

**CREDIT RISK MANAGEMENT OF SONALI BANK LIMITED  
(COLLEGE GATE BRANCH), DHAKA**

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**CREDIT RISK MANAGEMENT OF SONALI BANK LIMITED  
(COLLEGE GATE BRANCH)**

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## **ABSTRACT**

An internship program is very important & essential for acquiring experience through learning and spreading the scope of Knowledge. I have done my internship program in Sonali Bank Ltd. (College Gate Branch), Dhaka.

This internship report is aimed at providing a comprehensive picture to the areas of Credit Risk Management of Sonali Bank Ltd .The report has been divided in to eight Chapters.

From the study we will get a clear picture of overall credit performance of Sonali Bank Ltd, College gate branch, Dhaka. I observed that the customer satisfaction level & quality of service is better than any other nationalized bank. After completion of analysis, it is found that Sonali Bank Ltd. credit policy is quite lengthy & service charge is quite high.

In Analysis part, I have tried to find out the risk and ratio related to credit management, Sonali Bank Ltd. is gradually developing but College Gate Branch with a higher ratio is at a vulnerable situation. In 2015 Return on Credit (ROC), Return on Total Assets (ROA), Return on Equity (ROE), Advance Deposit (AD) are 8.07%, 1.42%, 17.79% and 65.29% respectably which is quite well. My investigation show that SBL capital adequacy is 12.60% which is Strong, asset quality is 5.62% which is at satisfactory level, level of earnings is 1.43%, which is strong, level of liquidity is 19.33%, which is fair and bank rating 1.8% which also is at satisfactory level. So, I can say that, SBL performance is sound.

Although the study has some shortcoming like lacks of knowledge to such type of survey, time limitations, and respondents' unwillingness to cooperate and limited sample size. But I believe that this report will help the reader to understand credit risk management process of Sonali Bank Ltd.

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*I am ever grateful to some of my friends who helped me to complete this internship report. My deepest apology goes to those names that I have mistakenly omitted here. I would like to express my heartiest gratitude to those people who have helped me to not to get lost during the preparation of this internship report. I acknowledge all those who helped me to bring this internship report to reality.*

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*December, 2015*

*The Author*

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# CHAPTER 1

## INTRODUCTION

### 1.1 Introduction

The bank is spreading its operation through all over the Bangladesh. Sonali Bank Ltd. has 1208 branches in all over the Bangladesh. It is committed to provide high quality financial services or products to contribute to the growth of GDP of the country and the growth of industrialization, boosting up export, creating employment opportunity for the educated youth, raising standard of living of limited income group and overall sustainable socioeconomic development of the country.

Money is circulated all over the globe. Globalization, technological advances and other factors money is circulating unimaginably. Financial Institutions mainly play a pivotal role in matching a depositor and lenders and channeling money and making the economy more efficient. Although the history of Banking goes back to the 14th century in Europe but banks are now everywhere. Banks in Bangladesh play a significant role compared to other financial Institutions. (Khan, A.R.,1998).

The competition in the banking industry has intensified more than ever before. Global financial crisis, stock market crash, recessions and other factors affected the banking industry (Bahar, M. H. ,1989). So banks should position themselves at a unique place in the minds of the customers by offering attractive offers such as higher interest rates or by offering superior service to the customers. Services include financial advice, flexible rates of payment etc.

Basically the banks take deposits from the customers against interest and lend it to the borrowers against interest ending period. Under these circumstances, bank offers different interest rates and other options to the customers to remit and deposit their money. These options are very common among all the banks, but only the customer services and other facilities vary from bank to bank (SBL Annual Report, 2007-2011).

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss (Cookson, F.,1989). Concentration of credit risk arises when a number of counter parties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. To manage credit risk, the bank applies credit limits to its customers and obtains adequate collaterals. Credit risk in the Sonali Bank Ltd.'s portfolio is monitored, reviewed and analyzed by the Credit Risk Management (CRM).

CRM determines the quality of the credit portfolio and assists in minimizing potential losses. To achieve this objective, CRM formulates appropriate credit policies and procedures for the Bank to ensure building and maintaining quality credits and an efficient credit process (Brigham, Eugene F Joel E. Houston). Sonali Bank Ltd. has established Asset-Liability Management Committee (ALCO) determine the maximum risk exposure. ALCO also assesses recommends and controls cross border/country risk. To manage the Non-Performing Loans (NPL), Sonali Bank Ltd. has a comprehensive remedial management policy, which includes a framework of controls to identify weak credits and monitoring of the accounts.

## **1.2 Origin of the Report**

Masters of Business Administration (MBA) in Agribusiness at Faculty of Agribusiness Management in Sher-e-Bangla Agricultural University requires an attachment with an organization followed by a report assigned by the supervisor in the organization and endorsed by the faculty advisor. I had worked as an internee in the Sonali Bank Ltd., College Gate Branch four months, I took the opportunity to do my internship on credit risk management issues.

By the help of supervisor, **Bisakha Dewan**, Assistant Professor; Dept. of Agribusiness and Marketing, Sher-e-Bangla Agricultural University I have decided to select the topic which will contribute to my organization as well as to the people working with the banking fraternity of Bangladesh. This internship (from April 16 to July 17, 2016) paper,

as partial requirement of the MBA (Agribusiness) for the completion of my MBA degree aims to study the credit risk management of Sonali Bank Limited in Bangladesh.

### **1.3 Historical background of Sonali bank Ltd.**

Sonali Bank Ltd. was constituted with the merger of three erstwhile commercial banks i.e. Muslim Commercial Bank Ltd., Australasia Bank Ltd. and Standard Bank Ltd. operated in the then Pakistan on March 26, 1972 under the Bangladesh Banks Order 1972, with all their assets, benefits, rights, powers, authorities, privileges, liabilities, borrowings and obligations. Sonali Bank worked as a nationalized commercial bank till 13<sup>th</sup> December 1986. Sonali Bank Ltd. emerged as the largest Public Limited Banking Company of the country on 14<sup>th</sup> December 1986.

### **1.4 Scope of the report**

One of the most significant risks a bank is exposed to is credit risk. Since the largest portion of income generated by a bank and a major percentage of assets is subject to this risk, it is obvious that prudent management of this risk is fundamental to the sustainability of a bank. Credit risk is intrinsic for all credits provided by banks. It is an indispensable factor that is essential to manage. This paper is intended to explore various aspects of credit risk management e.g. credit risk grading, risk based lending pricing, credit monitoring. Thus it will help the readers to get information and essence of credit risk management practices in banking sector of Bangladesh and to find out the weakness of existing credit risk management tool.

## **1.5 Objective of the study**

### **General Objective**

The main objective of this report is to delineate the Credit Risk Management policy of Sonali Bank Limited.

### **Specific Objectives**

- To understand the Credit Risk of Sonali Bank Ltd.
- To estimate the credit risk analysis of Sonali Bank Ltd.
- To find out the factors affecting the credit policy of Sonali Bank in College Gate Branch.
- To provide suggestions for the improvement of Credit Management Policy of the Bank.

## **1.6 Limitations of the Study**

The limitations of this Project report are stated below:

- The main obstacle while preparing this report was time. As the tenure of the internship program was only four months, it was not possible to highlight everything deeply.
- Unavailability to required published documents.
- Lack of comprehension and time customer was a major problem in the collection of data.
- SBL as a commercial bank and the staff are very busy. Limited time for discussion about various departments was available.
- Confidentiality of information was another barrier that hindered the study.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **Part A: Theoretical Framework**

##### **Credit**

Credit is usually defined in terms of the borrowing and lending of money. The most basic form is a loan granted to a borrower, who may be a consumer or a company. Credit can also take the form of a financial instrument that entails fixed payments determined up front and made over a set time period. (Hong Kong Institute of Bankers, 2012)

Credit means a provision of, or commitment to provide, funds or substitutes for funds, to a borrower, including off-balance sheet transactions, customers' lines of credit, overdrafts, bills purchased and discounted, and finance leases. (Bank of Mauritius, December 2003). In banking terminology, credit refers to the loans and advances made by the bank to its customers or borrowers.

##### **Credit risk**

Credit risk arises from the potential that a bank's borrower will fail to meet its obligations in accordance with agreed terms. Credit risk also refers to the risk of negative effects on the financial result and capital of the bank caused by borrower's default on its obligations to the bank (Bangladesh Bank Annual Report, 2012). The risk that a borrower or counterparty may fail to fulfil an obligation. The assessment of credit risk involves evaluating both the probability of default by the counterparty, obligator, or issuer and the exposure or financial impact on the authorized institution in the event of default (Hong Kong Monetary Authority, 2001).

##### **Credit risk management**

According to Oesterreichische Nationalbank in 2005 Risk management contains

- Identification,
- Measurement,
- Aggregation,

- Planning and management,
- As well as monitoring of the risks arising in a bank's overall business

### **Why manage credit risk?**

The reasons behind managing credit risks are as follows:

- a) Increase shareholder value
  - Value creation
  - Value preservation
  - Capital optimization
- b) Instill confidence in the market place
- c) Alleviate regulatory constraints and distortions thereof (Bhargara, 2004)

### **Credit Risk Management process**

Credit risk management process should cover the entire credit cycle starting from the origination of the credit in a financial institution's books to the point the credit is extinguished from the books. It should provide for sound practices in:

- Credit processing/appraisal
- Credit approval/sanction
- Credit documentation
- Credit administration
- Disbursement
- Monitoring and control of individual credits
- Monitoring the overall credit portfolio (stress testing)
- Managing problem credits/recovery (Bank of Mauritius, December 2003)

## **Part B: Guidelines for CRM by Bangladesh Bank**

In February 2012 Department of Off-site Supervision of Bangladesh Bank issued "**Risk Management guidelines for Banks**" (Bangladesh Bank, 2012) for all scheduled banks in Bangladesh. These guidelines are issued by Bangladesh Bank under section 45 of 'Bank company Act,1991' and introduced to provide a structured way of identifying and analysing potential risks, and devising and implementing responses appropriate to their impact. Summary of some of the important CRM guideline are presented here.

## **Credit risk management framework**

A typical credit risk management framework in a bank may be broadly categorized into following main components:

- a) Board oversight
- b) Senior management's oversight
- c) Organizational structure
- d) Systems and procedures for identification, acceptance, measurement of risks
- e) Monitoring and control of risk

## **Credit administration**

The credit administration function is basically a back office activity that supports and controls extension and maintenance of credit. While developing credit administration areas, banks must ensure:

- The efficiency and effectiveness of credit administration operations, including monitoring documentation, contractual requirements, legal covenants, collateral, etc.;
- The accuracy and timeliness of information provided to management information systems;
- The adequacy of control over all "back office" procedures; and compliance with prescribed management policies and procedures as well as applicable laws and regulations.

Banks need to enunciate a system that enables them to monitor quality of the credit portfolio on day-to-day basis and take remedial measures as and when any deterioration occurs. Such a system would enable a bank to ascertain whether loans are being serviced as per facility terms, confirm the adequacy of provisions, and establish that the overall risk profile is within limits established by management and compliance of regulatory limits. Monitoring procedures and systems should be in place so as to provide an early signal of the deteriorating financial health of a borrower.

A typical credit administration unit performs the following functions:

- Documentation
- Credit disbursement



- Credit monitoring
- Credit repayment
- Maintenance of credit files
- Collateral and security documents

### **Measuring credit risk**

The measurement of credit risk is a vital part of credit risk management. To start with, banks should establish a credit risk rating framework across all type of credit activities. Among other things, the rating framework may, incorporate:

#### **a) Business risk**

- Industry characteristics
- Competitive position (e.g. marketing and technological edge)
- Management

#### **b) Financial risk**

- Financial condition
- Profitability
- Capital structure
- Present and future cash flows

### **Credit risk monitoring and control**

Banks need to develop and implement comprehensive procedures and information systems to monitor the condition of each individual credit across various portfolios. Banks need to enunciate a system that enables them to monitor quality of the credit portfolio on a day-to-day basis and take remedial measures as and when any deterioration occurs. These procedures need to define criteria for identifying and reporting potential problem credits and other transactions to ensure that they are subject to more frequent monitoring as well as possible corrective action, classification and/or provisioning. Establishing an efficient and effective credit monitoring system would help senior management to monitor the overall quality of the total credit portfolio and its trends and helps to reassess credit strategy and policy accordingly before encountering any major setback.

The banks credit policy should explicitly provide procedural guideline relating to credit risk monitoring. At the minimum it should lay down procedure relating to:

- The roles and responsibilities of individuals responsible for credit risk monitoring;
- The assessment procedures and analysis techniques (for individual loans & overall portfolio)
- The frequency of monitoring;
- The periodic examination of collaterals and credit covenants;
- The frequency of site visits; and
- The identification of deterioration in any credit;

The analysis of the Credit Risk Management performance of banking industry is crucial. Different methodologies can be under taken to given an insight into the credit performance of banks. The studies related to the evaluation of the credit & capital performance of banks are limited. In this chapter, an attempted has been made to focus on different studies in the banking sector.

Many of different studies are conducted in the banking sector to analyze and measure the performances of credit and capital management.

**Makrand (1979)**, attempted to evaluate the performance of credit management in public sector banks in different sphere where much was expected from the banking sector. To prepare performance index of each public sector bank six quantitative indicators were selected, viz., branch expansion, priority sector credit, deposit mobilization, export credit, net profit to working funds and wage cost of business development. These indicators were assigned appropriate weights and incorporated in the Integrated Priority Index, on the basis of which inter-bank comparisons were made. The study suggested that Counseling and expert advice to the priority sectors on diversified activities is essential, Apart from top management, the staff at lower level should also be actively involved in the priority credit sector and Necessary lending powers should vest with the branch managers.

**Cookson F. (1989)**, in his seminar paper “Productivity in The Banking Industries in Bangladesh” mentioned that “The output of a bank is to divided into three components i.e. deposit service, loan service and other financial services for which a

fee is charged.” According to him productivity is obtained by dividing this output by the total employee. He also found that, productivity in private banking is much higher than in the NCBs. This is partly due to the very high number of NCB employees and partly due to the lower outputs in loan services (from high bad debt costs) and the lower earnings of fee income.

**Varde and Singh (1983)**, of National Institute of Bank Management conducted a number of studies on the credit & capital management of commercial banks and have recently compiled them in a short book titled ‘Credit Risk Management of Commercial Banks’. The book covers different issues related to credit & capital performance of banks like capital management in banks, credit performance of banks, credit risk grading, loan procedure, productivity in banks, credit planning , monitoring profitability of bank, credit evaluation principles of banks, Credit policy of banks etc.

**Nayan (1982)**, suggested a model for evaluation of performance of capital Management in Commercial banks. His study led to the following conclusions:

- a) The present system of ranking the banks on the basis of aggregate deposits fails to reflect their overall achievements,
- b) At the micro level, the existing system of performance budgeting has left much to be desired, and thus cannot be objectively used for evaluation of branch level performance,
- c) On the basis of all important and quantifiable parameters of performance, an integrated performance index needs to be developed, which will act as a model for evaluating the performance of capital management of commercial banks.

**Shah (1978)**, in his paper “Banks Profitability & Capital Management: The real Issues”, concluded that profitability & capital cannot improve merely by increasing the margin between lending and borrowing rates. On the contrary, any increase in income will be observed by latent efficiencies in cost structure. Further the spread between interest earned and interest paid is declining, not because interest margin has been squeezed but because:

- a) Staffing and working patterns are inefficient.
- b) Funds and investment management is poor,
- c) Credit is not supervised, and
- d) Forms and procedures are complex and wasteful.

**Bahar (1989)**, in his seminar paper named “An Evaluation of Banks in Bangladesh: The Exploratory Approach” mentioned that productivity should be judged from quantitative as well as qualitative aspects of performance of different banks from the following view points:

- a) Social banking
- b) Growth
- c) Profitability
- d) Productivity
- e) Customer’s service

Credit risk management requires that Banks develop loan assessment policies and administration of loan portfolio, fixing prudential borrower and per group limits etc. The tendency for excessive dependence on collateral should also be looked into. The other weaknesses in credit risk management are inadequate risk pricing, absence of loan review mechanism and post sanction surveillance.

As per **G.Dalai, D.Rutherford, M.Sarnat and B.Z.Schreiber-** Risk is intrinsic to banking. However the management of risk has gained prominence in view of the growing sophistication of banking operations, derivatives trading, securities underwriting and corporate advisory business etc.

## **CHAPTER 3**

### **METHODOLOGY**

#### **3.1 Introduction**

Methodology is the essential and indispensable part of any research activity. Without proper methodology very often leads to a defective results. The methodology of the study is adopted by various steps to select the best method fit to attain the set objectives of research (Mazumder, 2008). This chapter presents a detailed description about the study area, selection of respondents, data collection procedure and analytical techniques followed in this study.

**3.2 Area :** Credit Sector, Sonali Bank Ltd, College gate branch.

#### **3.3 Sample size and sampling technique**

It is quite impossible to conduct an economic survey considering all population of the study areas. Simple random sampling technique was used in sampling organization and client from the population. The sample included thirty clients.

#### **3.4 Preparation of survey Schedule**

For achieving the desired objectives it is very important to prepare a draft survey schedule and pre-testing in the survey area. Three types of draft survey schedule were pre-tested by researcher himself. The draft survey was conducted within the college gate branch. After this pre-test the question area was rearranged, improved and modified according to the practical experience and prepared it for final survey. After pre-testing, corrected and modified final interview schedule were developed. Primary data were collected from the selected branch. The questions were asked in a simple manner and concern with friendly environment with explanation where it was felt necessary.

#### **3.5 Pattern of questionnaire**

A questionnaire is an important part of a research. After pre-testing the researcher himself improved and updated information of the questionnaire and then selected respondents were requested by the researcher to answer the questions. All of the

questions were set according to the objectives of the study. To get the accurate answer from the respondent the researcher formulated the questionnaire very carefully. The questionnaire embodied the following parts.

**A. General Risk Awareness**

- i. Rate the importance of risk management (Credit risk)
- ii. Rate the importance of risk management (Interest risk)
- iii. Ability for organization to adapt to changes in business environment
- iv. How would you rate the risk tolerance behavior of your bank?
- v. How difficult to integrate risk management with other business process?

**B. Customer Analysis**

- i. Customers agreement
- ii. Easiness of obtaining loan
- iii. Satisfaction on SBL credit policy
- iv. Analysis on interest rate on loan
- v. Problems of SBL credit policy
- vi. Is credit risk management is successfully controlled by SBL?

**C. Employer Behavior Analysis**

- i. Bank communication with customer
- ii. Monitoring the loan
- iii. Employee provide fast and efficient service
- iv. Is credit risk policy part of the company- wide capital management strategy?
- v. Does the bank has adequate system in place to identify and monitor risk on an ongoing basis?

**3.6 Collection of Data**

Data collection is not an easy task. It must be done sincerely because a successful report depends on the reliable data. Data was collected according to the structured questionnaire and face to face interviews had been carried out following paper and pencil method. After fixing the survey schedule the researcher himself stayed in the respective area and collected the primary data form individual personnel. Before beginning of the interview, the respondents were given a clear view and purpose of

the study. The respondents were ensured that their information would be kept secured and be used only for the study. The questions were asked in a simple manner and explained when necessary. Data were recorded in interview period and information were checked carefully. The respondents were requested to provide accurate data as far as possible. Secondary information was collected from thesis, books, journals, annual reports, credit policy manual of Sonali Bank Ltd., and online resources.

### **3.7 Period of Data Collection**

Data were collected during April to July in 2016 by the researcher himself. To measure the risk of credit in Sonali Bank, College gate branch.

### **3.8 Processing of Data**

The collected data was processed through editing, coding, tabulating, classifying, on the basis of the characteristics. Data were classified, tabulated and analyzed to accomplish the objectives of the study. Data were presented mostly in the tabular form, because it was of simple calculation, widely used and easy to understand. Raw data were inserted in computer using the concerned software, MS Excel.

### **3.9 Analysis of Data**

Data were analyzed with a view to achieving the objectives of the study. For this study, tabular techniques were used to classify data in order to derive meaningful findings by using simple statistical measures like means, percentages and ratios. Risk analysis was done through various formulas like

#### **1. Business Risk Analysis**

Business risk =

$$\frac{\text{Standard deviation of operating earnings } (\sigma)}{\text{Mean operating earnings } (\bar{X})}$$

Operating earnings is a measure of profitability that tells investors how much of revenue will eventually become profit for a company. The formula for calculating operating earnings is:

Operating Earnings = revenue - cost of goods sold, labor and other day-to-day expenses incurred in the normal course of business.

$$\text{Standard Deviation } (\sigma) = \sqrt{\sum_{i=1}^n \frac{(X_i - \bar{X})^2}{n}}$$

$$\text{Mean Operating Earnings } (\bar{X}) = \sum_{i=1}^n \frac{X_i}{n}$$

Here,  $X_i$  = Individual Year Return  
 $\bar{X}$  = Expected Rate of Return  
 $n$  = Number of years

## 2. Financial Risk Analysis

$$\text{Financial risk} = \frac{\text{Net cash flow from operating activities} + \text{Interest expense}}{\text{Total interest expense}}$$

Operating cash flow is a measure of the amount of cash generated by a company's normal business operations. The net working capital is the difference between assets and liabilities. The operating cash flow reports inflows and outflows as a result of regular operating activities. Interest expense is a non-operating expense shown on the income statement. It represents interest payable on any borrowings – bonds, loans, convertible debt or lines of credit.

Ratios were done through following formulas:

### a) Return on Credit Ratio (ROCR)

$$\text{Return on credit ratio} = \frac{\text{Interest Income}}{\text{Average Loans \& Advances}} \times 100$$

This is the survival unit of the bank because until and unless the success of this department is attained, the survival is a question to every bank. If this section does not properly work the bank it may become bankrupt. This is important because this is the earning unit of the bank. Banks are accepting deposits from the depositors in condition of providing interest to them as well as safe keeping their interest. Now the



question may gradually arise how the bank will provide interest to the clients and the simple answer is – Loans & Advance.

Interest income is usually taxable; the ordinary income tax rate applies to this form of income. In a bank, the excess amount of interest earned on investments over the amount paid out for deposits is referred to as net interest income.

**b) Return on Total Assets Ratio (ROAR)**

$$\text{Return on total assets ratio} = \frac{\text{Net profit before tax}}{\text{Total Assets}} \times 100$$

Total assets refers to the total amount of assets owned by a person or entity. Assets are items of economic value, which are expended over time to yield a benefit for the owner. The total assets calculation must be equal to the total liabilities and stockholders equity calculation. A second important concept to learn is the order in which total assets are reported on the balance sheet. Total assets are listed on the balance sheet in order of liquidity.

**c) Return on Equity Ratio (ROER)**

$$\text{Return on equity ratio} = \frac{\text{Net profit after tax}}{\text{Total equity}} \times 100$$

Total equity is the value left in the company after subtracting total liabilities from total assets. The formula to calculate total equity is  $\text{Equity} = \text{Assets} - \text{Liabilities}$ .

**d) Debt-Equity Ratio (DER)**

$$\text{Debt – Equity Ratio} = \frac{\text{Total long term debt}}{\text{Total equity}} \times 100$$

The Debt-Equity ratio indicates how much debt a company is using to finance its assets relative to the amount of value represented in shareholders equity.

**e) Advance deposit Ratio (ADR)**

$$\text{Advance Deposit Ratio} = \frac{\text{Total Loans \& Advances}}{\text{Total Deposits}} \times 100$$

The advances to deposits ratio measures loans as a percentage of deposits.

The advances to deposits ratio measures loans as a percentage of deposits.

**f) Cost to Income Ratio (CIR)**

$$\text{Cost to Income Ratio} = \frac{\text{Operating Cost}}{\text{Operating Income}} \times 100$$

Operating costs are the expenses which are related to the operation of a business.

Operating income is the net income of an entity, not including the impact of any financial activity or taxes.

**3.10 CAMELS Rating of SBL**

Camels rating is a supervisory rating system originally developed in the U.S. to classify a bank's overall condition.

**a) Capital Adequacy Ratio**

$$\text{Capital Adequacy Ratio} = \frac{\text{Total Capital (Tier 1 + Tier 2)}}{\text{Total Risk Weighted Assets}} \times 100$$

Risk-weighted asset is a bank's assets or off-balance-sheet exposures, weighted according to risk. Tier 1 capital is the core measure of a bank's financial strength from a regulator's point of view. It is composed of core capital, which consists primarily of common stock and disclosed reserves, but may also include non-redeemable non-cumulative preferred stock. Tier 2 capital is designated as supplementary capital, and is composed of items such as revaluation reserves, undisclosed reserves, hybrid instruments and subordinated term debt.

**b) Assets Quality of SBL**

$$\text{Asset Quality} = \frac{\text{Classified Loan}}{\text{Total Loan}} \times 100$$

Classified loans have unpaid interest and principal outstanding, and it is unclear whether the bank will be able to recoup the loan proceeds from the borrower.

**c) Volume and Level of Earnings**

$$\text{Return on Assets} = \frac{\text{Net Income}}{\text{Total Assets}} \times 100$$

**d) Liquidity Rating of SBL**

$$\text{Liquidity} = \frac{\text{Liquid Assets}}{\text{Total Liabilities}} \times 100$$

**e) Management Rating of SBL**

$$\text{Management Rating} = \frac{C + A + E + L}{4} \times 100$$

Here, C = Capital Adequacy Ratio

A = Assets Quality

E = Level of Earnings

L = Liquidity Rating

**f) Bank Rating of SBL**

$$\text{Bank Rating} = \frac{C + A + M + E + L}{5} \times 100$$

Here, M= Management Rating

### **3.11 Problems faced in collecting of data**

At the time of collecting data researchers had to face some problems which are stated below:

- ❖ It was difficult to explain the purpose of the study and to convince them about the need for the study.
- ❖ Most of the respondents did not have enough time and interest to sit for the interview, because they remained busy with their outside work.
- ❖ Most of the client did not give exact information for confidentiality.
- ❖ Lacks of comprehension and time customer selection were a major problem in the collection of data.

## CHAPTER 4

### PROFILE OF THE ORGANIZATION

#### 4.1 Introduction

This chapter describes about the Sonali Bank Ltd. overview, its mission, vision, strategic objectives and functions. This chapter also included the areas of credit facility, investment portfolio and corporate profile of the organization. From this chapter we know about the banking function, service quality and its implementation of Sonali Bank Ltd.

#### 4.2 Company Profile

##### Present Capital Structure

Authorized Capital	Tk. 6000 Crore
Paid up Capital	Tk. 3830 Crore
Government shareholding	90.19%
Private shareholding	9.81%

##### Present Share Structure

Total Number of share: 20, 87, 25,000

Number of shareholders as on 31.03.2014: 5248

##### Number of Branches

Sonali Bank operates through 1208 branches. It is linked to its foreign correspondents all over the world.

##### Number of Zones and Corporate Offices

The Corporate Head Office of the Bank is located at Dhaka with one local office (main branch), four corporate branches at Dhaka, one in Chittagong and twenty-five zonal offices all over the country.

##### Number of Employees

The total number of employees is 22,446.

##### Board of Directors

The Board of Directors is composed of ten members headed by a Chairman and the

directors comprised of representatives from both public and private sectors and shareholders.

### **Chief Executive**

The Bank is headed by the Managing Director (Chief executive) who is a reputed professional banker.

## **4.3 Vision & Mission**

### **Vision**

- To expand companies' loyal customer base by being known as the financial partner of choice constantly exceeds customer expectations.

### **Mission**

- Develop long -term relationships that help our customers achieve financial success.
- Offer rewarding opportunities and improve staff commitments.
- Uphold ethical values and meet its customer's financial need in the fastest and most appropriate way and continue innovate works in order to achieve human resource with superior qualities, technological infrastructure and service packages.

### **Slogan**

“Your trusted partner in innovative banking”.

#### 4.4 Board of Directors

**Table 4.1 Board of Directors of Sonali Bank**

Sl.	Name	Designation
1	Mr. Md. Ashraful Moqbul	Chairman
2	Mr. Mohammad Muslim Chowdhury	Director
3	Mr. Md. Fazlul Haque	Director
4	Mr. A.K.M Rezaur Rahman	Director
5	Mr. Md. Mahboob Hossain	Director
6	Mr. Md. Shaheb Ali Mridha	Director
7	Mr. Kazi Tariqul Islam	Director
8	Mrs. Sabera Aktari Jamal	Director
9	Mr. Afzal Hossain	Director
10	Mr. Md. Obayed Ullah Al Masud	Managing Director & CEO

Source: Sonali Bank website 2016

#### 4.5 Head office Divisions of Sonali Bank Ltd.

- Admin & Human Resources Department
- Audit & Inspection Department
- Central Accounts Department
- Computer Department
- Discipline Department
- Development, Planning & Research Department
- Establishment & Welfare Department
- Engineering Department
- General Banking Department
- General Credit Department
- Internal Control & Compliance Department
- Industrial Credit-1 Department
- Industrial Credit -2 Department
- International Division
- Law Department
- Public Relations Department
- Rural Credit Department

- Reconciliation Department
- Anti-Money Laundering Department

#### 4.6 List of Corporate Branches

**Table 4.2 List of Corporate Branches of Sonali Bank**

Sl.	Branch Name	Address
1	Motijheel Corporate	Motijheel, Dhaka-1000
2	Sonali Sadan Corporate	Sonali Sadan, Motijheel, Dhaka
3	Local Office Corporate	Local Office, Dhaka
4	Ramna Corporate	Ramna, Dhaka
5	Foreign Exchange Branch	Foreign Exchange, Dhaka
6	Anderkilla	Anderkilla, Chittagong
7	Purana Paltan Corporate Branch	Purana Paltan, Dhaka

*Source: Annual Report of SBL 2014*

#### 4.7 Employee Hierarchy

There is a figure given below which expresses the employee hierarchy of Sonali Bank Ltd.



**Figure: 4.1 Employee Hierarchy**



## 4.8 Core Values

- Social responsibility-we care for and contribute to our communities.
- Performance-we measure and results reward achievements.
- Integrity-we uphold trustworthiness and business ethics.
- Respect-we cherish every individual.
- Innovation-we encourage creativity.
- Teamwork-we work together to succeed.

The first letters of the initial words form “SPIRIT” and carry equal importance.

## 4.9 Strategic Objectives

- Develop a customer oriented service culture with special emphasis on customer care and convenience.
- Increase market share by following a disciplined growth strategy.
- Achieve a significant share of deposit and credits from the existing and niche markets..
- Cost effective operations, efficient MIS, improved delivery capability and high services standards.
- Explore new venues for growth and profitability, particularly by diversifying loan portfolio through structured finance and expansion of retail and SME financing.
- Strengthen the bank’s brand recognition.

## 4.10 Ethical Principles

**Customer Focus and Fairness:** At SBL, Their prime focus is to achieve perfection in their customer service. Customers are their first priority and driving force. They wish to gain customer confidence and be their trusted partner. They believe in fair treatment to all customers, depositors, borrowers, and clients without any discrimination.

**Quality:** service experience is a paramount to their customer and they are strongly committed in fulfilling this ideal. They have a culture of timely compliance of regulatory requirements.

**Honesty and Integrity:** They ensure the highest level of integrity to their customers, creating an ongoing relationship of trust and confidence. They treat their customers with honesty, fairness and respect.

**Belief in Their people:** They recognize that employees are their most valuable asset and their competitive strength. They respect the worth and dignity of individual employees who devote their careers for the progress of the bank. They trust in equal treatment to all share holders irrespective of their individual size of shareholdings.

**Good Corporate Governance:** Effective Corporate governance procedure is essential to achieve and maintain public trust and confidence in any company, more so in a banking company. At SBL, they are committed to following best practices resulting in good corporate governance.

#### **4.11 Functions of Sonali Bank**

##### **General Banking**

Sonali Bank Ltd. provides its general banking service to the customers throughout the country with its 1208 branches in urban and rural areas.

##### **Various deposit schemes of SBL**

- a) Savings deposit
- b) Current deposit
- c) Short notice deposit
- d) Time deposit
- e) DPS
- f) Rural deposit pension scheme
- g) Festival deposit
- h) Call deposit

##### **Interest rates of deposit schemes**

- Savings deposit ,4.5%
- Short notice deposit ,3.5%
- Time deposit varies between 7.5% to 8.5% depending on time
- Foreign remittance deposit, 6%
- Sonali Bank deposit pension scheme, 2 – 6.5%

## **4.12 Other Banking services**

Besides general banking SBL provide other banking services such as:

- a) Demand draft
- b) Pay order
- c) Telegraphic transfer
- d) Mail transfer
- e) Call deposit
- f) Transfer of fund with instructions

### **Credit Facility**

General credit line and program

- Sonali Bank Ltd. extends credit facility to almost every sector of the country's economic activities.
- Main focus of SBL credit programme is on financing trade and commerce, business and industry having productive purpose.
- Credit facilities area is offered to international trade business, export and import.
- Credit programme of the bank also covers development of rural economic activities like agriculture, livestock, dairy and poultry, fishing and hatchery etc.
- Loan is provided to trust sectors declared by the government at concessional terms.
- Lending programmes are operating diaper guideline of Bangladesh Bank (the central bank of the country) through an effective lending policy and procedure of the bank.

### **Rural Credit Programs**

Rural credit programs are designed to promote and facilitate agro based business and services, and also to ensure employment opportunities in rural areas. These are the sector of financing under this program – fishery, livestock, shrimp, poverty alleviation, micro credit, agro products marketing etc.

## **Investment Portfolio**

Sonali Bank Ltd. presently roaming in the following areas of investment:

- Bangladesh Government securities and bonds.
- Treasury bills.
- Grameen bank bonds.
- Debentures of government and semi-government organizations & public limited companies.
- Shares of listed companies.

## **Industrial Banking**

In order to support the development of industrial sector of the country through active participation of private and direct foreign investment SBL has taken appropriate programme as per industrial policy of the government. The loan portfolio of the bank includes size-able investment of fund towards development to industrial sectors like textile, jute, leather, leather goods, frozen and semi cooked shrimps, footwear, knit garments and other small and medium enterprises. SBL is participating in joint venture finance and consortium finance for setting up large-scale projects. The bank lays special emphasis on agro-based and IT related industries.

## **Utility Services**

SBL offers some special services to customers in addition to its normal banking operation. Collection of various utility bills is one of them. Under this service, the bank benefited customer by collecting their various utility bills like telephone bill, water & sewerage bill, electricity bill etc. free of charges.

## **Computerized Banking**

Currently SBL is working on transferring their banking activities from traditional to online banking. The system is still in progress and it is expected that soon all the branches of SBL will operate under online banking system.

## **Free Services provided by the Bank**

The bank provides more than 21 types of free services on behalf of the government of Bangladesh through its rural and urban branches as part of their commitment to society. These services includes collection of utilities bills, payment of allowances to

freedom fighters, old-aged people, meritorious students, widowed & acid burnt women and also collection of taxes and revenues on behalf of the government organizations.

#### 4.13 Objectives of Sonali Bank Limited

The main objective of the bank is to provide all banking services at the door steps of the people. The bank also have some specific objective:

- To collect scattered savings of the people.
- To maintain a satisfactory deposit mix.
- To extend credit facilities to agriculture, rural development, commercial and industrial sectors.
- To increase loan portfolio diversification and geographical coverage.
- To develop human resources through continuous training.
- To provide export/import Finance.
- To keep business morality.
- To build up strong pillar of capital.
- To provide foreign remittance
- To create new employment, opportunities.

#### 4.14 Corporate Profile of Sonali Bank

##### Corporate Profile

Name of the Company	: <b>Sonali Bank Limited</b>
Chairman	: Mr. Md. Ashrafal Moqbul
CEO & Managing Director	: Mr. Md. Obayed Ullah Al Masud
Company Secretary	: Mr. A.K.M Sajedur Rahman Khan
Legal Status	: Public Limited Company
Genesis	: Emerged as Nationalised Commercial Bank in 1972, following the Bangladesh Bank (Nationalisation) Order No. 1972 (PO No.26 of 1972)
Date of Incorporation	: 03 June, 2007
Date of Vendor's Agreement	: 15 November, 2007
Registered Office	: 35-42, 44 Motijheel Commercial Area, Dhaka, Bangladesh
Authorised Capital	: Taka 6000.00 Crore
Paid-up Capital	: Taka 3830.00 Crore
Number of Employee	: 22,446
Number of Branches	: 1208
Phone-PABX	: 9550426-31, 33, 34, 9552924
FAX	: 88-02-9561410, 9552007
SWIFT	: BSONBDDH
Website	: <a href="http://www.sonalibank.com.bd">www.sonalibank.com.bd</a>
E-mail	: <a href="mailto:itd@sonalibank.com.bd">itd@sonalibank.com.bd</a>

Source: Sonali Bank Ltd. website

**Figure 4.2 Corporate Profile of Sonali Bank**

## **CHAPTER 5**

### **CREDIT AND RISK SECTION**

#### **5.1 Introduction**

An attempt is made in this chapter to identify the credit and risk policy, sources, loan classification and provide basic information on the areas of investigation. On the basis of investigation the branch manager will prepare a credit report as per format provided by their head office. This analysis is expected to provide more clear view about the risk and credit and its management process.

#### **5.2 CREDIT SECTION**

##### **5.2.1 Sources of Credit Investigation**

The following are the sources of credit information

- Loan application.
- Financial statements (profit and loss account, balance sheet, cash flow statement).
- Study of accounts.
- Market reputation.
- Credit Risk Grading (CRG).
- Report from Criminal Investigation Branch (CIB).
- Personal interview.
- Personal visit.
- Other sources, i.e. income tax statement registration, press report, revenue and municipal rent receipt register of joint stock company, VAT return, confidential report from fellow banks.

For investigation the manager or the officer who is the in charge of the credit department have to enquiry about

- ◆ Who is the borrower?
- ◆ Nature of business.
- ◆ Location/ site of the business.
- ◆ Living standard /living style of the Borrower.
- ◆ Experience in the business.
- ◆ Equity in the business.

- ◆ Purpose of borrowing.
- ◆ Duration of loan.
- ◆ Sources of repayment.
- ◆ Means and security offered.
- ◆ Physical verification of security.
- ◆ Profitability of the transaction.
- ◆ History of accounts operated by borrower.
- ◆ Market reputation regarding character, honesty, integrity etc.

### **5.2.2 Credit Risk Assessment**

Credit risk assessment should be conducted prior to the sanctioning of credit facilities. They must conduct necessary KYC (Know Your Customer) part on the customer and money laundering guidelines must be followed.

Following risk areas in the credit proposal should be addressed and assessed before sending to Head Office.

#### 1. Borrower analysis:

- a. Share holding
- b. Reputation
- c. Education
- d. Experience especially success history
- e. Net worth
- f. Age etc.

#### 2. Industry analysis:

- a. Industry Position, threat and prospect
- b. Risk factors pertaining to the industry
- c. Borrower's position or share in the industry
- d. Strength, weakness of the borrower compared to the competitors.

#### 3. Supplier or buyer risk analysis

- ◆ Concentration on single or few buyer or supplier is addressed.

#### 4. Demand Supply position

#### 5. Technical feasibilities or infrastructural facilities

#### 6. Management teams competence

#### 7. Seasonality of demand

8. Debt to equity ratio

9. Historical financial analysis

- ◆ An analysis of three years historical financial statements
- ◆ Earning and its sustainability
- ◆ Cash flow
- ◆ Leverage
- ◆ Profitability
- ◆ Strength and reliability of balance sheet etc.

10. Projected Financials:

- ◆ Sufficiency of cash flows to service debt repayment.
- ◆ Debt Service Coverage Ratio.

11. Trade checking

12. Account conduct

a. For existing customer investigate the repayment history, credit turnover and the account statement.

b. If the customer is proposed to be migrated from other bank, statement of account from present banker is required.

13. Security:

a. A current valuation of collateral security by professional enlisted surveyor be obtained with photograph and site map. Collaterals within command area of the respective branch location are preferred. Third Party property and vacant land should be discouraged.

b. Loans should not be considered based solely on collateral.

c. Adequacy and extent of insurance coverage should be assessed. Insurance policy should be obtained from approved insurance company. Premium should be paid through bank, duly stamped money receipt be obtained. Insurance policy be held by the bank and the policy be renewed in time. Letter of authority be obtained from the customer to debit account to pay premium for renewal or enhancement of the policy.

14. Succession issue:

Margin, volatility of business, high debt (leverage or gearing), over stocking, huge receivables with long aging, rapid expansion, new business line, management change, lack of transparency should be addressed.



15. Adherence to credit guidelines:

- a. It should be clarified whether the customer is agreeable to comply with guidelines in respect of regulatory requirement and Bank's policy requirement.
- b. Any deviation be clearly identified and maintained.

16. Mitigating Factors:

Risk factors are identified and side by side mitigating factors of those risks should also be mentioned to justify the proposed facility.

17. Employment generation and contribution to the national economy.

### **5.2.3 Preparation of credit report**

On the basis of investigation the branch manager will prepare a credit report as per format provided by their head office.

After preparing credit report the bank ask for loan documentation

### **5.2.4 Loan documentation**

#### **a. What is documentation?**

As other commercial banks one of the main functions of SBL is to extend credit facilities of its valued customers. The credit facilities are given against various types of securities. These are mainly:

- Personal i.e. credit worthiness of the proposed borrower and guarantor.
- Moveable i.e. FDR, shanchay pattra goods and commodities balance of deposit account etc.
- Immoveable i.e. land building etc.

Before rendering credit facilities bank has to create charge over the securities through a number of agreements, papers etc. which are called documents.

#### **b. Purpose of document**

The entire purpose of the document is that reliance can be place up on the truth of the statement contains in them. Mainly three questions may be examined when document is produced in the court. These are:

- ◆ Is the document genuine?
- ◆ What is it's contain?
- ◆ Are the statements in the document true?

The documents should correctly be taken by the bank in order to create required charges on the securities defectively in favor of the bank the proper and correct documentation is essential from the point of view of the safety of the bank's interest.

### **c. Steps of the documentation**

For proper and correct documentation a banker has to go through the following steps:

- 1) Prepare a list of required documents
- 2) Verify the legal capacity of the executor
- 3) Affix properly valued adhesive stamp or type on a duly stamped paper
- 4) Execution
  - ◆ In presence of manager
  - ◆ In one sitting and with indelible ink
  - ◆ Any correction, alteration etc. must be authenticated with full signature
  - ◆ Correctly dated
  - ◆ If several pages execution must put their full signature in all pages
  - ◆ Witness
- 5) Registration

### **5.2.5 Loan classification**

Monitoring can be done through loan classification. In classifying the loan and advance various classes in the loan review practiced in SBL. They are following:

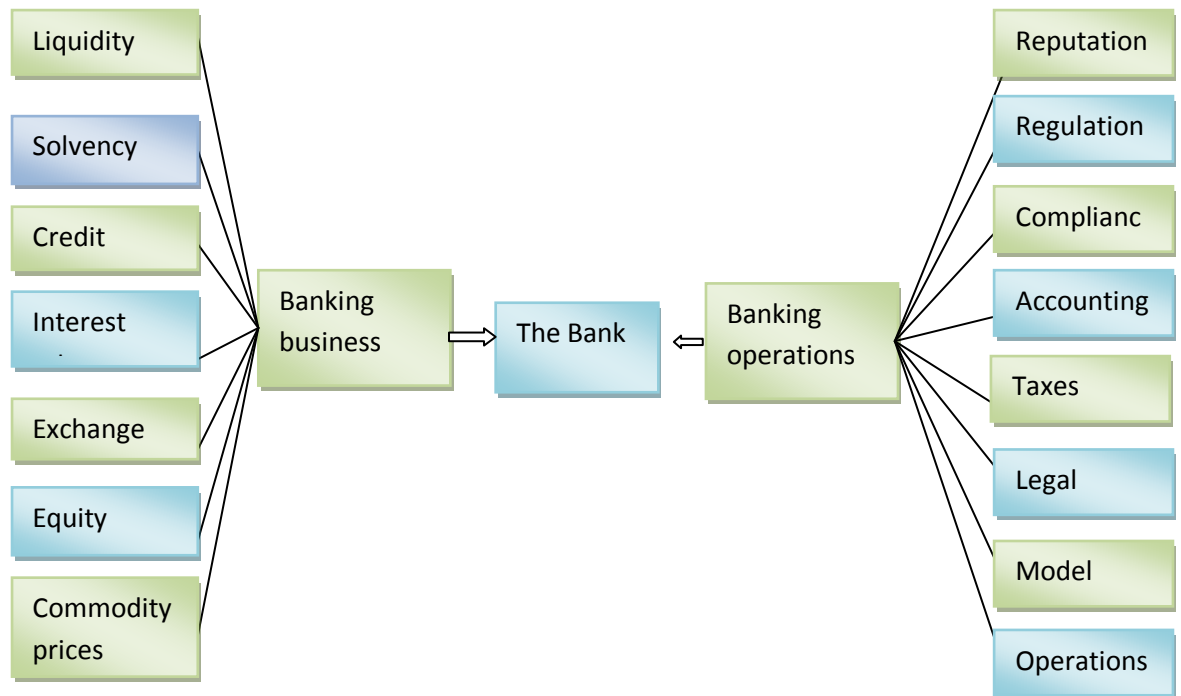
- **Unclassified:** The loan account is performing satisfactorily in the terms if its installment and no overdue is occurred.
- **Classified:** The loan account is not performing satisfactorily in the terms of installments and overdue is occurred. These types of loan need close monitoring to stop the deteriorating position.
- **Substandard:** The main criteria for a substandard advance are that despite these technicalities or irregularities no loss is expected to be arise for the bank. These accounts will require close supervision by management to ensure that the situation does not deteriorate further.
- **Doubtful:** This classification contains where doubt exists on the fully recovery of the loan or advance but cannot be quantifiable at this stage.

- **Bad & Loss:** A particular loan or advance fall in this class when it seems that this loan or advance is not collectable or worthless even after all security has been exhausted.

### 5.3 RISK SECTION

#### 5.3.1 The sources of risks

In the following diagram presents some sources of risk arises in banking operation –



**Figure 5.1 The Sources of Risk**

According to Figure 5.1 credit risk comes from banking business and banking operation. Banking business risk comes from liquidity, solvency, credit, interest rates, exchange, equity prices and commodity prices. Banking operational risk comes from reputation, regulations, compliance, accounting, taxes, legal, model and operations.

#### 5.3.2 Types of risks

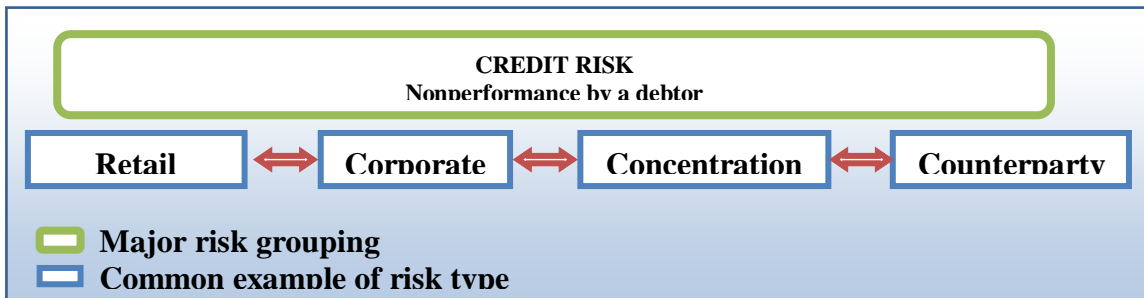
##### 5.3.2.1 Risks in the banking and trading books

Risk exists in SBL banking and trading books. It may affect the profit and loss, balance sheet value, deposit loans bonds and net interest margin.

### 5.3.2.2 Credit risk

Credit risk is the risk of failure of the counterparty to the contract. These may arise when a counterparty, whether a customer or a bank fails to meet obligation and thereby resulting in open position which has to be covered at the prevailing rate. Here presents some common example of credit risk:

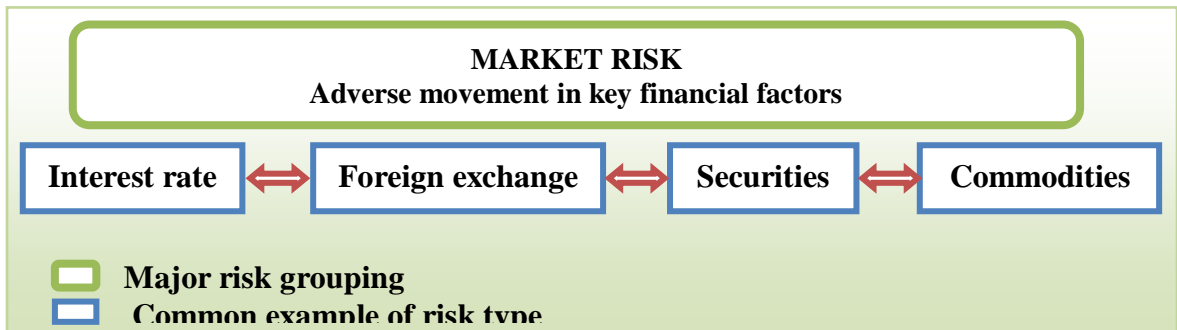
#### Credit risk



### 5.3.2.3 Market risk

Market risk is the risk related to changes in different market factors such as equity prices, commodity prices, the short-term local currency rates, long-term local currency rates, interest rate in local and foreign currencies.

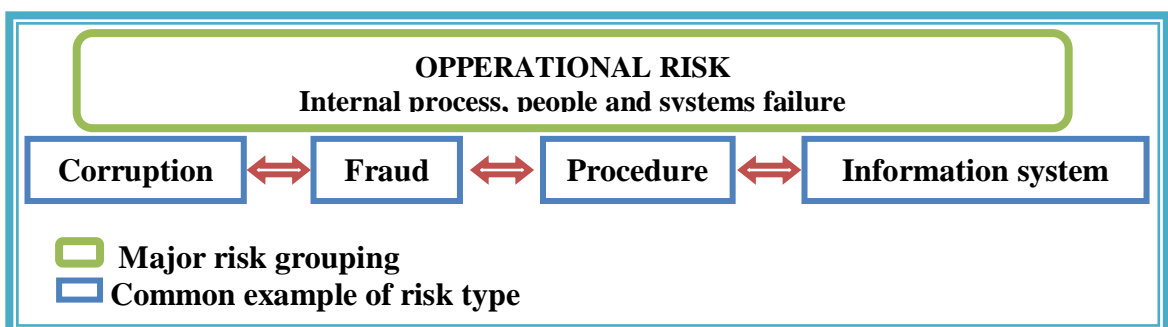
#### Market risk



### 5.3.2.4 Operational risk

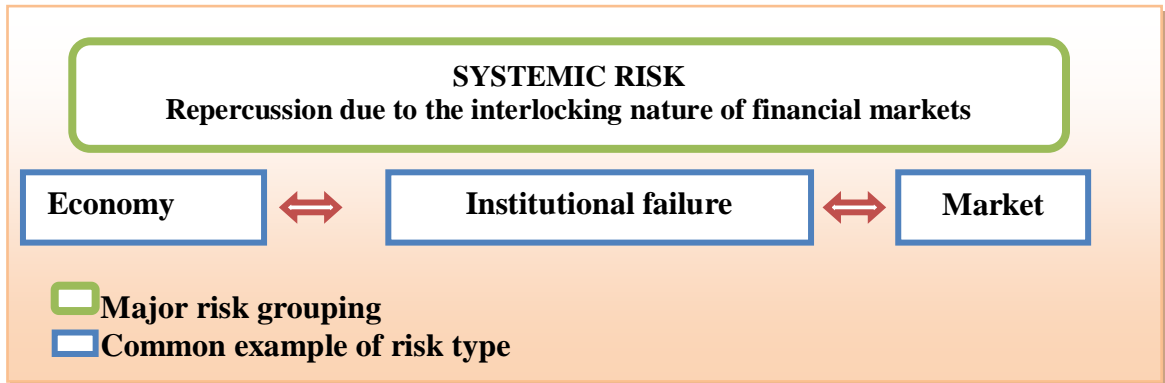
Operational risk includes inadvertent mistakes in the rates, amount and counterparties of deals, misdirection of funds etc. the reason may be human errors or administrative inadequacies such mistakes may result in an unexpected loss of bank.

#### Operational risk

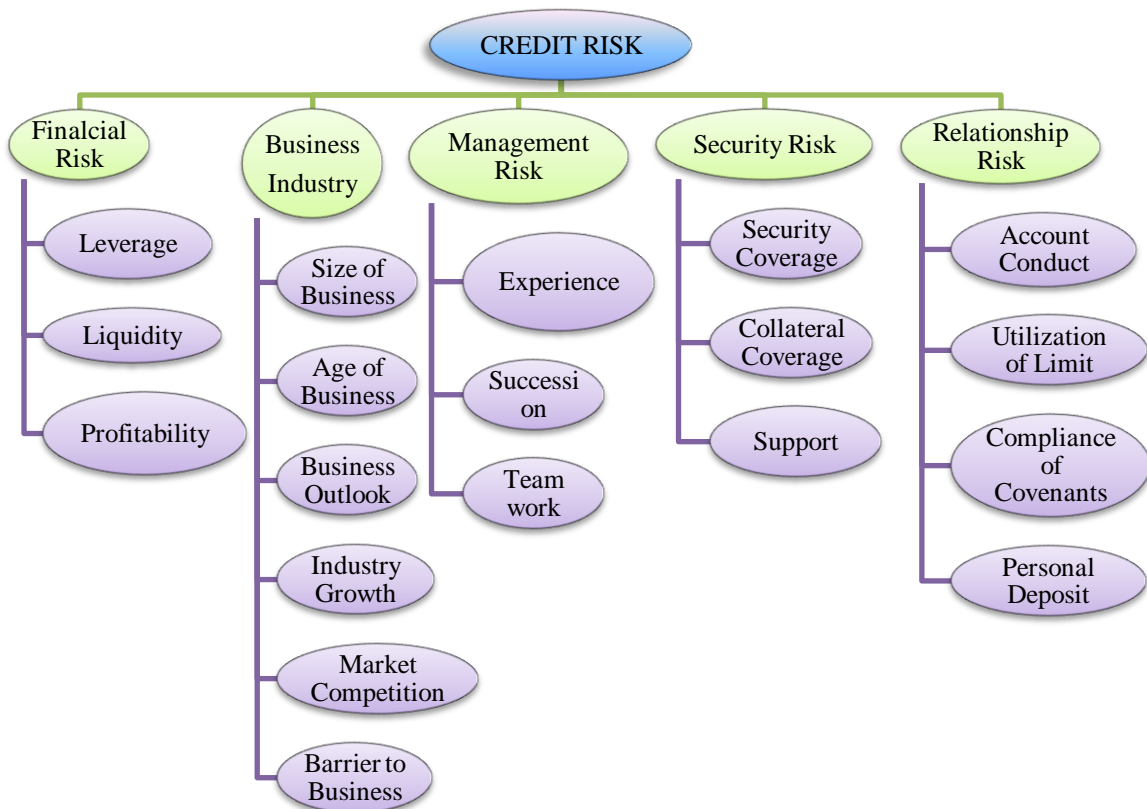


Systemic risk is that a single failure within the financial system causes difficulties in the financial system as a whole. Systemic risk is the repercussion due to the interlocking nature of financial markets. Some common types of systemic risk are shown below-

**Systemic risk**



**5.3.3 Credit risk function at a glance**



**Figure 5.2 Credit risk function at a glance**

### 5.3.4 Components of effective risk management



### 5.3.5 Credit Risk Grade matrix

The following is the Credit Risk Grade matrix based on the total score obtained.

**Table 5.1 Credit Risk Grade Matrix**

Number	Risk Grading	Short Name	Score
1	Superior	SUP	100% cash covered Government guarantee International bank guarantees
2	Good	GD	85+
3	Acceptable	ACCPT	75-84
4	Marginal/Watch list	MG/WL	65-74
5	Special Mention	SM	55-64
6	Sub-standard	SS	45-54
7	Doubtful	DF	35-44
8	Bad & Loss	BL	<35

### 5.3.6 Key Responsibilities on Management purposes

**Table 5.2 Key Responsibilities on Management purposes**

<p>Relationship Manager</p>	<ul style="list-style-type: none"> <li>○ To act as the primary bank contact with borrowers.</li> <li>○ To maintain thorough information of borrower’s business and industry through regular contact, factory/warehouse inspections, etc. RMs should proactively monitor the financial performance and account conduct of borrowers.</li> <li>○ To be responsible for the timely and accurate submission of credit applications for new proposals and annual reviews, taking into account the credit assessment requirements.</li> <li>○ To highlight any deterioration in borrower’s financial standing and amend the borrower’s Risk Grade in a timely manner.</li> </ul>
<p>Credit Risk Management (CRM)</p>	<ul style="list-style-type: none"> <li>○ Oversee of the bank’s credit policies, procedures and controls relating to all credit risks.</li> <li>○ Watch over the bank’s asset quality.</li> <li>○ Directly manage all classified accounts to maximize recovery and ensure that appropriate and timely loan loss provisions have been made.</li> <li>○ To approve (or decline), within delegated authority, credit applications recommended by risk management. Where aggregate borrower exposure is in excess of approval limits, to provide recommendation to managing director for approval.</li> <li>○ To provide advice regarding all credit matters to risk management.</li> <li>○ To ensure that lending executives have adequate experience and/or training in order to carry out job duties effectively.</li> </ul>
<p>Credit Administration</p>	<ul style="list-style-type: none"> <li>○ To ensure that all security documentation complies with the terms of approval.</li> <li>○ To monitor insurance coverage to ensure appropriate coverage is in place.</li> <li>○ To control loan disbursements only after all terms and conditions of approval have been met, and all security documentation is in place.</li> <li>○ To maintain control over all security documentation.</li> <li>○ To monitor borrower’s compliance with covenants and agreed terms and conditions, and general monitoring of account performance.</li> </ul>

## CHAPTER 6

### CREDIT RISK ANALYSIS

#### 6.1 Introduction

This chapter is basically concerned with various analysis associated with credit risk. SWOT analysis, business and financial risk analysis, various ratio related to risk and CAMELS rating analysis were calculated and brought out the best results. After all the calculation we will understand the performance of Sonali Bank Ltd.

#### 6.2 SWOT Analysis

Through direct observation and discussion with the SBL officials he is able to point out some major strength and weaknesses as well as some threats and opportunities regarding the various issues of the Bank such as –

- Organizational identity
- Service level
- Operational efficiency
- Technology
- Employee efficiency etc. along with many other issues.

<b>Strengths</b>	<b>Weaknesses</b>
Strong corporate identity	Discouraging small entrepreneurs
Strong employee bonding & belongings	Absence of strong marketing activities
Enthusiastic & empowered work force	High cost for maintaining an account
Strong financial position	Lack of strong recovery team
Efficient performance	Security and collateral requirement while disbursing the loans
Low cost of interest rate	The techniques specified for credit appraisal is not sufficient
Low charges of banking activities	
A very well organized credit unit	



Opportunities	Threats
Country wide network	Upcoming banks
Experienced managers	Similar products are offered by other banks
Huge population	Industrial downward trend
Usage of efficient software	Increased competition imparted new market participants in the banking industry
Rising of new business venture and prospective entrepreneurs	Govt. regulations over banking industry
Collection of huge foreign remittance from immigrant Bangladeshis	

### 6.2.1 Strength:

SBL is one of the leading providers of financial services. With its strong corporate image and identity, it has better positioned itself in the minds of customers. The employees of SBL have a strong sense of commitment towards organization and also feel proud and a sense of belonging towards SBL. They are very enthusiastic as well as self motivated towards their responsibilities.

### 6.2.2 Weakness:

SBL provides clean import loan to most of its solvent clients. But they usually do not want to finance small entrepreneurs whose financial standing is not clean to them. SBL currently don't have any strong marketing activities through mass media e.g. television, radio. Although they do a lot of corporate social responsibility activities compared to other banks. But they have lack of strong recovery team. The account maintenance cost for SBL is comparatively high. In the long run, this might turn out to be a negative issue for SBL.

### 6.2.3 Opportunities:

Bangladesh is a developing country to satisfy the needs of the huge population. So, SBL has great opportunity to take control the customer by providing greater services. Besides this, SBL has employed experienced managers to facilitate its operation. There is certain software which enables customers to deposit and withdraw money

from any bank with the cheque or deposit of any other bank thus poses as an opportunity for SBL as the number of transactions would drastically increase.

#### 6.2.4 Threats:

The upcoming private, local, & multinational banks posse's serious threats to the existing banking network of SBL. Now-a-days different foreign and private banks are also offering similar type of products with an almost similar profit margin like SBL. Newer banks with diversity and flexibility to charge variable interest rates to different loan applicants. Besides this industrial downturn trend has seen due to unemployment, inflation which can cause threats to the banking sector. Government regulations are affected over banking industry.

### 6.3 Risk Analysis of Sonali Bank Ltd.

Risk analysis examines the uncertainty of income flows for the total firm and for the individual sources of capital (that is debt, preferred stock and common stock). The typical approach examines the major factors that cause a firm's income flows to vary. More volatile income flows means greater risk facing the investor.

#### 6.3.1 Business Risk Analysis

**Table 6.1 Calculation of business risk**

Year	Operating Income (X <sub>i</sub> )	(Taka in Crore) (X <sub>i</sub> - $\bar{X}$ ) <sup>2</sup>
2011	1151.87	271076.42
2012	1103.82	323419.69
2013	1676.59	16.5649
2014	2058.84	149243.14
2015	2371.50	488573.04
N = 5	$\sum X_i = 8362.62$	$\sum (X_i - \bar{X})^2 = 1232328.86$
	$\bar{X} = 1672.52$	
	$\sigma = 496.45$	
$\text{Business Risk} = \frac{\sigma}{\bar{X}} = \frac{496.45}{1672.52} = 0.2968$		

(Source: Annual Report of SBL)

$$\bar{X} = \frac{\sum X_i}{N} = \frac{8362.62}{5}$$

$$= 1672.52$$

$$SD(\sigma) = \sqrt{\left\{ \frac{\sum (X_i - \bar{X})^2}{N} \right\}}$$

$$= \sqrt{\left( \frac{1232328.86}{5} \right)}$$

$$= 496.4$$

### Interpretation:

The business risk is that a bank will not have adequate cash flow to meet its operating expenses. Sonali Bank Limited has 0.2968 or 29.68%, i.e., 30% business risk so far.

### 6.3.2 Financial Risk Analysis

**Table 6.2 Calculation of financial risk**

(Taka in Crore)

Year	Net cash flow from Operating Activities	Interest Expenses	Ratio
2011	4085.46	1419.16	3.88
2012	2198.65	1396.59	2.57
2013	2869.54	1580.00	2.82
2014	3834.80	1913.18	3.00
2015	2529.69	2240.24	2.13

(Source: Annual Report of SBL)

**Interpretation:** With lower financial risk of SBL ratio looks acceptable level in 2015 than previous years.

### 6.4 External Market Liquidity Risk

**Table 6.3 Calculation of external liquidity risk**

Year	No. of Shares Outstanding	Highest Market Price	Lowest Market Price	Average Market Price	Market Value of Outstanding Shares
2011	3000000	3125	2987	3056	9168000000
2012	3000000	3738	3695	3716.5	11149500000
2013	6000000	4679	4562	4620.5	27723000000
2014	123750000	94	89	91.5	11323125000
2015	123750000	140	137	138.5	17139375000

(Source: Annual Report of SBL)

**Interpretation:** The market value of the share outstanding is fluctuated day by day. So there is now some risk of liquidity of share of SBL in the market. The highest market value of outstanding shares was in 2013 & lowest in 2011.

## 6.5 Ratio Analysis related term to the Credit & Capital Management

### 6.5.1 Interest Income to Total Assets Ratio

**Table 6.4 Interest income to total assets percentage**

(Taka in Crore)

Years	SBL		College Gate Branch		Interest Income to Total Assets (%)	
	Total Assets	Interest Income	Total Assets	Interest Income	SBL	College Gate Branch
2011	46,194.62	253.13	1,472.40	19.84	0.55	1.35
2012	49,294.91	(86.40)	1,551.90	7.37	(0.18)	0.47
2013	55,085.74	188.31	1,681.84	8.96	0.34	0.53
2014	62,051.50	370.96	1,821.74	11.86	0.60	0.65
2015	69,560.46	567.63	2,069.68	15.71	0.82	0.76

(Source: Annual Report of SBL)

**Comment:** The ratio of interest income to total assets has been increasing in both Sonali Bank Ltd. and College gate branch. Though the ratio of Sonali Bank Ltd. and College Gate branch had fallen at the end of 2012, in 2013 it again gained the growth trend. College Gate Branch has a better ration of interest income to total assets comparing the company average. The higher the ratio of interest income to total assets, the more successful the bank is. From this point of view, the performance of both branch and SBL is developing day by day.

### 6.5.2 Ratio of Interest Income to Total Loans & Advances

**Table 6.5 Ratio analysis of interest income to total loans & advances**

(Taka in Crore)

Years	SBL		College Gate Branch		Interest Income to Total Loans & Advances (%)	
	Total Loans & Advances	Interest Income	Total Loans & Advances	Interest Income	SBL	College Gate Branch
2011	20,634.76	253.13	931.59	19.84	1.23	2.13
2012	23,116.66	(86.40)	1052.89	7.37	(0.37)	0.70
2013	25,402.25	188.31	1134.25	8.96	0.74	0.79
2014	28,609.81	370.96	1135.68	11.86	1.30	1.04
2015	34,809.18	567.63	1391.21	15.71	1.63	1.13

(Source: Annual Report of SBL)

**Comment:** In 2012 the ratio of Sonali Bank Ltd. and College gate branch had fallen down. In 2013, it again gained the growth trend. College gate branch has a better ratio of interest income to total loans and advances comparing the company average.

### 6.5.3 Ratio of Loans & Advances to Total Assets

**Table 6.6 Loans & advances to total assets percentage**

(Taka in Crore)

Years	SBL		College Gate Branch		Loans & Advances to Total Assets (%)	
	Total Assets	Loans & Advances	Total Assets	Loans & Advances	SBL	Branch
2011	46,194.62	20,634.76	1,472.40	931.59	44.67	63.27
2012	49,294.91	23,116.66	1,551.90	1052.89	46.89	67.85
2013	55,085.74	25,402.25	1,681.84	1134.25	46.11	67.44
2014	62,051.50	28,609.81	1,821.74	1135.68	46.10	62.34
2015	69,560.46	34,809.18	2,069.68	1391.21	50.04	67.22

(Source: Annual Report of SBL)

**Comment:** The table 6.6 Loans & advances to total assets percentage shows that, in 2015 it has been increasing than previous four years. The ratio of College gate branch is more than 60% and is quite satisfactory because College Gate Branch has a ratio of

loans and advances to total assets over the company average. The lower the ratio of loans and advances to total assets the more successful the bank is.

#### 6.5.4 Return on Credit (ROC) Ratio

**Table 6.7 Return on credit ratio**

(Taka in Crore)

Year	Interest Income	Average Loans & Advances	Return on Credit (%)
2011	1672.29	20634.76	8.10
2012	1310.19	23116.66	5.67
2013	1768.31	25402.25	6.96
2014	2284.14	28609.81	7.98
2015	2809.21	34809.18	8.07

(Source: Annual Report of SBL)

#### Interpretation:

Return on credit ratio of Sonali Bank limited in 2011 was highest with 8.10% and in 2012 it was lowest with 5.67%. In 2015, SBL gained 8.07% of return on credit. Sonali Bank Limited should take necessary steps to mobilize more return on credit to keep the return on credit at maximum.

#### 6.5.5 Return on Total Assets (ROA) ratio

**Table 6.8 Return on total assets ratio**

(Taka in Crore)

Year	Net Profit before Tax	Total Assets	Return on Assets (%)
2011	360.14	46194.62	0.78
2012	133.64	49294.91	0.27
2013	224.43	55085.74	0.41
2014	(209.18)	62051.50	(0.34)
2015	989.92	69560.46	1.42

(Source: Annual Report of SBL)

#### Interpretation:

Table 6.11 Return on total assets ratio shows that return on total assets of Sonali Bank Limited in 2014 was lowest with -0.34% out of limit 1.00% because of net loss. After 2014 the return on total assets was increasing. In 2015, the return on total assets is

1.42% which is much greater than previous years. So, it shows that, Sonali Bank Limited tries to enhance their net profit before tax generating from assets.

### 6.5.6 Return on Equity (ROE) Ratio

**Table 6.9 Return on equity ratio**

(Taka in Crore)

Year	Net Profit after Tax	Total Equity	Return on Equity (%)
2011	453.86	2257.19	20.11
2012	233.11	2442.07	9.55
2013	349.02	3726.20	9.37
2014	(97.45)	3741.10	(2.60)
2015	998.19	5612.33	17.79

(Source: Annual Report of SBL)

#### **Interpretation:**

Return on equity ratio of SBL in 2014 was lowest with negative value -2.60% and in 2015 the return on equity is 17.79%. In 2011, the return on equity was highest with 20.11% among the five years. SBL should take necessary steps to enhance their net profit after tax using equity.

### 6.5.7 Debt-Equity Ratio

**Table 6.10 Debt-equity ratio**

(Taka in Crore)

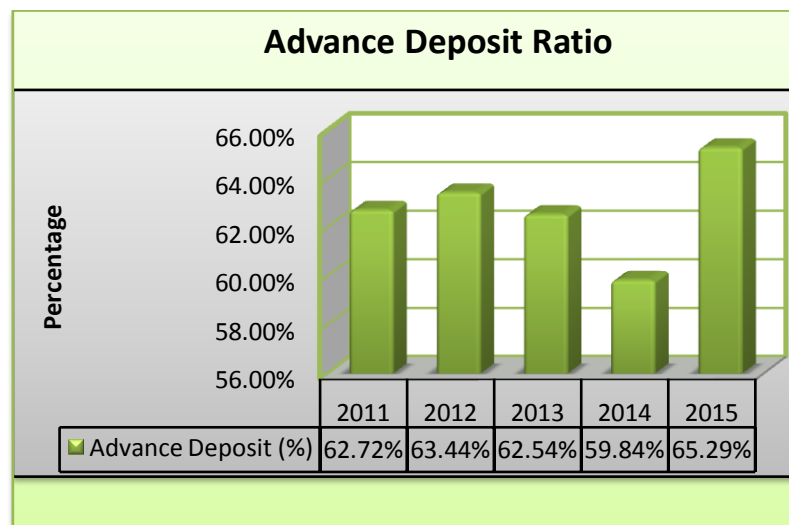
Year	Total Long term Debt	Total Equity	Debt-Equity Ratio
2011	43937.43	2257.19	19.47
2012	46852.84	2442.07	19.19
2013	51359.54	3726.20	13.78
2014	58310.40	3741.10	15.59
2015	63948.13	5612.33	11.39

(Source: Annual Report of SBL)

#### **Interpretation:**

A high debt-equity ratio generally means that a bank has been aggressive in financing. The debt equity ratio of SBL indicates that in 2011 it was highest and in 2015 it was lowest which indicates that debt used more than equity.

### 6.5.8 Advance deposit (AD) ratio

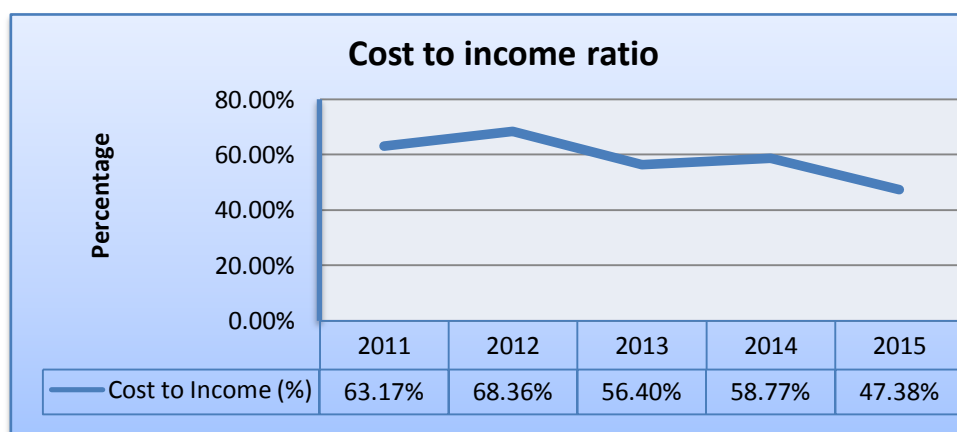


**Figure 6.1 Advance deposit ratios**

#### **Interpretation:**

The advance deposit ratio is a useful indicator of a bank's liquidity adequacy. On the basel I criteria SBL continued to maintain moderate advance deposit ratio through the five years. In 2015, advance deposit ratio of Sonali Bank limited was highest with 65.29% and in 2014 it was lowest with 59.84%.

### 6.5.9 Cost to income ratio:



**Figure 6.2 Cost to income ratio**

#### **Interpretation:**

The cost to income ratio measures operating costs as a percentage of operating income. The ratio, which will vary across the bank, should be as low as possible. The highest cost to income ratio in 2012 with 68.36% and the lowest ratio in 2015 with



47.38%. It can be said that SBL fluctuates cost to income ratio over the year and the most good sign is that its decreasing in 2015 so its increasing its efficiency in the recent year.

## 6.6 Performance comparison of SBL for 5 years by ratio analysis

**Table 6.11 Performance comparison of SBL by ratio analysis**

Measurement	Ratios	2015	2014	2013	2012	2011
<b>Liquidity</b>	AD (%)	65.29	59.84	62.54	63.44	62.72
<b>Profitability</b>	ROA (%)	1.42	(0.34)	0.41	0.27	0.78
	ROE (%)	17.79	(2.60)	9.37	9.55	20.11
	ROC (%)	8.07	7.98	6.96	5.67	8.10
<b>Efficiency</b>	Cost to Income (%)	47.38	58.77	56.40	68.36	63.17
	Cost of Deposit (%)	4.20	4.00	3.89	3.83	4.31
<b>Leverage</b>	Debt-Equity	11.39	15.59	13.78	19.19	19.47

### Comment:

- The higher advance to deposit ratio is better. But, SBL advance deposit ratio is moderate.
- Return on asset is a major indicator of an entity's profitability. ROA is lowering consistent over the financial years. Major source of a banks earnings is net interest or profit, it is also consistent through the financial years.
- The lower the cost to income ratio indicates better efficiency for the bank. The cost to income ratio in 2015 is low than the previous four years. It is confined to a satisfactory level for the SBL.
- A high debt-equity ratio generally means that a bank has been aggressive in financing its growth with debt. The debt equity ratio of SBL indicates that in 2011 it was highest and in 2015 it was lowest which indicate that debt used more than equity and it is good for SBL.

## 6.7 CAMELS Rating of SBL

The CAMELS rating system was developed by bank regulators in the United States as a means of measurement of the financial condition or performance of a financial institution

### CAMELS Indicates the Followings:

- C stands for judgment of capital adequacy.
- A stands for judgment of asset quality.
- M stands for judgment of efficiency and quality of management.
- E stands for judgment of the volume and level of earnings.
- L stands for judgment of strength and level of liquidity; and
- S stands for judgment of sensitivity to market risks.

According to Bangladesh Bank requirement the capital, assets, management, earnings and liquidity of an FI (Financial Institution) are measured using some ratios. Here in 2015 he use these ratios to view the SBL's positioning terms of these factors.

### 6.7.1 Capital adequacy rating:

In 2015, capital adequacy position of SBL is

$$= \frac{4420.88}{35087.43} \times 100$$
$$= 12.59\%$$

**Table 6.12 Capital adequacy rating**

Rating	Performance	Percentage
1.	Strong ☆	9% and above
2.	Satisfactory	8% - 8.99%
3.	Fair	7% - 7.99%
4.	Marginal	5% - 6.99%
5.	Unsatisfactory	4.99% and below

**Comment:** Capital adequacy rating is 1 which means the performance is strong.

### 6.7.2 Assets quality of SBL

In 2015, assets quality of SBL is

$$\begin{aligned} &= \frac{1954.66}{34,809.18} \times 100 \\ &= 5.62\% \end{aligned}$$

**Table 6.13 Assets quality rating**

Rating	Performance	Percentage
1.	Strong	Up to -5.00%
2.	Satisfactory ☆	5.01%-10.00%
3.	Fair	10.01%-15.00%
4.	Marginal	15.01%-20.00%
5.	Unsatisfactory	Above-20.00%

**Comment:** Assets quality rating is 2 which means the performance is satisfactory.

### 6.7.3 Volume and Level of Earnings:

In 2015, volume and level of earnings (profitability) of SBL is

$$\begin{aligned} &= \frac{998.19}{69560.46} \times 100 \\ &= 1.43\% \end{aligned}$$

**Table 6.14 Volume and level of earnings rating**

Rating	Performance	ROA (%)
1.	Strong ☆	0.85% and above
2.	Satisfactory	0.65%-0.84%
3.	Fair	0.45%-0.64%
4.	Marginal	Below-0.44%
5.	Unsatisfactory	Net losses

**Comment:** Level of earnings (profitability) rating is 1 which means the performance is strong.

#### 6.7.4 Strength and level of liquidity:

In 2015, liquidity rating of SBL is

$$\begin{aligned} &= \frac{12361.11}{63948.13} \times 100 \\ &= 19.33\% \end{aligned}$$

**Table 6.15 Strength and level of liquidity rating**

Rating	Performance	Percentage
1.	Strong	30% and above
2.	Satisfactory	20.00%-29.99%
3.	Fair ☆	19.00%-19.99%
4.	Marginal	15.00%-18.99%
5.	Unsatisfactory	Below-15.00%

**Comment:** The liquidity rating is 3 which means the performance is fair.

#### 6.7.5 Efficiency and quality of management:

In 2015, management rating of SBL is

$$\begin{aligned} &= \frac{1 + 2 + 1 + 3}{4} \times 100 \\ &= 1.75\% \end{aligned}$$

**Table 6.16 Efficiency and quality of management**

Rating	Performance	Percentage
1.	Strong	1.00-1.49
2.	Satisfactory ☆	1.50-2.49
3.	Fair	2.50-3.49
4.	Marginal	3.50-4.49
5.	Unsatisfactory	4.50-5.00

**Comment:** The management rating is 2 which means the performance is satisfactory.

### 6.7.6 Bank Rating

In 2015, bank rating of SBL is

$$\begin{aligned} &= \frac{1 + 2 + 2 + 1 + 3}{5} \times 100 \\ &= 1.8\% \end{aligned}$$

**Table 6.17 Bank Rating**

Rating	Performance	Percentage
1.	Strong	1.00-1.49
2.	Satisfactory ☆	1.50-2.49
3.	Fair	2.50-3.49
4.	Marginal	3.50-4.49
5.	Unsatisfactory	4.50-5.00

**Comment:** The bank rating is the total of all the capital, assets, management, earning and liquidity. Bank rating of SBL is 2 (satisfactory) which implies –

- SBL is fundamentally sound.
- Findings are of a minor nature and can be handled routinely.
- Stable and can withstand business fluctuations well.

## CHAPTER 7

### FACTORS AFFECTING CREDIT ANALYSIS

Data analysis and interpretation is necessary to prepare an effective report. After data have been collected from a representative sample of the population, the next step is to analyze and interpret them to solve the problem. Without analysis and interpretation, it is impossible to comment on the problem under study. In this study, I have collected data according to the topic through various methods mentioned in the other chapter and tried to analyze and interpret it in this chapter. This analysis is based on a questionnaire survey at Sonali Bank Ltd., College gate branch, Dhaka. The target population was randomly selected from this branch for the study. A total of 30 customers are selected from the various account holders of the sample bank. Maximum respondents are businessman. A structured survey instrument was designed to collect data from respondents.

**Table 7.1 Respondent's profession**

<b>Respondent's Profession</b>	<b>No. of Respondents</b>	<b>Percentage (%)</b>
Student	6	20.00
Employee	10	33.33
Businessman	12	40.00
Housewife	2	6.67
Total	30	100

Table 7.1 represents the respondents profession. The table shows that among 30 respondents, 40% respondents are businessman who have account in the College gate branch of Sonali Bank Ltd. Employees are the second highest profession of the respondents which was 34%. The 20% of respondents are students and 7% of the respondents are housewife. The highest percentage of the respondent's profession was businessman that means credit performance of Sonali Bank Ltd. is mostly affected by its clients.

**Table 7.2 Main reason for choosing this bank**

<b>Reason for choosing this Bank</b>	<b>No. of Respondents</b>	<b>Percentage (%)</b>
Reasonable interest rate	5	16.67
Good and efficient services	10	33.33
Effective service charge	4	13.33
Reputation of the bank	7	23.33
Location of the bank	3	10.00
Others reason	1	3.33
Total	30	100

Table 7.2 represents the main reason for choosing this bank. The table shows that most of the respondents choose SBL because of good and efficient services (33.33%) 23.33% of the customers choose the bank because of reputation. Reasonable interest rate mention by 16.67%. For effective service charge 13.33% choose, 10% choose for location of the bank and for other reason 3.33% choose.

**Table 7.3 Satisfaction about employee behavior**

<b>Respondents</b>	<b>No. of Respondents</b>	<b>Percentage (%)</b>
Highly satisfied	0	0.00
Satisfied	18	60.00
Neither satisfied nor dissatisfied	8	26.67
Dissatisfied	3	10.00
Highly dissatisfied	1	3.33

Table 7.3 shows the satisfaction about employee behavior. The figures in the table shows that 60% respondents are satisfied, 27 % neither satisfied nor dissatisfied, 10 % dissatisfied about employee behavior. The clients 3.33% are highly dissatisfied about employee behavior.

**Table 7.4 Risk tolerance behavior of your bank**

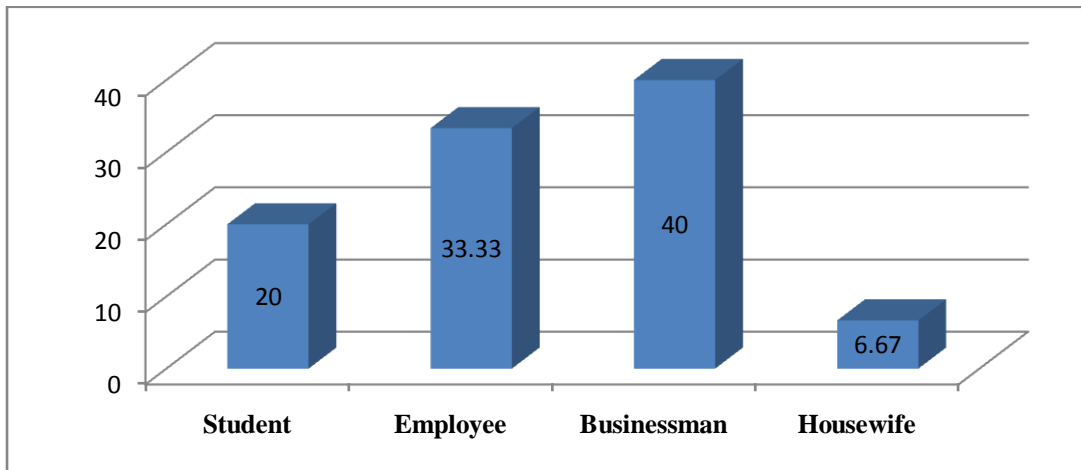
<b>Respondents</b>	<b>No. of Respondents</b>	<b>Percentage (%)</b>
Very High	6	20
High	12	40
Medium	3	10
Low	7	23.33
Very Low	2	6.67
Total	30	100

Table 7.4 shows the risk tolerance behavior of your bank. The figures in the table shows that 40% respondents are high, 23% low, 20% very high, 10 % medium and 6.67 % very low.

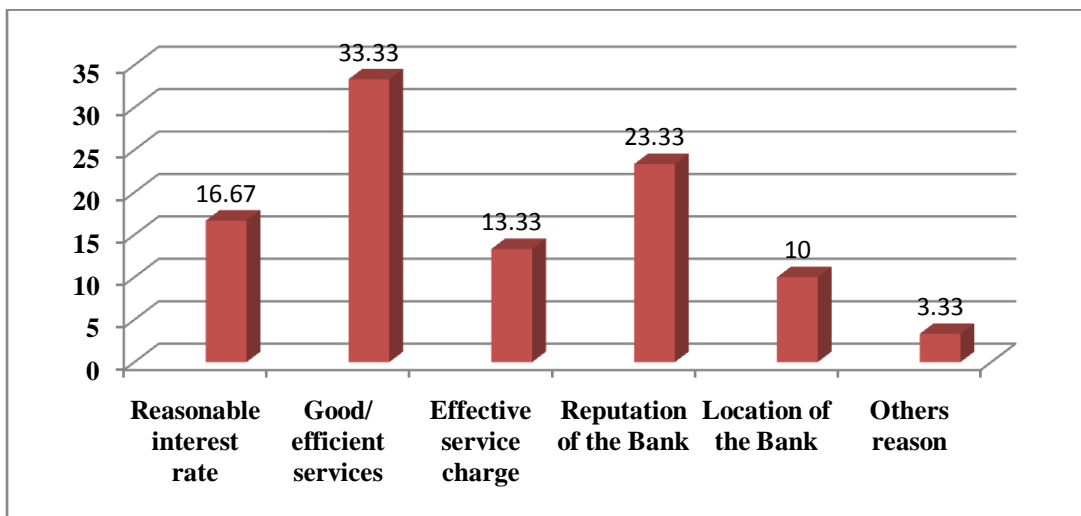
**Table 7.5 Sonali Bank Limited credit policy**

Respondents	No. of Respondents	Percentage (%)
Very satisfied	7	23.33
Satisfied	9	30.00
Neutral	13	43.33
Dissatisfied	1	3.33
Strong dissatisfied	0	0.00
Total	30	100

Table 7.5 shows the Sonali Bank Limited credit policy. The figures in the table shows that 43.33% respondents are neutral, 30% are satisfied, 23.33% are very satisfied, 3.33% dissatisfied. The highest percentage of respondents are neutral, so Sonali Bank should improve the credit policy.

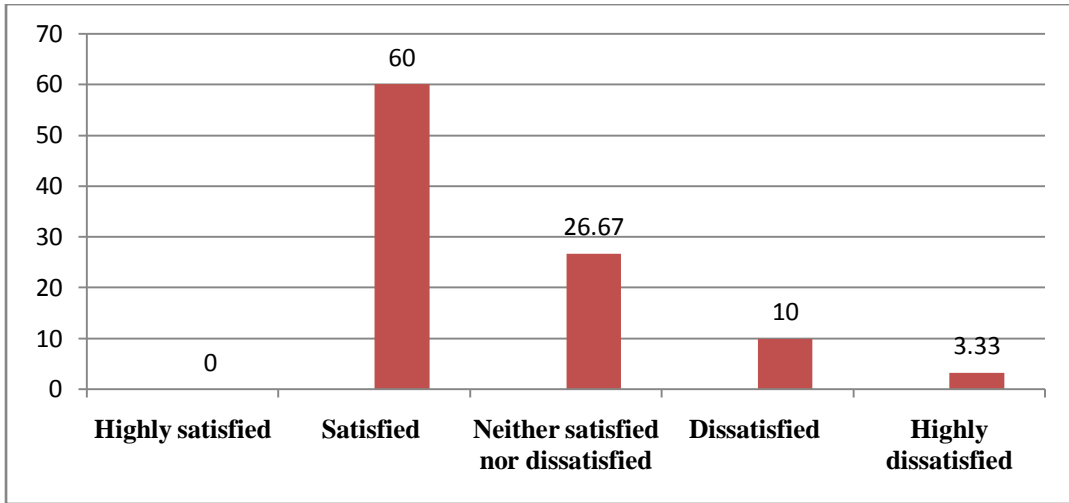


**Figure 7.1 Respondent's profession**

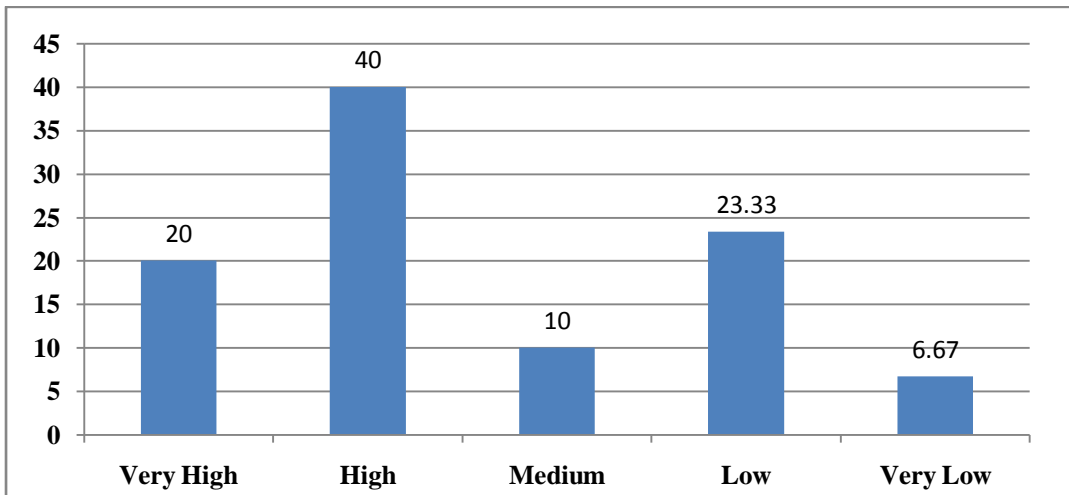


**Figure 7.2 Main reason for choosing this bank**

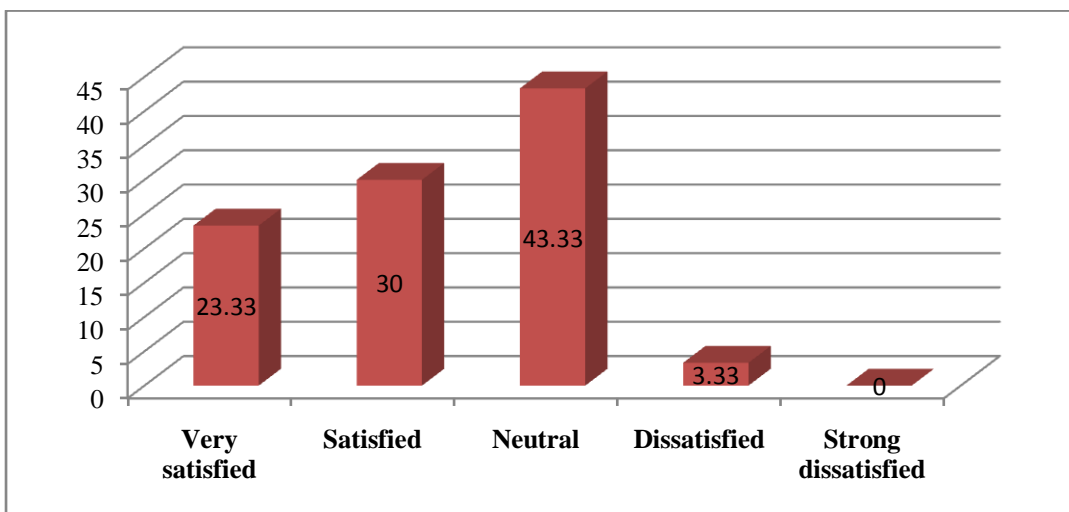




**Figure 7.3 Satisfaction about employee behavior**



**Figure 7.4 Risk tolerance behavior of your bank**



**Figure 7.5 Sonali Bank Limited credit policy**

**Table 7.6 Analysis on Interest rate on loan**

<b>Respondents</b>	<b>No. of Respondents</b>	<b>Percentage (%)</b>
Very satisfied	6.0	20.00
Satisfied	16	53.33
Neutral	6.0	20.00
Dissatisfied	2.0	6.67
Strong dissatisfied	0.0	0.00
Total	30	100

Table 7.6 shows the analysis on interest rate on loan. The figures in the table shows that 53.33% respondents are satisfied, 20% neutral, 20% very satisfied, 6.67% are dissatisfied. Highest percentages of respondents were satisfied of Sonali bank credit policy.

**Table 7.7 Bank communication with customer**

<b>Respondents</b>	<b>No. of Respondents</b>	<b>Percentage (%)</b>
Very satisfied	14	46.67
Satisfied	10	33.33
Neutral	5	16.66
Dissatisfied	1	3.33
Strong dissatisfied	0	0
Total	30	100

Table 7.7 shows the bank communication with customer. The figures in the table shows that 46.67% respondents are very satisfied, 33.33% satisfied, neutral 16.66%, 3.33% are dissatisfied. Bank communication with customer factor is very satisfied because the respondent's percentage is highest and customers were pleased.

**Table 7.8 Adequate system in place to identify and monitor risk on an ongoing basis**

	<b>Yes</b>	<b>No</b>	<b>Total</b>
Does the bank has adequate system in place to identify and monitor risk on an ongoing basis?	17	13	30
<b>Percentage</b>	56.67	43.33	100

Table 7.8 shows the adequate system in place to identify and monitor risk on an ongoing basis. The figures in the table shows that 56.67% respondents answer yes and remaining 43.33% respondents answer no.

**Table 7.9 Opinion about availability of modern technologies**

<b>Respondents</b>	<b>No. of Respondents</b>	<b>Percentage (%)</b>
Strongly agree	0	0
Agree	1	3.33
Neither agree nor disagree	6	20
Disagree	19	63.33
Strongly disagree	4	13.33
Total	30	100

Table 7.9 shows the opinion about availability of modern technologies. The figures in the table shows that 63.33% respondents are not agree and 13.33 % respondents strongly disagree, 20% neither agree nor disagree, 3.33 % are agreed. So, Sonali bank should introduce advance technologies for improving its credit facilities

## **CHAPTER 8**

### **RECOMMENDATION & CONCLUSION**

#### **Recommendations**

The failure of commendable banks occurs mainly due to bad loans, which occurs due to inefficient management of the loans and advances portfolio. Therefore any banks must be extremely cautious about its lending portfolio and credit policy. In the light of the above findings, following recommendations are proposed:

- In the credit department, strict supervision is necessary to avoid loan defaulters.
- Central monitoring system should be more active to maintain classified loan to a minimum level.
- SBL should improve the current market condition.
- To attract more clients SBL should search new marketing strategy.
- It should take necessary measures to increase the advance deposit ratio of SBL.
- An uninterrupted network system has to be ensured. It will save the time.
- For developing a reliable credit management system of SBL, it should require to introduce as improved information system within bank as well as among the borrowers.
- CAMEL analysis findings are minor in nature and SBL can be handled routinely.

## **Conclusion**

In 2015 Return on Credit (ROC), Return on Total Assets (ROA), Return on Equity (ROE), Advance Deposit (AD) are 8.07%, 1.42%, 17.79% and 65.29% respectively which is quite well. My investigation shows that SBL capital adequacy is 12.60% which is strong, asset quality is 5.62% which is satisfactory level, level of earnings is 1.43%, which is strong, level of liquidity is 19.33%, which is fair and bank rating is 1.8% which also is satisfactory level.

Recovery from top 20 loan defaulters in 2014 was only 37 percent. As for non-performing loans recovery, Sonali bank Ltd. achieved 50 percent of the target. (The Daily Star, March 27, 2015)

From the discussion in this report, it has become clear that credit risk management is a complex and ongoing process and therefore Banks or any financial institutions must take a serious approach in addressing these issues. If weakness is address appropriately and opportunity is explored by keep in view the threat it is expected that Sonali Bank Limited will advanced up in the ladder of success in the coming year.

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## Questionnaire for Customers

[N.B: This questionnaire is fully designed for academic purpose only. Your unbiased and valuable response will make the study effective. Your all answers would be kept as confidential. Please give answer of all the questions.]

### (A) Personal Information:

**Name of Respondent:** .....

**Profession:**  Student  Employee  Businessman  Housewife

**Age:**  Under 20  20-30  30-40  40-50  Above 50

### (B) General Information : Please tick ( ) the appropriate box

#### 1. What is the main reason for choosing this Bank?

- Reasonable interest rate                       Good and efficient services  
 Effective service charge                       Reputation of the Bank  
 Location of the Bank                               Other reason

#### 2. What type of account do you have with this Bank?

- Saving Account     Deposit Account     Current Account     Others

#### 3. Sonali bank is a state owned commercial bank and much hassle occur because of large number of clients. Do you think Sonali bank performs the right service at first time?

- Strongly agree     Agree     Neither agree nor disagree  
 Disagree     Strongly disagree

#### 4. Employees of Sonali bank Ltd. are very busy with their work. Do you think the employees of Sonali Bank always willing to help you ?

- Strongly agree     Agree     Neither agree nor disagree  
 Disagree     Strongly disagree

#### 5. Sonali banks employee always want to help clients but sometimes clients become bore for time consuming activities. Do you think employees of Sonali Bank understand your specific needs?

- Strongly agree     Agree     Neither agree nor disagree  
 Disagree     Strongly disagree

**6. Are you satisfied with the way employee behaving with you?**

- Highly Satisfied     Satisfied     Neither Satisfied nor Dissatisfied  
 Dissatisfied     Highly Dissatisfied

**7. Are you satisfied with the bank statement?**

- Highly Satisfied     Satisfied     Neither Satisfied nor Dissatisfied  
 Dissatisfied     Highly Dissatisfied

**8. Do you think the numbers of employees are sufficient to provide customers service?**

- Yes     No

**9. Do you think modern technologies are available here?**

- Yes     No

**10. How would you rate the risk tolerance behavior of your bank?**

- Very High     High     Medium     Low     Very low

**11. How would you satisfy on Sonali bank Ltd. credit policy?**

- Very satisfied     Satisfied     Neutral     Dissatisfied     Strong dissatisfied

**12. Does the bank has adequate system in place to identify and monitor risk on an ongoing basis?**

- Yes     No

**13. Are you satisfied with the record maintaining procedure of your account?**

- Yes     No

.....

Date and Signature

**Thanks for your cordial cooperation**