34055488 76	908065455
Less than 3 months	6606757999	50963237 87	35590811 57	386212773 7
More than 3 months but less than 1 Year	7321575000	61780710 00	30059579 59	480729186 9
More than 1 year but less than 5 year	6125833000	54220311 29	40566160 00	263299300 0
More than 5 years	2936469293	20887440 00	11839482 23	640374426
Total	<u>24678356293</u>	<u>20533129</u> <u>129</u>	<u>15211152</u> <u>25</u>	<u>128508524</u> <u>87</u>

*TK in million

Explanation: Maturity Grouping of Loans & Advances shows that in year 2013 to 2016 is approximately commendable. Because loan payable on demand and loan which were less than 3 months and loan which were more than 3 months and loan which were more than 1 year and loan which were more than 5 year are matured in timely manner.

4.8 Sector wise Segregation of Loans and Advances:

Sectors	Year			
	2016	2015	2014	2013
Agricultural	202103000	420243000	133266000	62403000
Industry	8935153000	8285250000	5459206000	3615288000
Construction	2185413000	1119639000	140298000	225422000
Water works	000	2548000	9877000	000
Transport & communication	831059000	342292000	339415000	355308000
Storage	7000	4554000	4561000	68315000
Business	8529257000	7987439000	6728603000	6657270000
Others	3995364293	2371164129	2395926225	1866846487
Total	<u>24678356293</u>	<u>20533129129</u>	<u>1521115222</u>	<u>12850852</u>

*TK in million

Explanation: Statement of sector wise segregation of loans & advances shows that the loan given to the business sector was very much commendable also in the storage sector it was satisfactory. In the year 2016 in business sector SBL gave tk.8, 529,257,000 and in year 2014 in storage sector SBL gave tk.4, 561,000 for the storage sector.

Also SBL contributed in the transport and communication sector, water sector and agriculture sector for the development of the country.

4.9 Geographical Location wise Loans and Advances:

Divisions	Year			
	2016	2015	2014	2013
Dhaka division	16852103972	13253009063	9934042076	8305987752
Rajshahi division	481603156	364349847	243454426	177624413
Chittagong	6476015501	6097568419	4355211533	3826397284

division				
Sylhet division	207996522	201795586	162539309	90021374
Khulna division	660637142	6164066214	515904881	450821664
Total	<u>24678356293</u>	<u>20533129129</u>	<u>15211152225</u>	<u>12850852487</u>

*TK in Million

Explanation: Statement of geographical location wise loans & advances depicts that from the beginning of 2013 Dhaka division is preferred to other divisions. And gradually it was decreasing year after year. Sylhet, Khulna and Rajshahi divisions are not given sufficiently loan and advances for their proper development. And it indicates that SBL did not maintain a proper distribution of loan and advances to all the divisions of this Bangladesh.

4.10 Findings:

Based on the previous chapter, analysis segments and the brief description of Loans & Advances procedure and performance of Sonali Bank following findings are originated:

- Total loans and advances of Sonali Bank Limited (SBL) as on 31st December 2016 stood at TK.374147 million showing an increase of Taka 30696 million from previous year 2015.
- In 2016 banks provide classified loan of Tk.109715 million. In 2015, Classified Loan was 86849 million but in 2016 it increases almost 22866 million taka compared to year 2015.
- It is noticeable that it allocates its 45% loan to the trade and working capital; this is the largest amount of allocation among the others. The lowest allocation of its loan is only 2% for its consumer financing.
- Un-classified loans and advances have been increased day by day and it recorded TK. 897 million in the year 2016. Total 83 million BDT increases in one year.
- Statement of sector wise segregation of loans & advances shows that the loan given to the business sector was very much commendable also in the storage sector it was satisfactory. In the year 2016 in business sector SBL gave tk.8, 529,257,000 and in year 2014 in storage sector SBL gave tk.4, 561,000 for the storage sector.
- Credit recovery rate of SBL was 12% in 2016, but now it decreases to 8% in 2017.
- The bank has little concern about the publicity and advertisement. As a result most of the customers are unaware about the variety of loan products of the bank.
- Sonali Bank Limited distributes loans without sufficient security and this is the violation of the Bangladesh Bank order.

CHAPTER FIVE

RECOMMENDATIONS AND CONCLUSION

Considering the customer queries and conversation with the general banking employees as well as credit departments employees and retail bankers, and after roaming the whole credit procedure and analyzing the credit condition it can be said that SBL has still many measures to take in managing the credit division more effectively and efficiently. After the whole discussion the following suggestions can be given that will be helpful to the bank to manage its credit operation better.

- Business services in remote areas and branches should increase.
- Responsibility should be taken to improve the performance of the Sonali Bank Credit Management.
- The loan policy and loan sanction procedure should be made more flexible and easy.
- In this situation the need to promote diversity of loan products and advertising.
- The Bank should decrease the loan sanction time.
- Loan and advances in the management of private banks to follow.

5.1 Conclusion:

From the overall perspective of the country, in accordance with recent transformation in the modern world, Bangladesh has to or needs to change accordingly. Even after a lot of obstacles, in Bangladesh, financial sector is expressing itself as the most positive one. Now by contributing in business, industry etc. banks are actively involved in making the economy vibrant. To cope with these new challenges, private commercial banks have to take effective steps. Government has already started to give necessary sanctions to specific sectors by providing lower interest rates. Moreover to ensure foreign investment, government is trying to maintain law and order very strictly. So the banks are optimistic about their future that they will be able to sustain any uncertainty.

Sonali Bank Ltd. is providing consumer credit scheme, higher purchasing loan etc. to cope up with the new consumer world. Moreover by providing syndicated loan, the bank is contributing to the infrastructural development of the country. Noticeably Sonali Bank Ltd. is not concentrating only on taking deposit and lending money. Rather they are trying to

diversify' their investments to small and medium enterprises also. By financing export import business Sonali Bank Ltd. is trying to keep balance of foreign currency. At the same time, by creating a lot of employment Sonali Bank Ltd. is helping to curb the unemployment problem in this country. Beside interbank money market, by exchanging several currencies; Sonali Bank Ltd. is continuously helping the economy to keep it vibrant.

Bibliography and References:

Books

- a) Higging, R. C., (2008), Analysis of financial management, 3rd ed., Houghton Muffin Company, Boston, New York.
- b) Frank k. Reith C. Brown. “Investment Analysis and Portfolio Management”, Eight Edition.

Web References

- i) <http://www.Sonalibank.com.bd>.
- ii) www.google.com.
- iii) http://en.wikipedia.org/wiki/Economy_of_Bangladesh.
- iv) www.bangladeshBankbd.com.
- v) www.report.com
- vi) <https://thefinancialexpress.com.bd/economy/loan-recovery-drive-falters-as-defaulters-bamboozle-sonali-bank-1519530410>
- vii) Different Office Circulars