



**INTERNSHIP REPORT ON
THE ANALYSIS OF FINANCIAL PERFORMANCE OF
BASIC BANK LIMITED**



BASIC Bank Limited
Serving people for progress
A STATE OWNED SCHEDULED BANK

INTERNSHIP REPORT ON
THE ANALYSIS OF FINANCIAL PERFORMANCE OF
BASIC BANK LIMITED

COURSE ID: BUS 400

Date of submission-17/2/2015

Submitted to:

Syeda Shaherbanu Shahbazi Ahmed

BRAC BUSINESS SCHOOL

BRAC UNIVERSITY

Submitted by:

Kazi Sanjida Mahmud

ID: 09204106

Letter of Transmittal

17th February, 2015

To,

Syeda Shaherbanu Shahbazi Ahmed

BRAC Business School

BRAC University

Subject: Internship report on “Analysis of Financial performance of BASIC Bank Ltd.”

Dear Madam,

I am pleased to submit the internship report as a partial fulfillment of BBA program. I have tried my level best to present you a report on the analysis of financial performance of BASIC Bank limited. This paper has provided me the opportunity to relate theories with the real-world operation. Banks operate in a different way, if I had never been done my internship in a bank I would never have understand this fact.

In these regard, I have done my heart and soul to complete this report with the quality of your expectation. It would be my immense pleasure if you find this report useful and informative and I hope you will appreciate my effort.

Sincerely Yours,

Kazi Sanjida Mahmud

ID: 09204106

BRAC Business school

Acknowledgement

To begin with, I would like to express my deepest gratitude towards The Almighty Allah for giving me the capability, ability and determination to effectively complete my internship program. I also want to thank and convey my gratefulness to my honorable advisor Syeda Shaherbanu Shabazi Ahmed BRAC Business School, BRAC University to provide me extremely well arranged guidelines and time from his busy schedule to complete my report. I express my deepest thanks to the management of the BASIC Bank Limited for helping me throughout my internship program. My special thanks to Assistant General Manager, Mr. Abdul Ali ,Officer and to other assistant officers for giving me essential knowledge related to the banking sector. Without their co-operation and proper guidance I would not be able gain practical knowledge and complete my internship program.

Table of content

Content	Page No
CHAPTER 1	1-11
Executive summary	1
1.1 History	2
1.2 Products/ service offerings	2-6
1.3_Operational network organogram	6-8
1.4 Visson	8
1.5 Misson	8
1.6 At a glance BASIC bank limited	8-9
1.7 CSR activities of BASIC bank ltd.	9-11
CHAPTER 2	12-14
2.1 My job experiance	12
2.2 Specific responsibilities of the job	13
2.3 Aspect of my Job performance	13-14
CHAPTER 3	15-29
3.1 Description of the project	15
3.2 Objective of the project	15
3.3 Methodology	15
3.4 Limitations	15
3.5 Important Values Of BASIC BANK LTD From its Income Statement and Balance sheet	16
3.6 Formulas for calculating financial ratios	17
3.7 Financial ratios of BASIC bank ltd	18

3.8 Financial analysis	19-26
CHAPTER 4	27-29
4.1 Recommendations	27-28
4.2 Conclusion	28
4.3 Attachment & references	29

EXECUTIVE SUMMARY

BASIC Bank Limited is a state owned bank however operates like a private bank. It was established in order to progress the industrial sector of Bangladesh. For more information I have prepared a report that starts with the synopsis of Banking Industry in Bangladesh followed by some more information regarding the history of BASIC Bank limited. A progress chart of BASIC Bank Ltd. is provided in the report. In the later Chapter the General Banking Department of this particular bank is elucidated in an elaborate manner. The types of work of this department, the imperative documents to open an account are described in a very comprehensive way. Along with that what are the products and service they offer, type of loans can also be establish in this report. In the forthcoming chapter my three months' internship experience and my activities can be found. In addition to that the most important chapter that consists of the analysis regarding financial performance of BASIC Bank Limited is also prepared in very careful manner. Trend analysis and cross-sectional analysis is conducted taking the years 2011, 2012 and 2013 respectively. A assessment is also done with a similar type of bank that is Bangladesh Development Bank Limited. Lastly the report ends with various beneficial recommendations provided which can benefit the bank to improve its effectiveness and along with it a brief conclusion.

CHAPTER-1

1.1 History of BASIC BANK LTD

BASIC Bank Limited (Bangladesh Small Industries and Commerce Bank Limited) registered under the Companies Act 1913 on the 2nd of August, 1988, started its operations from the 21st of January, 1989. It is governed by the Banking Companies Act 1991. The Bank was established as the policy makers of the country felt the urgency for a bank in the private sector for financing small scale Industries (SSIs). At the outset, the Bank started as a joint venture enterprise of the BCC Foundation with 70 percent shares and the Government of Bangladesh (GOB) with the remaining 30 percent shares. The BCC Foundation being nonfunctional following the closure of the BCCI, the Government of Bangladesh took over 100 percent ownership of the bank on 4th June 1992. Thus the Bank is state-owned. However, the Bank is not nationalized; it operates like a private bank as before.

1.2 Product/service offerings

BASIC bank ltd is currently offering the following products and services to its clients. These are

- **BASIC FORTUNE PLUS (DPS)**

This is a recurring deposit scheme with attractive benefits. Realization of monthly installments will start from the day of opening and all subsequent installments will be realized/ deposited by the last day of the same month onward. Up to 80% loan facility on deposit amount excluding interest accrued will be provided.

Installment Amount	3 years	5 years	7 years	10 years
Tk. 500	21,562	40,594	64,468	1,12,136
Tk. 1000	43,124	81,189	1,28,937	2,24,272
Tk. 2000	86,249	1,62,378	2,57,875	4,48,545
Tk. 5000	2,15,624	4,05,946	6,44,687	11,21,364
Tk. 20000	8,62,496	16,23,787	25,78,751	44,85,456

- **BASIC DOUBLE BENEFIT SCHEME**

Taking this scheme will double one's money within 06 years. Deposit of Tk. 25,000/- and multiplies thereof but maximum limit of Tk. 50, 00,000/- at a time will be acceptable.

- **RFC & NFC DEPOSIT**

BASIC Bank Limited gives opportunity to maintain foreign currency account through its Authorized Dealer Branches.

- **CURRENT DEPOSIT ACCOUNT**

This bank offer current deposit facility to our customers. It is an easy-to-use account for daily business transactions with no restriction, instant access and withdrawals of money anywhere in Bangladesh.

- **PREMIUM PLUS CURRENT ACCOUNT**

This is a unique current A/C with free remittance facility where interest amount will be paid on the basis of average monthly balance and will be credited in June and December of each year.

- **FIXED DEPOSIT**

BASIC Bank offers fixed term deposit a/c which will boost up customers savings amount in time. For earning a higher rate of interest in return one can deposit a lump sum amount for a fixed period.

- **BASIC RAPID GROW DEPOSIT SCHEME**

Initial deposit will be 1.5 times in 03 years & 03 months term. Minimum acceptable limit of deposit will be Tk. 25,000/- and maximum limit will be Tk. 50, 00,000/- at a time.

- **KRISHOK SAVINGS**

Account is a unique savings deposit product for the farmers. Any adult individual farmer in single or joint name(s) can open this account. Initial deposit of this account can start with Tk. 10.00 only. No bank charge.

- **SAVINGS DEPOSIT ACCOUNT (SB)**

In this deposit account customers are allowed to withdraw their money whenever required. It also promotes the savings habit among the people.

- **SPECIAL NOTICE DEPOSIT ACCOUNT (SND)**

BASIC Bank provides Special Notice Deposit A/C for corporate customers for day-to-day business operations.

- **BASIC MONTHLY BENEFIT SCHEME**

Any adult individual(s) who has/have a Savings/Current/Special Noticed Deposit A/C can open this scheme in single or in joint names by depositing TK 1,00,000/- or multiplies thereof for 05 (Five) years term.

- **SCHOOL BANKING**

It is a special product for school students with a vision to grow their savings habits and familiarize young generations with banking. Account can be opened in the name of any school going citizen who is under 18 years of age.

- **SUPER DOUBLE BENEFIT SCHEME**

Taking this scheme will double one's money within 05 years 3 months. Deposit of Tk. 25,000/- and multiplies thereof but maximum limit of Tk. 25, 00,000/- at a time will be acceptable.

- **INDUSTRIAL FINANCE**

The main focus of the bank is to cater small and medium industries through its entire branch network in the form of various industrial loans.

- **COMMERCIAL CREDIT**

The Bank provides Commercial credit for day-to-day operations of business on commercial purpose.

- **SME FINANCE**

To help in creating a strong base of SME through funding of small and medium sized enterprises.

- **FOREIGN TRADE**

Facilitating diversified export import services towards industrial and commercial enterprises.

- **CREDIT FOR AGRICULTURE & AGRO BASED PROJECTS**

Loan for Primary Products, Crops, Farming & other Farming Activities as well as agro based industries is a priority of the bank.

- **MICRO CREDIT**

Providing Micro credit to the urban, sub-urban and rural poor through linkage with Non-Government Organizations (NGOs) with a view to facilitating their access to the formal financial market for the mobilization of resources is tremendous way to help the economy.

- **BASIC KALYANI FOR WOMEN ENTREPRENEURS**

Any enterprise owned or led by woman may be eligible to get loan up to Tk. 5 lac without collateral security and up to Tk. 25 lac with collateral security.

- **WORKING CAPITAL LOAN**

BASIC bank offers Cash Credit (CC), Export Cash Credit, and Loan for Bid Instrument Purchase (BIP) [Personal, Contractors & Suppliers], Commercial Service Provider, LIM, LTR, PC etc.

- **ATM / DEBIT CARD**

ATM/Debit card can be used for withdrawal of cash as well as for purchasing goods or services wherever VISA and Q-cash POS under this network is available.

- **REMITTANCE (MONEY TRANSFER)**

It offers Cash Credit (CC), Export Cash Credit, and Loan for Bid Instrument Purchase (BIP) [Personal, Contractors & Suppliers], Commercial Service Provider, LIM, LTR, PC etc.

- **ONLINE BANKING**

This service helps the customer or client in experiencing true online facility around the country.

- **LETTER OF CREDIT**

This service includes the guarantee of a bank in billing, purchasing and collecting payments on behalf of the clients.

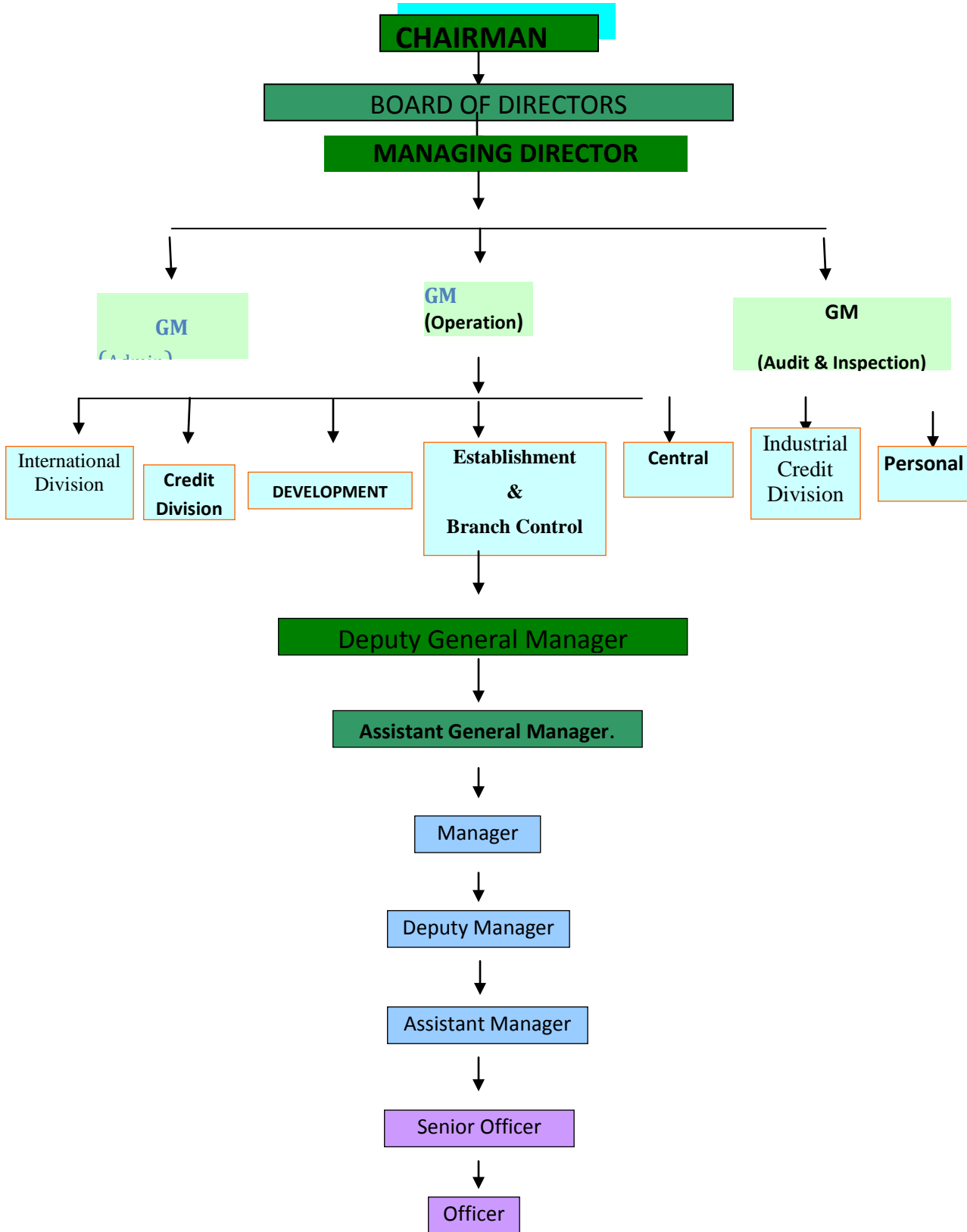
- **CONSUMER CREDIT**

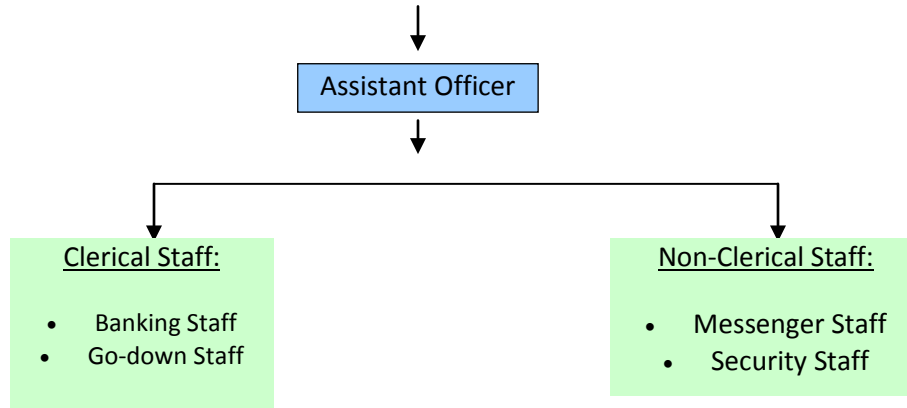
This facility is only for the staffs of BASIC bank Ltd. Staffs can take two types of loan. One is 3 basic loan which is for 6 months and the other 6 basic loan which is for 4 years.

1.3 Operational network organogram

The management is headed by the Managing Director. He is assisted by the General Manager and Departmental heads in the head office. BASIC is different in respect to hierarchical structure from other bank in that it is much more vertically integrated as for as reporting to the chief Executive is concerned. The Branches in charge of the Bank report directly to the Managing Director and for functional purposes, to the Head of Department consequently, quick decision making in disposal of cases is ensured.

[ORGANOGRAM OF BASIC BANK]





1.4 Visions for the future

Provide the best banking services to all kinds of people and contribute for economic development of the country

1.5 MISSION

To provide best development and commercial banking services to the common people of Bangladesh and provide special support to the small scale business enterprise

1.6 At a Glance of BASIC Bank Limited

NAME	BASIC BANK LIMITED
Date of incorporation	August 2, 1988
Date of inauguration of operation	January 21, 1989
Registered office	Bana Shilpa Bhaban 73, Motijeel Commercial Area Dhaka-1000, Bangladesh.
Head Office	Sena Kalyan Bhaban(6th floor) 195, , Motijeel Commercial Area Dhaka-1000, Bangladesh.

Logo



Name of the chairman of the Board	Mr. Alauddin A.Mozid
Name of Managing Director	Mr. Khondoker MD Iqbal.
Services provided	Deposit scheme, Credit facility and foreign exchange services
Ownership	Government of Bangladesh
Banking software used	CASTLE™
E-Mail	basicho@citechco.net
Website	www.basicbanklimited.com

1.7 CSR activities of BASIC BANK LTD

. As such in broadly defining, CSR refers to the voluntary role of business towards building a better society and cleaner environment beyond its financial commitments and regulatory obligations. Some CSR activities and donations made by BASIC bank are given bellow:

- **Reduce poverty**

With a view to widen the access to finance by the poor and ultra-poor community, BASIC Bank Limited has been financing NGOs for quite since 1995 at privileged rates of interest (between 7.00% and 13.00%). So far the bank has financed 65 NGOs of various categories and capacities from small to large and also from local/regional to national/international. Such activities also contributed to generation of income and employment as well

- **Women empowerment**

As half of the population is woman, a sustainable national progress can't be attained, if women are left aside. Considering this reality the bank has been mobilizing credit facilities to the capable women entrepreneurs at a reduced rate of interest. So far the bank has financed several woman entrepreneurs and it will gain due momentum in the days to come

- **Environment pollution**

To reduce environmental pollution, this bank has financed 26 CNG refueling stations. Again, most of their office vehicles have already been converted to CNG fueling system. Use of CNG fuel also helps save hard earned foreign currency. Environmental issues are taken into account while assessing credit proposal for the industrial projects.

- **Sports and Cultural Activities**

During the year 2011, the Bank extended financial support Tk.1.00 crore each to Sheikh Russel Krira Chakra and Sheikh Jamal Dhanmondi Club towards development of games and sports. In the year 2011, an amount of Tk.8.00 lac was contributed for making documentary exhibition and archive of scarce footage of our great independence war. The Bank also contributed Tk.10.00 lac to Bangladesh Table Tennis Federation in the year 2011. In the year 2011, the Bank sponsored Tk.4.00 lac to arrange Baishakhi Fair. The Bank also sponsored 25th to 31st National Junior Chess Championship by contributing Tk.1.00 lac in each year. BASIC has been patronizing the Handball Federation by arranging BASIC Bank Limited Inter-district National Women Handball Tournament. The Bank also donated a fund of Tk.1.00 lac to Krishibid Institution for organizing their national convention. In the year 2006 the Bank sponsored Tk.1.00 lac for organizing the SME fair.

- **Disaster management**

In the year 2011, the Bank donated 25,000 pieces of blankets to Prime Minister's Relief and Welfare Fund. In the previous year the Bank donated an amount Tk.1.00 crore to the same Fund for the rehabilitation of the victims of the Nimtoli Fire Tragedy

- **encourage Entrepreneurship**

The promoters of the Bank envisaged fostering entrepreneurship amongst the potential, new and small entrepreneurs and generating employment through financing Small and Medium Scale Industries (SMIs) towards industrialization actually needed for economic growth of the country. Keeping the dream in mind, the bank always remained stick to the triple bottom line: People, Planet & Profit and focused attention to the SMIs which is ultimately promotion of SMEs. In this way, a lot of entrepreneurs have grown with us through which employment opportunities are created for a large number of people.

Access to healthcare facilities is one of the fundamental rights of every human being. BASIC Bank Limited is committed to assist those poor people, who have no way to secure basic treatment. In the year 2011, the Bank distributed about Tk.3.00 lac amongst different disadvantaged individuals. In the year 2010, the Bank patronizes some organizations, which work for improvement of public health. Also in 2009 the bank donated SANDHANI & Lions Eye Hospital in organizing their free treatment campaign held at different places across the country. The Bank also extended its assistance to some acid victims directly.

- **Education**

During 2011, the Bank distributed Tk.5.00 lac among the meritorious students of Gopalganj Zilla Samity. In 2010, BASIC Bank Limited donated a fund of Tk.50.00 lac to the aggrieved families of the two late secretaries of the Government of Bangladesh for maintaining the educational expenditure of their children. In 2009 BASIC Bank Limited donated Tk.2.00 lac to Bangladesh Asiatic Society for publishing Bengali version of the largest National encyclopedia of Bangladesh. In publishing the first edition (English version) of the encyclopedia, BASIC Bank Limited donated Tk.5.00 lac as well. „BASIC Bank Limited Gold Medal was introduced in collaboration with the Banking Department, University of Dhaka for the students of the department with outstanding academic achievements.

- **Awareness-**

Generation of awareness is a very useful tool to combat social evils, like drug addiction, smoking, pollution, terrorism, population etc. For this purpose, the Bank has continue to display banner, festoon sticker, display board and use such other communication channels for discouraging drug, smoking, pollution, population growth etc. The Bank kept continued such awareness building activities for the year 2011. In 2010, the Bank donated a sum of Tk.0.50 lac to Sundarban Supporters Committee for creating awareness to elect Sundarban as the new eleven Wonders of the World.

In the future the Bank has an active plan to establish a charitable organization in the name of "BASIC Bank Foundation" to augment CSR activities through expanding both nature and magnitude towards implementation of social obligations in an organized manner for a better

Chapter-2

2.1 My Job experiences-

I have joined BASIC Bank Limited, Shantinagar Branch at 4th November 2014 as an intern. Such a warm welcome boosted my confidence up to a level I became very friendly with almost everyone in the General Banking Department within a very short span of phase. Although I got the chance to work; more specifically to assist in General Banking Department, there are two more departments commonly known as the Loan or Advances Department and the Foreign Exchange Department. The General Banking Department sounds somewhat an easy going department however has the most critical job according to me, as this department has to handle different types of customers or clients often, that too directly. This department has taught me some very essential jobs that are very crucial in this modern era of banking. I have learnt how to open a bank account, filling the formalities of the form, how the customer information number is given, writing a pay order, how the clearing of cheques are done. Moreover, what type of products they offer to their old and new clients is also imparted by the personnel of this branch of BASIC Bank Ltd. Learning the above activities was not possible unless I had a strong guidance and cooperation from the people who were always ready to help me whenever I needed them. Unlike the other organizations whose behavior is more of domineering type, the behavior of these people made me feel one of them. Basically, the environment of this branch or the people is very generous, that also taught me to stay always closer to the ground. Although only three months is not sufficient to learn everything of banking world, I tried my heart and soul to relate my theoretical knowledge with practical one. In words, the experiences I have gathered from working in this branch will surely going to be a great help in my future as well as in building a better career.

2.2 Specific responsibilities of the jobs

General Banking department executes the core functions of a bank. It deals day to day transactions. It takes the deposit from the customer and meets the customer demands for cash by honoring their cheques. Generally, it has the following core responsibilities: General Banking Department has many sections they are-

- Accounts Opening Section
- Local Remittance Section
- Collection and Clearing
- Cash Section
- Accounts Section

however I did not get the chance to work in all of the sections. My job was to only filling up the forms for opening account , filing all the account forms of savings, FDR, Current accounts separately and writing the random numbers each and every leaf of the cheque under the guidance of an authorized person.

2.3 Aspect of my Job performance

When a customer opens an account in a bank it binds him into a contractual relationship. This is the way to build up a banker-customer relationship which is also sometimes a start of fraud and forgery if not being careful. Bearing this in mind the bank takes extra care in selecting its clients. When a customer wants to open a bank account he or she must meet the criterion that this bank requires. After providing sufficient documents an account can be opened according to their demand. There are some basic requirements to open an account such as, photographs, nominee, national ID card number, introducer etc. And now here comes my part, where I need to fill up the customer information number, the account number, the address (permanent and present), and the customers“ personal data such as birthdates, name of spouse, father and mother. In the case of customer information number and account number an authorized personnel provided me with necessary information. Thus help me to fill up the form correctly. Issuing cheque books is a job of account opening section and I consider this work somewhat very imperative. As there can be a lot of falsifications regarding this matter, BASIC Bank has a very good reliable step to prevent this which I find very interesting. Basically an authorized person throws some random numbers and I just used to write it down on the back of every cheque leaf. After that, the authorized person checks whether the security numbers are correct or not and completes the task by putting signature.

CHAPTER-3

3.1 Description of the project-

My project is all about the financial analysis of last 3 years of BASIC BANK LTD. In this report I will discuss about the ratios which reflect the financial condition of the bank. The data is collected from both internal and external sources. By calculating and analyzing the ratios I will describe what actually the organization is facing profit or loss and also its current situation.

3.2 Objective of the project

To get a clear view about BASIC BANK LTD that-

- What is the financial position of this bank
- How the bank works.
- Products and service it offers
- The banking environment
- Responsibilities of a bank

3.3 Methodology

To analyze the financial condition of BASIC BANK LTD there are two types of data they are-

- Primary data
- Secondary data

Primary data is collected by personal observation and interviewing clients the employees of the bank and the secondary data is collected from books, online articles and bank annual reports.

3.4 Limitations

There are so many difficulties that I faced while collecting data. The limitations or the reasons are-

- Organization did not disclose full information
- Non-cooperative behavior of some clients.
- Up to date data are not available

- Three months are very short span of time to grasp all the banking activities and functions

3.5 Important Valus Of BASIC BANK LTD From its Income Statement and Balance sheet.

<u>FROM BALANCESHEET -</u>	2012	2011	2010
Authorized Capital	5,000.00	5,000.00	2,000.00
Paid-up Capital	2,946.98	2,357.59	1,964.65
Reserve and Surplus	3,493.60	3,124.17	2,509.78
Shareholders' Equity	6,440.58	5,481.76	4,474.43
Fixed Assets	526.82	364.46	283.12
Total Assets	109,682.06	78,031.73	61,569.38
Deposits	87,693.23	62,650.73	49,259.60
Long- term Debt	5,492.93	2,788.15	2,718.46
Loans and Advances	85,955.76	56,884.76	46,341.51
Placement & Investment	14,111.57	13,760.82	9,294.02

<u>FROM INCOME STATEMENT-</u>	2012	2011	2010
Gross Income	13,402.26	8,825.20	6,120.53
Gross Expenditure	10,792.18	6,476.70	4,403.49
Profit before Tax	2610.08	2,348.50	1,717.05
Profit after Tax	27.89	976.11	660.93
Tax Paid (Cumulative)	7,066.80	5,987.61	4,948.64
Return on Equity After Tax	0.47 %	19.61 %	14.95 %
Import Business	37,093.50%	47,087.80%	42,205.90%
Export Business	29,939.20%	33,061.10%	23,998.80%
Capital aAdequite Ratio	10.05%	10.13%	9.41%
Liquid Assets to Deposit Liabilities	9.91 %	14.28 %	12.06 %
Loan to Deposit Liabilities	91.75 %	87.74 %	94.08 %
Earning Assets to Deposit Liabilities	105.56 %	108.22 %	81.55 %
After Tax Return on Average Assets	0.03 %	1.40 %	1.24 %

3.6 Formulas To Calculate The Ratios

$$\text{Debt to Equity} = \frac{\text{Total Liabilities}}{\text{Total Owners Equity}}$$

$$\text{Debt to Total Asset} = \frac{\text{Total asset} - \text{Total Owners Equity}}{\text{Total Asset}}$$

$$\text{Return on Asset (ROA)} = \frac{\text{Net Income After Tax}}{\text{Total Asset}}$$

Return On Equity (ROE)

$$= \frac{\text{Net Income After tax}}{\text{Operating Income}} * \frac{\text{Operating Income}}{\text{Total Asset}}$$

** Total Asset / Total owners Equity*

$$\text{Earning Per Share} = \frac{\text{Net Income After Tax}}{\text{Common Equity Share Outstanding}}$$

$$\text{Equity Multiplier} = \frac{\text{Total Assets}}{\text{Total Owners Equity}}$$

$$\text{Profit Margin} = \frac{\text{Net Income After Tax}}{\text{Operating Income}}$$

$$\text{Net Interest Margine} = \frac{\text{Interest Income} - \text{Interest Expence}}{\text{Total Asset}}$$

3.7 Financial Ratios of BASIC bank LTD-

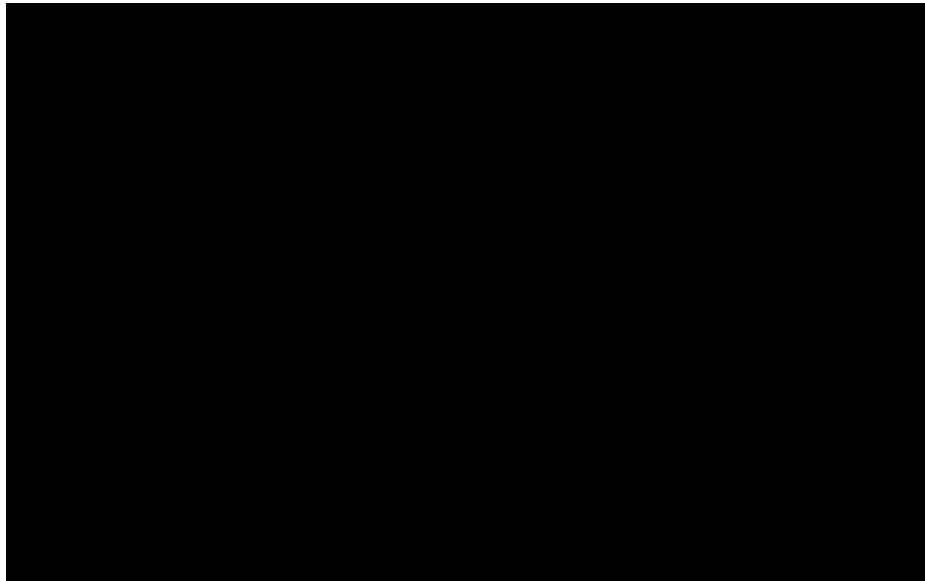
To get hold of a swift hint of the performance of a financial institution ratio analysis is used frequently. This tool is used by investors, creditors, managers and different regulators. For investing decisions investors often rely on this effective tool. A financial institution itself can have a clue of its financial position in the industry by doing trend analysis and cross-sectional or peer analysis. These are the two important analyses I have conduct in order to acquire how well BASIC Bank Ltd. is performing and what are its future movements in comparing with its competitors and with itself from time to time. The ratios I have used are classified as Short-term Solvency Ratios, Debt Management Ratios, Asset Management Ratios, Profitability Ratios, and Market Value Ratios. For cross-sectional analysis I have taken Bangladesh development Bank Limited which is also a specialized bank like BASIC Bank Ltd.

Name of Ratio	2011	2012	2013
Debt to Equity	13.23	15.98	25.01
Debt to Asset	0.93	0.94	0.96
Return on Asset	1.25%	0.03%	-0.34%
Return on Equity	17.81%	0.43%	-8.80%
Earnings per Share	33.12	0.95	-18.04
Equity Multiplier	14.23	16.98	26.01
Net Profit Margin	24.94%	0.57%	-12.56%
Net Interest Margin	2.80%	2.26%	1.08%

3.8 Financial Analysis

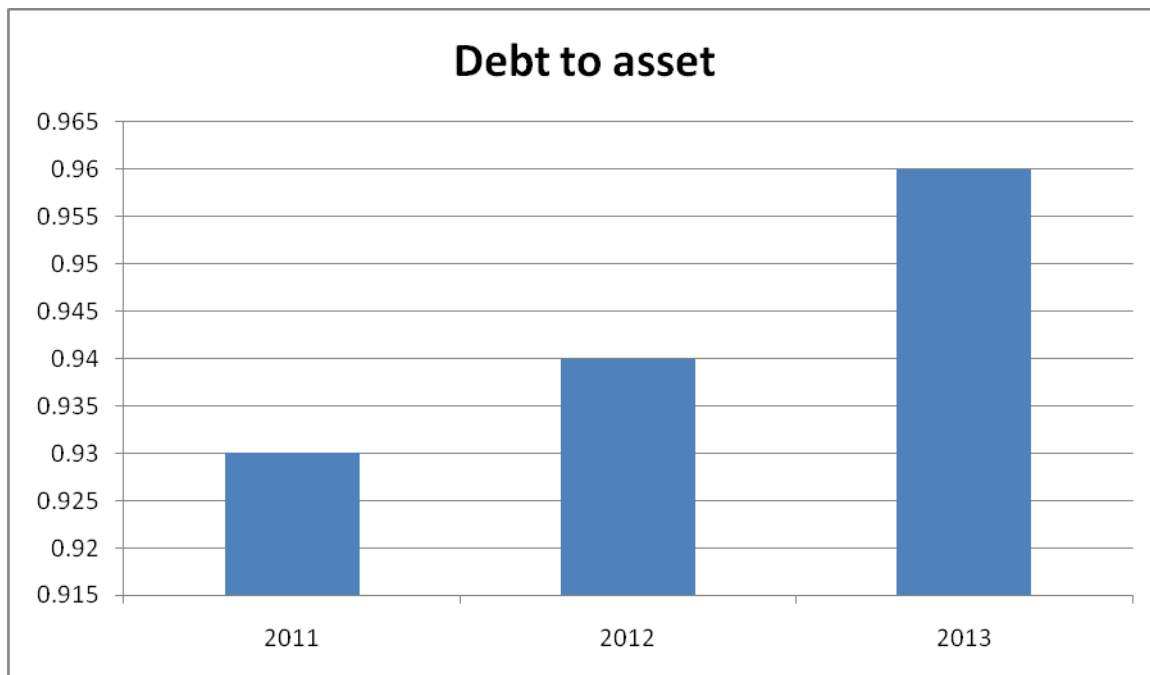
- **Debt to Equity**

The debt to equity ratio is a financial, liquidity ratio that compares total debt to total equity. It is calculated by dividing total liability with total owner's equity. For a bank loans are assets that they distribute and deposits are liabilities that they acquire from their customers. The following scenario shows against TK. 1 as equity BASIC Bank used TK. 13.23, TK. 15.98 and TK. 25.01 as debt in the years 2011, 2012 & 2013 respectively. The trend indicates that BASIC Bank is adding more debt in its capital structure every year and it is rising significantly which puts the bank in a riskier position. So the debt to equity ratio of BASIC Bank does not show that the bank has a good planning on deciding its capital structure.



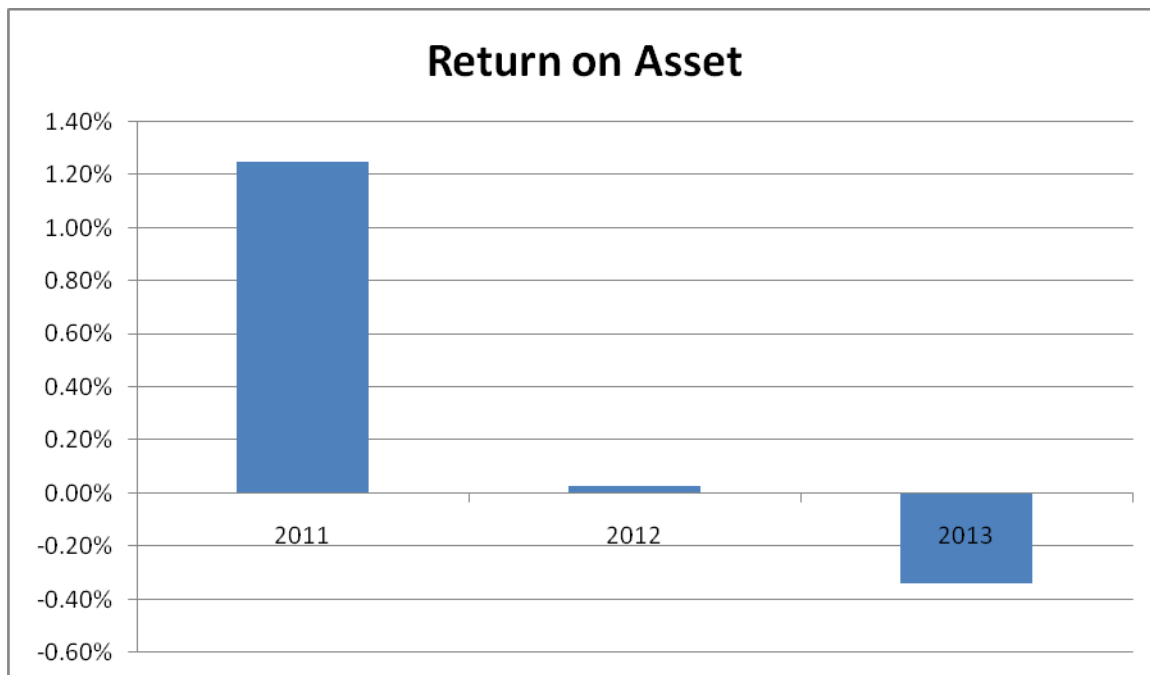
- **Debt to Asset**

Debt-to-assets ratio or simply debt ratio is the ratio of total liabilities to total assets. It is calculated by dividing total liabilities to total asset. It is a solvency ratio and it measures the portion of the assets which are financed through debt. Debt ratio ranges from 0.00 to 1.00. Lower value of debt ratio is favorable and a higher value indicates that higher portion of asset is financed through debt which indicates a bank is not that solvent. Debt ratio of 0.5 means that half of the company's assets are financed through debts. BASIC Bank is highly debt financed as the debt ratio is increasing that is 0.93, 0.94 and 0.96 consistently. This means more than half of BASIC Bank's total asset was debt financed in the years 2011, 2012 & 2013 respectively



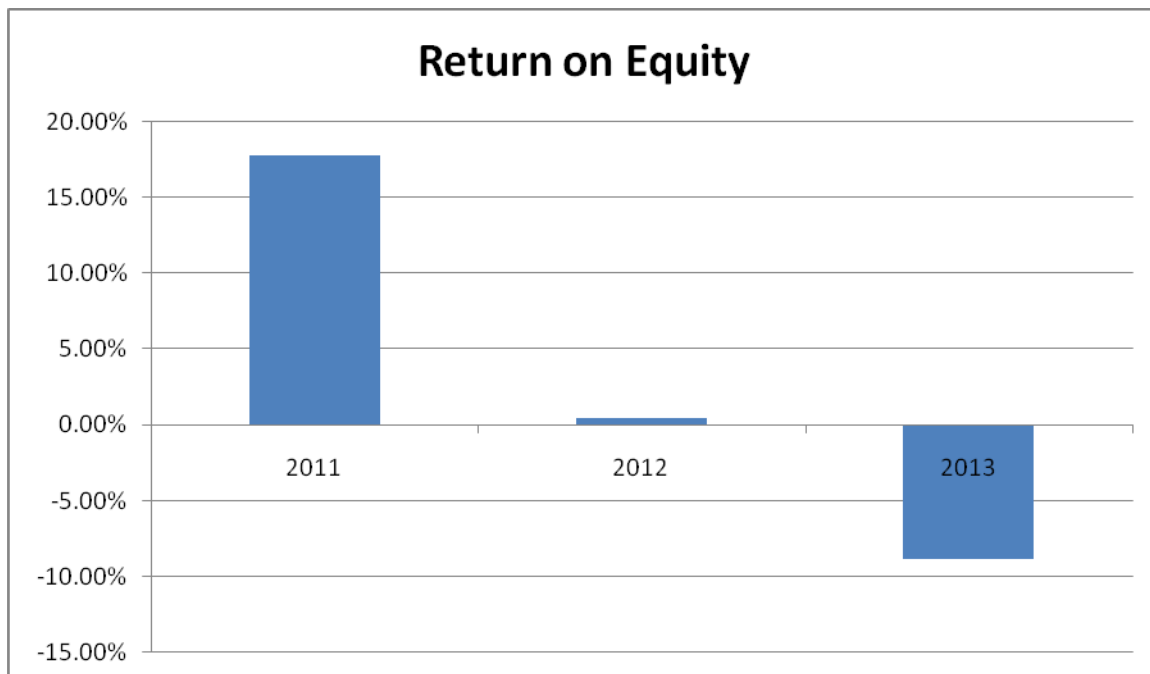
- **Return on Asset**

Return on assets is the ratio of annual net income to total assets during a financial year. It measures efficiency of a bank in using its assets to generate net income. It is a profitability ratio. It is based on accounting book values not on market values. Higher values of return on assets the more profitable the bank is. An increasing trend of ROA indicates that the profitability is improving. Conversely, a decreasing trend means that profitability is deteriorating. In the year 2011 and 2012 BASIC Bank was generating 1.25% and 0.03% of profit to every 1 Tk. of asset. As BASIC Bank has incurred loss of 0.34% for every 1 Tk. of asset, management should think of ways to improve its efficiency in using its assets.



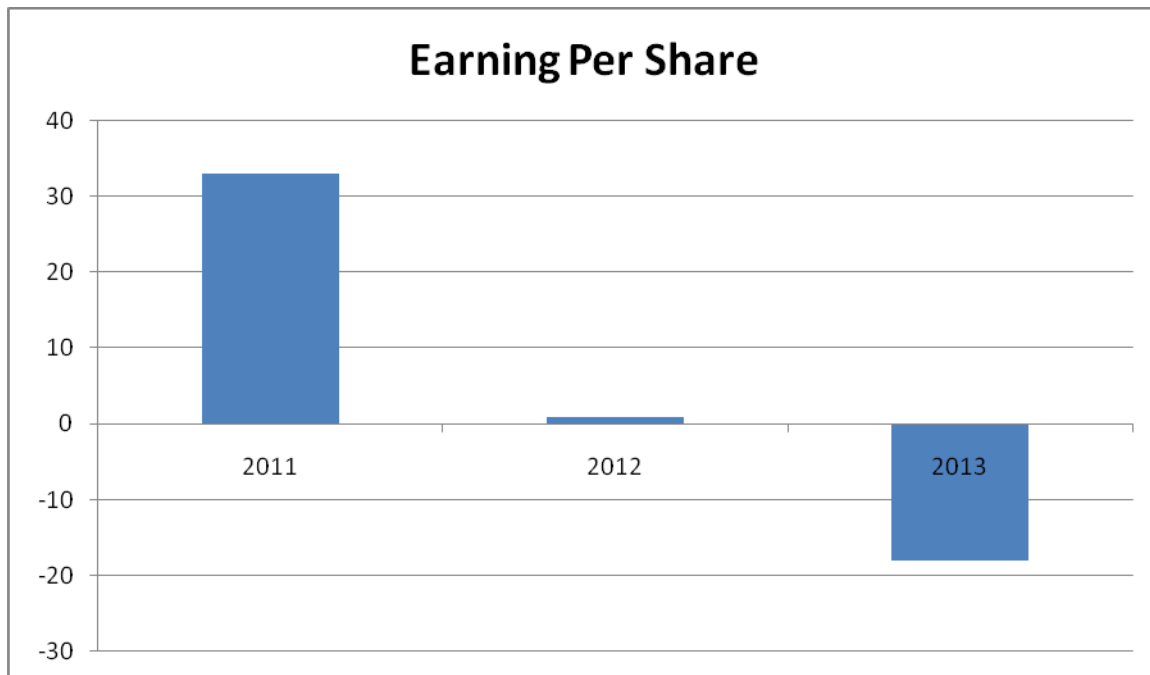
- **Return on Equity**

Return on equity or return on capital is the ratio of net income during a year to its stockholders' equity during that year. It is a measure of profitability of stockholders' investments. It shows net income as percentage of shareholder equity. Return on equity is an important measure of profitability. Higher return on equity indicates that the bank is efficient enough to generate profit for every new investment. 2011 profitability is 17.81% . In the year 2013 the ROE of BASIC bank shows a negative figure which means shareholders are losing their money instead of gaining. This is because the bank had a huge amount of loss in the year 2013.



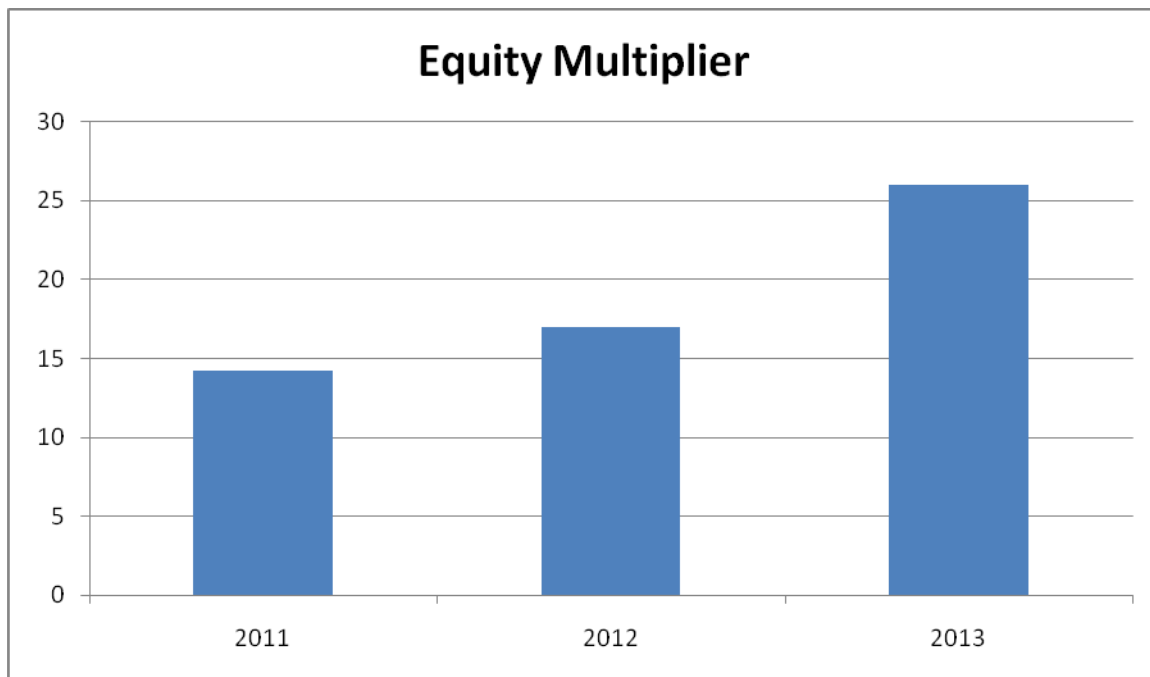
- **Earnings per Share**

Earnings per share, also called net income per share, is a market prospect ratio that measures the amount of net income earned per share of stock outstanding. In other words, this is the amount of money each share of stock would receive if all of the profits were distributed to the outstanding shares at the end of the year. Earnings per share or basic earnings per share is calculated by subtracting preferred dividends from net income and dividing by the weighted average common shares outstanding. Higher earnings per share, always better than a lower ratio because this means a bank is more profitable and it has more profits to distribute to its shareholders. The earning per share of BASIC Bank fluctuates a lot.. BASIC Bank had TK. 33.12 as EPS in the year 2011 However, in the year 2012 there was a sudden fall in the EPS of BASIC Bank. The scenario was worse for BASIC Bank in the previous year as it had a loss per share of TK. 18.04.



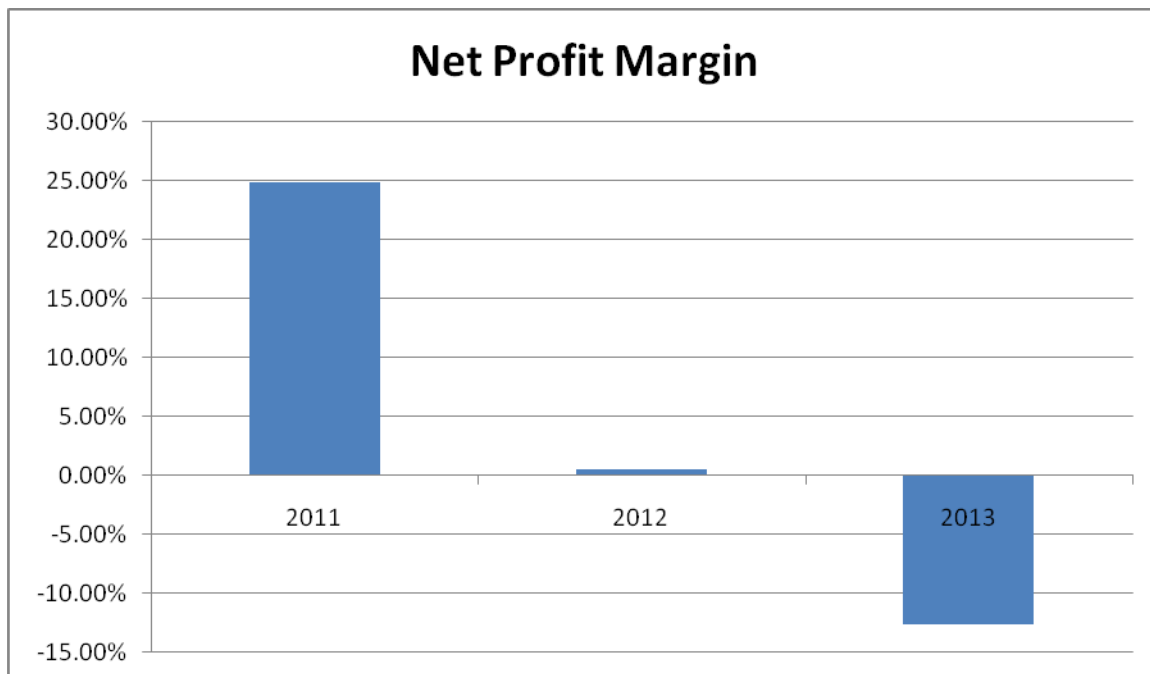
- **Equity Multiplier**

The equity multiplier is a financial leverage ratio that measures the amount of assets that are financed by shareholders. It is calculated by dividing total assets with total shareholder's equity. This ratio indicates how much of a bank's asset is owned by the creditors. Higher the equity multiplier, higher the risk is. This also means a bank has high debt servicing cost. In the year 2011, the equity multiplier of BASIC bank was 14.23. Since year 2011 BASIC Bank has used a very huge amount of debt to finance its assets as in year 2012 and 2013. It has increased using debt to a higher level in year 2013. It is of a great concern to the shareholders of the bank



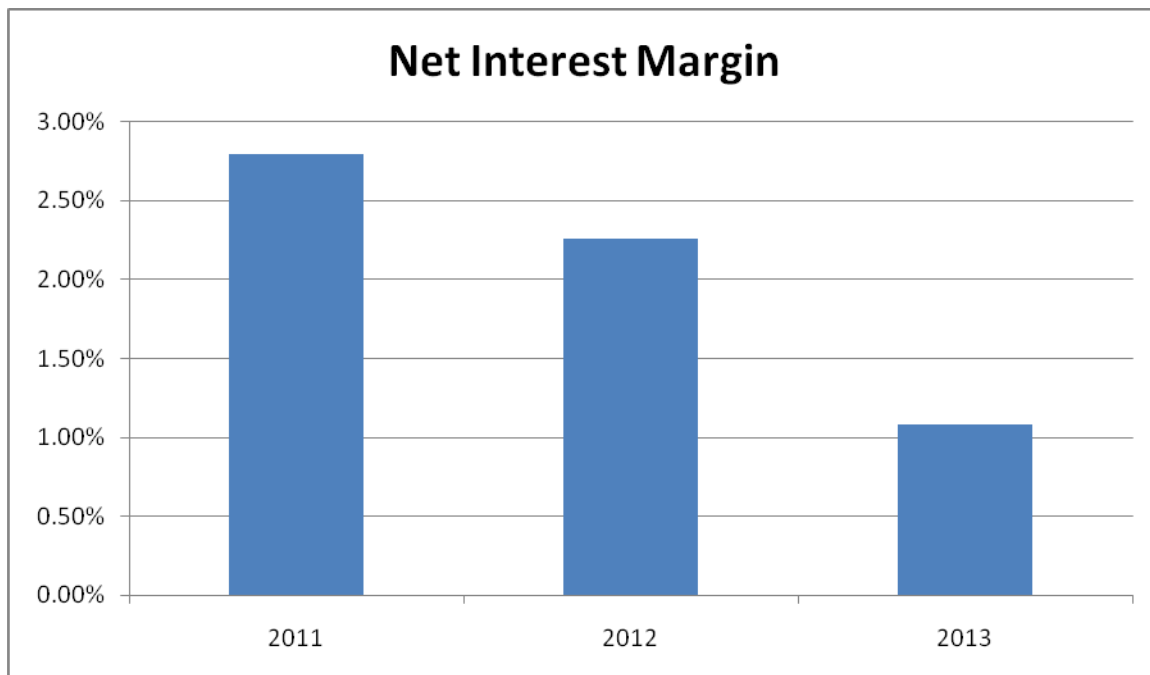
- **Net Profit Margin**

Net profit margin is the percentage of revenue remaining after all operating expenses, interest, taxes and preferred stock dividends excluding the common stock dividends have been deducted from a company's total revenue. The profit margin ratio is a profitability ratio that measures how well a bank is turning its revenue into profits for its shareholders. BASIC Bank year 2011 shows that the management was efficient enough to turn revenue into profit however in year 2012 the ratio has a sudden fall which is 0.57%. This means for every 1 Tk. BASIC bank had a profit margin of only 0.0057 Tk. This situation worsens when the bank had not made any profit in year 2013 rather faced loss of 12.56 Tk. for every 1 Tk.



- **Net Interest Margin-**

Net interest margin tells how successful a bank's investment decisions are compared to its debt situations. A negative value signifies that the firm did not make an ideal decision, since interest expenses were greater than the amount of returns generated by investments. In year 2011, 2012 and 2013 the net interest margin of BASIC Bank is 2.8%, 2.26% and 1.08% respectively. This means their investment decision or giving loans to clients was not ideal enough so they had a decreasing ratio consistently.



CHAPTER-4

4.1 Recommendation

Once an outstanding BASIC Bank Ltd is now facing a huge amount of loss. The Bank that used to be a standard itself is now in a fragile situation. Although not every branch of this Bank is not at fault, for some branches, overall performance is not meeting up the standards nowadays. There can be so many reasons behind this bad performance. However If I was told to recommend some steps to recover this situation I would have suggest the followings:

The bank should introduce some new products as there are a few to attract new clients. Even though it is a state owned bank it operates like a private bank. Hence, to compete in this modern era of banking where private banks are leading, it's a duty of BASIC Bank to enhance its products and services. New products should be included in its portfolio.

- For marketing these products BASIC Bank should find out a proper way so that the general people get to know about it. In this case they may go for door to door operations. In this way new clients will be interested to take deposit scheme in the bank.
- Introducing and marketing new products will not attract customers if the bank does not give guarantee of proper and well-organized services. For this the bank needs to make sure that whenever withdrawing money it has enough cash reserve.
- Using technology is always of great help whenever there is a need for providing faster services. BASIC Bank should use more computerized and internet based.
- Research and development activities should be taken into consideration.

- Loan portfolio should be designed in such a way that there is chance of defaulting. For this, they can rely on different renowned credit rating companies so that the loss of bad debt can be removed to some extent.
- Effective strategies must be undertaken against defaulters.
- Office should be fully decorated to attract clients to take its services.
- The bank should unconditionally continue to follow its own rules and procedures.
- The bank can introduce reward system for good borrowers as well as punishment for bad borrowers.
- Management must try to think how to increase the profit or shareholder's value. They must try to work freely without any influence

4.2 Conclusion

BASIC Bank limited although a state-owned bank, operates like a private bank. The name itself contains a meaning that is to develop the small industries in Bangladesh. Though it is not confined only in the improvement of industrial sector, it has also scattered its activities in green banking and different CSR activities. This is very sorry to say that despite all its activities the bank has to find itself in a very bad situation recently. However if precautionary steps are taken the bank can regain its previous form. Working in General Banking Department helped me to learn a lot and made my internship programe complete. I have learnt how a bank operates, how clients are handled, how calmly a situation is controlled and many more. To conclude, I would like to say that BASIC Bank will surely come out of its recent status only if they try to be more careful in disbursing its loans. To bring back its strong existence the management must think of revolutionary initiatives so that this inconvenience will never be there to bother in future.

4.3 Attachments and References

- <http://www.investopedia.com/>
- <http://www.bangladesh-bank.org/>
- <http://www.basicbanklimited.com/>
- <http://www.myaccountingcourse.com/>
- Annual Report of BASIC Bank Limited, 2011
- Annual Report of BASIC Bank Limited, 2011
- Financial Statements of BASIC Bank Limited, 2013
- Financial Statements of Bangladesh Development Bank Limited, 2013
- Financial Statements of Bangladesh Development Bank Limited, 2012
- Brigham F. and Houston F. (eds). (2011). Fundamentals of Financial Management. United States: Thompson South Western.