

Project Paper
On
Small and Medium Enterprises (SME's) Banking of
SONALI BANK LIMITED

Submitted To:

Controller of Examination
National University

Gazipur-1704

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Session: 2018-2019

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Under National University
Date of Submission: April 05, 2023

Letter of Transmittal

Date: 05-04-2023

Controller of Examination

National University

Gazipur- 1704

Subject: Submission of Project paper.

Dear Sir,

It is a great desire for me to submit the project paper entitled “**Small and Medium Enterprise(SME’S) banking of SBL**”As per obligation of MBA program, I have accomplished my project paper on Sonali Bank Limited. I have strained to apply all the information that I collected through my working experience with this Bank along with overall understating of SME information of Sonali Bank Limited to prepare this project

There are few confines due to nonexistence of stretch and other details, but I have tried my best to make it as correct as conceivable and I have tried my best to gather related info from all obtainable source.

Sincerely Yours,

Ripa Rani Saha

Registration no: 18601000660

MBA program

Major: Finance

Letter of Authorization

This is to confirm that the project paper on “**Small and Medium Enterprise(SME’s) banking of SBL**”. is an reliable record and the project paper is finished by **Ripa Saha** based on reliable information’s under my direct supervision as per obligation of Master of Business Administration (MBA) degree from the Department of Business Administration, Daffodil Institute of Information Technology

The project paper has been accepted and approved and it is a greatest of the bona fide work carried out effectively by **Ripa Saha**.

I wish him every success in life with very best of luck.

Lakkhan Chandra Robidas

Assistant Professor and Head

BBA Program

Daffodil Institute of Information Technology

Acknowledgement

At chief I would like to express my truthful appreciation on the almighty Allah for giving me the forte and ability to surface the project in the period. The success of this Project report is the outcome of the influence and connection of some persons, particularly those who took time to part their considerate guidance and suggestions to improve the report. It's difficult for me to thank all of those people who have contributed something to this report. There are some special persons who cannot go deprived of mention. At the very first, I would like to extend thanks towards my honorable internship supervisor **Lakkhan Chandra Robidas**, Assistant Professor and Head, BBA Program ,Daffodil Institute of IT, I am thankful to him for his cordial support, supervision, suggestions and direction that enabled me to complete this report properly. I also convey my sincere appreciation to some resource personnel of Sonali Bank Limited, Cumilla Branch including **Mr. Mohammad Abdullah Al Momen** AGM and **Mr. Md. Mizanur Rahman** SPO for their cordial support and suggestion.

I also indebted to all of employee of this branch as without their direct and indirect support it was not possible for me to gather practical knowledge & experience of banking operation .

Executive Summary

SME's play an important position for the progress of our economy by creating employment opportunity, generating income and reducing poverty . The industrial sector make up 31% of the country's gross domestic product most of which is coming from SME. SME finance is one of the important sector of banking activities. Sonali Bank Limited emphasizes main concern on SME financing. In this report try to focus on SME activities of SBL. In the report also focus on importance, purpose and prospect of SME.

In chapter one, I have discussed about introduction, background of the study, scope, objectives, methodology & limitations of the study.

In chapter two, I have discussed about Literature overview of the Small and Medium Enterprise (SME's) of the Study.

In chapter three, I have discussed about organizational overview, background of SBL, corporate profile, Management, mission ,vision , slogan, objectives of SBL of the study.

In chapter four, I have discussed about SME's Lending Activities of Sonali Bank Limited.

In chapter five, I have discussed about SME's Scenario of Sonali Bank Limited, status, loan disbursement, target, data analysis, purpose, prospects of the study.

In chapter six, I have discussed about Findings, Recommendations and Conclusion of the study.

As a Government bank, Sonali Bank Ltd. Has an excellent opportunity to be a top bank in SME's sector in the economy of our country.

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Abbreviations

| Short Form | Full From |
|------------|---|
| SBL | Sonali Bank Limited |
| BB | Bangladesh Bank |
| LTD. | Limited |
| CSR | Corporate Social Responsibility |
| SME | Small & Medium Enterprise |
| SWIFT | Society for Worldwide Interbank Financial Telecommunication |
| CIB | Credit Information Borue |
| GOVT. | Government |

CHAPTER 1

INTRODUCTION

1.1 Introduction:

Banking Industry is one of the most promising industries of the country. There are different types of banks such as, commercial bank, industrial banks, saving bank, agriculture bank and exchange bank. Bank plays a very important role in providing the SME loan through different types products.

A loan is special financing ability for small and medium sized service, manufacturing and trading industries continuation in the adjoining sector with centers across the country that is called SME loan. Interest is calculated on the outstanding amount on SME product basis. Loans are sanctioned for SME product maturity basis.

Sonali Bank Limited is perpetually ready to maintain the maximum quality services by upgrading banking technology discretion in manage and factitive high standard business morality through its established consignment and oral history. Objectives of a government financial institute like SBL are to maximize profit through optimum utilization of resources by providing best customers.

1.2 Background of the study:

The report has been arranged as a fulfillment of the incomplete prerequisite of the internship program as authorized by Department of Business Administration , (DIIT) .It is the opportunity for a student to get the practical knowledge based on their studies. I have prepared project paper on “SME banking activities of Sonali Bank Limited”. The project paper was prepared under Lakkhon Chandra Robidas Professor of DIIT Business administration department.

1.3 Scope of the study:

SME loan is significant form of investment for the financial organizations. This report is mainly performed the SME banking activities of SBL. It was an opportunity to get essential information regarding the organization’s Policy and plan of SME division and how they control their overall activities in SME division. This report provides an overview overall SME performance of the bank in the SME sector in last two years in terms of loans disbursement. The report also provides a brief idea about the importance of SME in our economy and prospect of SME.

1.4 Objectives of the report

There are two types of objectives of the report. These are general objectives and specific objectives.

- **General Objectives:** The general objectives of this report is to know SME banking of Sonali Bank Limited.
- **Specific Objective:**
 - To know the SME loan activities of SBL
 - Find out the problem related to SME loan for the bank
 - To know the Last two years SME performance of SBL
 - To learn the recent scenario of SME loan of SBL
 - To know the purpose of SME loan of SBL
 - To give some recommendations.

1.5 Methodology:

The data needed for performing the study has been collected from the primary sources and secondary sources. The information which is used in this study is collected by the following method:

Primary sources:

In the primary search for information, the sources are-

- Discussing with experienced officers of the branch
- Discussion with clients
- Personal observation

Secondary Sources:

Most of the information required for my study purpose was collected from secondary sources:

- SME manual of SBL
- Annual report of SBL
- SBL official website
- Bangladesh bank SME policy
- different article of SME credit policy
- different circular of SBL

1.6 Limitation :

- The main constrain of the study was lack of information, that was necessary for this study. There are many information the bank employee can't give due to security and company's obligations.
- Three months period is not that sufficient for preparing this report as it is based on a definite division and their activities.
- Necessary data and information connected to the topic on this organization was not easily found.
- Due to run banking hour it's quite difficult to collect the information from the respective person.
- Lack of recent information.

CHAPTER 2

ORGANIZATIONAL OVERVIEW

2.1 Background of Sonali Bank Ltd:

Soon after independence of the country Sonali Bank emerged as the largest and leading Nationalized commercial bank by declaration of the Bank's Nationalization Order 1972 (Presidential order- 26)satisfying the then National Bank of Pakistan, Premier Bank and Bank of Bhawalpur. As a fully state owned institution, the bank had been squaring its Nation-building responsibilities by undertaking government entrusted different socioeconomic Schemes as well as money market events of its own decision, covering all Provinces of the economy.

Sonali bank limited is overseen by a Board of Directors comprising of 11(Eleven) Members.

2.2 Management hierarchy of Sonali Bank Limited:

| |
|---------------------------|
| Chairman |
| Board Of Director |
| Managing Directors |
| Deputy Managing Director |
| General Manager |
| Deputy General Manager |
| Assistant General Manager |
| Senior Executive Officer |
| Executive Officer |
| Officer |

2.3 Corporate profile of SBL

| | |
|----------------------------|--|
| Name of the Company | Sonali Bank Ltd. |
| Chairman | Mr. Md. AshrafuMoqbul |
| CEO & Managing Director | Mr. Md. ObayedUllah Al Masud |
| Company Secretary | Mr. MD. HasanulBanna |
| Legal Status | Public Limited Company |
| Date of Incorporation | 03rd June, 2007 |
| Date of Vendor's Agreement | 15th November, 2007 |
| Headquarters | 35-42,44Motijheel Commercial Area, Dhaka Bangladesh. |
| Authorized Capital | TK 66000.00 Crore |
| Paid-up Capital | TK 4130.00 Crore |
| Employees | 18167 |
| Number of Branches | 1215 |
| Phone-PABX | 9550426-31, 33, 34, 9552924 |
| Fax | 88-02-9561410, 9552007 |
| SWIFT : | BSONBDDH |
| Website | www.sonalibank.com.bd |
| E-mail | itd@sonalibank.com.bd |

2.4 Vision of SBL:

Socially committed leading banking institution with global presence.

2.5 Mission of SBL:

Devoted to expand an entire series of eminence products that maintain different needs of people targeting at inspiring their lives ,creating worth for the shareholders and causative towards socio economic progress of the Bangladesh.

2.6 Slogan of SBL:

Your trusted partner in innovating banking .

2.7 Value of SBL:

- Believable
- Dependable
- Technology
- Accuracy
- Trustworthy
- Fair
- Secure
- Responsibility

2.8 Objectives of SBL

Sonali Bank has some objectives. Objectives are as follows:

- To collect of deposits
- To alleviate poverty
- To secure deposit
- To inspire savings
- To create employment
- To control loan
- Creating medium of exchange
- expand trade and commerce
- Helps in industrialization
- Increasing the capital formation

- providing the customers service
- Earning profit
- Ensuring Regional Development.

2.9 Core business of SBL:

SBL provides following services:

- Corporate Banking

2.10 Product/ Service Schemes:

Sonali Bank Limited provides various special services.

Collection:

- Source tax and Vat
- Land development Tax
- Passport fees and visa fees
- land development Tax
- Jakat fund etc.

Islamic Banking Services:

- Mudaraba Savings Account.
- Mudaraba hajj savings account
- Mudaraba monthly profit scheme etc.

Sale & purchase:

- Savings Certificates
- Prize Bonds
- sanchaypatra
- wage earner development bond

Social services

- Widows, divorcees and destitute women allowances.
- Freedom Fighters' allowances.
- Maternal allowances for poor women

Misc. Services:

- Bank a/c information of tax payee client according to demand of NBR
- Local Governance Support Project
- Enlist of Non-Government Insurance company

CHAPTER 3

SME LENDING ACTIVITIES

3.1 SME Banking of SBL:

Comprehensive finance has become a strong force for a change towards sustainable improvement. Combination business with additional rural and SME finance is another way of achieving sustain ability .Sonali bank has been dynamically financing the SME sector with the ambition of supporting and enlarging the SME industry as well as the entrepreneurial potentials of Bangladesh. Sonali bank has a firm pledge to underwrite to every piece of the economy. SME finance is just one of the steps towards the implementation of this commitment. The Sonali bank has held socio-economic development in high esteem and was among the first to identify the potentials of SME .Sonali bank emphasize highest priority on SME financing for eradicating poverty by snowballing SMEloan.SBL focusing on inspiring them an fact earn sector and dynamically promoting trading and service business .for supporting this sector, Sonali bank has extensive its network up to the country front lines with all over the country arrive at branches, SME& business centers. With many products, they have combined together small businesses, medium enterprise, women entrepreneurs, cottage industry, agricultural farmers an renewal energy among over 21174 entrepreneurs. There are 1043 women entrepreneurs in Sonali bank.

3.2 Definition of SME:

Definition of SME , according to Bangladesh Bank’s SME and special program department.

Small enterprise:

| Serial no: | sector | Fixed asset other than land and building(Tk) | Employed manpower(not above) |
|------------|------------|--|------------------------------|
| 1 | Service | 50,000-50,00000 | 25 |
| 2 | Business | 50,000-50,00000 | 25 |
| 3 | Industrial | 50,000-1,50,00,000 | 50 |

Medium enterprise:

| Serial no: | sector | Fixed asset other than land and building(Tk) | Employed manpower(not above) |
|------------|------------|--|------------------------------|
| 01 | Service | 50,00,000-10,00,00,000 | 50 |
| 02 | Business | 50,00,000-10,00,00,000 | 50 |
| 03 | Industrial | 1,50,00,000-20,00,00,000 | 150 |

3.3 Nature of business:

Enterprises of all the following natures are suitable for availing SME credit:

- ✓ Manufacturing Enterprises
- ✓ Trading Enterprises
- ✓ General Service Rendering Enterprises
- ✓ Professional Service Rendering Unit (Medical, engineering, agricultural, architectural etc).
- ✓ In case of Professional Service Rendering Units, loans may be considered in the name of individual (Doctors, Engineers, Agriculturists, Architects, etc).

3.4 Area of Business:

Enterprises doing business in many area will be permitted for the SME loan of Sonali Bank Limited. Some area are following:

- Cold store
- departmental store
- Flower cultivation
- Multi media
- Small & Cottage Industry
- Agro-processing Industry
- Light Engineering
- Capital Machinery/equipment for professional services i.e. Medical, Engineering, etc.
- Garments Backward Linkage Industry

- Printing Industry
- Packaging Industry etc.

3.5 General SME guidelines by Bangladesh Bank:

Bangladesh Bank guided SME sector by some guide lines. Guidelines
Are:

- Every bank or financial institution shall follow a separate business strategy in financing SME loan with least formalities in executing documentation to ensure easy and speedy loan sanction and disbursement process.
- Main concern shall be given to small entrepreneurs.

3.6 Loan pricing for SME:

Sonali Bank Limited provides 9% interest rate for SME loan.

3.7 Period for SME loan:

- ❖ Project and Term loan: Maximum 5 years (project period may flexible according to project nature).
- ❖ Working capital and Trading loan: 1 year renewable at the end of the period.

3.8 Loan Limit for SME:

BDT 50,000 (fifty thousand) to BDT 50,000,000 (five crore) .

Repayment:

- ❖ Project/Term loan: monthly/quarterly basis repayable within the loan period.
- ❖ Working capital/Trading loan: Daily basis or fully repayable within loan period.

3.9 Security for SME loan facility:

- ✓ Collateral security free loan limit for male entrepreneur is up to Tk500,000 .
- ✓ The collateral security free loan limit for women entrepreneurs is TK 10,00,000.

3.10 Documents Required For SME Loan Facility:

- ❖ An SME loan submission Form appropriately occupied in. Customer signature must have in the f
- ❖ Customer must given copy of written statement obtain facilities already from other institutions.
- ❖ Receipt of the terms and circumstances of Sanction guidance.
- ❖ Trade License photocopy.
- ❖ Photographs of the client/proprietor/ partners/ directors appropriately attested and copy of NID card.
- ❖ Customer's Personal net worth statement of the proprietor / partners/ directors.
- ❖ Photocopy of TIN Certificate.
- ❖ Brief explanation of the products of the enterprise.
- ❖ Project outline.

- ❖ Quotation/ Indent/ Pro-forma Invoice etc (as applicable)
- ❖ One year sales statement copy.
- ❖ Profile of the proprietor / partners/ directors.
- ❖ Modern Credit information Bureau (CIB) report from Bangladesh Bank.
- ❖ Photocopy of financial statements for last two years properly signature by the customer.
- ❖ Copy of Registered Partnership Deed appropriately certified as true copy
- ❖ Copy of Memorandum & articles of Association of the company including Certificate of Incorporation duly certified by Registrar Joint Stock Companies .
- ❖ Copy of Board Resolution of the company for availing credit facilities and authorizing Managing Director/ Chairman. / Director for execution of documents and operation of the accounts.
- ❖ An Undertaking not to change the management of the company and the Memorandum and articles of the company without prior permission of the bank (as applicable).
- ❖ Collateral Security.
- ❖ Bank statement of all account of customer.

3.11 Selection criteria of enterprise for SME loan:

Business selection is very important of SME because it depends on business. Business should have some quality .Some quality should be required: -

- ✓ Selected business should be running for two years or three years.
- ✓ Selected business must have friendly environmental.
- ✓ Selected business must have trade license.
- ✓ Selected business must be registered.
- ✓ Business should be legal.
- ✓ Select a business which must have a definite market with an apparent prospective development.
- ✓ Business should be situated preferably near to raw material and supplier source.
- ✓ Business should be situated near to market.

3.12 Selection criteria of entrepreneur for SME loan:

Some criteria should be needed for entrepreneur .Criteria that are needed:

- The entrepreneur must 18 years old.
- Bangladeshi citizen.
- Physically sound and good health.
- Loan defaulter can't not apply.
- Mentally weak person can't apply.
- Entrepreneurs have sound capability to save and income.
- Entrepreneur should have need technical skill for operation his business.
- Some experience about business.
- Capability to face any challenge for business management.
- Women entrepreneur highly encourage for apply.

3.13 Guarantor Selection Criteria:

Appropriately identification of guarantor is like wise similarly important. The following quality is essential when identifying a guarantor:

- ❖ Selected guarantor should take the aptitude to repay the loan and is economically solvent.

- ❖ Selected guarantor must be conscious of all the feature of the loan and the responsibilities
- ❖ Selected guarantor should be well recognized to the businessperson.

3.14 SME loan approval process:

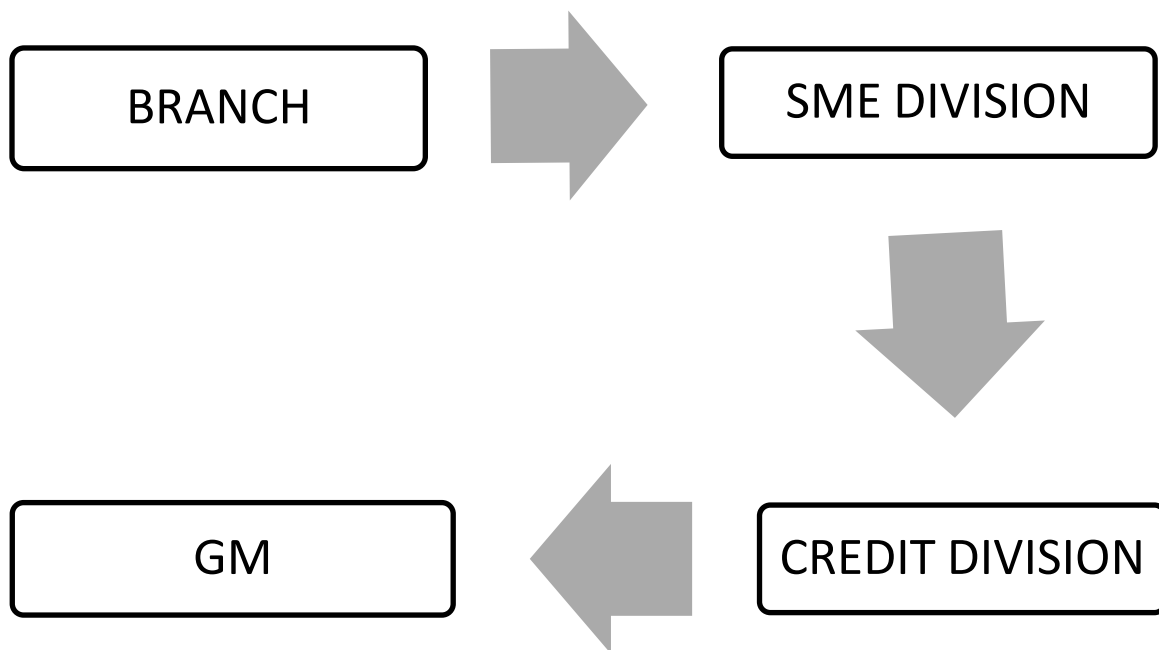


Figure 1: flow of loan approval process

Loan approval specialist is assumed in inscription from the In-charge of SME unit, recognized by the recipients and records of all designations retained. Loan authorization process is dissimilar from the marketing and sales process. Endorsements are demonstrated in writing or by signature. Approval records are kept on file with the credit applications .Credit approval is centralized within the recognition function. Regional credit centers may be established, however, all large loans gets allowable by the Head of Creditor delegated Head Office credit executive. Any credit suggestion that does not achieve with Lending Guidelines, regardless of quantity, is mentioned to Head Office for authorization. Any breach of loaning authority are

reported to the GM .It is vital that executives allocated to approve loans get suitable training and experience to carry out their errands successfully.

3.15 Target marketing:

There are many different types of customers with many different kinds of needs. Small and medium enterprises are target market of SBL, in requirements of SME loan. Trading, Manufacturing and Service this three sectors is target market of SME loan.

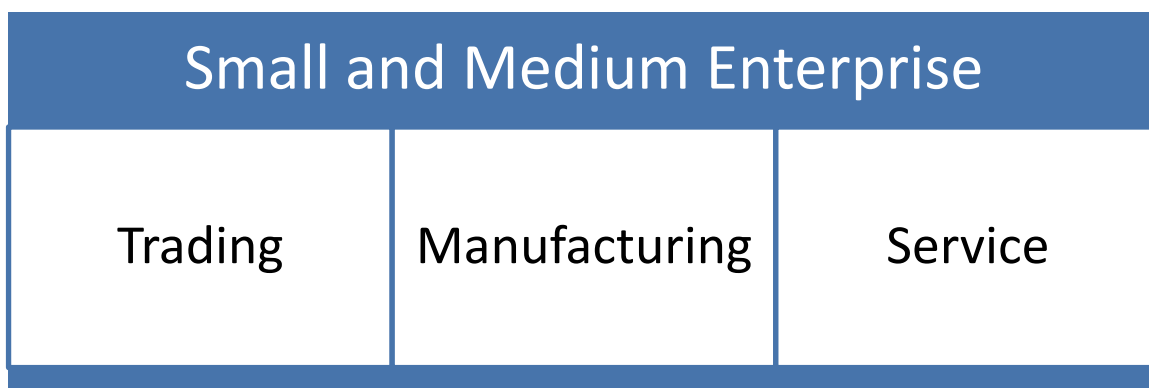


Figure: Target market of SBL SME

SME loan disbursement sectors are different, there are various strategies before and after loan disbursement. The officers are chosen in such a way that they can handle different types of customers

Chapter 4

SME Scenario of Sonali Bank Limited

4.1 Current status of SBL in SME industry:

Now Sonali bank holds a pride position in SME loan sector .All Sonali bank's regular branches is providing SME banking service. In SME financing this bank mainly focuses on diversification, differentiation, and segmentation in SME financing. For this reason ,woman entrepreneur are given considerable priority and bank also give priority in manufacturing and service sector. The board set the principles and guidance. The board has advice small branches. The bank focus individually and suitably on SME financing. SME financing is observed for providing underserved part of the enterprise. This bank more attractively manufacturing business . Service sector is also targeted by SME. For this to sector cluster areas are focused by bank. Manufacturing and service sector area cluster industry progress day by day. SBL disclosure that 20174 customer entrepreneur connect with the bank .this customer customer's are diversify between many sector such as agro – processing industry , handcraft , power loan , polty ,dairy, light engineering etc.SBL identify that the Enterprises increased their growth continuously. This bank improve their SME portfolio. Now the bank try to more promoting the SME financing. Sonali bank's SME portfolio is tk19180.00 million in 2017. SBL disbursement to this sector during 2017 aggregated tk19181 million against budgetary target of tk 1080 million.

Year wise loan disbursement of SBL (in crore):

| | 2016 | 2017 |
|------------------------------|--------|--------|
| SME loan disbursement target | 1800 | 1800 |
| Actual disbursement | 1716.2 | 1918.1 |
| Non-performing loan | 8.68% | 3.67% |

Table 2: year wise loan disbursement of SBL

From the table, it can be said that SME loan disbursement is in an increasing rate as the target of disbursement is increasing year to year as well as the actual disbursement is also increasing. However in 2016 the actual disbursed amount is less than the targeted amount. Moreover, Percentage of Non-Performing Loans to total SME portfolio has gone down significantly to 3.67% at the close of December 2017 from 8.68% of 2016 .

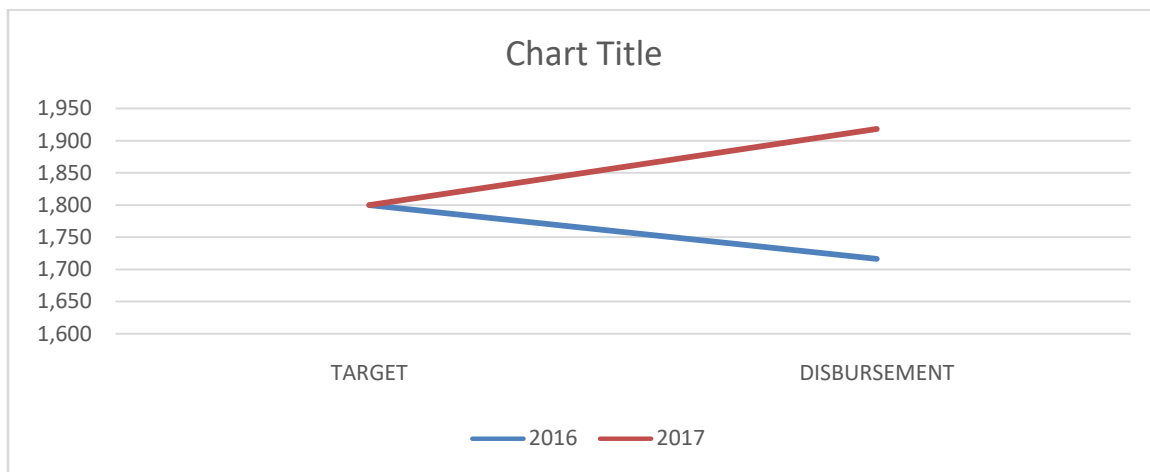


Figure 2: year wise target and disburse of SBL

This chart shows that the target of 2016 and 2017 are same but loan disbursement was increased in 2017. SME loan disbursement is satisfaction level in 2017.

4.2 Loan disbursement in 2016:

As on December 31, 2016, the total annual loan disbursement target in small enterprise was 1062 crore and the disbursed amount against the target was TK 1355.8 crore. On the other hand, the target in Medium enterprise was 738 crore TK and the disbursed amount in contradiction of the target was TK 360.4 crore.

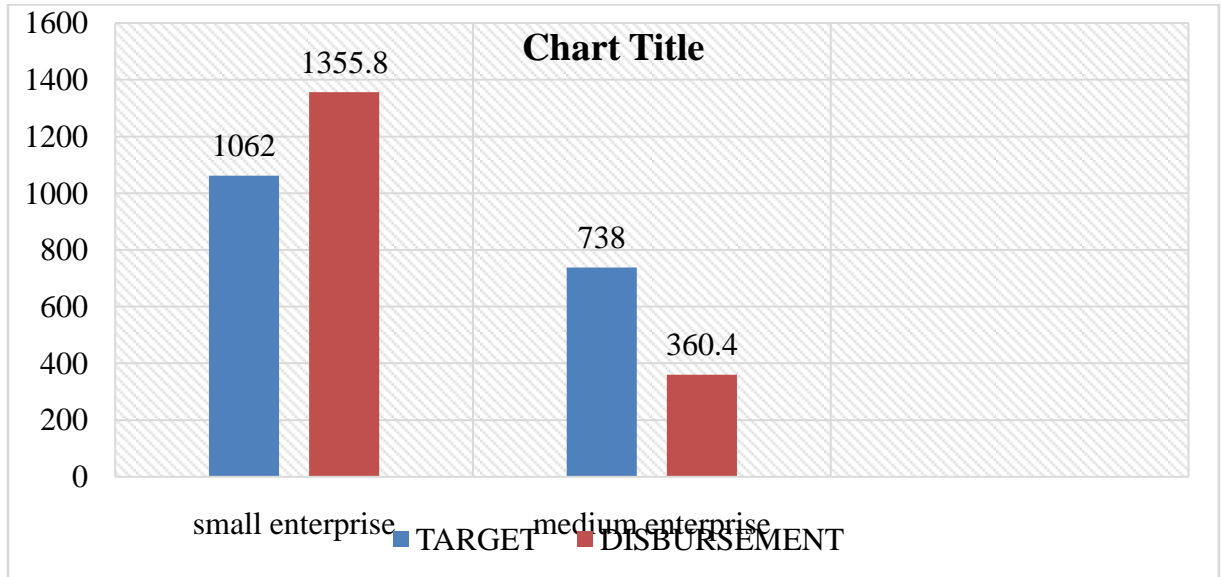


Figure 3: Target and disbursement of SBL in 2016

This chart shows that the target and disbursement is increasing in 2016 in small enterprise but medium enterprise loan disbursement amount is less than target amount.

4.3 Sectorwise loan disbursement in 2016:

On the total amount of SME loan disbursed in 2016, TK 171.62crore was disbursed in service Sector, Tk 1132.7crore was disbursed in Trading and TK411.89crore was disbursed in Manufacturing.

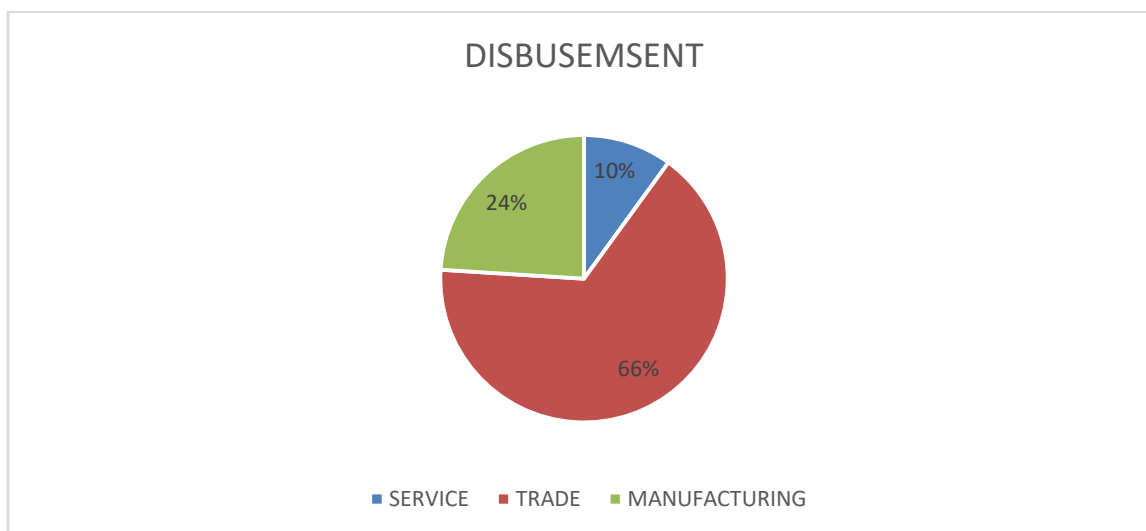


Figure 4: Sector wise loan disbursement in 2016

The above pie diagram shows that in 2016, highest loan was disbursed in Trading and lowest in Service.

4.4 Loan disbursement in 2017:

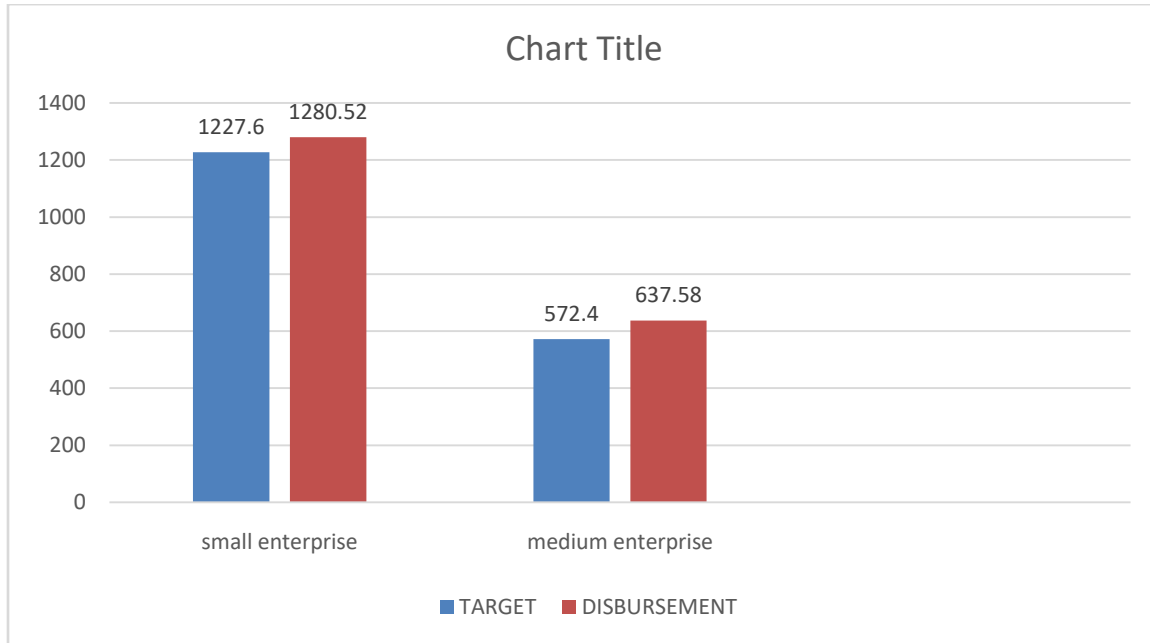


Figure 5: Target and disbursement in 2017

From the above information, it is clearly seen that in 2017, Small and Medium enterprise has Expanded simultaneously than in 2016 . Moreover, in 2016, disbursement in Medium enterprise

Was slow down but in 2017, it is changed. Medium enterprise loan disbursement is increased.

4.5 Sector wise loan disbursement in 2017:

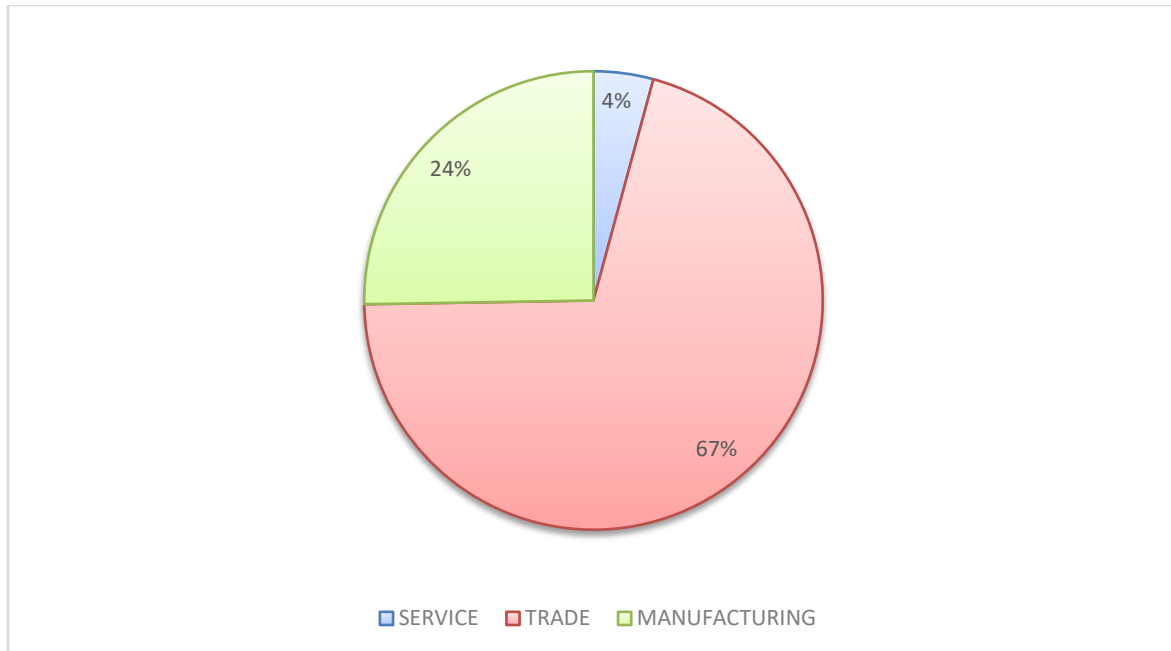


Figure 6: sector wise loan disbursement in 2017

The pie chart shows that in 2017, there was highest disbursement in trading sector which was 1285.12crore taka and the lowest disbursement was in Service sector which was 76.72crore taka.

4.6 Sector wise loan disbursement in 2016 and 2017:

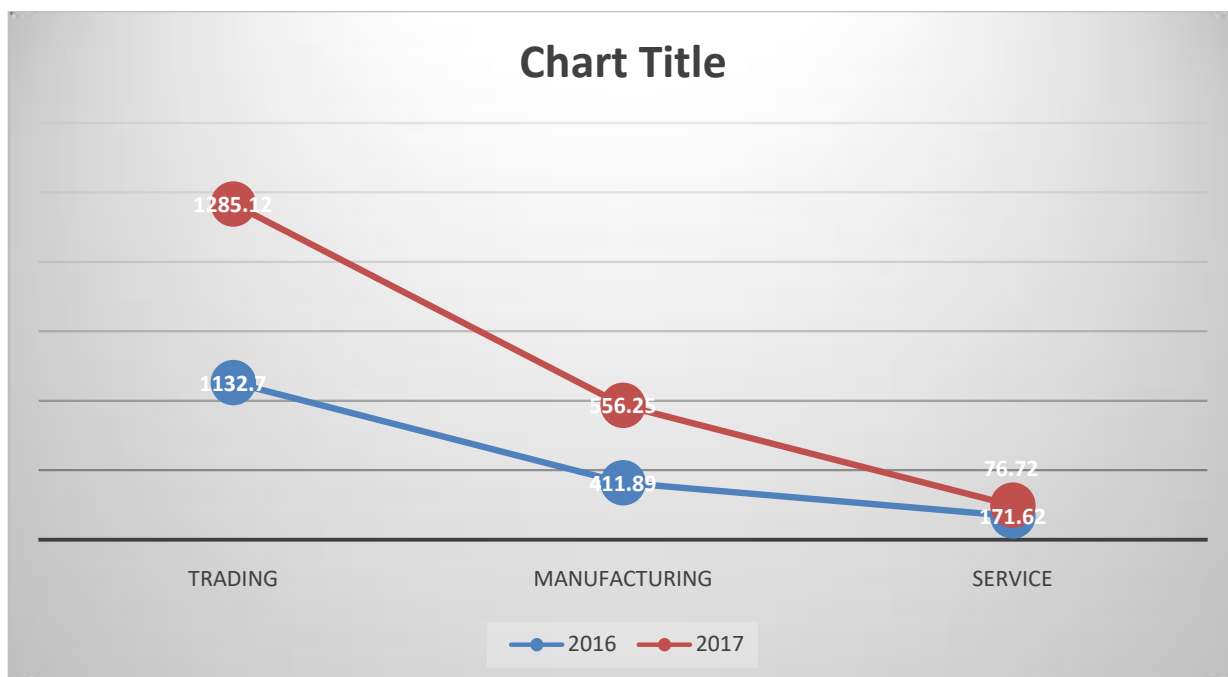


Figure 7: sector wise disbursement in 2016 and 2017

The disbursement amount in 2016 was 1716.2 crore and in 2017 it was 1918.1 crore which shows the increasing growth in investment in this industry. Moreover in both years trading sector has appositve progress.

4.7 Industry and Organization:

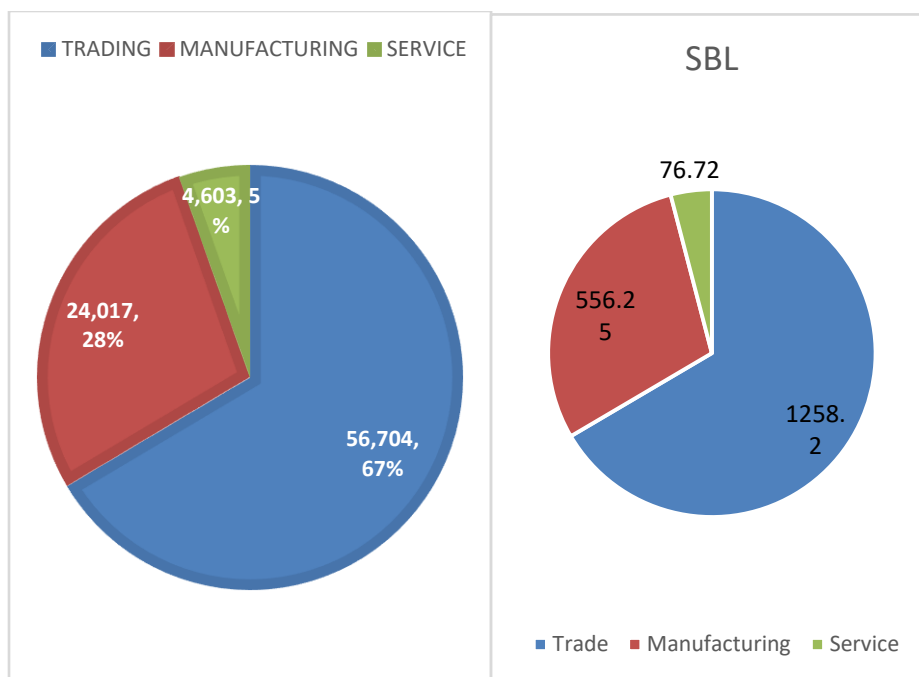


Figure 8: sector wise loan disbursement in total industry and SBL

Above pie charts show that Sonali Bank Limited is following the trend in accordance with the Industry. From industry review it is found that trade sector is getting more attractive and following this Sonali bank is disbursing more in Trade sector rather than the others.

4.8 Loan disbursement in 2017:

| Particular | December 2017 |
|------------------------|---------------|
| Total disbursement | 1918.1 |
| Total number of client | 21174 |
| Non-performing loan | 3.67% |

Table 3: Loan disbursement of SBL in 2017

Though the total disbursement was increasing as well as the number of customers, the percentage of on- performing loan was increased in 2016 which was acting as threat but in 2017 non-performing loan is decreased. However, the management of Somali Bank has also decided to set up a distinct loan disbursement and monitoring unit, so that the excess over limit can be checked and the volume of disbursement loan gets reduced. Thus they achieved a reduction of non-performing loan in 2017 and it comes to 3.67% from 8.68% % which point toward an income prospect of Bank.

4.9 Data analysis result of two years:

From analyzing the data of the investment of 2016 and 2017 in SME sector by SBL, it is clearly seen that there is an important growth in the industry in 2017 than 2016. The amount of percentage increase shows that Manufacturing sector is having a rapid increase rather than other two sectors of the industry. However it is seen that the loan amount disbursed intruding was much higher than the other two sectors. According to various research and expertise, government investment as well as SBL is investing more in trading which includes Electronic and electrical goods to get into global market as it would get the best output of being a part of growing modern technology. Moreover, as per 2016 and 2017 report, Manufacturing Sector is getting more attraction which includes textile, knitting, leather goods, agro processing, Dairy, local garment, glass mirror production as these are the basic or core business sector of our country and have excellent prospects.

4.10 SWOT analysis:

The SWOT analysis on SBL's SME division is presented below:

Strength:

- ✓ Sonali Bank Limited offers loan for different sector to meet specific needs of the SME Loan borrowers.
- ✓ Countrywide distribution network and coverage.
- ✓ The pricing of the loan is comparatively lower than other financial institutions.
- ✓ The approval of loan processing is very much structured and transparent which leads to less number of non-performing loan.

Weakness:

- Customer perception about the Bank or its service is not satisfactory.
- SME loan is not advertised well.
- There is no specific marketing department for SME section to promote or acknowledging their products to the borrowers.

Opportunities:

- ❖ In rural areas there are many businesses which are not facilitated by the financial institute though having great potentiality. So the bank has an opportunity to enlarge their business and utilizing with their flexible loan proposals.
- ❖ Workshops and trainings for the SME Officers.
- ❖ Offering lower interest rate than other banks can give

Threats:

- Current market of SME is too competitive.
- The upcoming private banks also threat for SBL.
- Another bank Technological update day by day

4.11 Problem of SME loan disbursement:

Some problem are found that banks are faced in financing the SME business. The problems are below:

- ❖ High risk in SME financing
- ❖ Supervision cost is high
- ❖ In SME financing bank provides high interest rate for customer.
- ❖ Customers don't agree to provide present overall accounting records
- ❖ Sometimes unwilling to providing business related necessary document
- ❖ When then change interest rate than customer argue with officer
- ❖ Sometimes customer fail to arrange conditional collateral

4.12 Purpose of SME loan:

- ✓ Help govt. to remove poverty
- ✓ Help woman entrepreneur to be self-independent by providing loan
- ✓ Industrialization with employment opportunity
- ✓ Earn much currency by exporting and importing business
- ✓ Economic growth
- ✓ Reduction of urban migration
- ✓ Creation of entrepreneur

4.13 Prospects of SME loan:

- ❖ Lower amount of capital investment to start business
- ❖ Low risk involvement
- ❖ Low cost product in domestic market
- ❖ Accelerated growth of SMEs
- ❖ Good recovery rate
- ❖ Availability of labor at a lower wage
- ❖ Separate SME branches

CHAPTER 5

Findings, Recommendation and Conclusion

5.1 Findings:

I found some problem on SME banking activities of SBL:

- SME interest is high.
- The number of women entrepreneur is low. There is no interest rate opportunity for women entrepreneur.
- Sometimes loan sanction takes time more then 1 month.
- Analysis of two years data it found that loan disbursement is increase and non performing loan percentage is decrease. It is better for future income.
- SME loan advertising is lower then other bank.
- Bankers face collateral problem.

5.2 Recommendation:

For achieving the best possible targets, the bank should take following some steps. These are given below:

- For processing the SME loans the bank should maintain more simple process to make it easier, less time consuming and affordable for the entrepreneurs.
- Use multiple channels to collect necessary information of the client before the processing of loan.
- The interest rate should be lowered. It is must to make easy entrance to SME financing.
- To overcome the constraint of guarantee, the banks should have some relaxation considering the guarantee requirements and Bangladesh bank also should take steps on this issue.
- Bank should provide interest advantage for women entrepreneur
- Bank should take good marketing strategy and need to more advertise for SME loan.
- Considering the continuous progress in this industry from recent year's analysis, the bank should do more SME finance to make the bank profitable.
- Loan documentation process needs to be more effective in order to reduce loan default.

5.3 Conclusion:

In Bangladesh, SMEs playing a significant role for the development of our economy by creating employment opportunity and producing important alternative machines and machinery parts for saving huge foreign currency for our country. So financial institutes and banks give highest priority for SME financing . Now Somali bank is raised in pride position in SME sector in our country. As a government bank, Sonali Bank Ltd. has a decent opportunity to be a leading bank in SME sector in the economy of Bangladesh. To attain that, they need to find out the areas where they can enlarge. In recent years, their performance in SME sector is satisfactory level, their will non-nonperforming loan percentage is decreased. This means that they have the possibility to be one of the best banks in SME sector. SME is a fruitful sector in Bangladesh which container be vigorous for all the banks in the close future. All the banks are always trying to exploit their SME collection. That is why, to retain up with other banks in Bangladesh, Sonali Bank Ltd. (SBL) need to find the problems of the future SME customer and crack to find the greatest possible way which will make moral assembly with their new client and achieve their goal.

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