

Report On  
Non-Performing Loan Performance from Banking Industry  
Perspective of Bangladesh: A study on Sonali Bank's Non-  
Performing Loan

By

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An internship report submitted to the BRAC Business School Department in partial  
fulfillment of the requirements for the degree of  
Bachelor of Business Administration

BRAC Business School  
BRAC University  
June, 2021

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## **Declaration**

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

### **Student's Full Name & Signature:**

*Jannat Ara Haque*

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**Jannat-Ara Haque**  
Student ID- 17204086

### **Supervisor's Full Name & Signature:**

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**DR. Mohammad Mujibul Haque**  
Professor & Associate Dean,  
BRAC Business School  
BRAC University

## Letter of Transmittal

DR. Mohammad Mujibul Haque

Professor & Associate Dean,

BRAC Business School

BRAC University

66 Mohakhali, Dhaka-1212

Subject: Submission of Internship Report on ‘Non-Performing Loan Performance from Banking Industry Perspective of Bangladesh: A study on Sonali Bank’s Non-Performing Loan.’

Dear Sir,

With due respect, I would like to notify you that I am honored by completing my internship report on “Non-Performing Loan Performance from Banking Industry Perspective of Bangladesh: A study on Sonali Bank’s Non-Performing Loan” as a part of the undergraduate program of BRAC Business School. Throughout the internship at Sonali Bank, I have given my best to learn the banking functions incorporating my theoretical knowledge in academic period. I have tried my best to incorporate all my experiences, reflection learning and other necessary data and recommendations in as detailed a manner as possible.

I would like to thank you for your endless guidelines and support and apologize for any errors.

I would like to request you to accept my report and be considerate about efforts in this regard.

Sincerely yours,

*Jannat Ara Haque*

Jannat-Ara Haque

ID- 17204086

BRAC Business School

BRAC University

Date: June 20, 2021

## **Non-Disclosure Agreement**

This agreement is made and entered into by and between Sonali Bank Limited and the undersigned student at BRAC University named Jannat-Ara Haque as a commitment of not disclosing any information which is confidential.

**Sonali Bank Limited**

.....

**Jannat-Ara Haque**

*Jannat Ara Haque*

.....

## **Acknowledgement**

First and foremost, I would like to thank the Almighty Allah for giving me the willpower and strength in this pandemic to complete my responsibilities and report within a time period.

I am grateful and indebted to my respected faculty supervisor, DR. Mohammad Mujibul Haque, Professor & Associate Dean, BRAC Business School. I am honored to have him as my supervisor, as without his supervision and guidelines this report would not be possible to finish. On others, he always gave inspirations and motivations to do better throughout the whole process.

I would like to show my gratitude to my onsite office supervisor, Md. Arifuzzaman, Principal Officer, General Banking division, Sonali Bank Limited, Begum Rokeya Sarani Branch. In his daily busy tight schedule with lots of responsibilities, he provided me wonderful mentorship, guides during my internship. He provided assists in his best to achieve my goals and directions in preparing the report in ease throughout the whole journey.

Lastly, I would like to mention the cooperation and kindness of BRAC University authority.

## **Executive Summary**

Sonali Bank Limited is known as one of the Leading state-owned government running bank in the banking sector. They are doing tremendous works in the banking sector and also in the whole economy for progress. Through the internship program in SBL, I go to experience and have acknowledgements about their banking operations and corporate culture. The study of the report highlight the whole experience at SBL outlining all aspects. The main study of the project part focuses the NPLs' overview in the Sonali Bank and also reflect the image of existed NPLs in banking sector of Bangladesh. It focuses on the latest conditions of loans related issues or NPL in the bank and highlight the key areas to focus for solving or mitigate the root causes for future recovery and growth of economy.

This report is divided into several parts and discussed every possible parts from organization specific to focused topics of project. There are detailed manner discussions about organization, daily operations of different departments, business structures, strategies regarding their growth and success in competitive market. In the focused part of findings and analysis, I have tried to hold up the reflection of NPLs issues and condition in banking sector through detailed study of SBL's NPLs. This report gives the overview of NPL concerning areas to improve and current market condition of bank statements affecting because of NPL.

**Keywords:** Non-Performing Loan; Banking Sector; Loan Classification; State-Owned Commercial Bank; Sonali Bank Limited

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## List of Acronyms

|      |   |
|------|---|
| SBL  | Sonali Bank Limited                         |
| BB   | Bangladesh Bank                             |
| NPL  | Non-Performing Loan                         |
| SCB  | State-Owned Commercial Bank                 |
|      | State-Owned Development Financial           |
| SB   | Institution                                 |
| PCB  | Private Commercial Banks                    |
| FCB  | Foreign Commercial Bank                     |
| FY   | Fiscal Year                                 |
| BRPD | Banking Regulation and Policy Department    |
| B/L  | Bad/Loss                                    |
| CRAR | Capital-to-Risk Weighted Assets Ratio       |
| SHRM | Strategic Human Resource Management         |
| DD   | Demand Draft                                |
| PO   | Payment Order                               |
| RTGS | Real-time Gross Settlement                  |
| IT   | Information Technology                      |
| IFRS | International Financial Reporting Standards |

# **Chapter 1**

## **Overview of Internship**

### **1.1 Student Information**

My name is Jannat-Ara Haque, ID: 17204086, a student of BRAC Business School who have done double majors in Finance and Human Resource Management. In my Finance major, concentrated areas are Corporate Finance, Financial Institution Management, Bank Management & Electronic Banking, Financial markets and derivatives. Furthermore my concentrated areas in HRM are Training & development, SHRM, Industrial relations & psychology, Manpower planning and forecasting.

## **1.2 Internship Information**

### **1.2.1 Period, Company Name, Department/Division, Address**

I got the golden opportunity to work as an intern for the period of three months in the leading SCB named *Sonali Bank Limited*. I have been assigned to the General Banking Department at the Begun Rokeya Sarani Branch, where I have worked with different teams under that division. My internship duration was from 14<sup>th</sup> January 2021 to 13<sup>th</sup> April 2021. The Location of the branch of Sonali Bank Limited is “**Sonali Bank Limited**, 621/1, 621/2, 622 (1st & 2nd floor), Kazipara, Rokeya Sarani, Dhaka-1216”.

### **1.2.2 Internship Company Supervisor’s Information: Name and Position**

Name: Md. Arifuzzaman

Designation: Principal Officer

Department: General Banking

### **1.2.3 Job Scope – Job Duties/Responsibilities**

As I have worked under General Banking Department, I get to work with different sections under it with various duties and responsibilities. General banking is one of the introductory division of the Sonali bank for the customers or for direct customer services. The responsibilities and duties were as an intern are given below:

- PO section: Through Pay order or Payment order customers make payment for deposit as security money or earnest money. This is issued by two different positions’ officers’

signature in receipt form and also payment done there in that office. Here, interns are assigned to write down the receipt with all given information by payee in payment slip and then interns are asked to get signatures from officials and delivers the receipt to the customers. They need to make sure there are no overwriting or any mistake in the receipt and all necessary parts are filled up as it is hand written and otherwise the payee cannot credit their money from respective banks. At the end of the day all these payment orders are given entry in bank's server, so interns need to collect all receipts and give the officer who will make the entry in computer.

- Demand Draft (DD): For the demand draft or bank draft the work is almost same with some extra steps. Here, demand draft's function is different but interns are assigned to write the receipt or check for DD and also there need to search the specific routing number about the branch the DD made. Here also we need to collect all receipts of payments and end of the day with those electronically entries are made.
- Account opening & Cheque issue section: This is basically the more direct communication with customers and giving services. Different people come to open different types of accounts for different purposes. I was assigned here as more like the assisting person for the respected officer who handles all procedures for the public accounts. The responsibilities were like helping the customers to fill up forms for account opening, delivering information regarding necessary steps for opening and required materials. Also assisting in sorting the account opening forms and making manually entries for keeping record and double check when making entry in computer or use it if necessary later.

For the cheque issue section, giving manual entries of the new cheque books of new accounts and manual entry of emergency page of cheque books or for buying Sanchayapatra, taking requisition for cheque books and delivering cheque books to

customers after issued by officer, making manual entry for debit cards and assisting officer in other matters were basically duties for this part.

- Sanchayapatra Section: As the intern, assisted in almost all types of works under this section. I worked with the team of 3 officials and form giving out information for filling out forms to delivering the receipt or certificate of purchasing I did almost all. I communicated with the customers and gave them information related Sanchayapatra buying, collected and assisted in filling out forms and necessary paper works. Then, I gave entries of information in the national website for Sanchayapatra and done other works related issuing the purchase and arranging papers and deliver the certificate for buying Sanchayapatra.
- Others: I have worked with Govt. Chalan section, Loan section and also performed other responsibilities as per requirement in days. Also in accounting section, matching the transactions list entries with the manual receipts and report those which are missing, verifying NID cards with information and contact number with the account holders gave etc..

## **1.3 Internship Outcomes**

### **1.3.1. Contribution to the Bank**

As the intern of the General Banking department, some of significant contributions to the bank are given below:

- Communication: In the workplace, communication is one of the most important part whether with coworker or with customers. I believe I did my best in that part whenever I need with effectiveness and positivity. If I do not understand anything or faced any



problem I tried to talk with my teammates and also with customers. Sometimes it might seem challenging as I was more about learning about all workplace but I could cope up and tried to give my best in every part. Simple communication could solve big problems, so it is necessary to do better in performing job.

→ Team work and relation: To perform job properly working with team or team work is very important skill. If you cannot work or make bonding with team members, workplace or work performance all go in wrong direction. I have managed to build a good relationship with my coworkers and gave my level best in team works and did best for the bank responsibilities.

→ For the work, dedication, effectiveness & efficiency were there as much as possible from my part. I worked some days in two or three sections together and managed to pull out all duties in good shape. Some of the days, when customers were in high numbers, I assisted coworkers from my own will and also did all the works effectively. Also I believe, I was reliable for working, where they could believe me with any work in my capacity.

→ Knowledge & skills: My undergrad knowledge and skills helped me a lot in the workplace and I could apply them for better performance. For example, my Microsoft office skills could solve problems in working on files with cheque issue section and also Sanchayapatra section. Also my knowledge about finance helped me in better understanding banking duties and HRM in workplace management. As I had learned about these in university life, working got easier.

→ I also tried my level best to do work with less errors. As in PO, DD cheque writing, we cannot make mistakes, so I checked everything before and after writing, asked more than once if I did not understand anything both officials and customers. Also any duty

or work given to me, I did with full concentration and checked everything before submitting and abide by guidelines.

→ We face problems every day and in workplaces it may happen any time. I could handle those in more professional way. For instance, my coworker made mistakes in entering cheque books numbers and then could solve it by finding the serials and helping each other in half a day. Then, sometimes customers make mistake in giving information or papers or forgetting signs in important parts, so by communicating with them and making them understand many times those could be solved. All these are not easy always but solutions could be found.

### **1.3.2. Benefits to the student**

I was introduced to the real corporate world through my internship program by three months period. That was one of the best and significant achievement or benefit for me. As a student, I had knowledge and skills learning from courses materials, so practical world experience or knowledge did not have and which is a total different thing. I could get those practical experiences throughout my internship by relating my academic knowledge. To make an organization successful or run smoothly what skills, dedication, cooperation etc. need, I could have hands on experience of those and I feel privileged to work with Sonali Bank. One cannot figure out these matters without working in an organization. Other significant benefits I had are given below:

- My communication skill got better by work in diversity environment and by working in corporate environment. As I had to communicate with different types of customers and serve them, so I can handle communication related parts better and also in team works. I got better in working with teams which was not always easy for me earlier.

- Working under different conditions and cope up with those was another type of skill I got better in. Working under pressure, multitasking and doing with right guidelines, meeting deadlines, working challenges and complete works from there etc., I could learn and have experienced.
- I could learn more about how Govt. financial and economic matters are done. I learned newly more about Sanchayapatra works and loans.
- My Microsoft skills got developed and learned more about finance related topics which will help me in future corporate workings.

### **1.3.3. Difficulties faced during Internship**

I am grateful for the whole my internship journey I had in Sonali bank and I could pass them without that much significant problems. My coworkers and supervisors all were very helpful and supportive and workplace environment was very much inspiring and enthusiastic. All the teams, sections, employees were very much welcoming and supporting, caring for the interns to have a wonderful journey and get to learn about the corporate world in a fine way. Overall some minor challenges were like-

- Interns cannot get to have access in computer, so could not learn more about digitalized works. We had to do the works whatever we used to do in computers with employees' PC and ID of theirs, which is sometimes not comfortable to work.
- Communication with other employees were not always easy to do, as I had very short time there and in that time in first few weeks it was not easy to cope up with them as they are all a lot senior and experienced people than me. Also sometimes not getting enough help due to these type concerns.

- Even though I had worked in multi sections but in some parts they do not let interns work like in digitalized parts and interns are more limited to manual works.
- I had to take permission to use any official materials, tools, printers for work purpose every time when sometimes there were rush in works and pressure.

So, these are minor issues but overall I had a wonderful journey there.

#### **1.3.4. Recommendation for Improvement**

Sonali Bank has a comfortable, enthusiastic working environment and is a wonderful place to work. If I have to give some recommendation after my experience of working there, some can be like:

- They might organize small orientation for the interns or when they are new to join have a more welcoming sessions, so they do not feel isolated or have the idea more about their works, organization etc.
- Bank can arrange extra ID to give access but limited ones for the interns working there, so they have more opportunities to learn works or duties can be done easily.
- As throughout the year many interns join the bank, so they can arrange the small extra space, materials and stuffs to work in more comfort zone and have better workplace environment.

## Chapter 2

### Organization Part: Overview, Operations and a Strategic Audit

#### 2.1. Introduction

##### 2.1.1. Objective

The overall objective is to have an overview of Sonali Bank's operations the banking industry of Bangladesh. In this reporting, there will be highlights of operations of SBL all over the Bangladesh economy. Their services in vast range of financial areas and reflection of strategic business structure of the organization. SBL's policies about maintaining financial stability, growth in the competitive market. In SBL, how it operates its huge range of operations strategically, we can get idea about those through this report. There are two type of objectives which are given below:

The primary objective of this report is to analyze the Sonali Bank Limited's overall functions as a leading SCBs in the market. Throughout the periods of establishment to growing as a strong profiled bank in industry, we can get those reflections from this report. What types or services they provide and their day to day operations, can also get those ideas.

Furthermore, there are secondary significant objectives of this study which stated below:

- \* As a market leading SCB, how they build up, structured and divided whole organization
- \* To have significant insights about the different types of operations, departments, services
- \* To have detailed ideas about their policies, management practices, strategies
- \* How Sonali bank dealing with market changes, competitiveness

To sum up, all these types of topics will be explained in detail in these particular parts of the report.

## **2.1.2. Methodology**

### **I. Research Design:**

Based on the qualitative information, data and insights, this report is basically a descriptive type. This report is completed through gathering all different types of materials, data or information that SBL give access to public or share in public.

### **II. Sources of the Data:**

With the assistance of all primary and secondary sources of informations and data, this report and objectives could be accomplished in fine structure and comprehensively.

#### **✓ *Primary Sources:***

- Observation or insights of the internship journey
- Through working with different officials, supervisor and interviewing them, could get better knowledge about the bank which are related to my duties/responsibilities
- While doing works as intern, could gain adequate knowledge about industry, competition, analytical insights.

#### **✓ *Secondary Sources:***

- Published annual reports, papers of different websites
- Different analytical reports, articles, journals, newspaper columns

- Previously done research and experiences of interns' through which could have better understanding about the topics.

### **2.1.3. Scope**

Banking sector one of the leading factor of Bangladesh economy. Sonali Bank Limited is with a lot of potentials to lead prosperously among SCBs in banking sector. In this report, the SBL's overall performance and details will be highlighted. The scope of this specific chapter on SBL are as follows:

- SBL being a leading SCB in Bangladesh can get overall insights.
- SBL's values, business model, operations, policies & procedures, hierarchy.
- Different types of products, services, performance in the banking sector.
- Sustainability and growth factor identification of the bank.
- Significant ideas about competitors and making position in the market while competing in industry.
- General banking activities assessment and risk assessments.

However, I could gain practical knowledge with experiences about the duties and implications of these information which are included in report. Overall, this report gives overall focused status of SBL in banking sector.

#### **2.1.4. Limitation**

There were few limitations which I faced during the report writing, are given in the following points:

- \* This whole report is almost based on the secondary data because of maintaining privacy of the bank and customers. As a leading SCB of the country SBL has much more information which cannot be disclosed and not accessible. Also privacy of Government information, customers' data are sensitive, which anyway can be misused. So, most of the information of the report is combination of secondary comprehensive data, interview of the officials which are discussable.
- \* The time of three months were not enough to acquire information or understand functions of huge organization like SBL. So, every detail could not be possible to present or gather in this due time.
- \* In the professional space, every personnel is busy every minute with their schedules, so discussing with them or squeezing another work in between them was not easy to do.
- \* There were limited opportunity to work as interns, as many parts are not accessible for the interns because of authorization and confidentiality.

In this limited opportunity, I tried my level best to reflect all types of information in the report with less errors.

#### **2.1.5. Significance**

This study will provide the clear acknowledgement of the SCB type bank in the banking sector of Bangladesh and to be specific Sonali Bank Limited. By reading or going through this report,



about the SBL's performances, procedures and growing image through years in the banking sector. So, basically this will give a general overview of a bank functions within the banking sector or Bangladesh economy.

## **2.2. Overview of Sonali Bank Limited**

The largest SCB was established along with National Bank of Pakistan, Bank of Bahawalpur and Premier Bank in accordance to the BB (Nationalization) ordinance-26333, 1972. By covering all sphere of economy with different activities like government entrusted socio-economic scheme, money market events, Sonali Bank is fulfilling its nation-building responsibilities. In 15 November 2007, with all assets, liabilities, business of Sonali Bank, the bank converted in 100% public limited bank after registering as public bank in 03 June 2007. After being done with corporatization they could have the autonomy to run business effectively.

Sonali Bank has the amount of Tk. 6,000 crore authorized capital and paid up capital of Tk. 4,530 crore.

### *Branches & Subsidiaries:*

|   |                           |             |
|---|---------------------------|-------------|
| 1 | Total No of Branches      | <b>1227</b> |
|   | a. No of Foreign branches | 2           |
|   | b. No of Local branches   | <b>1225</b> |
|   | i) No of Rural Branches   | 725         |
|   | ii) No of Urban Branches  | 500         |
| 2 | No of Regional Offices    | 16          |

|   |                         |    |
|---|-------------------------|----|
| 3 | No of Principal Offices | 46 |
| 4 | No of G.M. Offices      | 11 |

Subsidiaries:

- Sonali Exchange Company Incorporated (SECI) - 10 branches (USA).
- Sonali Investment Limited (Merchant Banking) - 4 branches at Motijheel, Paltan, Uttara, Mirpur and 1 branch in Khulna, Bangladesh.

Sonali Bank's associates are SBL (UK) with two branches and Sonali Polaris FT Limited. They have representative offices are in Jeddah, Riyadh, Kuwait and correspondence number 639.

\* **Corporate Profile** at a glance,

|                            |  |
|----------------------------|--|
| Name of the Company        | : <b>Sonali Bank Limited</b>   |
| Chairman                   | : Mr. Ziaul Hasan Siddiqui   |
| CEO & Managing Director    | : Mr. Md. Ataur Rahman Prodhan   |
| Company Secretary          | : Mr. Tauhidul Islam   |
| Legal Status               | : Public Limited Company   |
| Genesis                    | : Emerged as Nationalized Commercial Bank in 1972,<br>following the Bangladesh Bank (Nationalization) Order No.<br>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   |

Authorized Capital : Taka 6000.00 Crore

Paid-up Capital : Taka 4530.00 Crore

Number of Employee : 19,348

Number of Branches : 1227

Phone-PABX : 9550426-31, 33, 34, 9552924

FAX : 88-02-9561410, 9552007

SWIFT : BSONBDDH

Website : [www.sonalibank.com.bd](http://www.sonalibank.com.bd)

E-mail : [itd@sonalibank.com.bd](mailto:itd@sonalibank.com.bd)

\* **Sonali Bank logo and Tagline**



Source: SBL

Figure 1: SBL Logo with Tagline

\* **Group Corporate Structure of SBL**

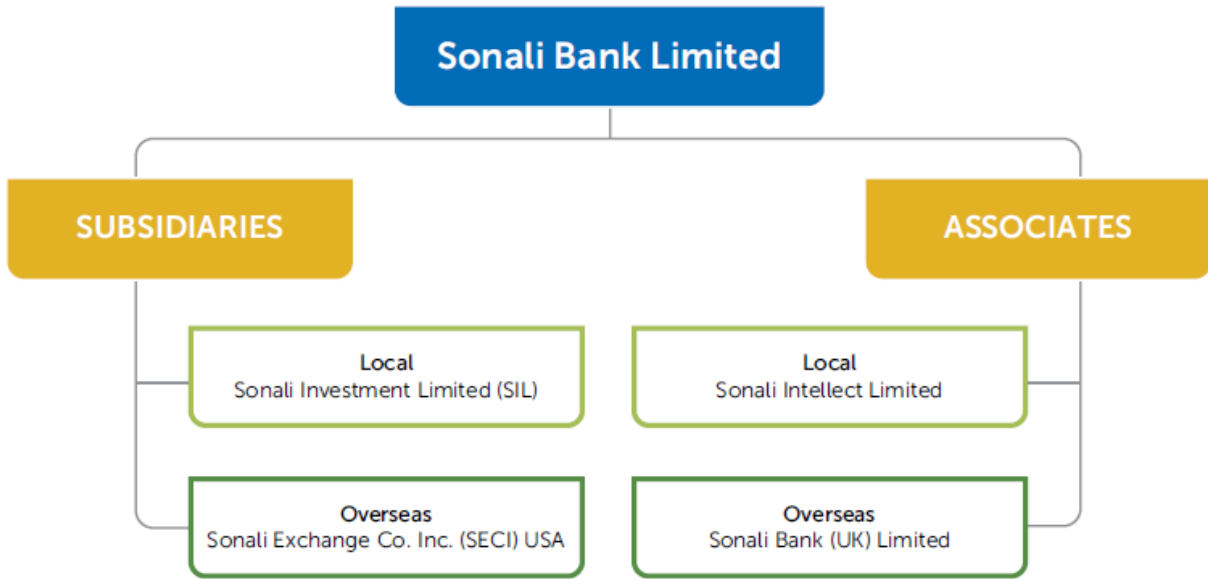


Figure 2: Group Corporate Structure of SBL

## **Vision, Mission, Values & Objectives**

### **Vision**

Sonali Bank’s vision is to be “Socially committed leading banking institution with global presence”.

### **Mission**

SBL’s missions are “Dedicatedly extend a whole range of quality products that support divergent needs of people aiming at enriching their lives, creating value for the stakeholders and contributing towards socio-economic development of the country”.

## Core Values

Sonal bank achieve its objectives through making employees perform duties and responsibilities as a team abide by the values. There are some core elements of values which assist in perceiving the objectives are reflected below in the given figure:



Source: Annual Report'19, SBL

Figure 3: Core Values of SBL

## Strategic Objectives

Objectives are all about maximum level of customer satisfaction with top notch banking services and activities and building up financial position more finely throughout the world market. In the following figure the strategic objectives are portrayed in summary:

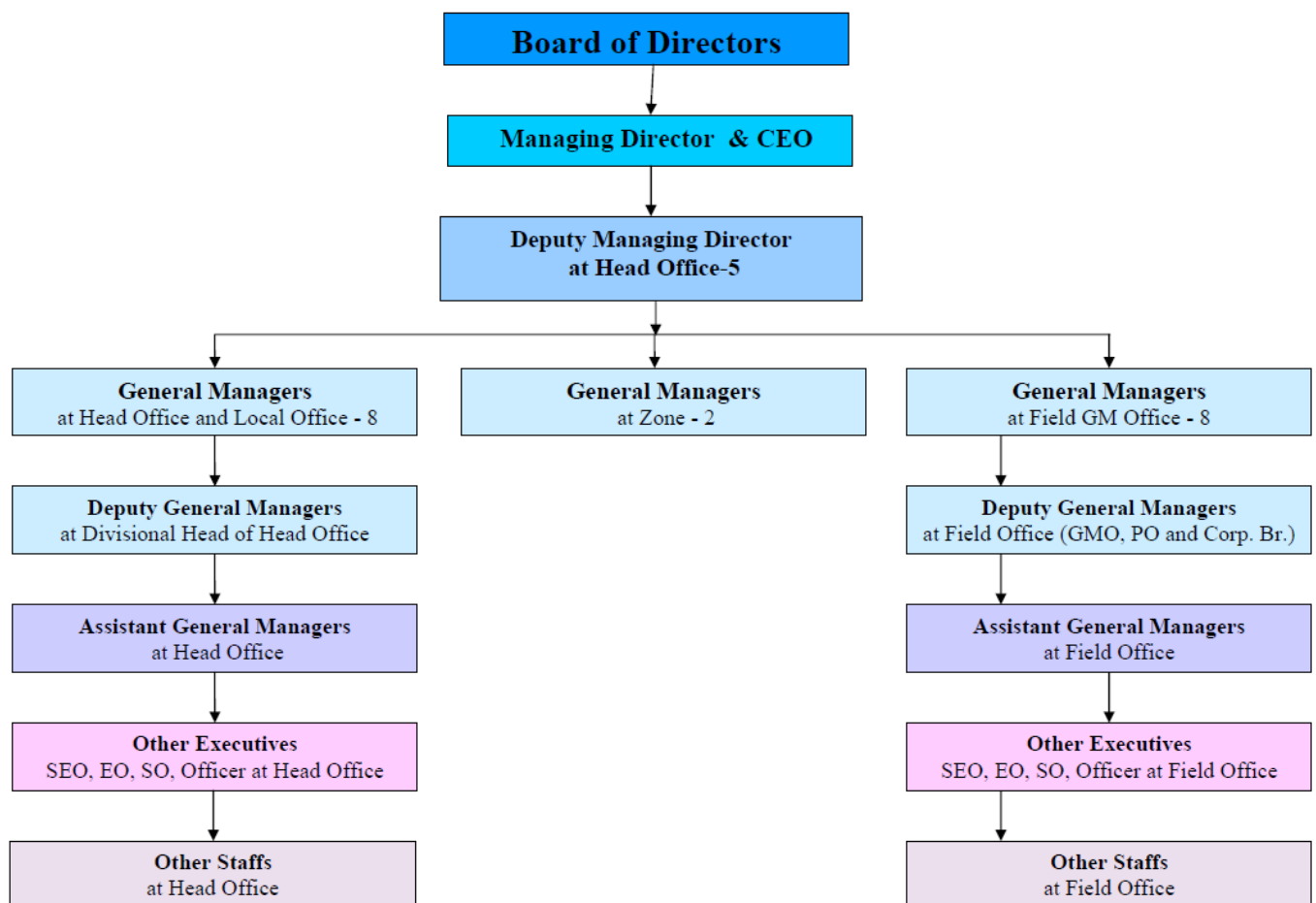


Source: Annual Report'19, SBL

Figure 4: Strategic Objectives of SBL

## Organogram

In Sonali Bank, every division or department is obtained with responsibilities of specified organizational objectives. In every division, there are several sub divisions or departments and different divisions in local different types of offices. The divisional hierarchy starts with the head of the division or General Managers, and departments under them are also regulated by the Deputy General Managers who reports directly to the General Managers. Under them several types of officials according to their positions and duties do their job and report to their specific hierarchy simultaneously. With such a huge organization structure, Sonali bank is performing in the market with brilliant successes by the well-structured organogram in every aspect. In the below figure a summarized organogram is given:



Source: SBL

Figure 5: Organogram of SBL

## Products and Services

Customers can avail a wide range of services and products in the Sonali Bank, summary reflected in the follow:

- ❖ *Deposits*
- ❖ *Industrial Credit*
- ❖ *Loans and Advances General Advances*
- ❖ *Rural Credit*
- ❖ *Sundry Deposits*
- ❖ *Financial Services*
- ❖ *Demand Deposits*
- ❖ *International Trade Finance*
- ❖ *Islamic Banking Deposits*
- ❖ *Loans and Advances*
- ❖ *Other Services*

## Recent Significant Achievements

- As the 4<sup>th</sup> bank in Bangladesh, SBL started RTGS operations in 2015.
- In 2016 its deposit crossed 100 trillion.
- SBL achieved highest operating profits (11955 million) and NP (7092 million) among all SCBs in 2017. On others continued to 2018 and had highest operating profit overall banking sector.
- In 2019,
  - Got 1<sup>st</sup> in Annual Performance Agreement (APA) 2018-19 by the Financial Institutions Division
  - The ICMAB Best Corporate Award
  - Achieved Center for Non-Residence Bangladeshis (NRBs) Award.



## **2.3. Management Practices**

One of the integral parts of SBL is Human Resource development. Through capable and skilled manpower, it becomes easier to distribute other assets to achieve strategic objectives, goals. SBL has a pool of talented and skilled human capital and develop their careers through training, seminars and workshops in country and abroad. The employees and staffs have vast opportunities to unleash their potentials to benefit themselves and society, which is thanks to the corporate culture of SBL over 48years. In order to provide better polished fast services to consumers, SBL follows transparent recruitment based on merit not gender. Furthermore, they try their best to ensure employee engagement in business in maximum level.

In 2019, through strategically workforce planning, talent management and leadership development, Human Resource Development Division (HRDD) showed progress in building resilient organization. The performing key roles of HRDD of SBL are given below:

- Avail the procedure of recruitment of preferable candidates
- Analyze and manage the training requirements of running employees
- Always making sure of employees well-being and ensuring affirmative environment among them
- Guarantee better working place which is in favor of employees
- Raise consciousness about ongoing organization regulations

SBL try to get maximum relevant output through limited workforce by focusing on hiring talents and developing employees' skills. A new age of operations, right people in right place, priority in merit and performance evaluations etc. are added and implemented by management in 2019.

## **Board of Directors in SBL**

- Ziaul Hasan Siddiqui; Chairman
- Md. Fazlul Haque; Director
- A.K.M. Kamrul Islam FCA, FCS; Director
- Dr. Md. Nurul Alam Talukder; Director
- Ishtiaque Ahmed Chowdhury; Director
- Md. Mofazzal Husain; Director
- Molla Abdul Wadud; Director
- Md. Ataur Rahman Prodhan; CEO & Managing Director

## **SBL Manpower Summary**

|                                    |                               |
|------------------------------------|-------------------------------|
| CEO & Managing Director = 1        | SPO & equivalent = 1,274      |
| Deputy Managing Director (DMD) = 5 | PO & equivalent = 2,793       |
| GM & equivalent = 30               | SO & equivalent = 5,346       |
| DGM & equivalent = 146             | Class-I Subtotal = 9,967      |
| AGM & equivalent = 372             | Officer & equivalent = 12,937 |

**Total = 22,904**

### **❖ Recruitment and Posting**

To fill up the recent vacant places or for assisting in operations of huge organization, recruiting is the daily necessary process. In SBL, to meet up the vacancies, the HRDD is working

continuously in recruiting different levels' or grades' employees. Another significant responsibility of Human Resource Management Division is to make sure transparency and accountability by having daily basis transfer and posting.

#### ❖ **Training and Development**

In 2019 annual report they mentioned, there 796 course took places and 12775 trainees joined those. To have employees latest developments, banking rules & regulations knowledge, HRDD of SBL took necessary initiatives. So that employees can serve customers better in any circumstances. For training and development purposes, SBL has 6 training institutes across country and one Staff College in Dhaka. Other than these throughout 2019, trainings were organized by Bangladesh Bank Training Academy (BBTA), Bangladesh Institute of Bank Management (BIBM) and other organizations. Moreover, employees participate in different international training/workshops/seminars arranged by well-known organizations of India, UAE, Singapore, Malaysia etc. Also, there is central library for enhancing knowledge, skills with various books of business, international journals, papers etc.

#### ❖ **Employee's perks and privileges**

SBL works with dedication for employees' benefits and made policies of incentive bonuses of 3, which each equivalent to "Basic Salary" and recreation leave along with one month basic salary for every three years of services to all of its permanent employees, in 2019. Employees are provided facilities of –

→ Provident fund facility,

→ Gratuity fund,

- Death cum retirement benefits,
- Leave encashment,
- Two festival bonuses,
- Bangla new year allowance,
- Employee house building loan scheme,
- Motor cycle loan scheme,
- Car loan scheme for the executives,
- Computer loan scheme,
- Recognition and monetary award for brilliant results by the children of the employees,
- Children education allowance,
- Honorarium for passing Banking Diploma examination.

#### ❖ **Occupational health, safety and environment**

For delivering the satisfactory customer services, the board and management classify employees' safety, health at working environment a prerequisite. In all branches, divisions, regional offices a safe healthy environment is maintained. If all safety procedures, clean environment are maintained or not, these are monitored physically by a team with logistics supervised by Chief Security Officer (CSO) is especially assigned. Chief Medical Officer is assigned with a team of doctors for taking care of health of manpower and also in zonal offices check-ups are done with free of cost.

### ❖ **Succession Planning**

The HR policy is designed like that they have a secured plans for avoiding and be prepared for any problems related leadership vacuum. SBL has structured more efficient and robust succession planning for strengthen business and professional managements of workforce. For building up competent and skilled personnel for succession purposes, there are provided different types of trainings, workshops.

### ❖ **Reward and Motivation**

SBL possesses a significant reward, motivational culture in the organization. There are various awards like Best Manager Award, Letter of Appreciation for outstanding performance, financial reward for classified loan recovery, fulfilling deposit and profit target etc. For implementing innovative ideas for products and for passing banking Diploma exam different financial honoriums given to employees. Chairman's Award, MD and CEO's Award are given to the meritorious children of employees and for SSC, HSC exams' good performances given General Award.

## **2.4. Marketing Practices**

Establishing a position, brand in this competitive market and continuously working on better performances and promoting brand in the industry like banking is very challenging to be honest. In this oligopolistic market era, marketing strategies are very crucial or sophisticated area. Through marketing an organization can reach out to its potential customers and loyal ones in better way. Effective marketing assists an organization to grow and increase level of revenue.

Sonali Bank limited try to promote their products and services through highlighting the merits, demerits of them. They follow various types of strategies to reach customers and build up strong organization in the market.

### **SBL's 4 P's of Marketing**

#### **\* *Product***

Sonali Bank basically offers vast range of financial products and services to customers through innovative & effective marketing. The products and services which are available for the customers, given in examples in the following:

- **Banking Amenities**
  - \* Personal Banking
    - Savings A/C
    - Daily Profit A/C
    - FDR A/C
    - Trade Finance
  - \* Rural Credit
  - \* Micro Credit
  - \* International Banking
  - \* Industrial Finance
  - \* Deposit & Credit Scheme
  - \* SME Banking
  - \* Foreign Currency A/C

- \* Investment Bond
- \* Govt. Securities Investment Windows
- Services
  - \* Ancillary Service
    - Collection:
      - Gas bills.
      - Electricity bills.
      - Telephone bills.
      - Water/Sewerage bills.
      - Municipal holding Tax.
      - Passport fees, visa fees and Travel tax.
      - Customs & Excise duties.
      - Source tax and VAT.
      - Zakat fund.
      - Hajj deposit.
      - Land development tax.
    - Payment:
      - Pension of employees of Government and other Corporate Bodies.
      - Bangladesh Bank employees' pension.
      - Army pension.

- British pension.
- Students' stipend/scholarship.
- Govt. & Non-Govt. Teachers' salary.
- Food procurement bill on behalf of the Govt.
- Social Services:
  - Old age allowances.
  - Widows, divorcees and destitute women allowances.
  - Freedom Fighters' allowances.
  - Rehabilitation allowances for acid survival women.
  - Maternal allowances for poor women.
  - Disability allowances.
- Sale & Encashment/Purchase:
  - Savings Certificates.
  - ICB Unit Certificates.
  - Prize Bonds.
  - Wage Earner's Development Bonds.
  - US Dollar Premium & Investment Bond.
  - Lottery tickets of different Semi-Govt. and Autonomous Bodies.
  - Sanchayapatra.
  - Public Service Commission's application form.



- Judicial Service Commission's application form.
- Exchange of soiled / torn notes.
- Miscellaneous Services:
  - Bank a/c information of tax payee client according to demand of NBR.
  - Local Governance Support Project.
  - Enlist of Non-Government Insurance Company.
- \* Locker
- \* ATM Services
- \* NBR-Sonali Bank e-Payment
- \* SMS Banking
- \* Islamic Banking Services
  - Deposit Products
  - Investment Products

\* ***Price***

Prices are basically the cost paid by the customers for the services they receive from Sonali Bank Limited. It is not a dominant factor but effective tool for the bank. Significant price variables for the bank can be Interest Rate, Transaction Cost and Processing Fees. For example, for the savings A/C, they have to keep the initial amount BDT (500-1,100) and interest rate is 3.50%. On other hand, interest rate for FDR 6% and different SND (3.5-4.0) %. SBL charges different amount for different range of

money of PO, DD. In terms of issuing new per cheque book BDT 20 is charged and for debit cards yearly around BDT 450 is charged. Overall, the pricing structure or strategy varies from the service to service or customers need or customer types.

\* **Place**

For any business an appropriate place is an important factor for increasing profitability. SBL has advantage in this matter as they are serving in every corner of the country and they have oversea branches, subsidiaries and associates. The reflection idea of distribution network of SBL is given below:

| <u>Service point classification</u> | <u>Number</u> |
|-------------------------------------|---------------|
| Branches                            | 1,222         |
| Urban Branches                      | 499           |
| Rural Branches                      | 723           |
| General Managers' Office            | 11            |
| Principal Office                    | 46            |
| Regional Office                     | 16            |
| Treasury Branches                   | 731           |
| AD Branches                         | 48            |
| Corporate Branches (incl. LO)       | 32            |
| Computerized Branches               | 1,222         |
| Core Banking System Branches        | 1,222         |

|                            |       |
|----------------------------|-------|
| Administrative Office      | 74    |
| ABB, RMS+, SMS Banking     | 1,222 |
| Operated Branches          |       |
| Islamic Window             | 11    |
| Head Office Divisions      | 45    |
| Overseas Branches          | 02    |
| ATM Booths                 | 120   |
| Sonali Investment Limited  | 01    |
| SECI, USA                  | 01    |
| Sonali Bank (UK) Limited   | 01    |
| SBL, Representative Office | 03    |

Source: Annual Report 2019, SBL

\* **Promotion**

In modern age promotional activities are one of crucial factor for business sustain in market. In the earlier stages SBL did not give that much attention on promotional activities without doing occasional average marketing for business. Nowadays, they are progressing into this factor and doing different promotional activities for products and services. In the below, some of the promotional marketing strategies given-

Advertising: SBL follows different types of advertising methods for different types of services or products. They try to reach out to customers through internet ads, public medias TV. They do advertisements for different schemes, debit/ credit cards, different

CSRs, bank amenities, information about different upgraded facilities etc. to reach out customers and potential ones.

Social Media: SBL has social media accounts in social sites. For examples, they have accounts in Facebook, LinkedIn. They have two existing Facebook pages and through them they post promotional offers, information about different services of bank and try to communicate and serve customers better conveniently.

Printed Ads Promotion: Print media is another type of advertising way to reach out customers of SBL. SBL try to communicate with customers and reach out to potential ones or attract them through newspapers, magazines, newsletters, brochures, different types of calendars, leaflets, signboards, hang tag etc.

Internet promotions: Nowadays internet marketing or promotions are most worthy way to promote the products and Sonali Bank using it in effective way they can. They update their websites with different promotional information frequently.

Physical Promotional Activities: Through different workshops related to their services, CSR activities, fair, road show etc. SBL do promotions for their services or products. Like for SME promotion, they did SME Fair, Road Show, workshops, meetings etc.

Relationship Promotions: SBL has a vast networking through the country and overseas. Employees or organization is very proficient at this kind of promotions. They communicate with customers with a lot on daily basis and build bond to serve them better. They do have a huge range of loyal customers for word of mouth marketing purpose and also bank do marketing of other services when one customer come get one. Also, as SBL one of the biggest SCBs in the country, so it has a huge connection in the market and through different activities or serving other institutions they promote their products in various methods.

## **Green Marketing**

SBL highlights the quality, advantages and disadvantages of products or services they are giving to the public. They also taking in prior consideration about the fact of any project is safe or risky for environment for which they are going to give loans or fund.

## **2.5. Financial Performance & Accounting Practices**

### **2.5.1. Financial Performance of SBL**

The overall performance about investments, revenue generation, operations management etc. can be measured by financial performance of the organization. Sonali Bank is one of the leading SCBs in the banking sector of Bangladesh. Without any big hinders in the market, SBL is giving their best to improve their performance every year comparing to the last years. They are the helping hand in Govt. inclusive growth strategy and their target is to enhance economic growth. Also in 2019, they have the highest amount of deposits in the industry. Their credit rating is also indicates financial stable and well-structured organization who can handle any obligations in negative period.

Now, based on the financial performances from different perspectives of recent few last years, a close highlighted observation is given below which will make understandable SBL's financial performance:

**Operating Profit** Tk. In Million



**Net Profit After Tax** Tk. In Million



**Shareholders' Fund** Tk. In Million

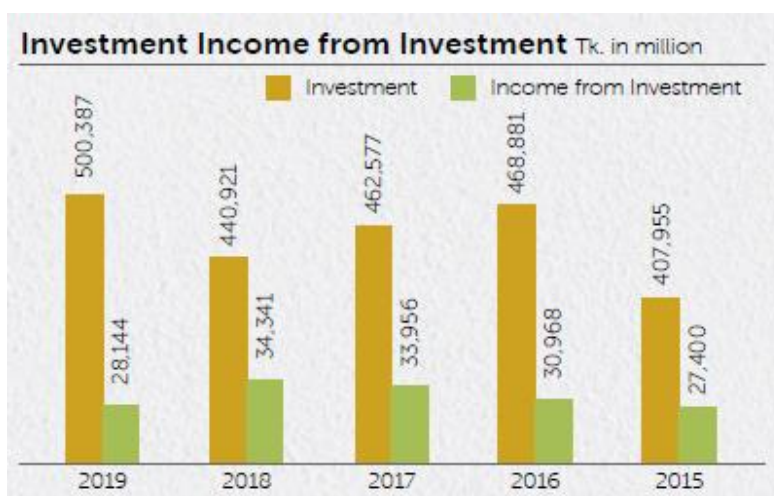


**Earning Per Share (EPS)** In Tk.



**Total Asset** Tk. in million





Source: Annual Report'19, SBL

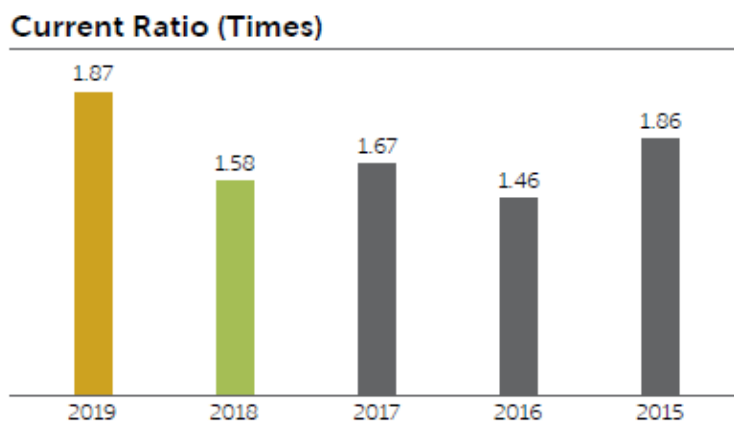
Figure 6: Financial Performances over last 5 years

From the above highlighted data, we can understand an overall scenario of SBL. Here mentioned few years, every year growth of total assets, loans and advances showing a positive point for the growth of organization. As the result its operating profits, net profits should be up going trend but those are in not in stable growth situation but they are improving their performances. On others, the SBL's earning per share are going in uptrend along with net asset value per share. So, these are overall financial situation and show SBL in stable position in the market.

## Ratio analysis of SBL

For better understanding of financial performances of an organization, one of the best technique is ratio analysis. This is quantitative method and can be useful for comparing performance with competitors or industry analysis. Here, some of the significant ratios of SBL are being analyzed of years from 2015 to 2019 (detailed table is given in the appendix) given below:

### ➤ Liquidity Ratios



Source: Annual Report'19, SBL

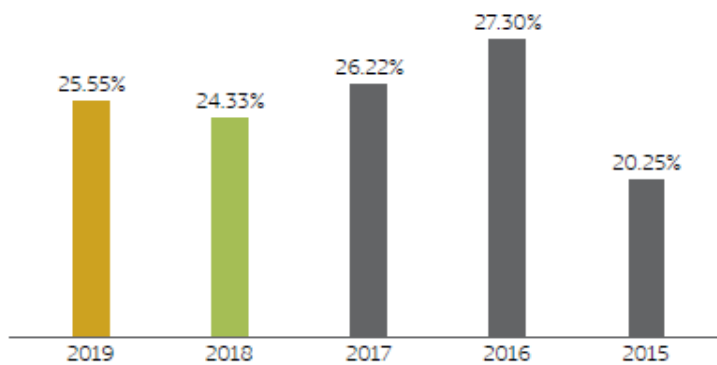
Figure 7: Liquidity Ratio of SBL

Here, five years' current ratio shows that data have not that much huge difference but they have ups and downs in the performances. In 2015, it was 1.86 but later in 2016 got lowest but gradually could do better recently through ups and downs.



➤ **Asset Management Ratio**

**Efficiency Ratio**



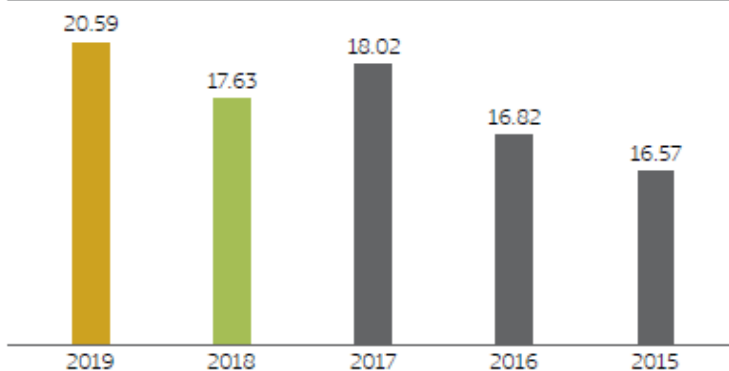
Source: Annual Report'19, SBL

Figure 8: Asset Management Ratio of SBL

In 2015, efficiency ratio was lowest which means they managed to gain better figure of revenue but later their costs increased and which is not good movement for the bank. Later in the recent years the ratios are almost same and 2018 was better performed year among them.

➤ **Debt Management Ratios**

**Debt Equity Ratio (Times)**

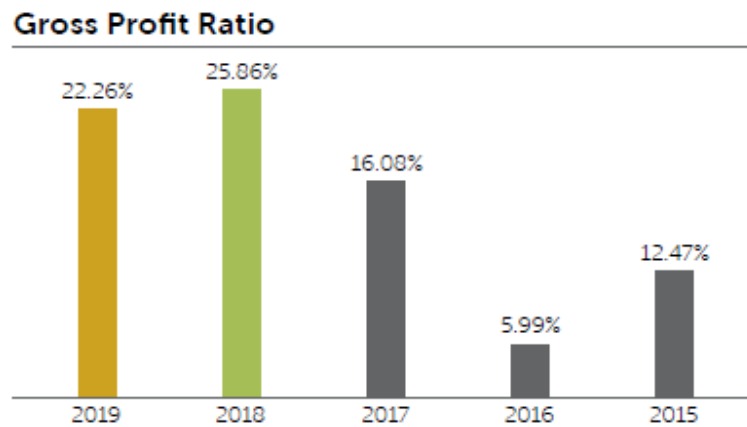


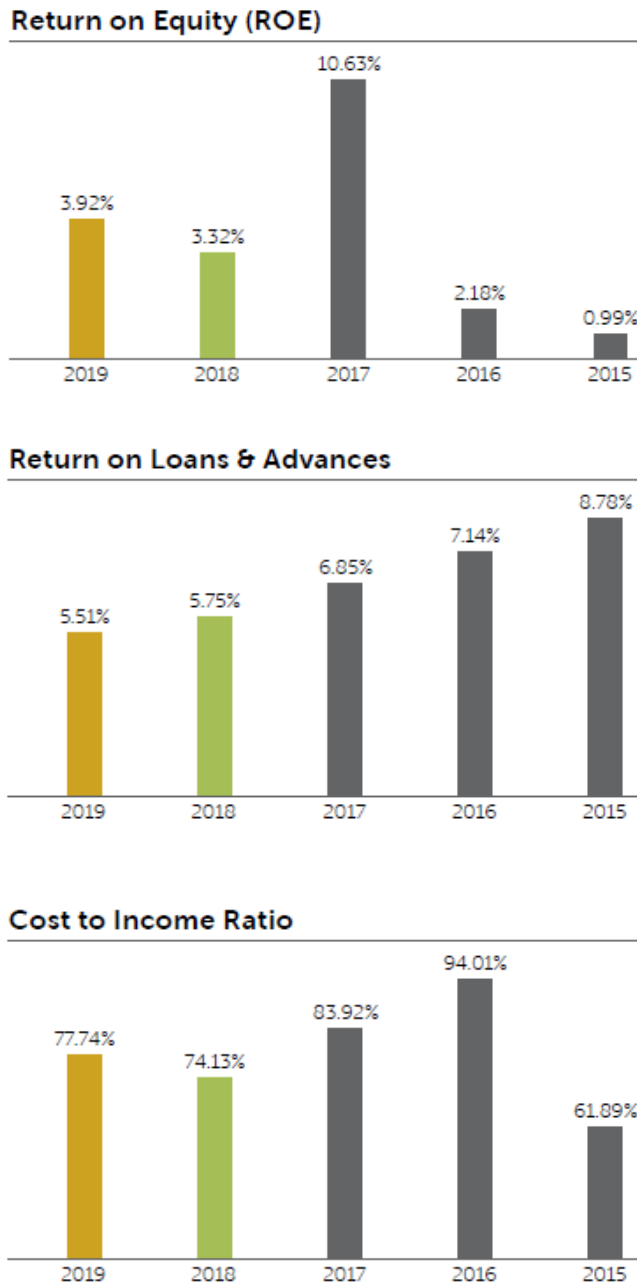
Source: Annual Report'19, SBL

Figure 9: Debt Management Ratio of SBL

From the above figure, we can see that SBL's in 2015, its debt is 16.57 times than its equity. Moreover, its increasing day by day which means bank is depending more on its loans as the ratio in 2019 is 20.59%. It might affect its interest rate and other factors negatively.

➤ **Profitability Ratios**





Sources: Annual Report'19, SBL

Figure 10: Profitability Ratios of SBL

SBL's gross profit against its sales got higher around 2018, 2019 periods. Moreover, observing the recent years' ROE, it indicates that bank might be not using its equity capital efficiently. Furthermore, in 2019, SBL's return on loans and advances is lower 5.51%. On other hand,

except 2016, all the years' cost to income ratios are in almost nearer digits but still they are in high range which is not good for the bank as costs are in high range.

### Credit Rating

|                                   | <i>Up to June 2020</i> |                   |
|-----------------------------------|------------------------|-------------------|
| Validity of Surveillance Rating   | <u>Long Term</u>       | <u>Short Term</u> |
| As Government Supported Bank      | AAA                    | ST-1              |
| Without Government Supported Bank | A                      | ST-2              |
| Outlook                           | <b>Stable</b>          |                   |

From all these observation and analysis, we can see that SBL is in overall stable position in the banking sector of Bangladesh. They might need to focus on their cost, loans management, more planned usages of equity capital or else in future there may be negative effects in organization. Also, through better management and strategic planning, they can better position in every aspect in the sector.

### **2.5.2. Accounting Practices**

Systematic procedures, processes of accounting division that are used for the financial materials management refer to the accounting practices. Sonali Bank reports all financial materials according to accounting policies in a specific time period.

SBL considering different types of amendments, is consistently applying accounting policies on materials of financial statements. According to new applied policy from 2018, bank has

applied two effective standards of IFRS (International Financial Reporting Standards). They are-

- IFRS 9 Financial Instruments- applied the revised guidelines on categorization & measuring financial materials, new credit loss model for deferred assets, new general hedging requirements.
- IFRS 15 Revenue from Contracts with Customers- time period and amount of revenue recognition is on operation from 2018 annual reporting time.

Also, necessary IFRS statements are applied on subsidiaries as parent company.

### Audit Committee

For the strict observations of BB issued references on bank, SBL has assisting audit committee for the board of directors. Through the assistances, it ensures internal controlling system, certifies the fairness in financial statements, accesses good monitoring system for the bank.

\* Roles and Responsibilities:

- Internal Control:
  - Evaluation of management's set compliance culture and make sure all employees know their duties;
  - Monitoring procedures and application of computerization and Management Information System (MIS);
  - Consideration about auditors' suggested internal control strategies applied or not

- Inspect regulatory authority and management's corrective processes application about them before giving it to board, take reports of detected fraud, deficiencies, forgery by auditors.
- Financial Reporting:
  - Evaluate and go through financial statements by every single step and validity of data.
- Internal Audit:
  - Monitor, evaluate the independency, hinders of internal audit;
  - Justification of efficiency of internal audit functions and suggestion made by them applied in policies of bank.
- External Audit :
  - Examination, review of external audit's report and performance and managements' application of recommended procedures of external audit;
  - Give recommendation in appointing external auditors.
- Compliance with Existing laws and Regulations:
 

Evaluation about application of regulatory policies of BB, Board and other bodies in the bank.
- Others:
  - Submission of reports to the Board of assessments, detected defaults of bank ;

- Work on Board's given other tasks, evaluation of committee's own performance regularly.

## **2.6. Operations Management and Information System Practices**

### **2.6.1. Operations Management**

There are five different types' strategic business units which are considered as operating segments of SBL. There are various kinds of functions of operations occurred in these segmentations. Those are given below in summary:

- a. Loans & Advances: loans, investments, deposits, other transactions with different customers etc.
- b. Treasury: asset-liability management, funding and maintenances of bank.
- c. Overseas Branches (Kolkata, Siliguri): banking operations, money remittance etc. according to parent bank's policies.
- d. Sonali Exchange Company Incorporated (SECI), USA: under USA banking law operations like cheque issue, money remittance, payments etc. maintain.
- e. Sonali Investments Limited: activities of merchant banking along with other managements of portfolio, underwriting and transactions etc.

### **Principal Operations of SBL**

- ❖ Core Banking Solution (CBS)
- ❖ SME Financing
- ❖ Islamic Banking

- ❖ Ecology and Green Banking
- ❖ Ethical Banking
- ❖ Treasury Operation
- ❖ Capital Market Operation
- ❖ Foreign Correspondent Banking
- ❖ Corporate Social Responsibility (CSR)
- ❖ Human Resource Development
- ❖ Asset Liability Management
- ❖ Risk Management

SBL has taken into consideration of different short, mid, long-term strategies for making future 2020 annual year another successful year overcoming all bindings. Some of the strategies are:

- Investments in strategically value added innovative parts.
- Expansion of ATM services and acceleration of VISA card holders.
- Better focused promotional activities for foreign trade, wage earner remittance.
- Establishing of effective CSR and Green Banking policies.
- Making employment facilities by working on SME through taking it in main investment stream.
- Improvement and develop better customer services, relations.
- Specific events for ‘Seba-Mash’, ‘Grahok-Somabesh’, ‘Remittance Pokkho’ etc.
- Presentation of newly developed investment, deposit products to the consumer.



## 2.6.2. Information System Practices

Sonali bank is operating as the largest online bank through giving digitalized banking services, Online Any Branch Banking (Online ABB). On others, there are services included like Online Govt. Transaction, Tax Soft., Sonali Sheba, Pension paying Software, SMS Banking services etc. Through these IT inclusion, solutions SBL has established reputed position in the banking sector by better customer services. Some of the achievement regarding these are:

- \* "Government Transaction System" GTS software/program in 1,222 Treasury branches
- \* Ensured transparent, accountable transactions through "Online Chalan Verification"
- \* Implementation of Electronic Fund Transfer Network (BEFTN) system in all the branches

So, these are some significant achievements recently under information system practices.

### Digitalized Banking

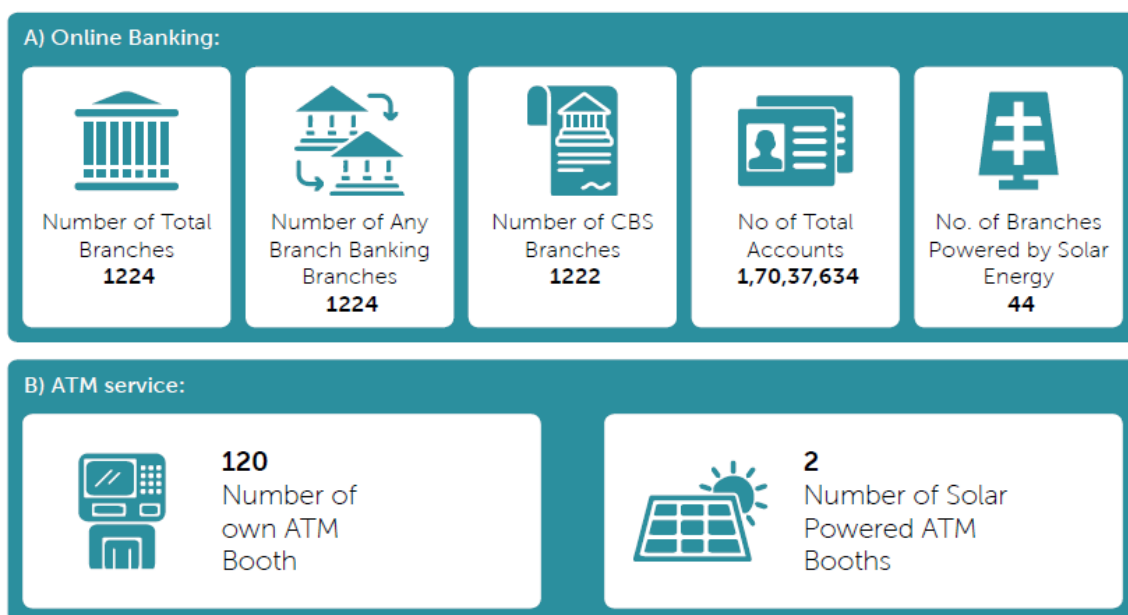


Figure 11: Digital Banking Highlights of SBL

Here, in the figure, SBL's updated digitalized banking taken steps are shown. To keep up with the current market and serve better to the customers, SBL has made availability of procedures like Core Banking System (CBS), Mobile Banking and SMS Banking. To make sure better, healthy, faster, efficient services, they have integrated IT systems. On others, CBS has made the functions in all branches more integrated, ease, prevention of any defaults and furnished services.

### **Information and Communication Technology (ICT) Risk**

In this era of internet, along with making all works easier it made the protection of works harder. SBL has taken necessary steps and policies to ensure the protection of information, data, security of organizational and customers'. Under the taken ICT policy, there are policies included like- IT security policy, physical security policy, password policy, anti-virus policy, server security policy, IT assets administration and management policy, disaster management policy and system audit policy.

## **2.7. Industry and Competitive Analysis**

Under the formal sector of financial market, different categories of banks are defined. From the past few years banking sector of Bangladesh is facing various struggles, challenges to survive in the market. In spite of being in different troubles, hurdles, banks are taking steps for the positive growth in the whole economy. They are making progress and following successful steps in challenging area like micro finances. Even in this pandemic period, banks are playing significant roles in country's monetary and fiscal functions.

In the simple term, there are two types of banks basically. They are Scheduled and Non-Scheduled Banks. The number of scheduled banks are 61, when Non-Scheduled has 5. The scheduled ones are fully controlled and maintained by Bangladesh Bank under regulations of

Bangladesh Bank Order, 1972 and Bank Company Act, 1991. Classification of Scheduled banks is given below with numbers of them:

- State Owned Commercial Banks (SOCBs)- 6
- Specialized Banks (SDBs)- 3 specialized banks
- Private Commercial Banks (PCBs)- 43
- Conventional PCBs- 33 conventional PCBs
- Islami Shariah based PCBs-10 Islami Shariah based PCBs
- Foreign Commercial Banks (FCBs)- 9 FCBs

Here, based on the Sonali Bank's financial ratios with other significant SCBs in the market, a highlighted difference are done. From this table, industry's current overall condition is reflected along with SBL's conditions rather than others in same industry. So, in the following table industry overall analysis are given:

| Details                       | 2019                |                     |                     |                  |
|-------------------------------|---------------------|---------------------|---------------------|------------------|
|                               | Sonali Bank Limited | Janata Bank Limited | Pubali Bank Limited | Industry Average |
| <b>Liquidity Ratio</b>        |                     |                     |                     | -                |
| Current Ratio                 | 1.87                | 0.91                | 1.11                | <u>1.30</u>      |
| <b>Asset Management Ratio</b> |                     |                     |                     | -                |
| Efficiency Ratio              | 25.55%              | 28.10%              | 25%                 | <u>26.22%</u>    |
| <b>Debt Management Ratio</b>  |                     |                     |                     | -                |

|                                   |          |          |          |                 |
|-----------------------------------|----------|----------|----------|-----------------|
| Debt Equity Ratio (times)         | 20.59    | 12.75    | 15.61    | <u>16.32</u>    |
| <b>Profitability Ratio</b>        |          |          |          | -               |
| Operating Profit Margin           | 22.26%   | 13.53%   | 26.20%   | <u>20.66%</u>   |
| Return on Asset (ROA)             | 0.20%    | 0.03%    | 0.45%    | <u>0.23%</u>    |
| Return on Equity (ROE)            | 3.92%    | 0.49%    | 7.51%    | <u>3.97%</u>    |
| Return on investment (ROI)        | 5.98%    | 6.89%    | 7.51%    | <u>6.79%</u>    |
| <b>Stock Market Ratio</b>         |          |          |          | -               |
| Earnings per share (EPS)<br>(BDT) | BDT 5.98 | BDT 1.06 | BDT 2.08 | <u>BDT 3.04</u> |

Table 1: Cross-Sectional or Industry Analysis

## SWOT Analysis of SBL

### ❖ *Strength of SBL*

- Good profile in Government related transactions and get extensive amount of supports from Government
- Wide strategically well built up management systems
- Vast area of business operations with brand name as one of the leading SCB and high range of loyal customers
- Reaching out all types of customers and remittance areas, have vast area of connections in operating businesses

→ Knowledgeable, experienced and skilled employees for leading bank ahead and opportunities for manpower to improve their professional skills, knowledge.

❖ *Weakness of SBL*

→ Working environment not always in favor of employees and corporate culture not well furnished as a huge corporation

→ Shortcomings in delivering good quality services to all types of customers

→ Slow adaption with new, innovative advanced market trends and business strategies

→ Lack of usage of advanced banking tools, technologies in every aspect of business areas

→ More concerned about growth of business without enough concern to the employee management and customer satisfaction for the services.

❖ *Opportunity of SBL*

→ Through a wide range of branches and operation areas connecting the whole economy of the country

→ As a success market leader, new product, services' users can be easily found

→ Different finance schemes for all types of customers, enterprises

→ Through remittance sector, microcredit, usage of more innovative advanced procedures, can achieve huge success

→ No lacking of business consultants, expertise in different divisions of bank

- Digitalized banking
- Govt. favors in operating business
- Expanding areas of investments.

❖ *Threat of SBL*

- Huge banking sector competitions
- Rapid changes in customers preferences and fast changing market trends
- Hinders from govt. policies, regulations
- Unsatisfied workplace environment and lack of motivation in employees
- Unethical practices in bank performances
- Technological workplace slow advancements

## **Porter's Five Forces and Sonali Bank Limited**

○ Threat of New Entrants:

Technological advancement has made everything easy and fast to be done and achieve nowadays. People can have more innovative ideas and emerge business aspects using IT services. Also, through higher up people connections and policies of getting loans for business, it is easier to start any business nowadays. So, better performing and less costly services can be provided by any new entrants in the sector. New banking systems can deliver more diversified customer services but establishing brand in this huge banking sector is harder than imagination. Sonali Bank is well established market leading SCB in the country and has vast favors of government. Also, they have huge range of supply chain and operating areas. SBL

may be more focused in their traditional way of maintaining procedures of banking but as Govt. concerned commercial bank its image in the market is strong. New entrants can be strategically more up to date in serving customers but making effective position in this competitive market is not easy for any bank.

- Threat of Substitute Product:

In banking sector, prime source of substitutes can be form non-bank financial institutions (FIs) and they in total 34 FIs in sector. Without some specified areas of operations and diversified financing modes of operations, they are providing high amount of financial services. But SBL is favor of capturing vast amount of customers with various services delivery.

- Competitive Rivalry:

Recently banking sector is going through some negative effects and problem in running business but competition among different banks did not lessen any amount. The industry size is big and the level of competitors are also high. Everyday advancing technology, new market trends and customers' taste changes, all these are challenging to cope up for any bank in the industry. As there are many established, different types of banks are in the sector, so competing them is difficult in this competitive market. All types of banks are always coming up with new strategies to grow their businesses. As SBL is one of the leading SCBs in the market and there are others SCBs and other types of banks who are doing well in the market, so competition level is higher. SBL should more invest in technological site for keeping a strong position in the sector and more focused in product and service qualities. Customers' loyalty is another important fact to be concerned and shifting as customers is easier and lots of options are there for customers.

- Bargaining Power of Suppliers/ Depositors:

In the maximum level, new technology had extended favors of the bargaining power of investors. The new procedures in banking operations like digital banking, tech software, mobile banking etc. have made the involvement of investors more significant. As in the huge industry all types' banks need these types' functions, so suppliers have a huge number of options to choose to contribute their input. Also, nowadays it is easy to access and compare options which one will benefit more and they choose one which in their favors. Banks have options to choose suppliers but they mostly also have to fulfill their demands for getting work done. Also, in this pandemic situation, the options for banks are limited. In this manner, cost sensitivity in the banking business has increased along with the favorable options availability for investors. But in this pandemic situation, it has gone in moderate situation for both bank and depositors. Moreover, as a strong commercial bank, SBL can manage good amount of depositors in their favor for services.

- Bargaining Power of Buyers:

Customers are the king always and their preferences matter most in the kind of business. They do possess bartering power in kind of situation. As the range of existing banks and services are huge, so number of options for taking any services is huge. Nowadays getting information about any services, offers are easy to access and customers always compare based on their need and taste before getting any service or product. On others, switching costs are low for the customers in the SBL anytime and also there are other government banks in the market and also other types of banks for getting financial services. But in the SBL customers get huge amount of services and charges are low. They are well established and government supported bank and trusted source for local customers. They have a huge amount of loyal customers who



are not in the switching position any time soon. They also attract customers for their diversified services and products and brand name in the market. Also, in the COVID-19 period many customers are not concerned about getting services from any new origin rather from usual reputed banks.

So from overall discussion, we can portray the porter's five forces of SBL like this:

| <u>Forces</u>                            | <u>Degree of Threats</u> |
|--|--------------------------|
| Threat of New Entrants                   | Moderately Low           |
| Threat of Substitutes                    | Moderate                 |
| Competitive Rivalry                      | High                     |
| Bargaining Power of Suppliers/Depositors | Moderate                 |
| Bargaining Power of Buyers               | Moderate                 |

### **COVID-19 Period**

Due to pandemic, there are significant changes in bank performances in every aspects. SBL has also take necessary cautions to prevent major loss in bank performances and abide by BBs regulations in bank policies and Govt. policies. The annual performance of FY20 may be grow in negative direction due to hurdles of lockdown, restrictions during COVID. But bank has already taking procedures to gain the losses and overcome the economic losses that occurred and occurring due to pandemic. Bank has started to finance the large corporation, entrepreneurs. SBL is financing all types of customers through giving out loans in different purposes. For instance, from a report it is mentioned about providing a large amount loan of BDT 10billion to the Biman Bangladesh. Also, they are showing tremendous performances in Govt. fund transactions and deposits. They have a quiet strong profile in Sanchayapatra, Loan

recovery. More detailed data and performances review cannot be possible, as annual report after starting COVID has not come out.

## **2.8. Summary and Conclusions**

Bank is the place where transactions occur related to deposits and loans of money. Banking performances also depend crucially on customers' delivering of services along with others procedures of functions. From all over studies and observation, we can say that SBL is in good position in the banking sector and all over economy of Bangladesh. They are upgrading their policies and functions along with new trend of market but they need to be more strategic steps in these matters. The management of SBL is advancing their business more proficiently but traditional aspect are still there exists in their operations which can be hinder for success in some aspects. Their overall financial performance is good but they should try to overcome lacking through professional strategies. Also their foreign business parts, they are doing significantly well performances. They are extending their services areas and places of delivering throughout the country. In the industry they are in strong position and competitive position is in favor of them and they can strengthen their position avoiding bigger hurdles. During COVID-19, they are not sit back and strategically handling situation and serving customers in their best.

## **2.9. Recommendations**

- SBL should advance their technological services and banking tools. In this era of competitive market and in huge industry, it is quite difficult to hold position and grow. SBL is performing well in the market but their advanced services are slow. They should invest and focus more on these areas and take strategic policies to mix up with their traditional

operating systems to cope up with new trends of market. In their huge organization, advance software services and more computerized services should be there rather than doing manual working.

- As everyday market is changing and policies, procedures all the changing, so employees should be up to date with the changes to deliver better services. In all aspects, they should be properly trained and also for upcoming changes in the market and organizations. Area specific and overall changes related training should be available for the all types of employees. For better networking and relation with customers, skilled employees are necessary in the organization.
- SBL should focus on more strategic usages of equity capitals rather than depending on loans and advances.
- Employees should be given preferable workplace environment and facilities to deliver the top notch outcomes to the organization and in delivering customers. Also, they should practice better correlation in between employees with supervisors.
- Management should establish more strategic focused planning for long term goals and should focus on all areas of operations.
- SBL should improve their customer services based on the environment and acknowledge the customer types and serve them better. They should take upon more strategic plans for delivering consumers in well-furnished way.
- SBL should promote their services, products more different segments and point of views. They have a huge operating areas and they should reach out more potential customers through diversified marketing in different fields.

## Chapter 3

### Project Part: Non-Performing Loan Performance from Banking Industry

#### Perspective of Bangladesh: A study on Sonali Bank's Non-Performing Loan

### 3.1. Introduction

#### 3.1.1. Background



Figure 12: Non Performing Loans ratio in last 10years in Bangladesh

Non-Performing Loans (NPLs) Ratio in Bangladesh lessen in the last quarter of 2020 and stood at 8.06 % in total outstanding loans in December 2020, according to recent data of BB. BB now prepares the consolidated NPLs statements where domestic and offshore units of banking both included. From that point of view, NPLs ratio to total outstanding loans came down from 8.89% to 7.66% and the amount is BDT 11,587.75 billion in end of 2020. In the last year, Loan Moratorium facility made it easy for banks, NBFIs to recover the shock of COVID-19 in their income. In the last of 2020, SCBs' NPLs came down from BDT 439.94 billion to 422.74 billion where foreign banking operations excluded and classified loans are not specifically classified. These improvements were not honest recovery of loans instead due to moratorium,

rescheduling, write-off uptrend policies. So, in this year after lifting up these facilities, bank may face huge recession in their income due to huge NPLs ratio.

The international norm for NPL is 2% or less, but that's much higher in terms of Bangladesh. As a bank's performance gets negatively affected due to non-performance loan, so minimizing the rate of NPL is one of the goal of banks. NPLs clearly decrease bank profitability because banks are unable to earn proper amount interest income from their listed loans and advances. By preventing loanable funds from being recycled, NPLs limit the amount of money that can be borrowed. To make up for bad loans, banks must keep in hand a proper portion of their profits as a loan loss fund. A bank's capital is eroded when it has a large portion of non-performing loans (NPLs). All of the negative impacts of nonperforming loans on banks' financial health, such as poor profitability and a low capital base, are evident in Bangladesh's banking sector. Recently significant NPLs increasing influential matters are bunch of huge amount of loan scams in the banking sectors of Bangladesh. NPL at state-owned commercial banks reached 31.6% in June 2019, compared to 17.8% at private commercial banks. In the recent years, PCBs are doing better in managing their NPLs than SCBs. Also, SCBs are hold responsible for hug amount of NPLs in the sector.

In terms of Sonali Bank, one of the necessary tools & indicators used for measuring the risks are the asset quality (NPL ratio). According to 2019 annual report, percentage of NPLs to Total Loans and Advance is 20.32%. They missed their finance ministry set target of loan recovery and get to recover approximately 48.12% of BDT 6,645 crore. According to 2019 financial performance, Sonali Bank was in second position in having largest range of NPLs among scheduled banks of sector. Loan scam is one of the most significant and highlighted factor of increasing NPLs in SBL and which is Hallmark loan scam. Sonali Bank Limited has a robust remedial management approach to handle non-performing loans (NPLs), which involves a system of controls to recognize poor credits and continuous monitoring of these accounts.

Throughout the proper analysis, research regarding NPLs can overcome this hurdle soon and enforcement of effective and efficient policies will bring success in this negative shock of COVID-19 in the economy.

**Non-Performing Loans** are those types of loans which are soon to be defaulted or already defaulted ones which become default depending on different terms of banks', borrowers' need, policies etc. From the formal definition of business administration, NPLs are type of loans for which the borrowers did not settle the installments within 90 days or mentioned timeline for payment. Nowadays, in the banking sector, the timeline for acknowledging a loan as NPL is overdue of 6 months.

Loan Classification System:

| <b>Period overdue</b>                             | <b>Status of classification</b> | <b>Rate of provision</b> | <b>Frequency of classification</b>   |
|---|---------------------------------|--------------------------|--------------------------------------|
| < 3 months  | Unclassified                    | 1% - 5%                  | At least quarterly, usually monthly. |
| Loans overdue for 3 months but less than 6 months | Substandard                     | 10%-25%                  |                                      |
| Loans overdue for 6 months but less than 9 months | Doubtful                        | 50%-75%                  |                                      |
| > 9 months  | Bad/loss                        | 100%                     |                                      |

Source: Studies in Bangladesh Banking: Series 1, Page 67.

Table 2: Loan Classification System

Based on these classifications on international standards of classified loans along with special mention account, there are different rate of provisions are applied against these loans mentioned above.

### **3.1.2. Objective(s)**

Based on the highlighted area of the project, insights about NPLs in the Bangladesh banking sector is the target to achieve. Objectives can be basically divided in two types. The objectives are:

Broad Objective: In the broader view, the objective of this project is to get insights of the condition, determinants, impacts and average performance of NPLs in banking sector of Bangladesh.

Specific Objective:

- To get a clear concept or understanding of the current situation of NPLs in Banking sector of Bangladesh and Sonali Bank Limited.
- To figure out the major reasons which giving rise to NPLs to forecast more accurate NPL trend in future market of SBL
- To raise some concerns and insights that must be addressed as soon as possible in order to ensure a financially stable banking performance in SBL
- To highlight the causes and remedies of non-performing loans in SBL.

### **3.1.3. Significance**

The purpose of this project is not limited rather it is broad where more discussion concerned to the development and performance of the banking industry related to NPLs. Another prime motive is to apply the paper insights in understanding the constraints to the operational effectiveness of a bank, through Sonali Bank's study. Moreover, to understand the financial solutions or improvement of the interest of NPL and to understand the economic & financial applications of NPL, in terms of Sonali Bank Limited.

## 3.2. Methodology

### Research Design

The research is completed through the processes of gathering and measuring both qualitative & quantitative data. This is a type of applied research where qualitative, quantitative researches and actions, evaluation researches are conducted. To interpret the results practically, the research methodology of the study was improvisation of a fine combination of primary & secondary data.

**Primary data:** I have done through qualitative approach where information have been collected through small one to one interview type questionnaire, which can be disclosed to public.

**Secondary sources of Data:** Sources of data and data collection are from the various secondary sources like-

- \* Research works of individuals,
- \* different publications, journal of different institutions,
- \* Bangladesh Bank Credit Risk Grading manual, Bangladesh Bank annual report,
- \* Sonali Bank website, Annual Reports regarding Sonali Bank etc.



### 3.3. Findings and Analysis

#### 3.3.1. Non-Performing loans in Banking Industry of Bangladesh

Due to the overall lockdown situation for the ongoing pandemic, most of the large financial markets all over the world got affected. Bangladesh is no different and the outcome of banking sector got hugely hampered specifically last 4 months of FY20 because of COVID-19 situation.

The ratio of gross NPLs to total loans and ratio of net NPLs to net total loans are two of the most significant indicators to define the asset quality of banks. In the following tables those ratios are shown of different types of banks the last 10 years:

| Bank types | (in percent) |      |      |      |      |      |      |      |      |               |
|------------|--------------|------|------|------|------|------|------|------|------|---------------|
|            | 2011         | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | End June 2020 |
| SCBs       | 11.3         | 23.9 | 19.8 | 22.2 | 21.5 | 25.0 | 26.5 | 30.0 | 23.9 | 22.7          |
| SBs        | 24.6         | 26.8 | 26.8 | 32.8 | 23.2 | 26.0 | 23.4 | 19.5 | 15.1 | 15.9          |
| PCBs       | 2.9          | 4.6  | 4.5  | 4.9  | 4.9  | 4.6  | 4.9  | 5.5  | 5.8  | 5.9           |
| FCBs       | 3.0          | 3.5  | 5.5  | 7.3  | 7.8  | 9.6  | 7.0  | 6.5  | 5.7  | 5.5           |
| Total      | 6.1          | 10.0 | 8.9  | 9.7  | 8.8  | 9.2  | 9.3  | 10.3 | 9.3  | 9.2           |

Source: BRPD, BB.

Table 3: Ratio of Gross NPLs to Total Loans by type of Banks

Here, we may interpret that it was the result of mixed trend in the banking sector in the period of 2011 to June 2020. Among different bank types FCBs had the lowest ratios and on others SCBs had moderately higher. The fluctuating trend ratio from 2013 improved during December 2019 becoming 9.32% and stood at 9.16% at 2020, June.

On other hand,

| Bank types | (in percent) |      |      |      |      |      |      |      |      |               |
|------------|--------------|------|------|------|------|------|------|------|------|---------------|
|            | 2011         | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | End June 2020 |
| SCBs       | -0.3         | 12.8 | 1.7  | 6.1  | 9.2  | 11.1 | 11.2 | 11.3 | 6.1  | 3.2           |
| SBs        | 17.0         | 20.4 | 19.7 | 25.5 | 6.9  | 10.5 | 9.7  | 5.7  | 3.0  | 2.7           |
| PCBs       | 0.2          | 0.9  | 0.6  | 0.8  | 0.6  | 0.1  | 0.2  | 0.4  | -0.1 | -0.5          |
| FCBs       | -1.8         | -0.9 | -0.4 | -0.9 | -0.2 | 1.9  | 0.7  | 0.7  | 0.2  | -0.4          |
| Total      | 0.7          | 4.4  | 2.0  | 2.7  | 2.3  | 2.3  | 2.2  | 2.2  | 1.0  | 0.2           |

Source: BRPD, BB.

Table 4: Ratio of Net NPLs to Total Net Loans by type of Banks

From above data, total ratio (net of provisions and interest suspense) for banking sector in 2014 was highest and end of June 2020 stood at 0.15%. At the end of Dec'2019, respectively ratios were 6.12%, 3.0%, (-0.07) %, 0.19% in SCBs, SBs, PCBs & FCBs.

By further research through annual report of banking sector from BB, we can observe the aggregate amount of NPLs in different banks for past 10years. Here we can observe that during these periods, NPLs have increased in SCBs, PCBs and FCBs but in SBs the amount have decreased by BDT 15.9 billion.

| Bank types | (in billion BDT) |       |       |       |       |       |       |       |       |               |
|------------|------------------|-------|-------|-------|-------|-------|-------|-------|-------|---------------|
|            | 2011             | 2012  | 2013  | 2014  | 2015  | 2016  | 2017  | 2018  | 2019  | End June 2020 |
| SCBs       | 91.7             | 215.2 | 166.1 | 227.6 | 272.8 | 310.3 | 373.3 | 487.0 | 439.9 | 429.4         |
| SBs        | 56.5             | 73.3  | 83.6  | 72.6  | 49.7  | 56.8  | 54.3  | 47.9  | 40.6  | 45.2          |
| PCBs       | 72.0             | 130.4 | 143.1 | 184.3 | 253.3 | 230.6 | 294.0 | 381.4 | 441.7 | 465.9         |
| FCBs       | 6.3              | 8.5   | 13.0  | 17.1  | 18.2  | 24.1  | 21.5  | 22.9  | 21.0  | 20.6          |
| Total      | 226.5            | 427.4 | 405.8 | 501.6 | 594.0 | 621.8 | 743.1 | 939.2 | 943.3 | 961.2         |

Source: BRPD, BB.

Table 5: Amount of NPLs in different types of Banks

For understanding the performance of NPLs in banking sector, gathered the comparative position of provision against loans (for both classified and unclassified) of four type of banks for recent years shown here:

|              |                                 | (In billion BDT) |       |       |       |
|--------------|---------------------------------|------------------|-------|-------|-------|
| Year         | Items                           | SCBs             | SBs   | PCBs  | FCBs  |
| 2018         | Required provision              | 289.3            | 23.4  | 241.1 | 16.6  |
|              | Provision maintained            | 210.6            | 25.9  | 250.2 | 17.6  |
|              | Provision maintenance ratio (%) | 72.8             | 110.7 | 103.8 | 106.0 |
| 2019         | Required provision              | 275.9            | 21.1  | 300.6 | 16.0  |
|              | Provision maintained            | 197.4            | 22.5  | 309.3 | 17.5  |
|              | Provision maintenance ratio (%) | 71.7             | 106.7 | 102.9 | 109.2 |
| 2020<br>June | Required provision              | 276.9            | 23.9  | 337.5 | 15.9  |
|              | Provision maintained            | 216.9            | 25.3  | 347.8 | 19.0  |
|              | Provision maintenance ratio (%) | 78.4             | 105.8 | 103.0 | 121.1 |

Source: BRPD, BB.

Table 6: Comparative Positions of Provision Adequacy

From above table, among them SCBs could not really hold the ratio of fulfilling the required part against loans, though it increased slightly in 2020, June.

Furthermore, according to the policy of write off loans (via BRPD circular no-01 dated February 6, 2019), bad\loss loans can be written-off which cover terms and conditions of new policy. The written-off loans in cumulative amount by four type's banks are portrayed below in a table:

(In billion BDT)

| Bank Types   | 30 June 11   | 30 June 12   | 30 June 13   | 30 June 14   | 30 June 15   | 30 June 16   | 30 June 17   | 30 June 18   | 30 June 19   | 30 June 20   |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| SCBs         | 82.4         | 72.9         | 107.2        | 154.8        | 210.3        | 220.4        | 224.4        | 226.2        | 232.2        | 179.4        |
| SBs          | 32.0         | 24.5         | 32.6         | 34.2         | 5.6          | 5.6          | 5.6          | 5.6          | 5.8          | 3.8          |
| PCBs         | 77.1         | 64.9         | 109.7        | 127.7        | 155.5        | 189.4        | 216.7        | 246.5        | 294.3        | 239.4        |
| FCBs         | 2.4          | 2.6          | 3.7          | 4.4          | 5.1          | 7.2          | 8.6          | 10.7         | 12.3         | 10.1         |
| <b>Total</b> | <b>193.9</b> | <b>164.9</b> | <b>253.2</b> | <b>321.1</b> | <b>376.5</b> | <b>422.6</b> | <b>455.3</b> | <b>489.0</b> | <b>544.6</b> | <b>432.7</b> |

Source: BRPD, BB.

Table 7: Writing-off Bad Debts by type of Banks

From all above information and data of NPLs in banking sector, we may interpret that the NPLs is going down or coming in positive condition recently but there were considerate policies due to COVID along with banks' improvements. On others, due to Covid-19 and other market perspectives may lead it to any direction in near future. Rather than previous years specially 2018, it is going now in better and lower ratio, which is good for banks performance.

### 3.3.2. Non-Performing loans in Sonali Bank Limited

In recent published annual report'19, among different types of achievements reduction of classified loans from last years was one of the significant one. Here in the below figure we can see the exact improvement range and this is a positive point for future success of the bank and economy of country.

| Particulars                               | 2019                   | 2018                   | Increased/Decreased    | Change % |
|---|------------------------|------------------------|------------------------|----------|
| Amount of classified loans and advances   | BDT 111,993,904,839.00 | BDT 121,883,400,000.00 | BDT (9,889,495,161.00) | -8.11%   |
| % of classified loans and advances        | 20.32%                 | 26.26%                 | -5.94%                 | -5.94%   |
| Required provision for loans and advances | BDT 58,374,000,000.00  | BDT 49,269,000,000.00  | BDT 9,105,000,000.00   | 18.48%   |

Table 8: Differences of recent years NPLs and Required Provision

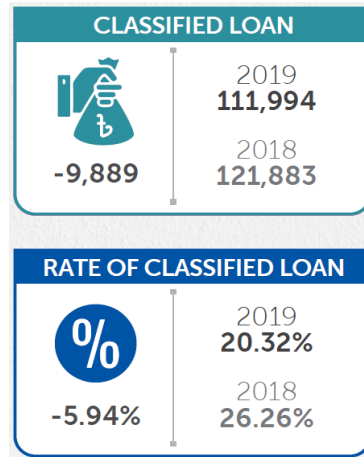


Figure 13: Classified loan data comparison

Source: Annual Report'19

Here, comparison of two recent years shows negative result, which is a good sign for the bank progress. It basically shows the NPLs performance shrink and better economic progress in bank.

**\* Detailed Findings and Analysis of NPLs**

It is the asset quality analysis data where we can find the more detailed data, ratios of NPLs, as asset quality is the analysis of assets which is a part of credit risks measurements. In terms of Sonali Bank from the asset quality assorted financial data, we got the below data regarding NPLs of the bank given below:

Table 9: NPLs Detailed Data of 5years

| <i>Particulars</i>                                  | Figures are in million except stated otherwise |                   |                   |                   |                  |
|---|--|-------------------|-------------------|-------------------|------------------|
|   | <u>2019</u>                                    | <u>2018</u>       | <u>2017</u>       | <u>2016</u>       | <u>2015</u>      |
| Classified Loans and Advances(Non-performing Loans) | BDT<br>111,994.00                              | BDT<br>121,883.00 | BDT<br>149,302.00 | BDT<br>109,114.00 | BDT<br>86,850.00 |

|   |               |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|
| Percentage of NPLs to Total Loans and Advance       | 20.32%        | 26.26%        | 35.28%        | 28.37%        | 25.08%        |
| Required Provision for Unclassified Loans           | BDT 5,358.00  | BDT 5,223.00  | BDT 2,789.00  | BDT 3,258.00  | BDT 3,258.00  |
| Required Provision for Classified Loans             | BDT 53,016.00 | BDT 44,046.00 | BDT 38,864.00 | BDT 39,281.00 | BDT 39,652.00 |
| Total Required Provision for Loans and Advances     | BDT 58,374.00 | BDT 49,269.00 | BDT 41,034.00 | BDT 42,539.00 | BDT 42,910.00 |
| Total Provision Maintained for Loans and Advances   | BDT 58,374.00 | BDT 49,269.00 | BDT 41,653.00 | BDT 42,539.00 | BDT 42,910.00 |
| Provision Excess/(Shortfall) for Loans and Advances | BDT -         | BDT -         | BDT 619.00    | BDT -         | BDT -         |
| General Provision Maintained                        | BDT 5,358.00  | BDT 5,223.00  | BDT 2,789.00  | BDT 3,258.00  | BDT 3,258.00  |
| Specific Provision Maintained                       | BDT 53,016.00 | BDT 44,046.00 | BDT 38,864.00 | BDT 39,281.00 | BDT 39,652.00 |
| Required Provision for Classified Investment        | BDT 2,667.00  | BDT 1,579.00  | BDT 571.00    | BDT 157.00    | BDT 157.00    |
| Provision Maintained for Classified Investment      | BDT 2,667.00  | BDT 1,579.00  | BDT 571.00    | BDT 157.00    | BDT 157.00    |
| Required Provision for Contingent liabilities       | BDT 2,216.00  | BDT 2,383.00  | BDT 2,027.00  | BDT 1,969.00  | BDT 2,519.00  |
| Provision Maintained for Contingent liabilities     | BDT 2,216.00  | BDT 2,383.00  | BDT 2,027.00  | BDT 1,969.00  | BDT 2,519.00  |
| Total Provision Required                            | BDT 69,257.00 | BDT 59,313.00 | BDT 47,464.00 | BDT 45,690.00 | BDT 48,514.00 |
| Total Provision Maintained                          | BDT 69,257.00 | BDT 59,313.00 | BDT 48,082.00 | BDT 45,690.00 | BDT 48,514.00 |
| Surplus/Shortfall                                   | BDT -         | BDT -         | BDT 618.00    | BDT -         | BDT -         |

Source: Annual Report'19

Now, from the above table, we can see that there are data of amount of NPLs, ratios to total loans, also data about provisions to Loans for the period of 2015 to 2019. Here from the observation about data we may say that 2017 was a quite economically loss year for Sonali Bank in these 5 years. For better interpret about the NPLs in these recent years charts are given whose detailed table is in appendix:

Chart (a)

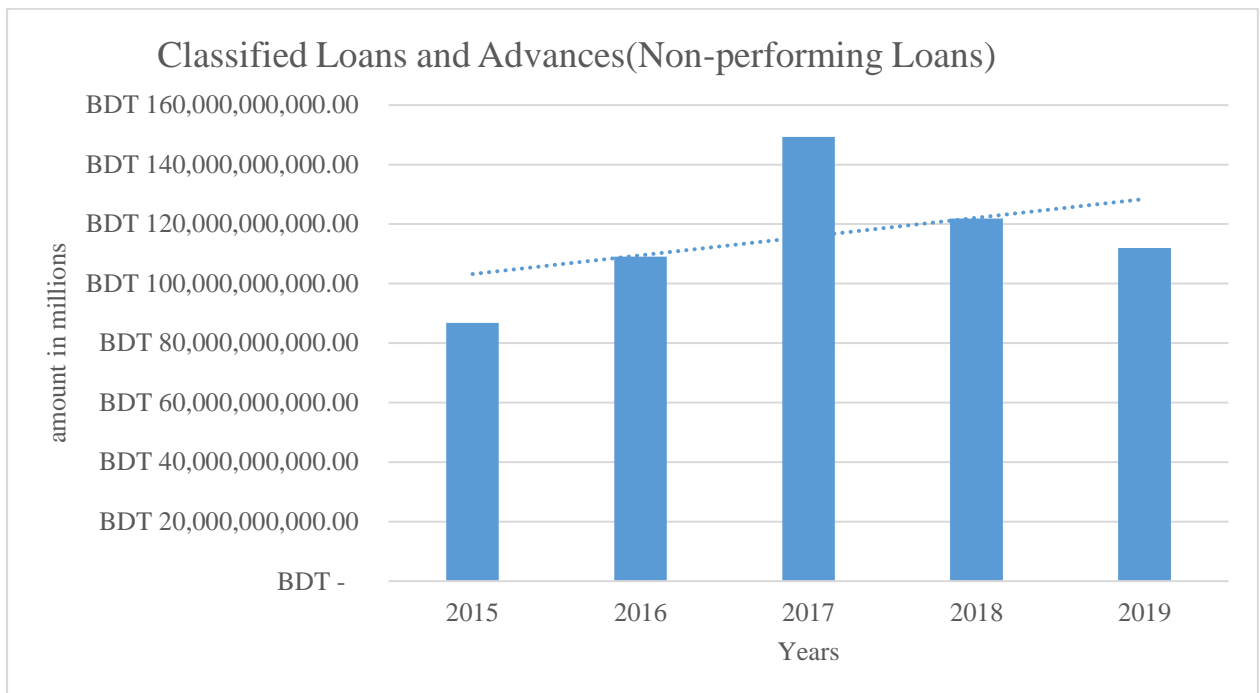


Chart (b)

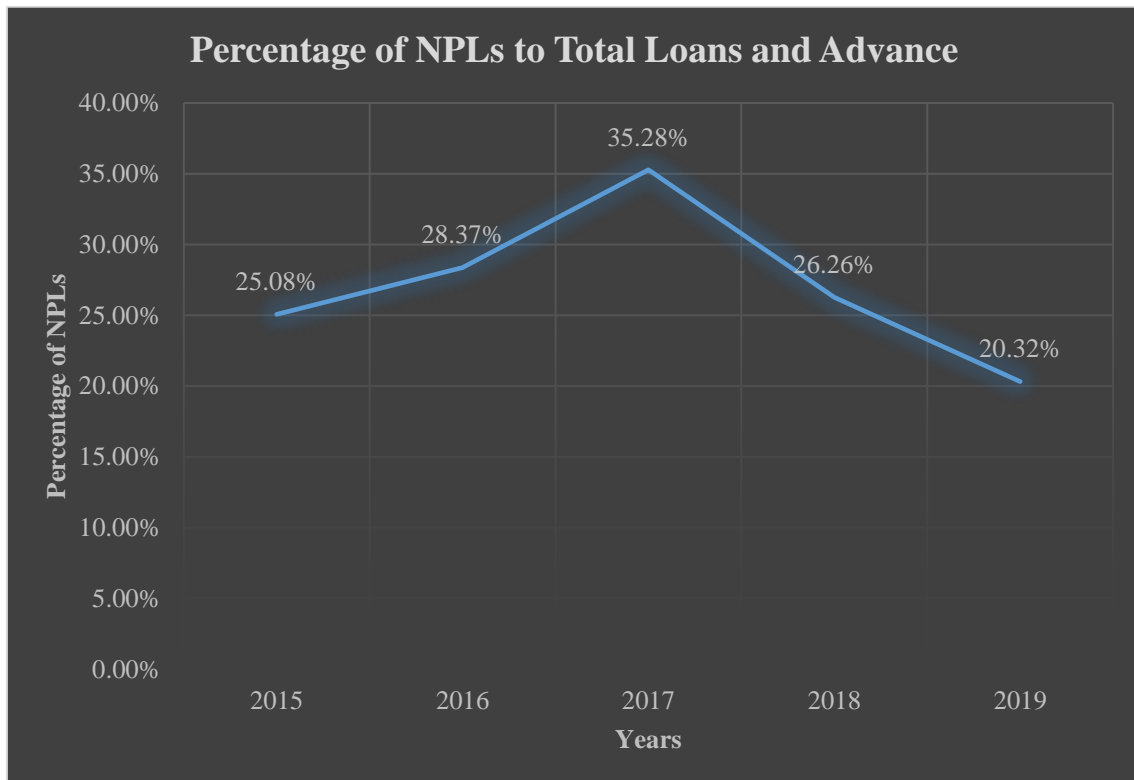
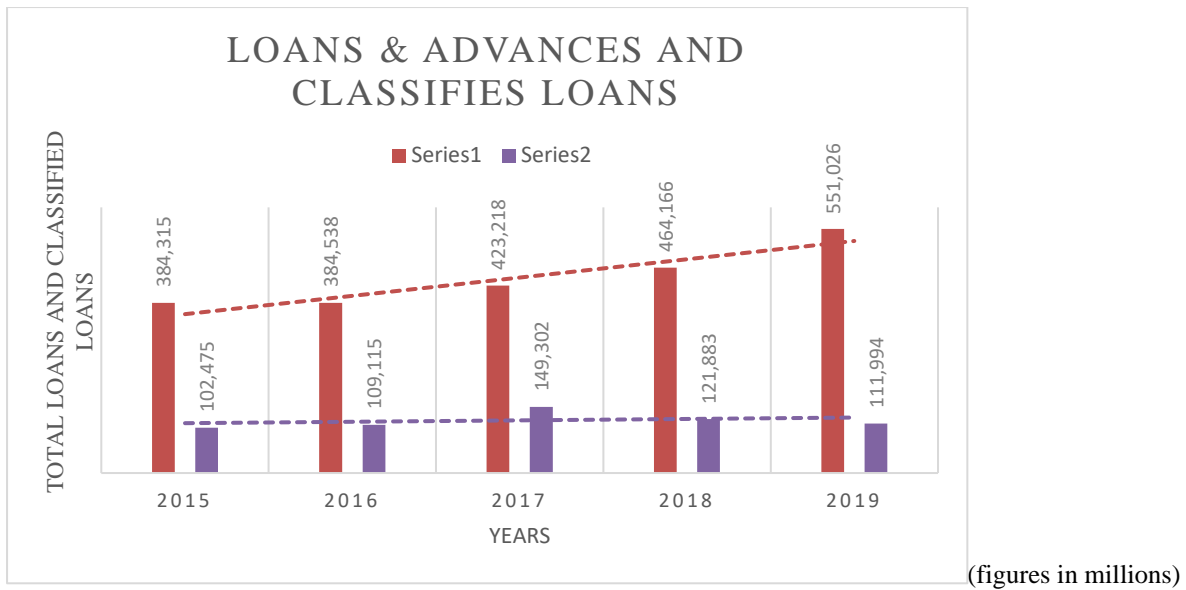


Figure 14: NPLs Amounts & Ratios Charts in 5years

From the Chart (a), there in 2015 it was moderate amount of NPLs but it kept rising and in 2017 it got in highest amount during these 5years which is BDT 149,302 million. After that it is decreasing in amount and it is positive for the growth of the bank.

Moreover, in terms of Chart (b), like from the previous one as the amount in 2017 was highest, so the ratio to total loans is also the highest. Here, in spite of being the higher amount in 2019 of NPL the ratio of 20.32% is the lowest as the amount of total loans and advances increased in positive way in the Bank, we can see that from the below chart of total loans & classified loans. So, the ratio is lower than 2015 here and lowest one in recent 5years.





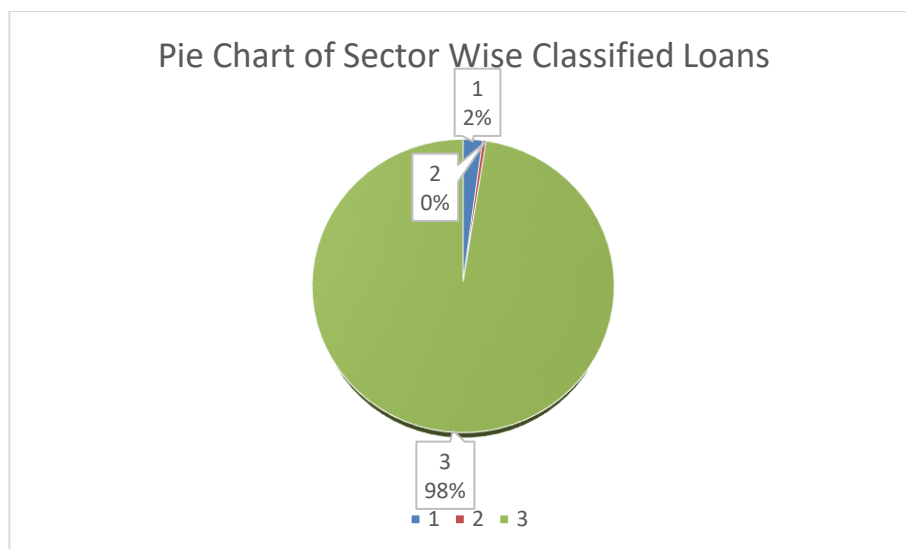
series 1=total loans; series 2= classifies loans

Source: Annual Report'19

Figure 15: Total Loans & Classified Loans

→ Sector Wise NPLs in 2019 in Sonali Bank

For getting better insight about the Non-Performing Loan we can analyze the NPLs in different sector wise in the bank so that where its negatively more affecting overall performance can be found out. In the following figure the data regarding classified loans are shown (table in appendix):



1. Government; 2. Other Public; 3. Private

Figure 16: Sector Wise Classified loans (NPLs)

Here, we can see that, the Private's classified loans are the significant ones and they are more in issued by bank. So, there should give more attention and strict policies about these types loans management.

During the year of 2019, huge amount of outstanding and classified loans were present in statements of bank. The borrowers to whom loans and advances sanctioned, the amounts were more than 10% of Paid up Capital of the Bank.

Summary of Borrowers are shown below with the classified loans ones:

| Name of the Borrower | Outstanding amount    | Classified amount            | Outstanding as % of Total Loan |
|----------------------|-----------------------|------------------------------|--------------------------------|
| Hall Mark Group      | BDT 17,130,226,369.00 | <u>BDT 17,130,226,369.00</u> | <u>3.11%</u>                   |
| T & Brothers Group   | BDT 4,902,643,927.00  | <u>BDT 4,902,643,927.00</u>  | <u>0.89%</u>                   |

Table 10: Summary of borrowers' classified loans to outstanding amount

Source: Annual Report'19

→ Movement of Classified Loans and Advances as a Whole

To get more detailed and specific idea about the performance of NPLs at Sonali Bank, we may look at the movement of these type loans specifically recent years. How it is working for them, we can get information or learning about that. Here in the table below, the recent four years data are given:

| Particulars                           | Year  |   |   |   |
|---------------------------------------|---|---|---|---|
|                                       | 2016  | 2017  | 2018  | 2019  |
| Opening Classified Loans and Advances | BDT<br>86,849,700,000.00                              | BDT<br>109,114,863,000.00                             | BDT<br>149,302,400,000.00                             | BDT<br>121,883,400,000.00                             |
| Cash Recovery                         | BDT<br>(8,119,305,000.00)                             | BDT<br>(7,980,579,000.00)                             | BDT<br>(10,862,900,000.00)                            | BDT<br>(8,203,478,000.00)                             |
| Written-off                           | BDT<br>(10,034,715.00)                                | BDT<br>-  | BDT<br>-  | BDT<br>-  |
| Interest waiver                       | BDT<br>(881,315,000.00)                               | BDT<br>(613,598,000.00)                               | BDT<br>(1,078,104,000.00)                             | BDT<br>(5,300,530,000.00)                             |
| Re-schedule, Renew and Re-structuring | BDT<br>(3,869,352,000.00)                             | BDT<br>(2,318,246,000.00)                             | BDT<br>(24,816,200,000.00)                            | BDT<br>(18,470,506,000.00)                            |
| Newly Classified Loans and Advances   | BDT<br>35,145,169,715.00                              | BDT<br>51,099,960,000.00                              | BDT<br>9,338,204,000.00                               | BDT<br>22,085,018,839.00                              |
| Ending Balance                        | <b><u>BDT</u></b><br><b><u>109,114,863,000.00</u></b> | <b><u>BDT</u></b><br><b><u>149,302,400,000.00</u></b> | <b><u>BDT</u></b><br><b><u>121,883,400,000.00</u></b> | <b><u>BDT</u></b><br><b><u>111,993,904,839.00</u></b> |

Source: Annual Reports, SBL

Table 11: Movement of Classified Loans and Advances

So from this table we can understand the elaborated version of the combination of NPLs in the bank or aggregated points included in the classified loans of a bank's financial functions. Here, we may interpret that in 2017, it was highest amount of NPLs among these recent years due to its newly added NPLs in that year and other cash recovery, int. waiver, restructuring were lesser in amount than other years.

→ Stress Testing

Stress testing is done for forecasting possible conditions in different financial crisis. This framework provided by BB to assess effects on CRAR due to different levels of shocks in relation with liquidity risk, credit risk, equity price risk, interest rate risk. The impact of level of NPLs on the banks is assessed through stress testing for credit risk. Here in the below mentioned table, analysis of different range of shocks for NPLs situations are given:

| Analysis of Stress Testing Result as on 31 December 2019                |                   |                      |                   |
|---|-------------------|----------------------|-------------------|
| Individuals Shock   | After Minor Shock | After Moderate Shock | After Major Shock |
|   | (Tk. in million)  |                      |                   |
| Performing loan directly downgraded to B/L:<br>Sectoral Concentration 1 | 10.04             | 9.95                 | 9.86              |
| Performing loan directly downgraded to B/L:<br>Sectoral Concentration 2 | 9.96              | 9.7                  | 9.44              |
| Increase in NPLs due to default of Top large borrowers                  | 10.09             | 9.86                 | 9.43              |
| Negative Shift in NPLs categories                                       | 8.31              | 6.46                 | 2.54              |

|                  |      |      |        |
|------------------|------|------|--------|
| Increase in NPLs | 8.27 | 4.35 | (0.23) |
|------------------|------|------|--------|

Table 12: Analysis of Stress Testing

#### Hallmark Loan Scam:

Around the year of 2012, loan scam case of Hallmark Group with 5 garments companies got revealed through investigations. According to the calculations, the net liabilities of Hallmark towards Sonali Bank were around BDT 2,686.14 crore in form of Inland Bill purchase (IBP) and rest amount in Letter of Credit (LC). In between the years of 2010-2013, among the sanctioned loans of BDT 36.48 billion, BDT 26.86 billion were given to Hallmark Group. Through fake documentations under fake garments companies and issuing LC, they mostly done the loan scamming process. From the above table-10 regarding summary of significant defaulted borrowers, Hallmark group and one of its company related to this scam are mentioned. So, SBL is still facing the NPLs problems from that case and recovery is harder in this current market situation. Around 2018, after attempting approx. 60 times to sell those assets, they had proposed Govt. to build up a company for making auctions and sell mortgaged assets and recover this loss in some sort. Due to various negative feedbacks from buyers, hurdles, this idea did not work out. Lastly, SBL is still having negative effects on overall growth due to this loan scam.

### 3.3.3. Causes and Effects of NPLs

There are several common and organization specific reasons of growing NPLs in the sector and also there are significant negative effects on financial performances of bank.

#### A. *Causes*

While doing reading or research for Non-performing loans, got the understanding about the certain causes of these NPLs in banking sector and specifically in Sonali bank. The causes occur depending on activities of both like defaulted borrowers and bank managers. There might be some regional specific reasons for NPLs but overall causes are almost same for all areas. The causes have been stated in the follow:

- Different types of service charges, high range of rising interest rate, some hidden charges which increase the installment payments for borrowers and this leads to loan defaults. Moreover, borrowers tends to be more focused on taking out loan and do not go through loan conditions thoroughly, not follows all charges may add up, which results in defaults.
- When the borrower already defaulted due to loss in business and denial to extend current loans or sanctioning new loan from bank make them more incapable to repay loan on time.
- In various cases, bank does not analysis or maintain adequate collateral, paper of businesses of known persons or politically exposed persons through Nepotisms while sanctioning loans and also less monitoring divert mind of customers to divert fund elsewhere. Due to ignorant to assessments of bank, some get loans who are not capable to diversify risks. These type functions lead to loan defaulting.
- Some willful defaulters, borrowers who runs small businesses with huge loss, customers with lack of financial knowledge are reasons for creation of NPLs.

- Fund diversion is one of the main reason of NPL. Different types of fund diversions like, share market investments, family or treatment purposes, repaying loans of various sources, building works and businesses etc.
- Banks do not frequently evaluate the collateral and most of the time third parties evaluations are clients' influenced. Also handling collateral properties almost time hassle for managing or selling.
- Changes in government policies may lead to the business losses of borrowers which lead to loan defaults and legal policies for defaulters of stay order is not most of time helpful to recover loans.
- In some matters, usage of loan in considered period leads to NPL by political unrest, natural calamities or any unfavorable business market etc.
- Sonali Bank's loan distribution to some borrower in huge amount on fake documentations and incidents of BASIC Bank, Hall-Mark. Due to Hall-Mark incident, its default loans had shoot to approx. 50% few years back.
- Different loan scams and other scandals in the SCBs and renowned banks in the sector like Crescent Group scam in Janata Bank, Bismillah Group money scam, Padma Bank scandal etc. made the demotivating environment for investing and borrowings.

To sum up, these are some significant reasons of NPLs emerging in SBL and overall banking sector in Bangladesh.

SBL specific triggered points in giving rise to NPLs might be from overall observations and studies-

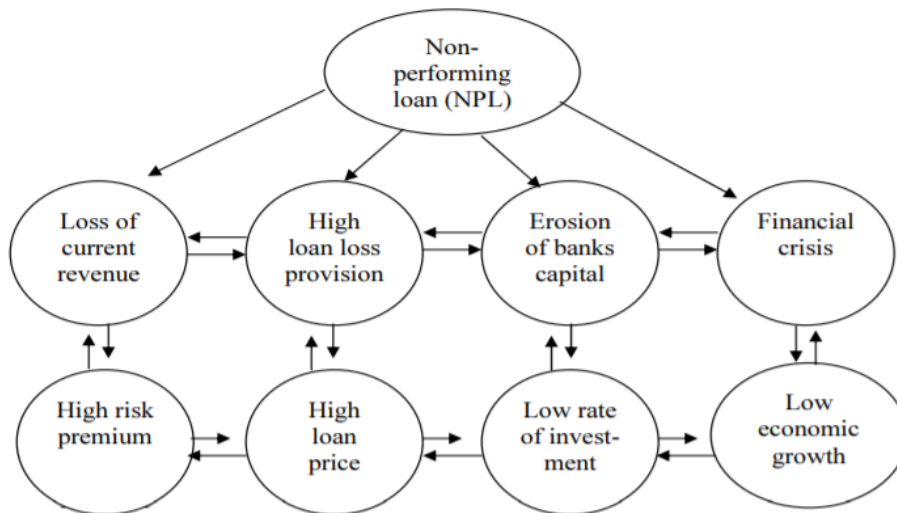
- Around 2012 Loan scam incident which is not still quiet not possible to recover fully and also in this COVID-19 economic recession time. The major effect can be shown during 2017, when in 2016 the issue came out to public in big.
- Lack of internal audit evaluations, maintaining duties properly and Boards analysis and respond towards to NPLs part of bank.
- Significant effects of political powers and high administrative regarding loan management.
- Less concern of management about evaluating borrowers' credibility, other informations.
- Lack of regulations, supervisions in NPL area.
- Current market situations, different types of negative incidents in banking sector.

So, these are some highlighted reasons of NPLs which might be behind arising in SBL based on analysis.

### B. *Effects*

Several effects of non-performing loans may include, money cycling stopping, earning declining, loan interest, price rising high. This leads to a rise in the values of security and risk of financial recession.





Source: Adhikary B. Kumar, 2008

Figure 17: Catastrophic effects of NPLs in a bank-centered financial market

Based on the overall surveillance we can portray the effects of NPLs in the banking sector like this figure. NPLs always affect bank's performances in different point of view. Based on Sonali Bank studies and overall sector observations, we can come up with some more specific effect of NPLs. Some are discussed below:

- Effects on Profitability, Liquidity, Capital Adequacy:

Growth of NPLs in upward, bring the profitability of the bank downward manner. Under the 'provision', bank is supposed to keep the provision based on the loans quality. For instance, if it's bad and loss, then provision is 100% of loans and which naturally reduces the income or profitability of the bank. As mentioned in BRPD (circular-5, 2019), default borrowers can have 9% interest rate with 2% down payment along with payback time of 10 years plus 1 year gracious year. This can demotivate borrowers who pay on period and a reward for defaulters.

When there will be lack of cash flow due to no payments of loans or late payments, automatically planned cash flow structure will be affected. Loan installments are the source for bank's future investments, expenses for operations, liabilities payments etc. Due to these reasons, bank borrow from others in money market, use alternate money sources which eventually increase the expenditure more and affect profitability and liquidity of the bank. If

NPLs arises, maintaining 3% leverage ratio regulatory requirement maintenance becomes a great challenge.

Capital is like the safety net for the losses and for riskier asset combination more capitals require. Based on the capital adequacy ratio which reflects the data about default loans of bank, they should maintain the capital ratio. For the shorts of income in required provisions, capital need to use to cover-up and less capitals may lead to capital erosion. In the end of 2019, twelve SBs faced provisional erosion of BDT 108 billion and 12 banks capital short-falls of BDT 236.12 billion.

- Credit Crunch:

When there are shortage of cash, credit, capitals due to default loans, then the bank cannot provide loans which leads them to credit crunch situation in the bank. When there are default loans, banks may need to provide loans in higher price or they may have loss of funds by providing loans. So, credit crunch may increase the charge of loans or NPLs.

- Bank Performance Issues:

NPLs hamper the overall bank performances and slow down the economic growth of the organization. Due to NPLs, they cannot issue much amount of loans or operations and lower than the expectations or required in the annual policies.

- Low Letter of Credit (LC), low bank earning:

When there are hinders in the financial growth and performance of the institutions, automatically it decreases or arise issues in all aspects. The customers or international importers always search for the exporting banks who has better strong profile in the market or well performed. Lower credit rating or worse health condition of finances of the bank impacts the rate of opening of new LCs. So, overall those lead to low earning for the bank.

- NPLs positive relation with Interest rate:

When the amount of NPLs increase, loans which are assets of bank become riskier. So, for getting sufficient amount of returns from those risky assets, bank charge higher interest rates from borrowers.

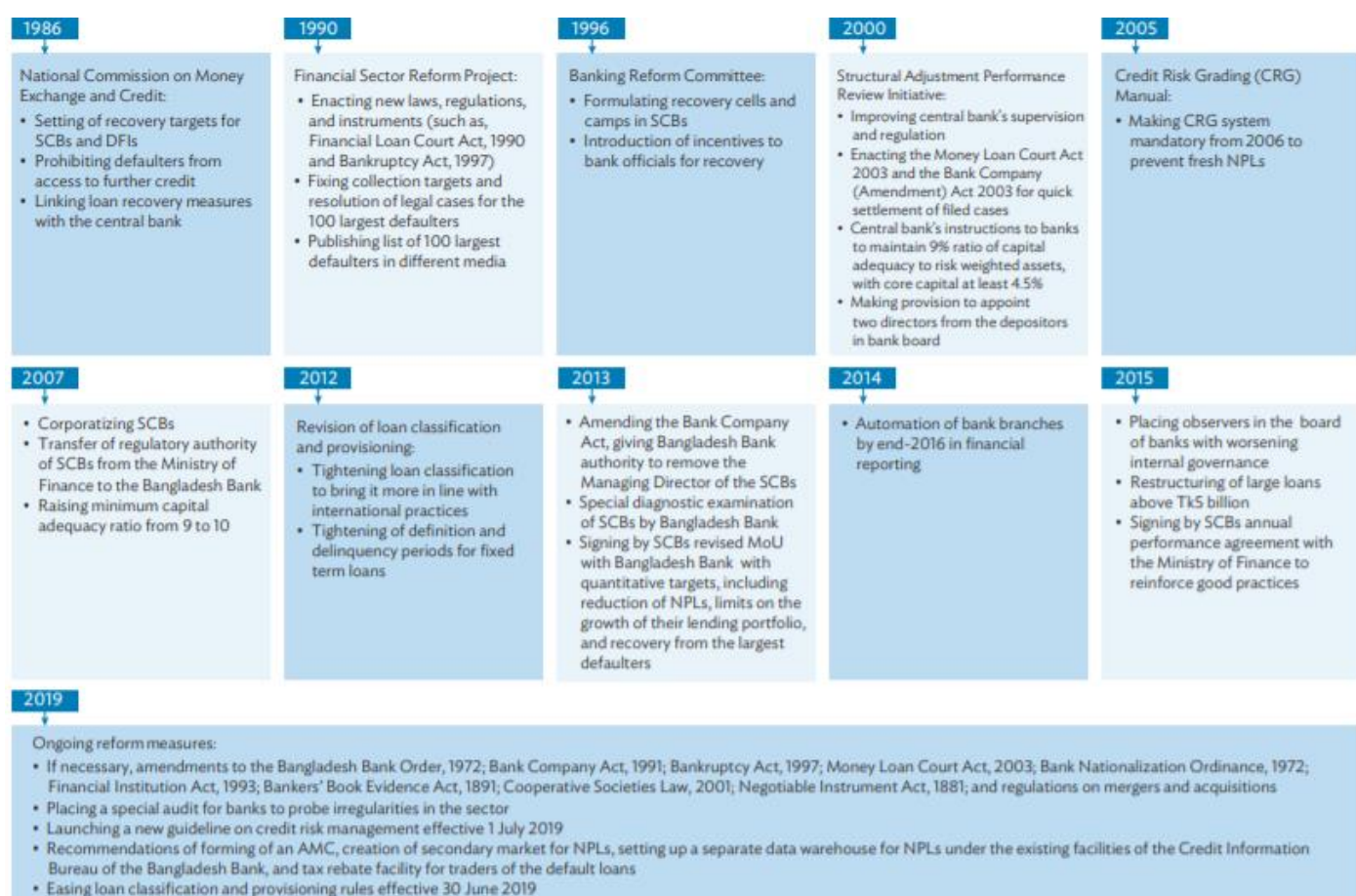
- NPLs negative relation with Retained Earnings (RE):

The component of retained earning Common Equity Tier-1 (CETI) capital will be used to cover up provisions for the shorting of retained earnings in NPLs condition. On others, reduction of CET1 capital reduces CRAR.

- Slowdown of cash flow due to default loans affect the overall money cycling of the economy.
- When NPLs increase in range, banks' interest earning get stopped but funds' cost and lending costs do not. Then banks increase the costs of loans and for some borrowers who did not use loans, they fall in trouble to pay those extra. Overall, NPLs range also increase due to these.
- As the consequence of huge level of default loans demotivate the depositors and foreign investors to invest in the banks.
- NPLs may lead to permanent loss of assets in various cases like Hall-Mark.

So, these are some of the significant causes and effects of NPLs on SBL and overall banking sector of Bangladesh. Also, there can be more specific points for defaulting and impacts of those, which can vary from organization to organization or current market situation.

### 3.3.4. Steps taken Against NPLs



AMC = asset management company, DFI = development financial institution, FCB = foreign commercial bank, MOU = memorandum of understanding, NPL = nonperforming loan, PCB = private commercial bank, SCB = state-owned commercial bank.

Sources: S. Parven. 2011. Nonperforming Loans of Commercial Banks in Bangladesh. *Munich Personal RePEc Archive Paper No. 65248*. Bangladesh Institute of Bank Management. 27 November. [https://mpr.ub.uni-muenchen.de/65248/9/MPra\\_paper\\_65248.pdf](https://mpr.ub.uni-muenchen.de/65248/9/MPra_paper_65248.pdf); IMF. 2018. Bangladesh: Selected Issues. *IMF Country Report No. 18/159*. June. <https://www.imf.org/en/Publications/CR/Issues/2018/06/08/Bangladesh-Selected-Issues-45960>; and Bangladesh Bank. 2019. *Annual Report 2017-2018*. January. <https://www.bb.org.bd/pub/annual/anreport/ar1718/index1718.php>.

Figure 18: Measures Adopted to Address NPLs in Bangladesh

Here in the stated figure, we can observe some significant measurements taken to reduce NPLs in the market throughout the past few years in Bangladesh. Based on the economic condition and changes in the market environment, steps are taken by the government and BB issues regulations for financial markets. Other than those, specific banks take measurement internally for their specific issue regarding NPLs based on government policies of the country. During the last year due to pandemic, BB had issued policies regarding NPLs minimization through moratorium, more writing-off loans, rescheduling etc.

### Some steps taken in Banking Industry:

Recently based on COVID-19 and other factors related to NPLs, necessary processes and measurements are taken in overall industry. Some of the significant are:

- \* Basel III framework with conditions of maintaining capital ratio of 10% and ^5 of them required to be Tier-1 capital. Also, banks always must hold a 4.5% of Tier 1 to the total Risk Weighted Assets (RWA).
- \* For maintaining leverage ratios in moderate level, BB has announced the minimum 3% leverage ratios to be maintained.
- \* Through the reporting for Internal Capital Adequacy Assessment Process (ICAAP) as the part of Basel III, banks are required to access and analyze internal procedures regarding the fulfillment of risk factors by adequate capital.
- \* BB has modified and instructed the banks for management of risks efficiently and effectively and supervising the banks in different aspects of operations and improvement regarding those.
- \* There have been regulations regarding off-site and on site supervisions, inspections for financial performances, health of the banks.

### Significant steps of Sonali Bank Limited regarding NPLs:

Through recent annual years of financial performances, necessary measurements have been taken for recovery of Classified Loan or NPLs in the Sonali Bank. To recover the classified loans and advances, bank as a whole abide by the following measurements:

- i. SBL after analyzing the loans as the classified ones or soon be turning bad, they post and send letters to the borrowers to give remind about the payments.

- ii. For the necessary measurements regarding recovering loans, they set up meeting for discussion with the clients along with Recovery cell including top management level.
- iii. Through different programs like loan fair, client gathering, recovery campaign etc., they take steps for maintaining special recovery arrangement.
- iv. SBL follows legal proceedings and quick settlement for recovering NPLs in the bank.
- v. For cash recovery from classified and written-off loans, SBL encourage and appreciate employees by providing incentives.

So, these are the significant steps of SBL that they took to manage and recover NPLs of the bank. Moreover, they have strategic policies for facing risks and default situation in finance, which are taken by the management and risk management divisions from time to time analysis of the functions of the bank.

### **3.3.5. COVID-19 Period**

Recent pandemic situation has crucially hampered the overall economy of the country. For the overall economy to recover this huge loss gradually, every organization and industries is taking steps from their places. For example, some amendments have been brought to the loan classification policy, 2013 through deferral of the loan classification to facilitate borrowers. On 19 March and 15 June of 2020, two circulars have been issued related to this context. Furthermore, on another circular of 21 July, BB relaxed loan classification provisioning rules for different micro, small and cottage industries and encouraging banks to disburse 33lo3ans to them.

On other hand, after lockdown or during 2020 or ongoing 2021, SBL did not publish official annual reports so that specific data could not be acquired for that period. Also during my internship last few days, again lockdown started so by interviewing or through discussion, I could not anticipate that much knowledge. But recently last year, the branch or Begum Rokeya Sarani branch of SBL came to third in position for Loan Recovery. Also, SBL sanctioned huge amount of loans to big corporations of the country even in this COVID period and they are performing the whole banking duties and responsibilities with enough precautions and measurement and growing towards better position in the sector. I could not add enough information after 2019, as there were no published enough resources. So during these periods, I could not show the highlighted points in the report.

### **3.4. Summary and Conclusions**

In accordance to the BB policies, a loan turns into a defaulted or NPL when the borrower disable to pay applied charges and interest payments within time period of 90 days. The reduction of banks' NPLs has been observed in the end of fourth quarter of 2020. Through the changes in policies or suspension of usual procedures of loan classification form last year March, made this change in data record of NPLs. To normalize the flow of credits, BB has acknowledged initiatives keeping pandemic in mind. Even the moratorium facility on banks are lifted but customer-institution relationship can be maintained in relax ways. In overall aspects SCBs have more NPLs than others and risks to have default loans. On others private commercials are moderately organized in this aspect and better way handling NPLs. On others, rising of NPLs can create some real negative effects in economy of country and crash the whole bank. Despite of taking into account of many measurement from 1990, there are still huge amount of NPLs present in the economy. There should be necessary measurements from

experts along with governments multidimensional for preventing and resolving the NPLs in the banking sector or individual bank.

The study “Non-Performing Loan Performance from Banking Industry Perspective of Bangladesh: A study on Sonali Bank Non-Performing Loan” defines that NPL performance is an important factor in financial performance and growth of a bank. NPLs of banks arise from different ignorant activities of bank management in loans sanctions and circumstances of market and recovering those may take couple of years for a bank. Through elaborated studies and observations of NPLs’ performances, banks can take measurements about preventions and recovering the NPLs. NPLs management is a crucial factor for overall bank’s performance boost along with country’s economy.

### **3.5. Recommendations**

- Corporate policies and surveillances should be developed more strategically so that in first place loans do not become defaulting one. Banks need to make sure that loans are provided with considerations commercially not coming influence of political power or higher up administrations.
- Banks or SBL specifically should introduce effective and efficient policies, regulations for recovering the loans.
- For maintaining and appointing the new legislation in the sector, central bank should take into consideration in appointing members like board of directors of different banks.
- There should be financial supports from the government for maintaining social services of SCBs.



- There can be associations like national AMC (Asset Management Corporation) similar to KAMCO (Korea Asset Management Corporation). They can take over all types of NPLs and modifying them and finally sell them in reasonable prices. Through the proper usages of AMC can boost up the whole economy and resolve the NPLs issues.
- Loan syndication process application in the banks borrowings can be a proper procedure to follow up as maintaining it in proper manner can reduce the default loans in bank and collection of payment will go easier.
- Overall banks should maintain ethical policies and operations regarding loan management.
- There should be proper consultations, workshops' benefits for the clients with financial acknowledgements for understanding terms of loans before applying for any.
- Banks should be prepared for future crisis like COVID-19 and plan and train the employees to maintain banking functions without big losses.
- There should be legal frameworks combination of NPLs and Bankruptcy Act. Also in recovering loans, there should be more effective legislations form bank side.
- Ethical practices in banking operations and all aspects should never be overlooked.

So, these are some highlighted recommendations based on the overall studies of NPLs in banking sector and Sonali Bank Limited.

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## Appendix A.

### I. Significant Financial Ratios of SBL in last 5 years

(Figure in million except stated otherwise)

| Particulars                                     | 2019    | 2018    | 2017    | 2016    | 2015    |
|---|---------|---------|---------|---------|---------|
| <b>Financial Ratios (%)</b>                     |         |         |         |         |         |
| Operating Profit Ratio                          | 22.26%  | 25.86%  | 16.08%  | 5.99%   | 12.47%  |
| Gross Profit Ratio                              | 22.26%  | 25.86%  | 16.08%  | 5.99%   | 12.47%  |
| Operating Profit as a % of Average Working Fund | 1.17%   | 1.56%   | 0.98%   | 0.37%   | 0.89%   |
| Return of Assets (ROA)                          | 0.20%   | 0.18%   | 0.58%   | 0.14%   | 0.06%   |
| Return of Equity (ROE)                          | 3.92%   | 3.32%   | 10.63%  | 2.18%   | 0.99%   |
| Return on Investment (ROI)                      | 5.98%   | 7.58%   | 7.29%   | 7.06%   | 7.50%   |
| Return on Loan and Advance                      | 5.51%   | 5.74%   | 6.85%   | 7.14%   | 8.78%   |
| Return on Capital Employed                      | 1.42%   | 0.22%   | 1.22%   | 0.45%   | 1.04%   |
| Return on Earning Assets                        | 0.25%   | 0.24%   | 0.85%   | 0.19%   | 0.08%   |
| Operating Profit per Employee                   | 0.87    | 1.17    | 0.65    | 0.21    | 0.39    |
| Net Profit per Employee                         | 0.14    | 0.13    | 0.39    | 0.08    | 0.03    |
| Operating Profit per Branch                     | 13.99   | 16.67   | 9.87    | 3.52    | 7.17    |
| Net Interest Margin on Earning Assets(NIM)      | (0.41%) | (0.71%) | (1.85%) | (2.17%) | (2.14%) |
| Efficiency Ratio                                | 25.55%  | 24.33%  | 26.22%  | 27.30%  | 20.25%  |
| Burden Ratio                                    | 0.50%   | 0.60%   | 0.56%   | 0.93%   | 0.44%   |
| Cost of Deposit                                 | 3.55%   | 3.61%   | 4.09%   | 4.84%   | 5.57%   |
| Yields on Loans and Advances                    | 5.51    | 5.74%   | 6.85%   | 7.14%   | 8.78%   |
| Interest Spread                                 | 1.96%   | 2.13%   | 2.76%   | 2.30%   | 2.78%   |
| Cost of Fund                                    | 5.29%   | 5.38%   | 5.95%   | 6.95%   | 7.34%   |
| Cost to Income Ratio                            | 77.74%  | 74.13%  | 83.92%  | 94.01%  | 61.89%  |
| Debt Equity Ratio (Times)                       | 20.59   | 17.63   | 18.02   | 16.82   | 16.57   |
| Current Ratio (Times)                           | 1.87    | 1.58    | 1.67    | 1.46    | 1.86    |
| Net Asset Value per Share (NAVPS-in TK.)        | 150.54  | 154.83  | 160.02  | 175.91  | 152.44  |
| Earnings per Share (EPS- In TK.)                | 5.98    | 5.47    | 18.50   | 3.96    | 1.53    |
| Capital Adequacy Ratio (CAR)                    | 10.09   | 10.10%  | 10.35%  | 10.33%  | 10.08%  |
| Credit Deposit Ratio                            | 47.55   | 42.43%  | 39.76%  | 37.28%  | 39.99%  |
| Cash Reserve Ratio / Liquidity Ratio (CRR)      | 7.90%   | 7.30%   | 8.08%   | 7.22%   | 7.73%   |
| Statutory Liquidity Ratio (SLR)                 | 41.57%  | 38.27%  | 44.13%  | 48.50%  | 51.53%  |

II. Non-Performing Loans in last Five years

| Years  | 2015                  | 2016                   | 2017                   | 2018                   | 2019                   |
|--|-----------------------|------------------------|------------------------|------------------------|------------------------|
| Classified Loans and Advances(NPLs) (millions) | BDT 86,849,700,000.00 | BDT 109,114,863,000.00 | BDT 149,302,400,000.00 | BDT 121,883,400,000.00 | BDT 111,993,904,839.00 |
| Percentage of NPLs to Total Loans and Advance  | 25.08%                | 28.37%                 | 35.28%                 | 26.26%                 | 20.32%                 |

III. Sector Wise Classified Loans (NPLs)

| Sector Wise Classified Loans (NPLs) |                             |                           |                               |
|-------------------------------------|-----------------------------|---------------------------|-------------------------------|
|                                     | Government                  | Other Public              | Private                       |
| Sub standard                        | BDT -                       | BDT 109,900,000.00        | BDT 12,420,144,759.00         |
| Doubtful                            | BDT -                       | BDT -                     | BDT 2,918,700,000.00          |
| Bad/Loss                            | BDT 2,367,800,000.00        | BDT 334,800,000.00        | BDT 93,842,560,080.00         |
| <b>Total</b>                        | <b>BDT 2,367,800,000.00</b> | <b>BDT 444,700,000.00</b> | <b>BDT 109,181,404,839.00</b> |