AN INTERNSHIP REPORT

FINANCIAL STATEMENT ANALYSIS AND INTERPRETATION OF AGRANI BANK LIMITED

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HAJEE MOHAMMAD DANESH SCIENCE & TECHNOLOGY UNIVERSITY , DINAJPUR -5200
May, 2016

AN INTERNSHIP REPORT

ON

FINANCIAL STATEMENT ANALYSIS AND INTERPRETATION OF AGRANI BANK LIMITED

Submitted to the Department of Accounting, Hajee Mohammad Danesh Science and Technology University, Dinajpur. in a partial fulfillment of the requirements for the degree of Master of Business Administration (M. B. A.) Session 2015.

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May, 2016.

Dedication

Dedicated to My Beloved Parents

&

Honorable Teacher

<u>ACCEPTANCE LETTER</u>

This is to certify that **Benzeer Zahan** is a student of M.B.A. under the Department of Accounting, Hajee Mohammad Danesh Science and Technology University. Her session is 2015. She bears the Roll No. 1505138 and Registration No. 1505138. She has successfully completed her internship report on “Financial Statement Analysis and interpretation of Agrani Bank Limited’’. She has performed all the necessary formalities successfully. I do hereby accept her report as a part of M.B.A. program.

I wish her every success in life.

Saiful Islam
Assistant Professor
Dept. of Accounting
Hajee Mohammad Danesh Science and
Technology University, Dinajpur.

Student's Declaration

I hereby declare that the report of internship namely on "Financial Statement Analysis and Interpretation of Agrani Bank Limited" by me after the completing of 90 days internship program and a comprehensive study.

I also declare that this report is my original work and prepare for academic purpose which is a part of M.B.A. degree and the report may not be used in actual market scenery.

Benzeer Zahan
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Supervisor's Declaration

I hereby declare that the concerned report entitled **" Financial Statement Analysis and Interpretation of Agrani Bank Limited''** is an original work made by **Benzeer Zahan**, **Student ID. 1505138 ,** Department of Accounting, Hajee Mohammad Danesh Science & Technology University (HSTU), Dinajpur, completed her internship under my supervision and submitted for the partial fulfillment of the requirement of the degree of **Master of Business Administration (M.B.A.)** at Hajee Mohammad Danesh Science & Technology University , Dinajpur , Bangladesh.

Saiful Islam
Supervisor,
Assistant Professor
Department of Accounting
Hajee Mohammad Danesh Science and
Technology University, Dinajpur.

Co – Supervisor's Declaration

I hereby declare that the concerned report entitled **"Financial Statement Analysis and Interpretation of Agrani Bank Limited"** is an original work made by **Benzeer Zahan ,** Student No. 1505138 , M.B.A.(Department of Accounting)**,** Hajee Mohammad Danesh Science and Technology University, Dinajpur – 5200, completed her Internship under my co-supervision and submitted for the partial fulfillment of the requirement of the degree of **Master of Business Administration (M.B.A)** at HSTU, Dinajpur.

Dr. Shaikh Mostak Ahammad
Co - Supervisor,
Associate Professor
Department of Accounting
HSTU, Dinajpur – 5200.

Letter of Transmittal

Date:

Saiful Islam
Assistant Professor
Department of Accounting
HSTU, Dinajpur, Bangladesh

Subject: Submission of Internship Report on Financial Statement Analysis and Interpretation of Agrani Bank Limited.

Dear Sir,

It is a great pleasure for me to submit my internship report on the topic of "Financial Statement Analysis and Interpretation of Agrani Bank Limited". I have prepared this report as a fulfillment of the course requirement. To make this report up to the standard, I have tried my best to fulfill the requirements. I hope that will help me in my future practical life.

I believe that you will be pleased to see my work. I also believe that this report will be able to fulfill your expectation.

Thanking you.

Sincerely yours,

Benzeer Zahan
Student ID- 1505138.
M.B.A. (Department of Accounting)
HSTU, Dinajpur , Bangladesh .

Abstract

Agrani Bank Limited (ABL) is established in 1972. It is a state owned bank. It is formed by the composition of ex-Habib Bank Ltd. and ex-Commerce Bank Ltd. I have worked Agrani bank limited, Khandar Branch, Bogra. This branch started its journey 20th July 1977.There are six sections of ABL (Khandar branch, Bogra) - cash, computer, account opening, clearing, accounts and foreign remittance. The main objective of the study is to analysis and interpretation of the financial statements of Agrani bank limited. The report indicates depth ratio analysis and interpretation of financial statements of the year 2009, 2010, 2011, 2012, 2013, and 2014 of Agrani Bank Limited. Here also calculate financial ratios like Liquidity, Profitability and Solvency. Calculate these ratios for strong analysis and interpretation and also try to give some essential suggestions.

ACKNOWLEDGEMENT

It is my pleasure to express the perpetual indebtedness to my research supervisor **Saiful Islam, Assistant Professor, Department of Accounting,** for his kind permission to undertake the present work and for his patronage to dissemination of knowledge through the investigation. Without his kind assistance, my desire to do something better cannot be fulfilled.

I am also grateful to the co-supervisor Dr. Shaikh Mostak Ahammad Associate Professor, Department of Accounting for his kind permission to do my internship program in this Bank.

Moreover during the training period Md. Tareq Bin Ferdous, P.O. /Manager, and other staff Members of Khandar Branch, Bogra, helped me a lot and I wish to gratitude to these person.

I am also grateful to my honorable parents who have opened my eyes of knowledge for the blessing and continuous inspiration during the entire period of my study at the University.

Sincerely-

Benzeer Zahan
Student ID- 1505138
M.B.A. (Department of Accounting)
HSTU, Dinajpur, Bangladesh.

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CHAPTER -1

INTRODUCTION

1.1 INTRODUCTION

With the current of civilization financial institution like Bank has become an integral part of economic development of a country. Generally by the word “Bank” we can easily understand that the financial institution deals with money. But there are different types of banks like; Central Banks, Commercial Banks, Savings Banks, Investment Banks, Industrial Banks, Co-operative Banks etc. But when we use the term “Bank” without any prefix, or qualification, it refers to the ‘Commercial banks’. Commercial banks are the primary contributors to the economy of a country. On the other hand they are borrowing money from the locals and lending the same to the business as loans and advances. So the people and the government are very much dependent on these banks as the financial intermediary. Moreover, banks are profit-earning concern, as they collect deposit at the lowest possible cost and provide loans and advances at higher cost. The differences between two are the profit for the bank. So it can be said that Commercial bank is a profit-making institution that holds the deposits of individuals and business in checking and savings accounts and then uses these funds to make loans. For these people and the government are very much dependent on these banks as the financial intermediary. Bangladesh is one of the poorest countries of the world. Per capita income of our country is very poor. One of the reasons may be its underdeveloped banking system. Government as well as different international organizations has also identified that underdeveloped banking system causes some obstacles to the process of economic development. So they have highly recommended for reforming financial sector. Modern banks play an important part in promoting economic development of a country. Banks provide necessary funds for executing various programs underway in the process of economic development. They collect savings of large masses of people scattered throughout the country, which in the absence of banks would have remained ideal and unproductive. These scattered amounts are collected, pooled together and made available to commerce and industry for meeting the requirements. Additionally Bankers play very important role in the economic life of the nation. The health of the economy is closely related to the soundness of its banking system. Although banks create no new wealth but their borrowing, lending and related activities facilitate the process for the utilization of the resources of the country. The banks are mobilizing the savings of the people for the investment purposes. If there would be no banks then the great portion of a capital of the country would remain idle. A bank as a matter of fact is just like a heart in the economic structure and the Capital provided by it is just like blood in it. As long as blood is in circulation in body the organs will remain sound and healthy. If the blood is not supplied to any organ then that part would become useless, so if the finance is not provided to Agricultural sector or industrial sector, it will be destroyed. Loan facility provided by banks works as an incentive to the producer to increase the production. Many difficulties in the international payments have been overcome and volume of transactions has been increased. Cheques, drafts, bills of exchange and letters of credit are very important instruments of the banks. The banks collect these instruments drawn on banks in other cities or countries and proceeds according to the accounts of the customer's concerns.

1.2 BACKGROUND OF THE REPORT

Internship program is a pre-requisite for acquiring MBA degree. Before completion of the degree, a student must undergo the Internship program. As the classroom discussion alone cannot make a student perfect in handling the real business situation, therefore, it is an opportunity for the students to know about the real life situation through this program. And a report is required to be prepared to summarize the intern’s analysis, findings and achieved knowledge from this program. This report is a basic academic requirement for the completion of MBA under the Department of Accounting, at Hajee Mohammad Danesh Science & Technology University.

1.3 OBJECTIVES OF THE REPORT

The report has two objectives:

a) General Objective

b) Main Objective.

a) General objective of the report:

The general objective of the report is to complete the internship. As per requirement of MBA program of Hajee Mohammad Danesh Science & Technology University a student need to work in a business organization for three months to acquire practical knowledge about real business operations of a company.

b) Main objectives of the report:

The main objective of the study is to analysis and interpretation of the financial statements of Agrani bank limited. For these purpose some important things should be concerned. Those are given below:

i. To know financial ability of the bank to meet up the current obligation.
ii. To know about the profitability of the bank.
iii. To gather knowledge about liquidity & profitability position of the bank.
iv. To know about the sources of the return on investment.
v. To know about the amount of recovered loan.
vi. To give some suggestions about this system.

1.4 SCOPE OF THE STUDY

Analysis of financial statement of an organization is one of the important parts of overall performance evaluation. Liquidity analysis includes the relationship between current assets and current liabilities whether profitability analysis includes the relationship between profit with investment and profit with assets. Solvency analysis measures long term financial strength in terms of its ability to pay the interest regularly as well as repay the installment of the principal on due date. This study is necessary to show whether a firm will able to meet up its current obligations and whether a firm operates in a profitable manner.

Scope of the study can be described in terms of two grounds like-

a) Organizational scope: I worked in all-important departments of Agrani Bank Limited, Khandar branch, Bogra. This branch started its journey 20th July 1977.

b) Periodical scope: Internship training has been started from dated 1st March to 31st May 2016. The total duration of the program was 61 working days.

1.5 LIMITATIONS OF THE STUDY

The main limitations are:

i. This report may not help to take exact decision making because I consider only six years (year 2009, 2010, 2011, 2012, 2013 and 2014) financial statements of Agrani Bank Limited.
ii. Shortage of practical knowledge of banking activities
iii. The result of the study may not accurate because of some documents or information are confidential not to open for public.

1.6 SOURCES OF DATA COLLECTION

The sources of data collection are two types i.e., primary and secondary sources.

1.6.1 Primary sources of data

The data which is collected directly is called primary data. When searching in the field directly to collect data is called primary source of data. We collected data from primary source using the following methods:

1.6.1. I Observation Method

The observation method is the most commonly used method specially relating to behavioural sciences. Under this method, the information is sought by way of investigator's own direct observation without asking from the respondent. I have gone to the Agrani bank limited Khander Branch Bogra and worked with the bank for the purpose of searching financial aspects and management. I have observed all the activities of management of this bank. Through I have collected huge number of data about Liquidity & Profitability analysis in the bank but I understood the limitation for collection data through this method.

1.6.1. II. Interview Method

The interview is face to face interpersonal situation in which one person, the interviewer, asks a person being interviewed, the respondent, question designed to obtain answer pertinent to research problems. In order to have the real information and data about performance evaluation, I have gone to the bank and gathered a lot of data and information through interview method.

1.6.2 Secondary Source of Data

When data is collected from indirect source is called secondary source of data. The secondary sources are as follows:

i. Various annual audit reports.
ii. Books, Magazine and papers.
iii. Statistical report.
iv. Report and document etc.

1.7 LIMITATIONS OF DATA COLLECTION

I have faced some problems during collecting data. The major limitations of data collection are given below:

1. For internship as an intern the bank did not disclose all relevant information.
2. Agrani bank ltd. web site has not sufficient to analysis an interpretation.
3. Problems for lack of my knowledge about research work.
4. Lack of accessibility to respondents.
5. There is not concerned available information.

1.8 SAMPLE AREA

Data have been collected from Agrani Bank Limited, Khandar Branch, Bogra. There are six sections of ABL (Khandar branch) – Cash, computer, account opening, clearing, Accounts and foreign remittance. Cash section receive cash and pay payment in cash, computer section posting the vouchers, account penning section open new accounts, clearing section deal with clearing function, account section prepare different statement.

1.9 TECHNIQUES OF DATA ANALYSIS

In my study banking efficiency, is evaluated in terms of good recovery of loan & interest dues. Balance Sheet, profit and loss account of various years from the annual reports of Agrani bank limited have been analyzed by using different tools of ratio analysis to evaluate the Liquidity, Profitability analysis & Capital Adequacy Ratio Analysis as management of the bank. Percentages, tables and graphic presentations have been extensively used in my study.

CHAPTER 2

A BRIEF PROFILE OF AGRANI BANK LIMITED

2.1 INTRODUCTION OF AGRANI BANK LIMITED (ABL.)

Agrani Bank Limited, a leading commercial bank with 879 outlets strategically located in almost all the commercial areas throughout Bangladesh, overseas Exchange Houses and hundreds of overseas Correspondents, came into being as a Public Limited Company on May 17, 2007 with a view to take over the business, assets, liabilities, rights and obligations of the Agrani Bank which emerged as a nationalized commercial bank in 1972 immediately after the emergence of Bangladesh as an independent state. Agrani Bank Limited started functioning as a going concern basis through a Vendors Agreement signed between the ministry of finance, Government of the People's Republic of Bangladesh on behalf of the former Agrani Bank and the Board of Directors of Agrani Bank Limited on November 15, 2007 with retrospective effect from 01 July, 2007.

Agrani Bank Limited is governed by a Board of Directors consisting of 13 (thirteen) members headed by a Chairman. The Bank is headed by the Managing Director & Chief Executive Officer; Managing Director is assisted by Deputy Managing Directors and General Managers. The bank has 11 Circle offices, 25 Divisions in head office, 62 zonal offices and 879 branches including 27 corporate and 40 AD (authorized dealer) branches.

Corporate profile
Agrani Bank Limited
As on 31st December 2014

Agrani Bank Limited (ABL) was incorporated as a State owned Commercial Bank (SCB) on 17 May 2007 under the Companies Act 1994. Agrani Bank emerged as a Nationalized Commercial Bank (NCB) following the Bangladesh Banks (Nationalization) Order 1972 vide President's Order No. 26 of 1972. On a going concern basis ABL took over the business, assets, liabilities, rights and obligations of Agrani Bank through a vendor's agreement signed on 15 November 2007 between the Ministry of Finance of the People’s Republic of Bangladesh & the Board of Directors of ABL with retrospective effect from 1 July 2007.

Legal Status:	Public Limited Company (governed by the Bank Companies Act 1991)		
Shareholding Pattern:	100 percent share owned by Government of the People’s Republic of Bangladsh		
Chairman:	Dr. Zaid Bakht		
Managing Director & CEO:	Dr. Syed Abdul Hamid, FCA		
Company Secretary:	Khandaker Sajedul Haque		
Registered Office:	9/D Dilkusha, Dhaka 1000, Bangladesh	(1 crore = 10 million)	
Authorised Capital:	Tk. 2,500.00 Crore	Total Deposits	Tk. 38,392.19 Crore
Paid up Capital:	Tk. 2,072.29 Crore	Loans & Advances	Tk. 23,508.57 Crore
Operating Profit:	Tk. 1,073.95 Crore	Total Equity	Tk. 3,956.63 Crore
Tax Identification No. :	0022001223	Vat Registration No.	19011031730
Employees:	13,414 (officer 10,207, staff 3,207)	Branch:	921
Circle Office:	11	Zonal Office:	62
Authorised Dealer Branch:	40	Corporate Branch:	27
Number of Exchanges:	61	Foreign Correspondent:	328

Credit Rating:	By CRISL (Rating Date: 31 August 2014)	Long Term	Short Term
	Entity Rating 2013 (as Govt. Guaranteed Bank)	AAA	ST- 1
	Surveillance Rating 2013 (Stand Alone Basis)	A-	ST- 2
	Surveillance Rating 2012 (Stand Alone Basis)	BBB	ST- 3
	Outlook		Stable

Subsidiary Companies in Bangladesh:	Agrani Equity & Investment Limited Agrani SME Financing Company Limited
Subsidiary Companies in Overseas:	Agrani Exchange House Private Limited, Singapore (4 branches) Agrani Remittance House Sdn. Bhd., Malaysia (3 branches) Agrani Exchange Company (Australia) Pty. Limited Agrani Remittance House Canada Inc.
Phone:	+88-02-9566153-4, +88-02-9566160-9, +88-02-9566074-5
Fax:	+88-02-9562346, +88-02-9563662, +88-02-9563658
E-mail:	agrani@agranibank.org, info@agranibank.org.

2.2 HISTORY OF AGRANI BANK LIMITED

Agrani bank, in pursuance of Bangladesh banks (nationalization) order 1972 (P.O. No-26 of 1972) came into being in 1971 taking over the assets and liabilities of the east while Habib bank ltd. And commerce bank ltd. Functioning in the then East Pakistan. The bank started operation with 249 branches with its head office in Dhaka. In principle, it changed its motto from class banking to mass banking. As there had been poor banking structure and it failed to build sound banking infrastructure by local entrepreneurs before independence and the newly born independent country was down with enormous economic problem, the new govt. Agrani Bank being one of the largest nationalized commercial bank must shoulder the responsibility of expanding its network in rural area. Presently bank has its 561 branches out of total 891 branches located in rural areas implementing as many as 29 programs targeting rural people. During my internship at Agrani Bank Ltd, I was placed in the Principal Branch under Head office of ABL. I enjoyed my total working with the young, skilled & professional employees and earn my knowledge regarding financial and non financial performance of Agrani Bank ltd. Bangladesh

2.3 NATURE OF ABL.

The principal activities of the Bank are providing all kinds of commercial banking services to its customers and the principal activities of its subsidiaries are to carry on the remittance business and to undertake and participate in any or all transactions, and operations commonly carried or undertaken by remittance and exchange houses.

2.4 VISION

To become the best leading state owned commercial bank of Bangladesh operating at international level of efficiency, quality, sound management, customer service and strong liquidity.

2.5 MISSION

The mission is to operate ethically and fairly within the stringent framework set by our regulators and to assimilate ideas and lessons from best practices to improve our business policies and procedures to the benefit of our customers and employees.

2.6 MOTTO

The motto is to adopt and adapt modern approaches to stand supreme in the banking arena of Bangladesh with global presence.

2.7 VALUES

We value in integrity, transparency, accountability, dignity, diversity, growth and professionalism to provide high level of service to all our customers and stakeholders inside and outside the country.

2.8 CORPORATE SLOGAN OF ABL.

" Committed to serve the nation".

2.9 STRATEGIC OBJECTIVES

i. Winning at least 6.50 percent share of deposits and 5.50 percent share of loans and advances of Bangladeshi market.
ii. Gaining competitive advantages by lowering overall cost compared to that of competitors.
iii. Overtaking competitors by providing quality customer service.
iv. Achieving technological leadership among the peer group.
v. Strengthening the Bank's brand recognition.
vi. Contributing towards the economic well-being of the country by focusing particularly on remittance, SME and agricultural sectors.
vii. Strengthening research capability for innovative products.

2.10 ETHICAL STANDARDS

i. **Be Trustworthy:** We believe in mutual trust and treat our customers in a way so that they can trust us.
ii. **Keep an Open Mind:** For continuous improvement of our Bank we keep our minds open to new ideas. We seek opinions and feedback from both customers and team members through which our Bank will continue to grow.
iii. **Meet Obligations:** Regardless of the circumstances, we do everything to gain the trust and confidence of customers and clients by honoring our commitments and obligations.
iv. **Be Transparent:** We are transparent in our dealings with customers and all stakeholders. We ensure transparency by furnishing information through print and electronic media as well as in Bank's website, journals and reports.
v. **Be involved with the Community:** We remain involved in community-related issues and activities, thereby demonstrating that our business is socially responsible.
vi. **Be Respectful:** We treat all stakeholders with utmost respect and courtesy regardless of differences, positions, titles, ages, or other types of distinctions.
vii. **Be Environment Conscious:** We provide industrial financing decorously to keep the environment free from pollution and health hazard. We also ensure setting up ETP before installation of industries to keep environment safe. We are pro-active and foresighted for green office and green economy.

2.11 PRODUCTS & SERVICES

2.11.1. Deposit

a) Taka Account

i. Current Deposit (CD)
ii. Savings Deposit (SB)
iii. Fixed Deposit (FDR)
iv. Special Notice Time Deposit (SNTD)
v. Non-Resident Special Taka Account (NRTA)
vi. Non-Resident Investors Taka Account (NRIT)
vii. Agrani Bank Pension Scheme (APS)
viii. Agrani Bank Bishesh Shanchay Scheme (ABS)
ix. Agrani Double Benefit Scheme (ADBS)
x. Monthly Deposit Scheme (MDS)
xi. Monthly Income Scheme (MIS)
xii. Students Savings A/C (School Banking)
xiii. Small Life Insurance Policy Holders A/C
xiv. Farmers A/C
xv. Freedom Fighters A/C
xvi. Other Beneficiaries A/C
xvii. under Social Security's Program

b) Foreign Currency Account

i. Foreign Currency (FC) A/C
ii. Non-Resident Foreign Currency Deposit(NFCD) A/C
iii. Resident Foreign Currency Deposit (RFCD) A/C
iv. Exporters Retention Quota (ERQ) A/C

2.11.2. Loans & Advances

a) Continuous Loan

i. Cash Credit (Hypo)
ii. Cash Credit (Pledge)
iii. Secured Overdraft (SOD)

b) Term Loan

i. Inland Bill Purchase (IBP)
ii. Export Cash Credit
iii. Industrial Credit (IC)
iv. Housing Loan (General & Commercial)
v. Consumer Credit
vi. Loan for Overseas Employment
vii. Weavers' Credit

c) Rural & Agro Credit

i. Crop Loan
ii. Fishery Loan
iii. Animal Husbandry Loan
iv. Agri Machinary Loan
v. Rural Transport Loan
vi. Swanirvar Loan
vii. Poverty Alleviation Loan

d) Small and Medium Enterprise Loan (SME)

i. Service Sector Loan
ii. Trading Sector Loan
iii. Manufacturing Sector Loan

e) Import Finance

i. Loan Against Imported Merchandise (LIM)
ii. Loan Against Trust Receipt (LTR)
iii. Payment Against Document (PAD)

f) Export Finance

i. Export Cash Credit
ii. Packing Credit (PC)
iii. Local / Foreign Bills Purchased (FBP)
iv. Loan Against Export Development Fund (EDF)
v. Advance Against Cash Incentive (Subsidy, Assistance)

2.11.3. Treasury

a) Money Market

i. Maintaining CRR and SLR
ii. Call Money Transaction
iii. Term Placement (FDR)
iv. Treasury Bills
v. Treasury Bonds
vi. Secondary Trading of Govt. Securities
vii. Repo
viii. Reverse Repo
ix. Custodian Services
x. Other Investments

b) Foreign Exchange Market

i. Selling Foreign Currency for Import Payment
ii. Buying Foreign Currency against Export Proceeds
iii. Fixation of Exchange Rate
iv. Foreign Currency Buying and Selling
v. SWAP Transactions
vi. Forward Transaction
vii. Term Placement

2.11.4. Letter of Credit

i. Letter of Credit - Sight
ii. Letter of Credit - Usance
iii. Back to Back L/C

2.11.5. Letter of Guarantee

i. Advance Payment Guarantee
ii. Bid Bond
iii. Performance Guarantee
iv. Shipping Guarantee
v. Guarantee - Others
vi. Standby Credit

2.11.6. Other Foreign Exchange Service

i. Documentary Bill Collection
ii. Advanced Payment for Import & Export
iii. Foreign Remittance (Incoming & Outgoing)
iv. Foreign Currency Endorsement against Passport
v. Issuance of Draft, TT
vi. Collection of Draft, Cheque, TC
vii. Opening of Student File, Medical File

2.11.7. Cash Service

i. ATM Service
ii. Cheque Encashment
iii. Foreign Currency

2.12 SWOT ANALYSIS OF ABL.

As a financial organization, Agrani Bank Limited has some strengths, weakness, opportunities and threats, to identify the strengths, weakness opportunities and treats a tool is used by me that is SWOT analysis. Here, S represents to strengths, W refers to weaknesses, O denotes to opportunities and T indicates to threats.

2.12.1 STRENGTHS:

i. State owned bank
ii. Wide image
iii. Unlimited trustiness about ABL to rural people
iv. High commitments for customers.
v. Qualified and experiences personnel etc.

2.12.2 WEAKNESS:

a) **Technology:** One of the major weaknesses of Agrani Bank Limited is the technology used by the bank. With the change of time, technological advancement is essential to survive in the competition. Hence, ABL is lagging far behind in this area. Most of the branches are not well equipped.

b) **Promotion:** When an employee gets a pro motion to the next level, he/she gets more compensation. ABL is regular in giving promotion, but the employees get late effect of this promotion. Often there is a long gap, for example a six mo nth to one year gap in getting the effect.

c) **Deposit Amount:** Agrani Bank Limited has acquired high amount of deposit till now. By the end of 2012, the deposit amount was 2,92,420 million. Most of this deposit amount remains idle in the bank. Not even half of this amount is used as loan and advance. The lending rate has been lowered by the government, so the interest rate from loans cannot cover the interest given on deposit. The high amount deposit bears high cost. To reduce this cost, most of the deposit schemes have been discontinued. This has a negative effect on clients who expects a broad range o f deposit services from the bank.

d) **Training:** Agrani Bank Limited has its own training Institute ABTI (Agrani Bank Training Institute) to strengthen the capabilities of human resources. However, it is not always possible to give thorough training. Especially, there is a lack of specific training for specific jobs. As a result, the employee has to learn things from the job by doing it practically.

2.12.3 OPPORTUNITY

i. High demand of credit.
ii. High demand of small enterprise financing.
iii. High demand of remittance facility.
iv. High demand of investment by depositing.

2.12.4 THREAT

a) **Level of Competition:** Competition is always a major threat for any organization. In recent years, the number of private bank is increasing. These banks always pose a threat for others by coming up with new product line, innovative technology, quality services etc. Thus the level of competition raises and creates threat for Agrani Bank Limited.

b) **Technological Advancement:** With time, technology is getting advanced. However, Agrani Bank Limited is lagging behind. As the technology is getting advanced, most of the banks, especially private banks are upgrading their operating system to survive in the industry. A BL is still mostly dependent on manual work rather than technology. With time, the advancement of technology is posing a threat for the bank.

c) **Compensating Package:** Compared to other private banks of Bangladesh, the compensation package of Agrani Bank Limited is not attractive. Though the employees of ABL get fair financial and other benefits, the base pay is not sufficient (dependent on national pay scale). This poses a threat of switching banks as other private banks are giving lucrative offer.

d) **Political Unrest:** The political unrest as well as the law and order situation of Bangladesh is always a threat for banking industry. Especially, the events of recent years, the corruption level of our country, the poor infrastructure are affecting the national economy. The current economic situation is very likely to worse further. In this case, the whole banking industry is facing a big threat.

2.13 HIERARCHY OF ABL.

The Bank is being managed and operated by a group of highly educated and professional team with diversified experience in finance and banking. The Management of the bank constantly focuses on understanding and anticipating customers' needs. The scenario of banking business is changing day by day, so the bank's responsibility is to device strategy and new products to cope with the changing environment. Agrani Bank Ltd. has already achieved tremendous progress within only two years. The bank has already ranked as one of the quality service providers & is known for its reputation.

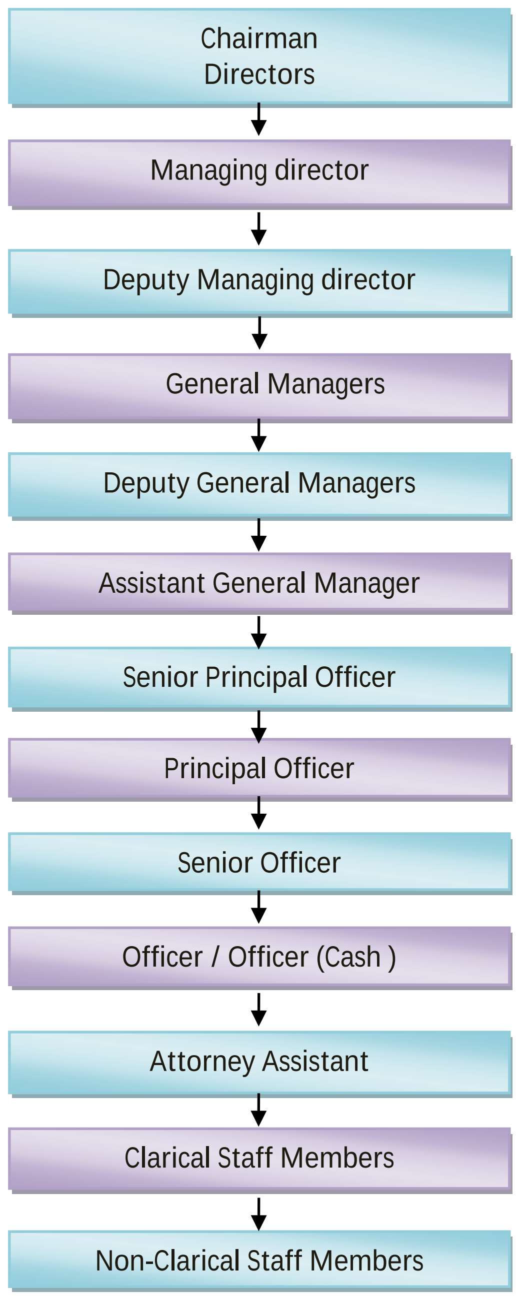


Figure: Hierarchy of ABL.

CHAPTER 3

FINANCIAL STATEMENT ANALYSIS

3.1 INTRODUCTION

A financial statement is an official document of the firm, which explores the entire financial information of the firm. The main aim of the financial statement is to provide information and understand the financial aspects of the firm. Hence, preparation of the financial statement is important as much as the financial decisions.

3.2 MEANING AND DEFINITION

According to Hamptors John, the financial statement is an organized collection of data according to logical and consistent accounting procedures. Its purpose is to convey an understanding of financial aspects of a business firm. It may show a position at a moment of time as in the case of a balance-sheet or may reveal a service of activities over a given period of time, as in the case of an income statement. Financial statements are the summary of the accounting process, which, provides useful information to both internal and external parties. **John N. Nyer** also defines it “Financial statements provide a summary of the accounting of a business enterprise, the balance-sheet reflecting the assets, liabilities and capital as on a certain data and the income statement showing the results of operations during a certain period”.

Financial statements generally consist of two important statements:

(i) The income statement or profit and loss account.

(ii) Balance sheet or the position statement.

i. Income Statement

Income statement is also called as profit and loss account, which reflects the operational position of the firm during a particular period. Normally it consists of one accounting year. It determines the entire operational performance of the concern like total revenue generated and expenses incurred for earning that revenue. Income statement helps to ascertain the gross profit and net profit of the concern. Gross profit is determined by preparation of trading or manufacturing a/c and net profit is determined by preparation of profit and loss account.

ii. Position Statement

Position statement is also called as balance sheet, which reflects the financial position of the firm at the end of the financial year. Position statement helps to ascertain and understand the total assets, liabilities and capital of the firm. One can understand the strength and weakness of the concern with the help of the position statement.

A part from that, the business concern also prepares some of the other parts of statements, which are very useful to the internal purpose such as:

(i) Statement of changes in owner's equity.
(ii) Statement of changes in financial position.

i. Statement of Changes in Owner's Equity

It is also called as statement of retained earnings. This statement provides information about the changes or position of owner's equity in the company. How the retained earnings are employed in the business concern. Nowadays, preparation of this statement is not popular and nobody is going to prepare the separate statement of changes in owner's equity.

ii. Statement of Changes in Financial Position

Income statement and position statement shows only about the position of the finance, hence it can't measure the actual position of the financial statement. Statement of changes in financial position helps to understand the changes in financial position from one period to another period. Statement of changes in financial position involves two important areas such as fund flow statement which involves the changes in working capital position and cash flow statement which involves the changes in cash position.

3.3 OBJECTIVES OF FINANCIAL STATEMENT

The following are the important objectives of financial statements:

a. To provide adequate information about the source of finance and obligations of the finance firm.
b. To provide reliable information about the financial performance and financial soundness of the concern.
c. To provide sufficient information about results of operations of business over a period of time.
d. To provide useful information about the financial conditions of the business and movement of resources in and out of business.
e. To provide necessary information to enable the users to evaluate the earning performance of resources or managerial performance in forecasting the earning potentials of business.

3.4 LIMITATIONS OF FINANCIAL STATEMENT

1. Financial Statements are normally prepared on the basis of accounting principles, conventions and past experiences. Therefore, they do not communicate much about the profitability, solvency, stability, liquidity etc. of the undertakers to the users of the statements.
2. Financial Statements emphasis to disclose only monetary facts, i.e., quantitative information and ignore qualitative information.
3. Financial Statements disclose only the historical information. It does not consider changes in money value, fluctuations of price level etc. Thus, correct forecasting for future is not possible.
4. Influences of personal judgments leads to opportunities for manipulation while preparing of financial statements.
5. Information disclosed by financial statements based on accounting concepts and conventions. It is unrealistic due to difference in terms and conditions and changes in economic situations.

3.5 TYPES OF FINANCIAL STATEMENT ANALYSIS

Analysis of Financial Statement is also necessary to understand the financial positions during a particular period. According to Myres, “Financial statement analysis is largely a study of the relationship among the various financial factors in a business as disclosed by a single set of statements and a study of the trend of these factors as shown in a series of statements”. Analysis of financial statement may be broadly classified into two important types on the basis of material used and methods of operations.

3.5.1. Based on Material Used

Based on the material used, financial statement analysis may be classified into two major types such as External analysis and internal analysis.

A. External Analysis

Outsiders of the business concern do normally external analyses but they are indirectly involved in the business concern such as investors, creditors, government organizations and other credit agencies. External analysis is very much useful to understand the financial and operational position of the business concern. External analysis mainly depends on the published financial statement of the concern. This analysis provides only limited information about the business concern.

B. Internal Analysis

The company itself does disclose some of the valuable information to the business concern in this type of analysis. This analysis is used to understand the operational performances of each and every department and unit of the business concern. Internal analysis helps to take decisions regarding achieving the goals of the business concern.

3.5.2. Based on Method of Operation

Based on the methods of operation, financial statement analysis may be classified into two major types such as horizontal analysis and vertical analysis.

A. Horizontal Analysis

Under the horizontal analysis, financial statements are compared with several years and based on that, a firm may take decisions. Normally, the current year's figures are compared with the base year (base year is consider as 100) and how the financial information are changed from one year to another. This analysis is also called as dynamic analysis.

B. Vertical Analysis

Under the vertical analysis, financial statements measure the quantities relationship of the various items in the financial statement on a particular period. It is also called as static analysis, because, this analysis helps to determine the relationship with various items appeared in the financial statement. For example, a sale is assumed as 100 and other items are converted into sales figures.

3.6 TECHNIQUES OF FINANCIAL STATEMENT ANALYSIS

Financial statement analysis is interpreted mainly to determine the financial and operational performance of the business concern. A number of methods or techniques are used to analysis the financial statement of the business concern. The following are the common methods or techniques, which are widely used by the business concern.

1. Ratio Analysis
2. Comparative Statement Analysis
    c) Comparative Income Statement Analysis
    d) Comparative Position Statement Analysis
3. Trend Analysis
4. Common Size Analysis
5. Fund Flow Statement
6. Cash Flow Statement

3.6.1 Ratio Analysis

Ratio analysis is a commonly used tool of financial statement analysis Ratio analysis is a widely used tool of financial analysis. It can be used to compare the risk and return relationships of firms of different sizes. It is defined as the systematic use of ratio to interpret the financial statement so that the strengths

Absolute figures expressed in monetary terms in financial statements by themselves are meaningless. These figures often do -not convey much meaning unless expressed in relation to other figures. The relationship between two figures, expressed in arithmetical term is called a 'ratio'. In the words of R. N. Anthony “A Ratio is simply one number expressed in terms of-another. It is found by dividing one number in to other.” - Ratio can be expressed in the following three ways:

1. Pure Ratio or Simple Ratio: It is expressed by the simple division of one number by another. For example, if the current assets of a business are Rs. 2, 00,000 and its current liabilities are Rs. 1, 00,000, the ratio of 'Current assets to current liabilities' will be 2: 1.

2. Rate' or 'So Many Times': It is calculated how many times a figure, is in comparison to another figure. For example, if a firm's credit sales during the year are Rs. 2,00,000 and its debtors at the end of the year are Rs. 40,000, its Debtors Turnover Ratio = 2,00,000 / 40,000 = 5 times. It shows that the credit sales are 5 times in comparison to debtors.

3. Percentage: In this type, the re1ation between two figures is expressed in hundredth. For example, if a firm's capital is Rs. 10, 00,000 and its profit is Rs. 2, 00,000. The ratio of profit to capital in terms of percentage, is 2, 00,000 x 100 = 20%.

OBJECTIVES AND USES OF RATIO ANALYSIS

It helps the reader in giving tongue to mute the mute heaps of figures given in financial statements. The figures then speak of liquidity, solvency, profitability etc. of the business enterprise. Some important objects and advantages of accounting ratios are:

a. **Helpful in Analysis of Financial Statements:** Ratio analysis is an extremely useful device for analyzing the financial statements. It helps the bankers, creditors, investors, shareholders etc. in acquiring enough knowledge about the profitability and financial health of the business.

b. **Simplification of Accounting Data**: Accounting ratio simplifies and summarizes a long array of accounting data and makes them understandable. It discloses the relationship between two such figures which have a cause and effect relationship with each other.

c. **Helpful in Comparative Study:** With the help of ratio analysis comparison of profitability and financial soundness can be made between one firm and another in the same industry. Similarly, comparison of current year figures can also be made with those previous years with the help of ratio analysis.

d. **Helpful in Locating the Weak Spots of the Business**: Current year's ratios are compared with those of the previous years and if some weak spots are located, remedial measures are taken to correct them.

e. **Helpful in Forecasting**: Accounting ratios are very helpful in forecasting and preparing the plans for the future. For example, if sales of a firm during this year are Rs. 10 Lakhs and the average amount of stock kept during the year was Rs. 2 Lakhs, i.e., 20% of sales and if the firm wishes to increase sales in next year to Rs.15 Lakhs, it must be ready to keep a stock of Rs.3, 00,000, i.e., 20% of 15 Lakhs.

f. **Estimate about the Trend of the Business:** If accounting ratios are prepared for a number of years, they will reveal the trend of costs, sales, profits and other important facts.

g. **Fixation of Ideal Standards**: Ratios help us in establishing ideal standards of the different items of the business. By comparing the actual ratios calculated at the end of the year with the ideal ratios, the efficiency of the business can be easily measured.

h. **Effective Control**: Ratio analysis discloses the liquidity, solvency and profitability of the business enterprise. Such information enables management to assess the changes that have taken place over a period of time in the financial activities of the business. It helps them in discharging their managerial functions, e.g., planning, organizing, directing, communicating and controlling more effectively.

i. **Study of Financial Soundness.** Ratio analysis discloses the position of business with different view'-points. It discloses the-position of business with the liquidity point of view, solvency point of view, profitability point of view etc. With the help of such a study we can draw conclusions regarding the financial health of the business enterprise.

LIMITATIONS OF RATIO ANALYSIS

Following limitations should be kept in mind while making use of the ratio analysis:

a. **False accounting Data Gives False Ratios:** Accounting ratios are calculated on the basis of data given in profit and loss account and balance sheet. Therefore, they will be only as correct as the accounting data on which they are-based. For 'example, if the –closing stock is overvalued, not only the profitability will be overstated but also the financial position will appear to be better.
b. **Comparison not possible if the different Firms Adopt Different Accounting Policies:** There may be different accounting policies adopted by different firms with regard to providing depreciation, creation of provision for doubtful debts, method of valuation of closing stock etc.
c. **Ratio Analysis Becomes Less Effective Due to Price Level Changes:** Price' level over the years goes on changing; therefore, the ratios of various years cannot be compared. For example, one firm sells 1,000 Machines for Rs. 10 Lakhs dunng2002, it again sells 1,500 Machines of the same type in 2003 but owing to rising prices the sale price was Rs. 15 Lakhs. On the basis of ratios it will be concluded that the sales have increased by 50%, whereas in actual,-sales have not increased at all. Hence, the figures of the past years must be adjusted in the light of price level changes before the ratios for these years are compared. '
d. **Ratios may be Misleading in the Absence of Absolute Data:** For example, X company produces 10 lakh meters of cloth in 2002 and 15 Lakh meters in 2003, the progress is 50%. Y Company raises its production from 10 thousand meters in 2002 to 20 thousand meters in 2003, the progress is 100%. Comparison of these two firms made on the basis of ratio will disclose that the second firm is more active than the first firm. Such conclusion is quite misleading because of the difference in the size of the two firms. It is, therefore, essential to study the ratios along with the absolute data on which they are based.

e. **Limited Use of a Single Ratio:** The analyst should not merely rely on a single ratio. He should study several connected ratio before reaching a conclusion. For example, the Current Ratio of a firm may be quite satisfactory, whereas the Quick Ratio may be unsatisfactory.

f. **Window-Dressing:** Some companies in order to cover up their bad financial position resort to window dressing, i.e., showing a better position than the one which really exists.

g. **Lack of Proper Standards:** Circumstances differ fro firm to firm hence no standard ratio can be fixed for all the firms. For ex if a firm has such type of relations with its bankers that it can get necessary credit in case of need, the ideal current ratio for the firm would be less than generally accepted current ideal ratio of 2:1.

h. **Ration alone are not adequate for proper conclusions:** They merely indicate the probability of favorable or unfavorable position. The analyst has to use other tools and techniques to further carry out the investigation and to arrive at a correct diagnosis.

i. **Effect of personal ability and bias of the Analyst:** Different person draw different meaning of the different terms. For example one analyst may calculate ration on the basis of profit after interest and tax while another may consider profits before interest and Tax.

TYPES OF RATIO

An accounting ratio shows the mathematical relationship between two figures, which have meaningful relation with each other. Ratio can be classified into various types. Classification from the point of view of financial management is as follows:

i. Liquidity Ratio
ii. Activity Ratio
iii. Solvency Ratio
iv. Profitability Ratio

3.6.2 Comparative Statement Analysis

Comparative statement analysis is an analysis of financial statement at different period of time. This statement helps to understand the comparative position of financial and operational performance at different period of time. Comparative financial statements again classified into two major parts such as comparative balance sheet analysis and comparative profit and loss account analysis.

a) Comparative Profit and Loss Account Analysis

Another comparative financial statement analysis is comparative profit and loss account analysis. Under this analysis, only profit and loss account is taken to compare with previous year's figure or compare within the statement. This analysis helps to understand the operational performance of the business concern in a given period. It may be analyzed on horizontal basis or vertical basis.

b) Comparative Balance Sheet Analysis

Comparative balance sheet analysis concentrates only the balance sheet of the concern at different period of time. Under this analysis the balance sheets are compared with previous year's figures or one-year balance sheet figures are compared with other years. Comparative balance sheet analysis may be horizontal or vertical basis. This type of analysis helps to understand the real financial position of the concern as well as how the assets, liabilities and capitals are placed during a particular period.

3.6.3 Trend Analysis

The financial statements may be analysis by computing trends of series of information. It may be upward or downward directions which involve the percentage relationship of each and every item of the statement with the common value of 100%. Trend analysis helps to understand the trend relationship with various items, which appear in the financial statements. These percentages may also be taken as index number showing relative changes in the financial information resulting with the various period of time. In this analysis, only major items are considered for calculating the trend percentage.

3.6.4 Common Size Analysis

Another important financial statement analysis technique is common size analysis in which figures reported are converted into percentage to some common base. In the balance sheet the total assets figures is assumed to be 100 and all figures are expressed as a percentage of this total. It is one of the simplest methods of financial statement analysis, which reflects the relationship of each and every item with the base value of 100%.

3.6.5 Funds flow statement

Funds flow statement is one of the important tools, which is used in many ways. It helps to understand the changes in the financial position of a business enterprise between the beginning and ending financial statement dates. It is also called as statement of sources and uses of funds. Institute of Cost and Works Accounts of India, funds flow statement is defined as "a statement prospective or retrospective, setting out the sources and application of the funds of an enterprise. The purpose of the statement is to indicate clearly the requirement of funds and how they are proposed to be raised and the efficient utilization and application of the same".

3.6.6 Cash flow statement

Cash flow statement is a statement which shows the sources of cash inflow and uses of cash out-flow of the business concern during a particular period of time. It is the statement, which involves only short-term financial position of the business concern. Cash flow statement provides a summary of operating, investment and financing cash flows and reconciles them with changes in its cash and cash equivalents such as marketable securities. Institute of Chartered Accountants of India issued the Accounting Standard (AS-3) related to the preparation of cash flow statement in 1998.

3.7 DIFFERENCE BETWEEN FUNDS FLOW STATEMENT AND CASH FLOW STATEMENT

Funds Flow Statement	Cash Flow Statement
1. Funds flow statement is the report on the movement of funds or working capital.	1. Cash flow statement is the report showing sources and uses of cash.
2. Funds flow statement explains how working capital is raised and used during the particular period.	2. Cash flow statement explains the inflow and out flow of cash during the particular period.
3. The main objective of fund flow statement is to show the how the resources have been balanced mobilized and used.	3. The main objective of the cash flow statement is to show the causes of changes in cash between two balance sheet dates.
4. Funds flow statement indicates the results of current financial management.	4. Cash flow statement indicates the factors contributing to the reduction of cash balance in spite of increase in profit and vice-versa.
5. In a funds flow statement increase or decrease in working capital is recorded.	5. In a cash flow statement only cash receipt and payments are recorded.
6. In funds flow statement there is no opening and closing balances.	6. Cash flow statement starts with opening cash balance and ends with closing cash balance.

CHAPTER 4

FINANCIAL STATEMENT ANALYSIS OF AGRANI BANK LIMITED

LIQUIDITY ANALYSIS OF ABL.

4.1 CONCEPT OF LIQUIDITY

The liquidity of a bank is measured by its ability to satisfy its sort- term obligations as they come due. Liquidity refers to the solvency of the banks overall financial position. It is extremely essential for a bank to be able to meet its obligations as they become due. In fact, analysis of liquidity needs the preparation of cash budgets and cash and fund flow statements; but liquidity ratios, by establishing a relationship between cash and other current assets to current obligations, provide a quick measure of liquidity. A bank should ensure that it does not suffer from lack of liquidity, and also that if does not have excess liquidity. The failure of a bank to meet its obligations due to lack of sufficient liquidity, will result in a poor creditworthiness, loss of creditor's confidence, or even in legal tangles resulting in the closure of the bank. A very high degree of liquidity is also bad; idle assets earn nothing. The bank's funds will be unnecessarily tied up in current assets. Therefore, it is necessary to strike a proper balance between high liquidity and lack of liquidity.

4.2 LIQUIDITY RATIO

It is also called as short-term ratio. Liquidity refers to the ability of a firm to meet its obligations in the short-run, usually one year. This ratio helps to understand the liquidity in a business which is the potential ability to meet current obligations. This ratio expresses the relationship between current assets and current assets of the business concern during a particular period. Liquidity ratios measure the bank's ability to fulfill short-term commitments out of its liquid assets. Assets are "liquid" if they are either cash or relatively easy to convert into cash with in an operating cycle or an accounting period. (For example, through sale). Short-term creditor’s are generally very interested in the liquidity ratios. The current ratio and the quick ratio are the most commonly used liquidity ratios.

4.3 TYPES OF LIQUIDITY RATIO

The most common ratios which indicate the extent of liquidity or lack of it are:

(i) Current ratio
(ii) Quick ratio
(iii) Cash ratio
(iv)Net working capital
(V) Loan to deposit ratio

4.4 LIQUIDITY ANALYSIS OF ABL.

4.4.1 Current Ratio

(a) Definition of Current Ratio:

Current Ratio A very popular ratio, the current ratio is defined as:

Current ratio = current assets / current liability.

Current Assets include cash, current investments, debtors, inventories, loans and advances, and prepaid expenses. Current liabilities represent liabilities that are expected to mature in next twelve months. These comprise (i) Loans, secured or unsecured, that are due in next twelve months and (ii) current liabilities and Provisions.

Normally, a high current ratio is considered to be a sign of financial strength. Bankers in Bangladesh have used a norm of 1.33. Internationally, the norm is 2.0. However, in the decade or so, a number of firms have tried to achieve a zero or even a negative net working capital position by managing their inventories tightly and obtaining longer credit from their suppliers. In interpreting the current ratio, the composition of current assets must not be overlooked-perhaps inventories may be slow-moving and a portion of loam advances may represent dues from associate companies which may be sticky.

(b) Significance of Current Ratio:

Current ratio indicates the bank's ability to pay its current liabilities i.e., day- today financial obligations.

i. It shows short-term financial strength.
ii. It is a test of credit strength and solvency of a bank.
iii. It indicates the strength of the working capital.
iv. It indicates the capacity to carry on effective operations.
v. It discloses the over-trading or under-capitalization.
vi. It shows the tendency of over-investment in inventory.
vii. Higher ratio i.e., more that2:1 indicates sound solvency position.
viii. Lower ratio i.e., less than 2:1 indicates inadequate working capital.
ix. It discloses the quantity of working capital position.

(c) Disadvantages of Current Ratio:

i. If the ratio is favorable, the bank may be in financial trouble because of more stock, work-in-progress etc. which are not easily convertible into cash. Therefore, the current ratio is not a conclusive index of the real liquidity of bank.
ii. It is a crude measure of financial liquidity as it does not take into account the liquidity of the individual components of current assets.
iii. Ratio analysis given only a good basis for quantitative analysis of financial problems. But at the same time, it suffers from qualitative aspect.
iv. It cannot be said to be appropriate for all business, since the amount of working capital and the size of the current ratio depend upon many factors and common standards.
v. There is clearly some latitude for window-dressing. Within certain limits a company may be able to manage its current assets and liabilities so as to have the desired ratios at the time the balance sheet is presented.

(d) Precautions of Current Ratios:

While calculating the Current Ratio, the following guidelines may be noted:

i. Reasonable valuation should be made in case of current assets and current liabilities. The amount of bad debts and doubtful debts should be deducted from the amount of debtors.
ii. Loose tools though called current asset are not included.
iii. Investments which are easily marketable and are meant to be sold for cash should be treated as current assets.
iv. Fictitious assets such as, preliminary expense, Discount on Issue of Shares, advances made for purchase of fixed assets etc are to be excluded.
v. Long term liabilities if they are repayable within a year, should be treated as current liabilities.
vi. Bank overdraft, unless specially stated as a permanent arrangement, should be treated as a current liability.
vii. All Bills Receivable, whether discounted or not, should be treated as current assets and at the same time, discounted bills should be treated as current liability.

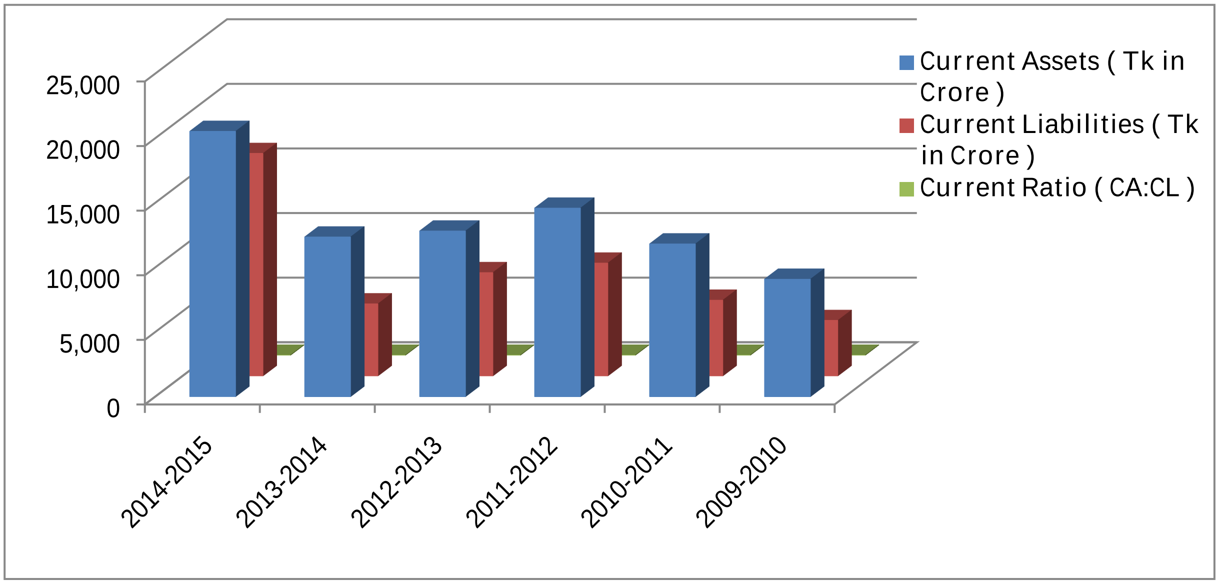
Table- 4.1

Current ratio of Agrani Bank Limited during the period 2009- 2010 to 2014- 2015:

Year	Current Assets (Tk in Crore)	Current Liabilities (Tk in Crore)	Current Ratio (CA:CL)
2014-2015	20,540	17,225	1.19
2013-2014	12,365	5,584	2.21
2012-2013	12,829	8,006	1.60
2011-2012	14,601	8,742	1.67
2010-2011	11,829	5,869	2.02
2009-2010	9,096	4,298	2.12

Source: Audited annual report of Agrani Bank Limited.

Graph- 4.1: Graphical presentation of Current ratio of Agrani Bank Limited.



Comment: This ratio is used to measure the ability of the bank to meet up current liabilities. The standard ratio is 2:1 but the calculated average ratio is 1.80: 1.00, which is less than the international standard but it has met Bangladesh banking standard. So the calculated ratio indicates that the Bank has the ability to meet up their current obligations.

4.4.2 Quick ratio

(a) Definition of Quick Ratio:

Quick ratio is also known as liquid ratio or acid test ratio or near money ratio. It is the ratio between quick or liquid assets and quick liabilities. As pointed out, the current ratio in the study of solvency may be sometimes misleading due to high ratio of stock to current assets. The quick ratio equals current assets excluding inventory, divided by current liabilities. That is,

Quick ratio= Current Assets - (Prepaid Expenses) / Current Liabilities.

It indicates the relation between strictly liquid assets whose value is almost certain on the one hand, and strictly liquid liabilities on the other. The term quick assets refers to current assets which can be converted into cash immediately or at a short notice without diminution of value . Liquid liabilities comprise all current liabilities minus bank overdraft. Stock is excluded from liquid assets on the ground that it is not converted into cash in the immediate future prepaid expenses by their very nature are not available to pay off current debts and at the same time bank over-draft is excluded on the ground that it is not required to be paid off in the immediate future.

(b) Significance of Quick Ratio:

i. It is the true test of business solvency.
ii. Higher ratio i.e., more than 1:1 indicates sound financial position.
iii. Lower ratio i.e., less that 1:1 indicates financial difficulty.
iv. This is an important ratio of financial institutions.
v. It is a stringent test of liquidity.
vi. It gives better picture of bank's ability to meet its short-term debts out of short-term assets.
vii. If the current ratio is more than 2:1 but liquid ratio is less than 1:1 it indicates excessive inventory.
viii. It is more of a qualitative nature of test.

(c) Is quick ratio better measure of liquidity?

Generally a quick ratio of I to 1 is considered to represent a satisfactory current financial condition. Although quick ratio is a more penetrating test of liquidity than the current ratio, yet it should be use cautiously. A quick ratio of 1 to 1 or more does not necessarily imply sound liquidity position. It should be remembered that all book debts may not be liquid, and cash may be immediately needed to pay operating expenses. It should also be noted that inventories are not absolutely non-liquid. To a measurable extent, inventories are available to meet current obligations. Thus a bank with a high value of quick ration can suffer from the shortage of funds if it has slow-paying, doubtful and long-duration outstanding book debts (receivables). On the other hand, a bank with a low value of quick ratio may really be prospering and paying its current obligation in time if it has been turning over its inventories efficiently. Nevertheless, the quick ratio remains an important index of the bank's liquidity.

Note: Total financed by the Govt. so that quick ratio not considered.

4.4.3 Cash Position Ratio

Cash Ratio Sometimes, financial analysts look at cash ratio, which is defined as:

$$\frac{\text{Cash and bank balances + Current investments}}{\text{Current liabilities}}$$

This is a very stringent measure of liquidity or a variation of quick ratio. Indeed lack of immediate cash may not matter if the firm can stretch its payments or borrow money at short notice. Generally, 0.75:1 ratio is recommended to ensure liquidity. This test is more rigorous measure of a bank's liquidity position. If the ratio is 1:1, then the bank has enough cash on hand to meet all current liabilities. This type of ratio is not widely used in practice.

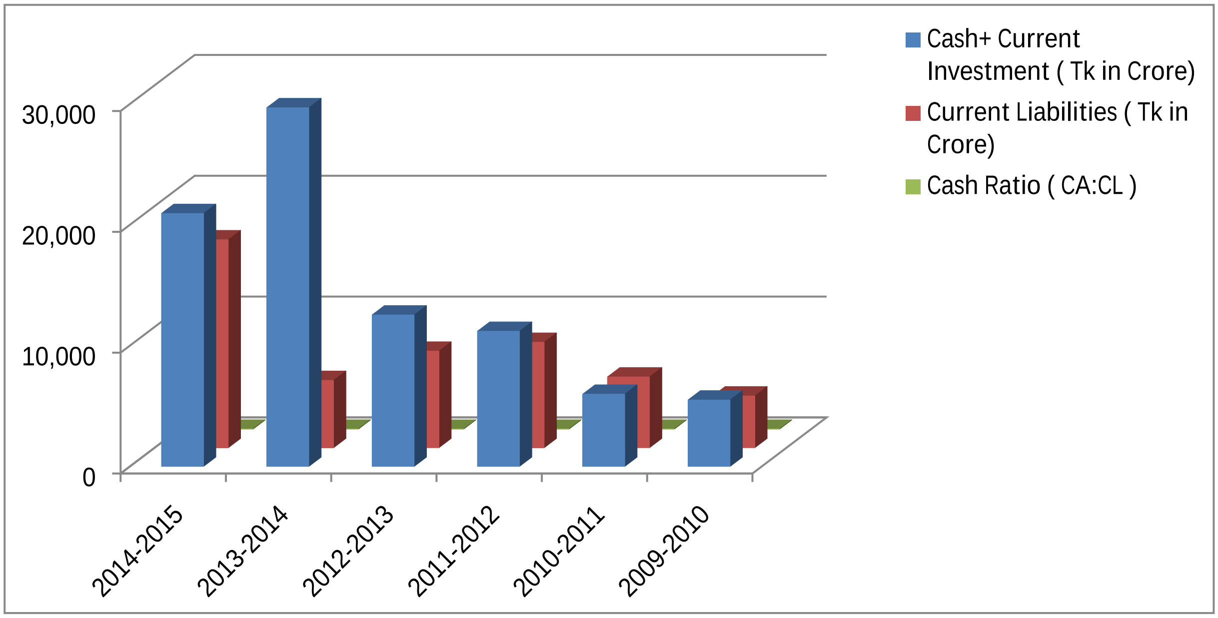
Table- 4.2

Cash ratio of Agrani Bank Limited during the period 2009- 2010 to 2014- 2015:

Year	Cash+ Current Investment (Tk in Crore)	Current Liabilities (Tk in Crore)	Cash Ratio (CA:CL)
2014-2015	20,950	17,225	1.22
2013-2014	29,702	5,584	3.53
2012-2013	12,548	8,006	0.16
2011-2012	11,199	8,741	1.28
2010-2011	5,992	5,869	1.02
2009-2010	5,510	4,298	1.28

Source: Audited annual reports of Agrani Bank Limited.

Graph-4.2: Graphical presentation of cash ratio of Agrani Bank Limited.



Comment: The average ratio is 1.415: 1.00 and the standard is 1:1 so we can see the ratio met the standard. In period 2014-2015 cash ratio 1.22 that also met the standard. Without 2012-2013 session all ratio present satisfactory result. From the above analysis it is clear that the Bank carries an enough amount of cash. So it shows that the amount held in the hand is sufficient for operating activities. It may willing the creditor to give sufficient amount in due time when the bank may required.

4.4.4 Net Working Capital

The difference between current assets and current liabilities excluding short- term borrowing is called net working capital (NWC) or net current assets (NCA) NWC is sometimes used as a measure of a bank's liquidity.

NWC= current assets- current liabilities

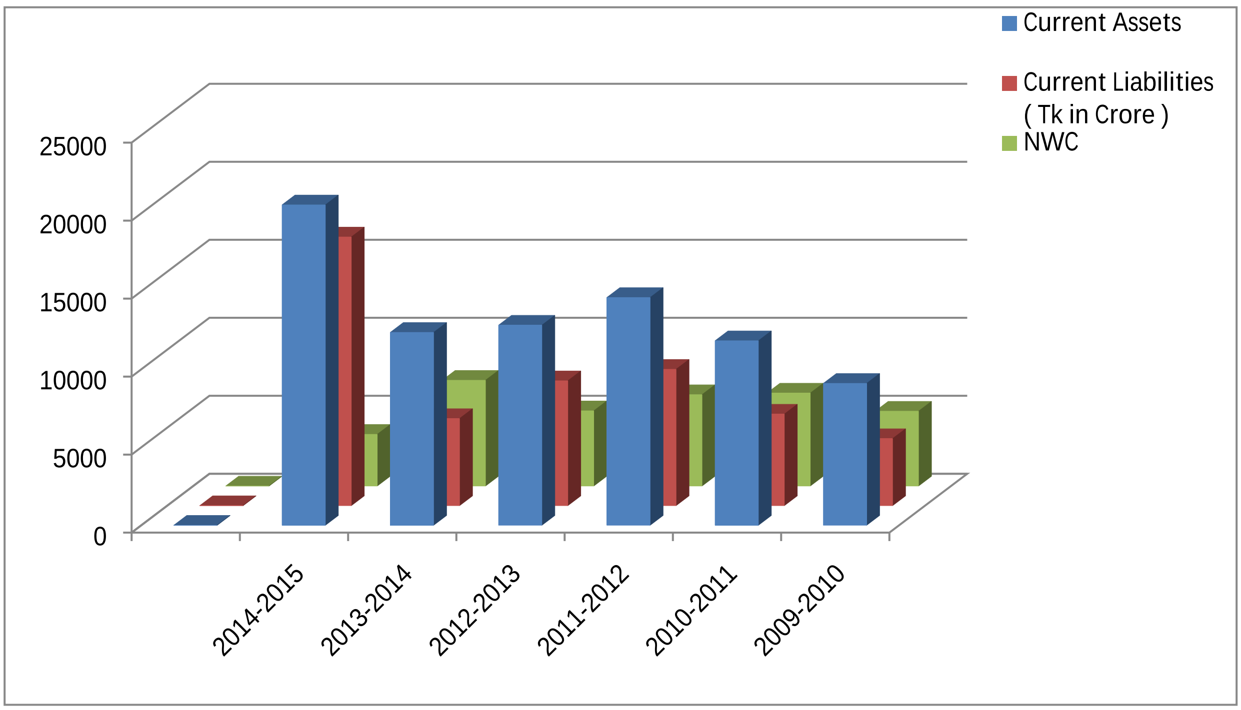
Table-4.3

Net working capital ratio of Agrani Bank Limited during the period 2009-2010 to2014-2015:

Year	Current Assets (Tk in Crore)	Current Liabilities (Tk in Crore)	NWC
2014-2015	20,540	17,225	3,315
2013-2014	12,365	5,584	6,781
2012-2013	12,829	8,006	4,823
2011-2012	14,601	8,742	5,859
2010-2011	11,829	5,869	5,960
2009-2010	9,096	4,298	4,798

Source: Audited annual reports of Agrani Bank Limited.

Graph-4.3: Graphical presentation of net working capital ratio of Agrani Bank Limited.



Comment: The current assets of Agrani Bank Ltd. Is average 1.53 times its current liabilities according to its average NWC is in a good position. But in the last two session NWC is not satisfactory. A bank should have sufficient NWC in order to be able to meet the claims of the creditors and the day to day needs of Business. The greater is the amount of NWC the greater is the liquidity of the Bank.

4.4.5 Loan to Deposit Ratio

Loan to Deposit Ratio The ratio shows the relationship between Loan and advances with deposit.

Loan to Deposit Ratio (Loan to Deposit Ratio = Loans/Deposits)

The loan-to-deposit ratio (LTD) is a commonly used statistic for assessing a bank's liquidity by dividing the banks total loans by its total deposits. This number, also known as the LTD ratio, is expressed as a percentage. If the ratio is too high, it means that banks might not have enough liquidity to cover any unforeseen fund requirements; if the ratio is too low, banks may not be earning as much as they could be.

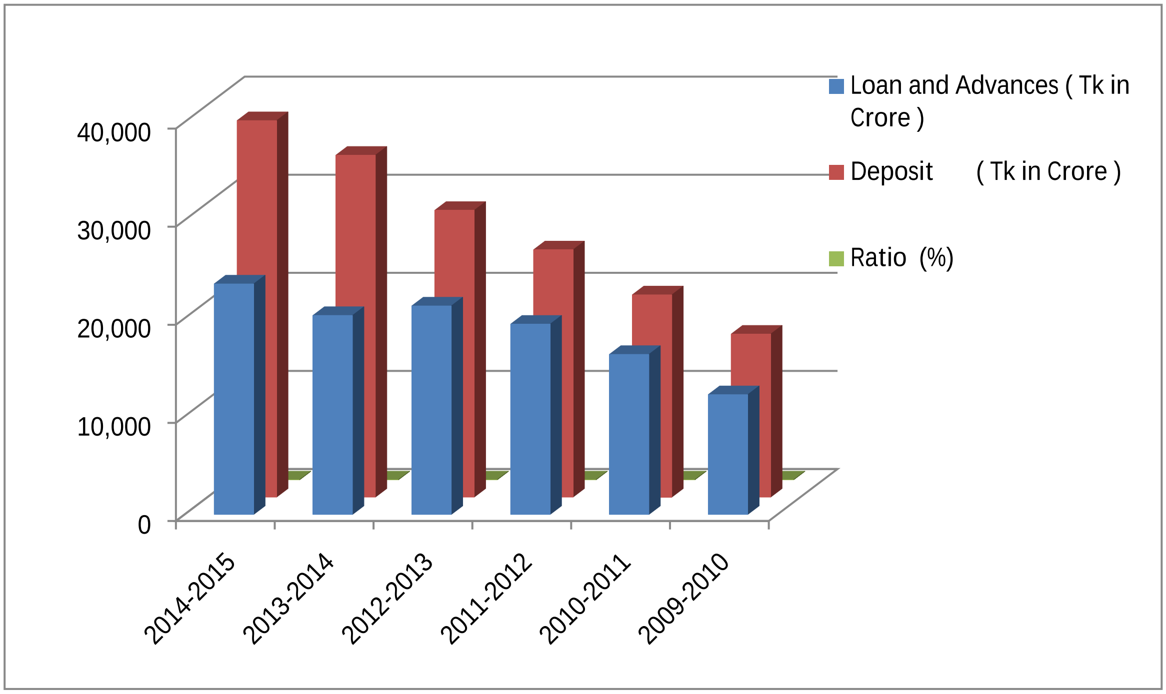
Table-4.4

Loan and advances to deposit ratio of Agrani Bank Limited during the period 2009-2010 to2014-2015:

Year	Loan and Advances (Tk in Crore)	Deposit (Tk in Crore)	Ratio (%)
2014-2015	23,509	38,392	61.23%
2013-2014	20,297	34,868	58.21%
2012-2013	21,266	29,243	72.72%
2011-2012	19,409	25,221	76.95%
2010-2011	16,326	20,633	79.13%
2009-2010	12,224	16,628	73.51%

Source: Audited annual reports of Agrani Bank Limited.

Graph-4.4: Graphical presentation of Loan and advances to deposit ratio of Agrani Bank Limited.



Comment: The standard loan to deposit ratio is 2:3 but in the above figure we can see higher ratio it means that banks might not have enough liquidity to cover any unforeseen fund requirements; if the ratio is too low, banks may not be earning as much as they could be. In session 2014-2015 the percentage near to meet the standard that is good sign.

PROFITABILITY ANALYSIS OF ABL.

4.5 CONCEPT OF PROFIT

Generally profits are defined as the difference between revenues and costs, as follows:

T_i= PQ – C

Here, T_i= Profits, P= Price per unit, Q= Quantities, C= Costs.

According to J'R' Hicks “A company’s profit for the year is the maximum value which the company can distribute during the year and still expect to be as well off at the end of the year as it was at the beginning.”

For a single transaction, the excess of the selling price of the article or service being sold over the costs of providing it. For a period of trading, the surplus of net assets at the end of a period over the net assets at the start of that period, adjusted where relevant for amounts of capital injected or withdrawn by the proprietors' as profit is notoriously hard to define, it is not always possible to derive one single figure or profit for an organization from an accepted set of data.

Profits are usually defined in two senses-

1. Accounting profit
2. Economic profit

4.5.1. Accounting Profit

The figure of accounting profit is the results of the application of IAS, IFRS. The computation of accounting profit affected by the arbitrary allocated of expenditure between revenue expenditure (expired cost) and capital expenditure (Unexpired cost).

4.5. 2. Economic Profit

In economic sense profit means met increase in the owners wealth, viz, cash flow plus change in the value of the bank assets. Price level change does not complete the measurement the economic profit.

4.6 MEANS OF PROFITABILITY

Profitability means the capacity or potential of a project or an organization to make a profit. Measures of profitability include return on capital employed, positive net cash flows, and the ratio of net profit to sales.

Profitability is the profit earning capacity of a product, process, plant or an undertaking. Whether or not a company pursues profit maximization as its objective, the majority of users of accounts will be interested in its profitability, which is how well the directors are using the resources at their disposal.

4.7 OBJECTIVES OF PROFITABILITY MEASUREMENT

Profitability measurement is an important guide to proper and effective management in various fields. Objectives profitability measurements are:

i. To evaluate the performance of the Bank.
ii. To evaluate the long term fitness of the Bank.
iii. To know about the improvements of efficiency.
iv. To forecast about future working capital condition.

4.8 PROFITABILITY RATIO

For the accountant and business manager, profit is synonymous with owner's and is found by subtracting costs, including interest charges from the total revenue accruing to a bank during a particular period of its operations. Profit is the figure at the bottom of the income statement what is left for shareholders after all the charges have been paid. Profit is any volume and profitability is a ratio. Being a ratio, profitability is a meaningful measure and can be used as an effective standard of performance regardless of a bank's size.

4.9 CLASSIFICATION OF PROFITABILITY RATIO

Profitability ratios can be classified into:

A) Earning Power.

B) Net Profit Ratio.

C) Return on Assets.

D) Return on Equity.

E) Earnings per Share.

F) Dividend per Share.

G) Equity to Total Assets.

4.10 PROFITABILITY ANALYSIS OF ABL:

4.10.1 Earnings Power

The best measure of profitability is a bank's earning power. It is calculated by dividing earnings before interest and taxes by total assets.

Earnings Power= Earnings before interest and taxes (EBIT) / Total assets.

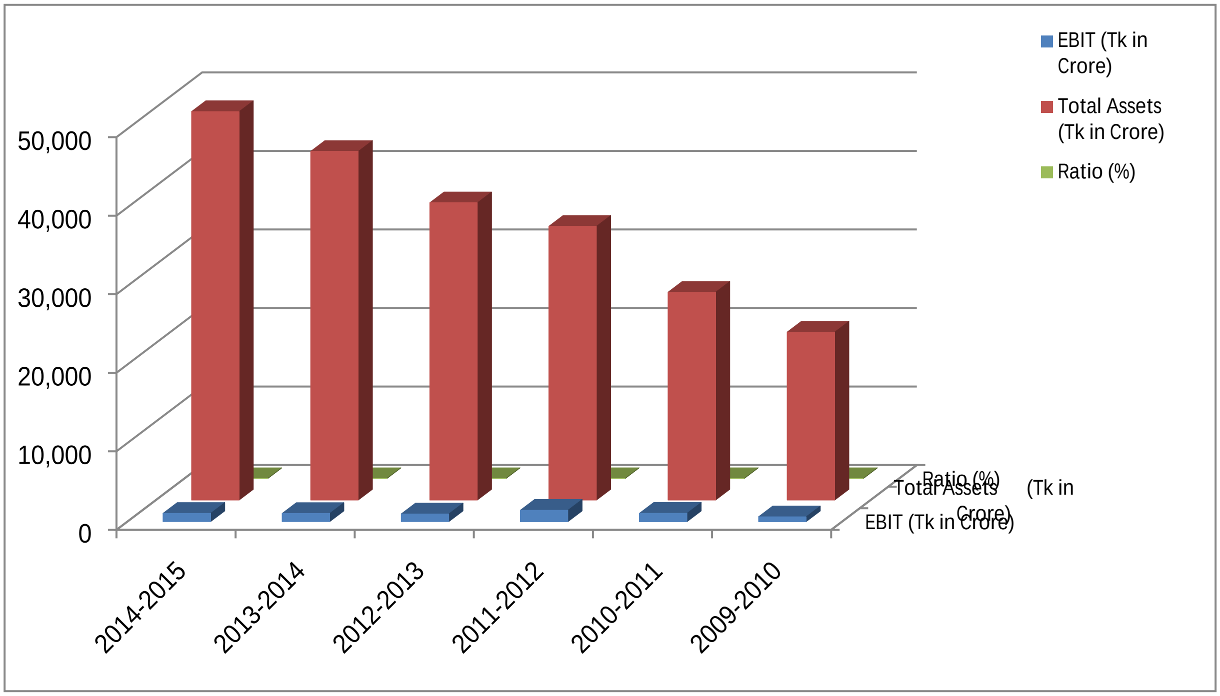
Table- 4.4

Statement of Earnings Power of Agrani Bank Limited during the period 2009-2010 to 2014-2015 is given below:

Year	EBIT (Tk in Crore)	Total Assets (Tk in Crore)	Ratio (%)
2014-2015	1,074	49,487	2.17
2013-2014	1,064	44,416	2.40
2012-2013	1,007	37,872	2.66
2011-2012	1,474	34,882	4.23
2010-2011	1,086	26,485	4.10
2009-2010	644	21,406	3.01

Source: Audited annual reports of Agrani Bank Limited.

Graph- 4.4: Graphical presentation of Earnings Power of Agrani Bank Limited.



Comment: From it, the earning power of the bank is in a regressive position. The average earnings power ratio is 3.095. The high ratio of earnings power is a sign of good management but here EBIT not increase as much as total assets increase each session.

4.10.2 Net Profit ratio

Net Profit Margin is also known as net margin. This measures the relationship between net profits and sales. The net profit margin ratio is defined as:

Net profit= Earnings after interest and taxes (EAT)/ Net sales.

This ratio shows the earnings left for shareholders (both-equity and preference) as a percentage of net sales. It measures the overall efficiency of production, administration, selling, financing, pricing and. tax management.

A high net profit ratio would ensure adequate return to the owners as well as enable a bank to withstand adverse economic conditions when selling price is declining, cost of production is rising, and demand for the product is falling.

A low net profit ratio has opposite implications. However, a bank with a low profit margin, can earn a high rate of return on investments if it has a higher inventory turnover.

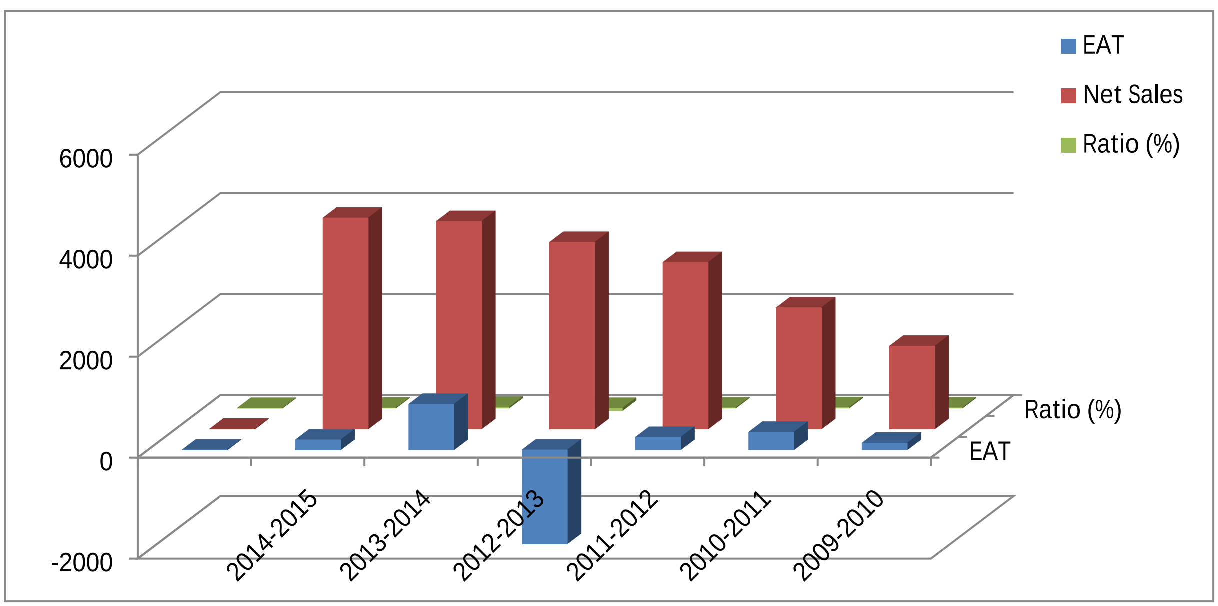
Table- 4.5

Statement of net profit ratio of Agrani Bank Limited during the period 2009-2010 to 2014-2015 is given below:

Year	EAT (Tk in Crore)	Net Sales (Tk in Crore)	Ratio (%)
2014-2015	199	4,181	4.76
2013-2014	905	4,114	22.00
2012-2013	(1,862.06)	3,700	(50.32)
2011-2012	249.99	3,302	7.57
2010-2011	351.67	2,404	14.64
2009-2010	135.55	1,643	8.28

Source: Audited annual reports of Agrani Bank Limited.

Graph- 4.5: Graphical presentation of net profit ratio of Agrani Bank Limited.



Comment: The Agrani Bank Limited net profit ratio falls in session 2012-2013 but the bank tries to get rid of this problem session 2013-2014 and session 2014-2015 ratio is not as much as need the bank should take initiative measure to get rid from this situation.

4.10.3 Return on Assets

Return on assets (ROA) Here, the profitability ratio is measured in terms of the relationship between net profits and assets. The return on Assets is defined by:

ROA= Profit after tax/ Average total assets

ROA is a odd measure because its numerator measures the return to shareholders but its denominator represents the all investors.

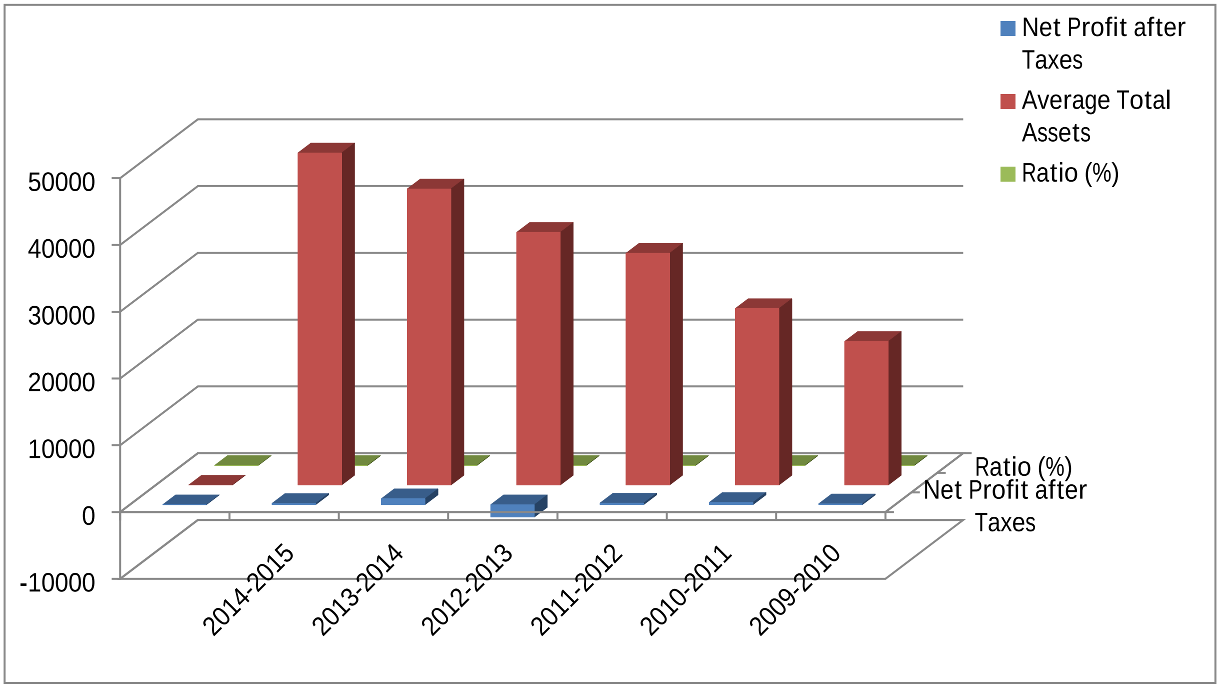
Table- 4.6

Statement of return on assets of Agrani Bank Limited during the period 2009-2010 to 2014-2015 is given below:

Year	Net Profit after Taxes (Tk in Crore)	Average Total Assets (Tk in Crore)	Ratio (%)
2014-2015	199	49,750	0.40
2013-2014	905	44,360	2.04
2012-2013	(1,862.06)	37,850	(4.92)
2011-2012	249.99	34,721	0.72
2010-2011	351.67	26,441	1.33
2009-2010	135.55	21,516	0.63

Source: Audited annual reports of Agrani Bank Limited.

Graph- 4.6: Graphical presentation of return on assets of Agrani Bank Limited.



Comment: From it, the return on assets of the bank is in a regressive position. The average ratio 0.03% The Agrani Bank Limited return on assets falls in session 2012-2013 but the bank tries to get rid of this problem session 2013-2014 and session 2014-2015 ratio is not as much as need the bank should take initiative measure to get rid from this situation.

4.10.4 Return on Equity

According to this ratio, profitability is measured by dividing net profits after taxes (but before preference dividend) by the average total shareholders' equity.

Return on Equity = (Net profit after taxes / Total stockholder's equity)* 100.

The ratio reveals how profitability the owners' funds have been utilized by the bank. A comparison of this ratio with that of similar bank as also with the industry average will throw light on the relative performance and strength of the bank.

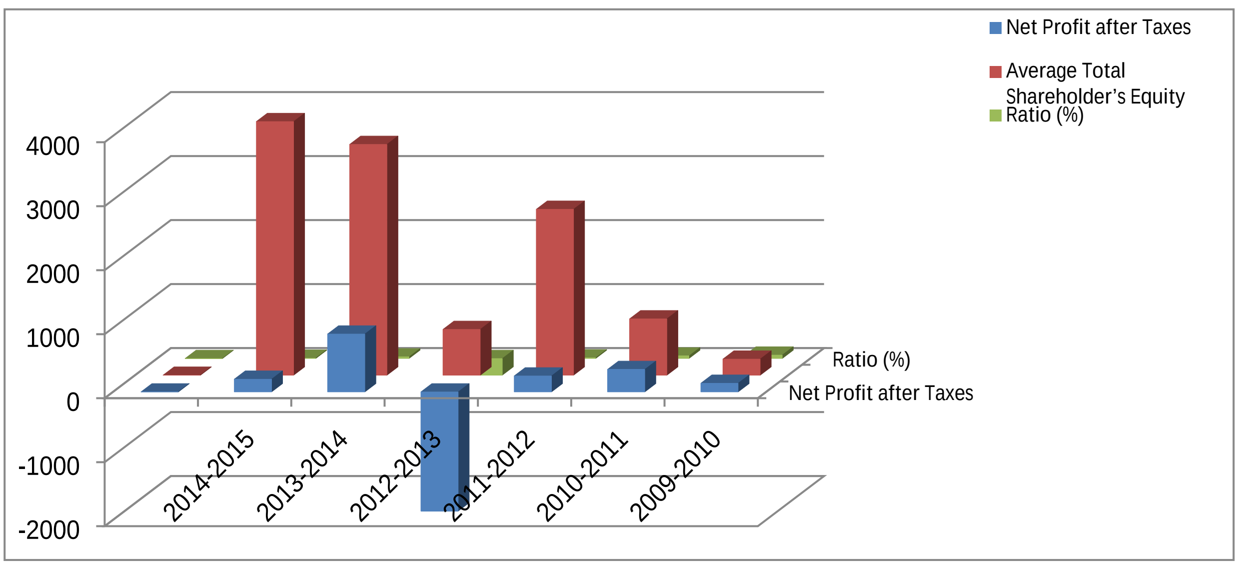
Table-4.7

Statement of return on equity of Agrani Bank Limited during the period 2009-2010 to 2014-2015 is given below:

Year	Net profit after taxes (Tk in Crore)	Average Total Shareholder's Equity (Tk in Crore)	Ratio (%)
2014-2015	199	3,964	5.02
2013-2014	905	3,607	25.09
2012-2013	(1,862.06)	716	(259.94)
2011-2012	249.99	2,593	9.64
2010-2011	351.67	881	39.91
2009-2010	135.55	252	53.75

Source: Annual reports of Agrani Bank Limited.

Graph- 4.7: Graphical presentation of return on equity of Agrani Bank Limited.



Comment: From the table & chart 2014-2015 banks net profit after taxes is decreasing. The average ratio (21.08%) The Agrani Bank Limited return on equity falls in session 2012-2013 because net profit after taxes falls heavily but the bank tries to get rid of this problem session 2013-2014 and session 2014-2015 ratio is not as much as need the bank should take initiative measure to get rid from this situation.

4.10.5 Earnings per Share

Earnings per share (EPS) is a widely used ratio. It measures the profit available to the equity shareholders on a per share basis, that is, the amount that they can get on every share held. It is calculated by dividing the profit available to the equity shareholders by the number of the outstanding shares. The profits available to the ordinary shareholders are represented by net profits after taxes and preference dividend. Thus

EPS= Net Profit Available to Equity-holders / No. of Ordinary Shares Outstanding.

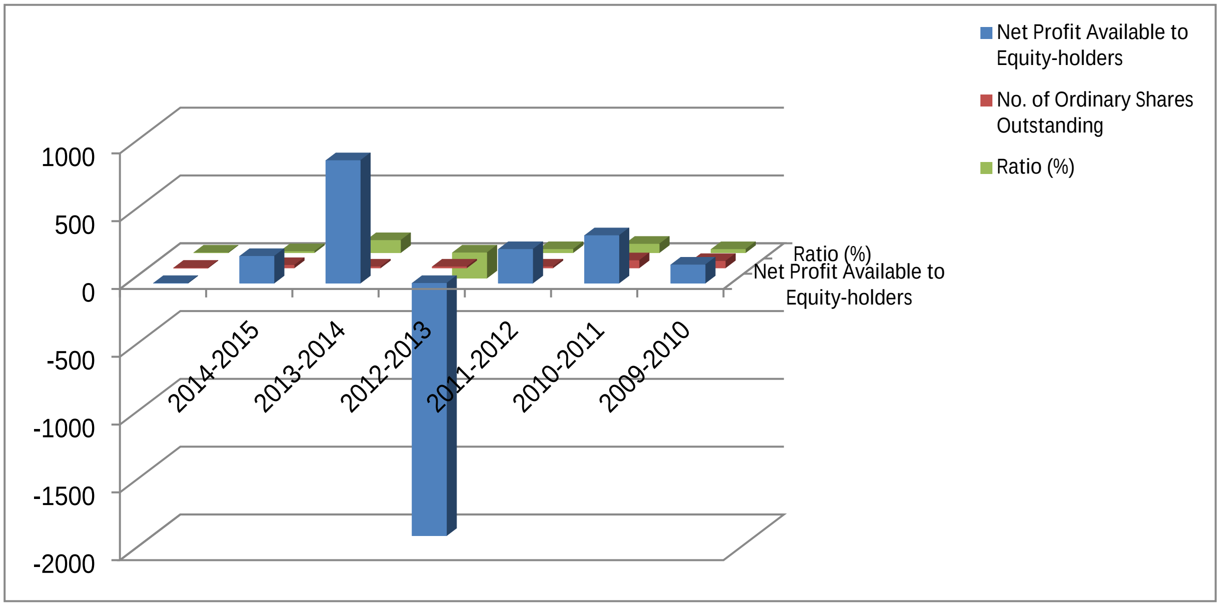
Table – 4.8

Statement of earnings per share of Agrani Bank Limited during the period 2009-2010 to 2014-2015 is given below:

Year	Net Profit Available to Equity-holders (Tk in Crore)	No. of Ordinary Shares Outstanding (Tk in Crore)	Ratio (%)
2014-2015	199	20	9.58
2013-2014	905	9	91.28
2012-2013	(1,862.06)	9	(187.84)
2011-2012	249.99	9	25.22
2010-2011	351.67	55	64.35
2009-2010	135.55	50	24.80

Source: Annual reports of Agrani Bank Limited

Graph- 4.9: Graphical presentation of Earnings per share of Agrani Bank Limited.



Comment: EPS is declining year to year. The average ratio 4.565 The Agrani Bank Limited EPS falls in session 2012-2013 because net profit after taxes falls heavily but the bank tries to get rid of this problem session 2013-2014 and session 2014-2015 ratio is not as much as need the bank should take initiative measure to get rid from this situation.

4.10.6 Dividend per Share

Dividend per share (DPS) is dividend paid to the equity shareholders on a per share basis. It define as

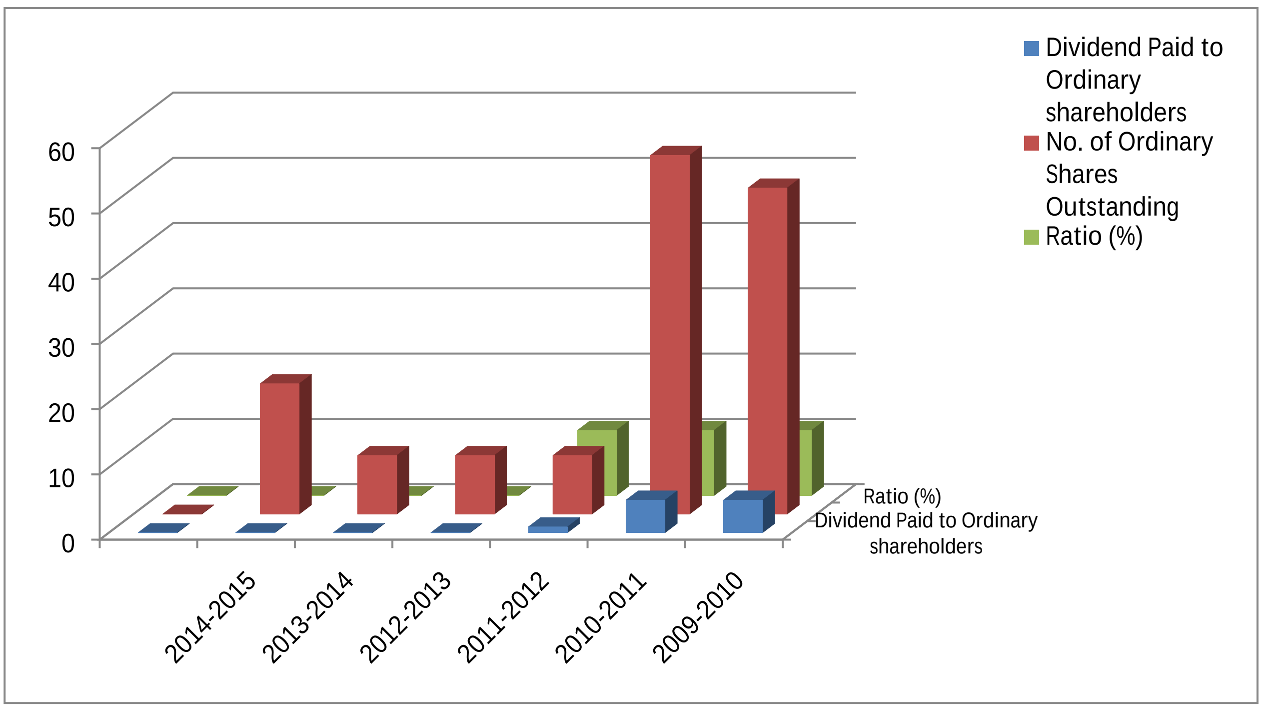
DPS= Dividend Paid to Ordinary shareholders/ No. of Ordinary Shares Outstanding

Table – 4.10

Statement of dividend per share of Agrani Bank Limited during the period 2009-2010 to 2014-2015 is given below:

Year	Dividend Paid to Ordinary shareholders (Tk in Crore)	No. of Ordinary Shares Outstanding (Tk in Crore)	Ratio (%)
2014-2015	0	20	0
2013-2014	0	9	0
2012-2013	0	9	0
2011-2012	0.9	9	10.00
2010-2011	5	55	10.00
2009-2010	5	50	10.00

Graph- 4.10: Graphical presentation of dividend per share of Agrani Bank Limited.



Comment: DPS year 2009 to 2011 was 10% but year 2012 to 2014 it turned to 0% because net profit falls session 2012-2013 that's why bank have not ability to pay DPS to its shareholder.

4.10.7 Equity to Total Assets

This ratio is often known as the proprietary ratio or stockholder's equity ratio.

Proprietary Ratio =Shareholders Funds / Total Assets.

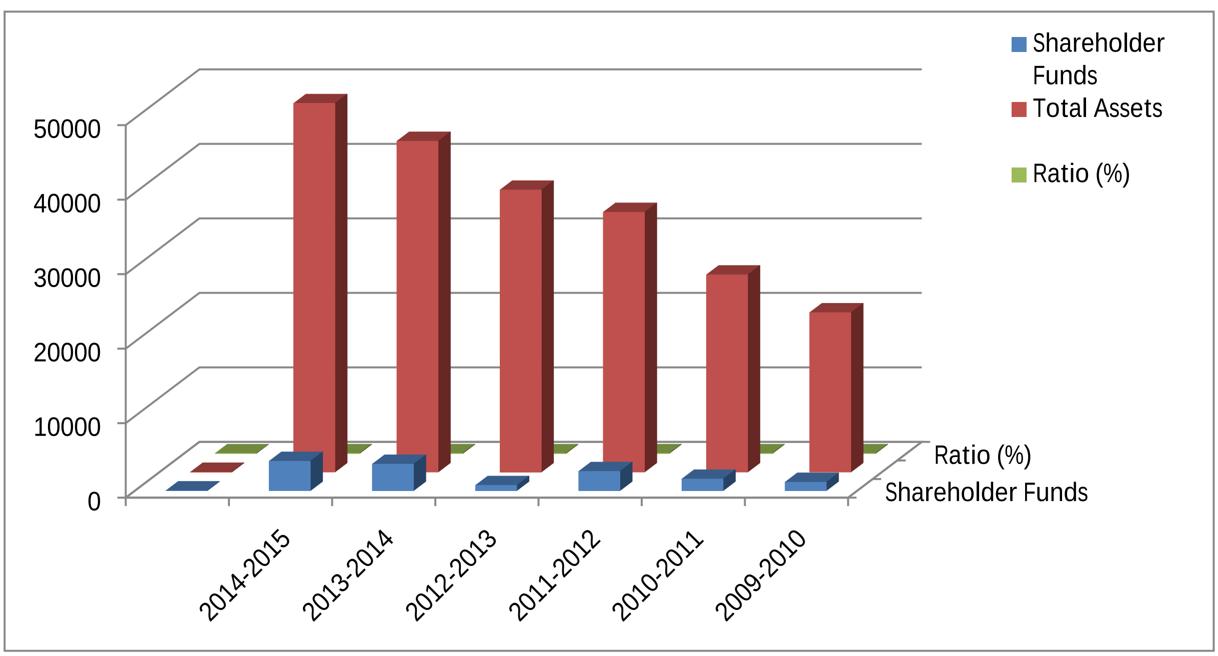
Table – 4.11

Statement of equity to total Assets of Agrani Bank Limited during the period 2009-2010 to 2014-2015 is given below:

Year	Shareholder Funds (Tk in Crore)	Total Assets (Tk in Crore)	Ratio (%)
2014-2015	3956.66	49487	8.00
2013-2014	3564.09	44416	8.02
2012-2013	717	37872	1.89
2011-2012	2594	34882	7.44
2010-2011	1571.73	26485	5.94
2009-2010	1144.09	21406	5.34

Source: Audited annual reports of Agrani Bank Limited.

Graph- 4.11: Graphical presentation of equity to total Assets of Agrani Bank Limited.



Comment: The acceptable norm of the ratio is 1:3. The ratio shows the general strength of the bank. Higher ratio indicates a secured position to creditors and a low ratio indicates greater risk to creditors. A ratio below 50% may be alarming for the creditors since they may have to lose heavily in the event of bank's liquidation on account of heavy losses. In the graph equity to total assets ratio is highly positive.

CAPITAL ADEQUACY RATIO

4.11 CAPITAL ADEQUACY RATIO

Capital Adequacy Ratio (CAR), also known as Capital to Risk (Weighted) Assets Ratio (CRAR), [1] is the ratio of a bank's capital to its risk. National regulators track a bank's CAR to ensure that it can absorb a reasonable amount of loss and complies with statutory Capital requirements. It is a measure of a bank's capital. It is expressed as a percentage of a bank's risk weighted credit exposures. This ratio is used to protect depositors and promote the stability and efficiency of financial systems around the world. Two types of capital are measured: tier one capital, which can absorb losses without a bank being required to cease trading, and tier two capital, which can absorb losses in the event of a winding-up and so provides a lesser degree of protection to depositors.

Formula: Capital adequacy ratios (CARs) are a measure of the amount of a bank's core capital expressed as a percentage of its risk- weighted asset. Capital adequacy ratio is defined as:

CAR= (Tier 1 Capital +Tier 2 Capital) /Risk weighted assets

TIER 1 CAPITAL = (paid up capital + statutory reserves + disclosed free reserves) - (equity investments in subsidiary + intangible assets + current & b/ f losses)

TIER 2 CAPITAL = A) Undisclosed Reserves + B) General Loss reserves + C) hybrid debt capital instruments and subordinated debts.

Where, risk can either be weighted assets (a) or the respective national regulator's minimum total capital requirement. If using risk weighted assets,

CAR= $[(T1+T2)/a] \geq 10\%$. [1]

The percent threshold varies from bank to bank (10% in this case, a common requirement for regulators conforming to the Basel Accords) and is set by the national banking regulator of different countries.

4.12 USE OF CAPITAL ADEQUACY RATIO

Capital adequacy ratio is the ratio which determines the bank's capacity to meet the time liabilities and other risks such as credit risk, operational risk etc. In the most simple formulation, a bank's capital is the "cushion" for potential losses, and protects the bank's depositors and other lenders. Banking regulators in most countries define and monitor CAR to protect depositors, thereby maintaining confidence in the banking system. [1]

CAR is similar to leverage; in the most basic formulation, it is comparable to the inverse of debt-to- equity leverage formulations (although CAR uses equity over assets instead of debt- to-equity; since assets are by definition equal to debt plus equity, a transformation is required). Unlike traditional leverage, however, CAR recognizes that assets can have different levels of risk.

4.13 RISK WEIGHTING

Since different types of assets have different risk profiles, CAR primarily adjusts for assets that are less risky by allowing banks to "discount" lower-risk assets. The specifics of CAR calculation vary from country to country, but general approaches tend to be similar for countries that apply the Basel Accords. In the most basic application, government debt is allowed a 0% "risk weighting" - that is, they are subtracted from total assets for purposes of calculating the CAR.

Risk weighting example

Risk weighted assets - Fund Based: Risk weighted assets mean fund based assets such as cash, loans, investments and other assets. Degrees of credit risk expressed as percentage weights have been assigned by the national regulator to each such assets.

Non-funded (Off-Balance sheet) Items : The credit risk exposure attached to off-balance sheet items has to be first calculated by multiplying the face amount of each of the off-balance sheet items by the Credit Conversion Factor . This will then have to be again multiplied by the relevant weight.

4.14 TYPES OF CAPITAL

The Basel rules recognize that different types of equity are more important than others. To recognize this, different adjustments are made:

1. Tier I Capital: Actual contributed equity plus retained earnings.

2. Tier II Capital: Preferred shares plus 50% of subordinated debt.

Different minimum CARs are applied: for example, the minimum Tier I equity allowed by statute for risk-weighted assets may be 4%, while the minimum CAR when including Tier II capital may be 8%.

There is usually a maximum of Tier II capital that may be "counted" towards CAR, which varies by jurisdiction.

4.15 CAPITAL ADEQUACY RATIO OF ABL.

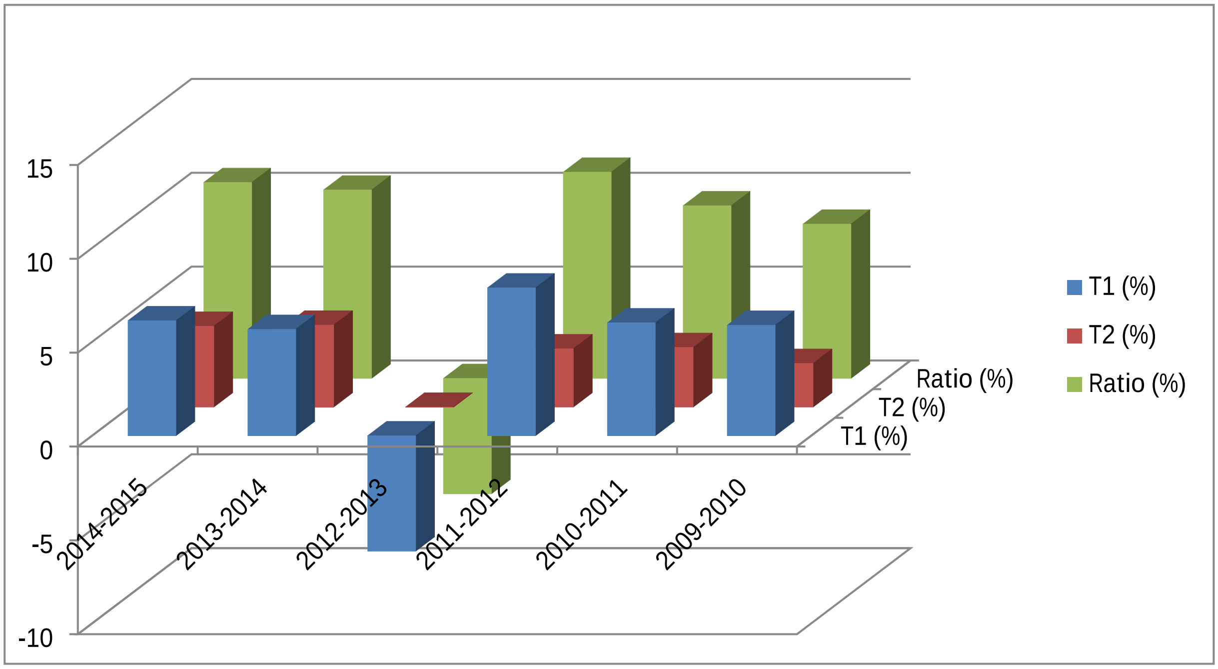
Statement of capital adequacy ratio of Agrani Bank Limited during the period 2009-2010 to 2014-2015 is given below:

Table – 4.12

Year	T_1 (%)	T_2 (%)	Ratio (%)
2014-2015	6.13	4.31	10.44
2013-2014	5.67	4.37	10.04
2012-2013	(6.15)	-	(6.15)
2011-2012	7.88	3.11	10.99
2010-2011	6.02	3.18	9.20
2009-2010	5.89	2.33	8.22

Source: Audited annual reports of Agrani Bank Limited.

Graph- 4.12: Graphical presentation of capital adequacy ratio of Agrani Bank Limited.



Comment: Without year 2012 CAR is positive. From year 2013 it is increasing that is good sign for the bank. Because it shows enough fund.

CHAPTER 5

INTERPRETATION [as Management]

5.1 FINANCIAL POSITION FROM THE POINT OF VIEW OF ABL.'S MANAGEMENT

Significant ratio

Particular	2014	2013	2012	2011	2010	2009
Current ratio	1.19%	2.21%	1.60%	1.67%	2.20%	2.12%
Cash position ratio	1.22: 1.00	3.53: 1.00	0.16: 1.00	1.28: 1.00	1.02: 1.00	1.28: 1.00
NWC	3315	6781	4823	5859	5960	4798
Loan to deposit ratio	61.23%	58.21%	72.72%	76.95%	79.13%	73.51%
Earning Power	2.17%	2.40%	2.66%	4.23%	4.10%	3.00%
Net Profit Ratio	4.76%	22.00%	(50.32%)	7.75%	14.64%	8.28%
Return on Assets	0.40%	2.04%	(4.92%)	0.72%	1.33%	0.63%
Return on Equity	5.02%	25.09%	(259.94%)	9.64%	39.91%	53.75%
Earnings per Share	9.58	91.28	(187.84)	25.22	64.35	24.80
Dividend per Share	–	–	–	10%	10%	10%
Equity total assets	8.00%	8.02%	1.89%	7.44%	5.94%	5.34%
CAR	10.44%	10.04%	(6.15%)	10.99%	9.20%	8.22%

Management: The bank management of Agrani Bank Limited would be interested in examining all the aspects of the bank's financial position. Our appraisal is based only upon norms and standard of these ratios.

An examination of the statement of changes in financial position, the emerging liquidity position of the bank appears to be highly satisfactory without year 2014 but the average current ratio is 1.80: 1.00 that met the norms. Though cash position ratio declining year to year its met the standard 0.75: 1.00, in year 2014 the ratio 1.22: 1.00. The net working capital is also satisfactory. The standard loan to deposit ratio is 2:3 but in the above figure we can see higher ratio it means that banks might not have enough liquidity to cover any unforeseen fund requirements; if the ratio is too low, banks may not be earning as much as they could be. The loan to deposit ratio is not satisfactory. In session 2014-2015 the percentage near to meet the standard that is good sign.

The earnings power was increasing year 2009 to 2011. But in 2012 it's turn 2.66%, in 2013 it's 2.40% and in 2014 it's 2.17%. The net profit ratio falls heavily from year 2013 to year 2014, 22.00% to 4.76% and year 2012 net profit ratio was (50.32%) for unstable political and economical condition. Decrease return on assets ratio, return on equity ratio and earnings per share year to year. Dividend per share was 10% year 2009 to 2011 but it decrease 0% from year 2012 to 2014. Equity to total assets ratio increased year 2009 to 2011 and fall in year 2012 then looks like stable from year 2013 to 2014.

Capital adequacy ratio (CAR) is a measure of a bank's capital. It is expressed as a percentage of a bank's risk weighted credit exposures. This ratio is used to protect depositors. 10% is the standard. In year 2014 CAR is 10.44% that means the bank has adequate capital. This is more than standard.

In conclusion, the bank financial position hasn't become so bad that it cannot be cured. What is thorough investigation.

CHAPTER 6

FINDINGS AND SUGGESTION

6.1 SUMMARY AND FINDINGS

The success of a bank depends on improved service delivery to its customers. Now so many banks in the country have emerged to cater to the needs of customers. But most of the bank in Bangladesh uses conventional banking system. The Agrani Bank Ltd., Khandar Branch, Bogra is not exception to these trends.

While working on financial statement and desk to desk work, I had the following observations:

1. Current ratio appears to be highly satisfactory because it has met Bangladesh banking standard but the session 2011-2012, session 2012-2013 and session 2014-2015 ratios are not meet international standard 2:1.
2. In period 2014-2015 cash ratio 1.22 met the standard without 2012-2013 session all ratio present satisfactory result. The Bank carries an enough amount of cash for operating activities. It may willing the creditor to give sufficient amount in due time when the bank may required.
3. The current assets of Agrani Bank Ltd. Is average 1.53 times its current liabilities according to its average net working capital (NWC) is in a good position. But in the last two session NWC not satisfactory. A Bank should have sufficient NWC in order to be able to meet the claims of the creditors and the day to day needs of Business. The greater is the amount of NWC the greater is the liquidity of the Bank.
4. The standard loan to deposit ratio is 2:3, higher ratio it means that banks might not have enough liquidity to cover any unforeseen fund requirements; if the ratio is too low, banks may not be earning as much as they could be. Agrani Bank Ltd. loan to deposit ratio not meet the standard the result of loan to deposit ratio are high that is not satisfactory.
5. The high ratio of earnings power is a sign of good management but here EBIT not increase as much as total assets increase each session. The earning power of the bank is in a regressive position.
6. The Agrani Bank Limited net profit ratio falls in session 2012-2013 but the bank tries to get rid of this problem session 2013-2014 and session 2014-2015 ratio is not as much as need.

7. The Agrani Bank Limited return on assets falls in session 2012-2013 but the bank tries to get rid of this problem session 2013-2014 and session 2014-2015 but the ratio is not as much as need.
8. Session 2014-2015 banks net profit after taxes is decreasing. The Agrani Bank Limited return on equity falls in session 2012-2013 because net profit after taxes falls heavily but the bank tries to get rid of this problem session 2013-2014 and session 2014-2015.
9. The Agrani Bank Limited EPS falls in session 2012-2013 because net profit after taxes falls heavily but the bank tries to get rid of this problem session 2013-2014 and session 2014-2015 ratio is not as much as need.
10. Dividend per share (DPS) year 2009 to 2011 was 10% but year 2012 to 2014 it turned to 0% because net profit falls session 2012-2013 that's why bank have not ability to pay DPS to its shareholder.
11. Without year 2012 capital adequacy ratio (CAR) is positive. From year 2013 it is increasing that is good sign for the bank.
12. Agrani bank limited, Khandar Branch seeks credit report in case of loans and advances that takes more time.
13. In some cases, loans and advances are sanctioned due to the interference of invisible hand. It increases the amount of classified loan and advance.
14. Information are acquired by the bank official to appraise a loan proposal are not enough to evaluate a borrower quality i.e. whether a high risk borrowers or low risk borrowers.
15. Political interference should be avoided in both credit disbursement and recovery. If it is possible to solve these problems, the bank will perform the liquidity and profitability smoothly.

6.2 POLICY AND SUGGESTIONS

In ratio analysis the bank indicates some poor and some good performance. Agrani bank ltd. should improve some sectors to overcome some poor situations. They should improve their fund and quality management to get ride for some poor performance situation. They should improve their fund by utilizing their money. In the light of the findings of this study, the following policy suggestions are made to increase the profitability of this bank to overcome this situation.

1) The Agrani Bank Ltd. should follow the internal control and compliance because some ratios do not meet international standard that indicates negative signal.
2) The banks should follow rules and regulations properly to earn enough profit for retain earnings and pay dividend.
3) The bank should invest profitable project to increase profitability.
4) The Bank should select proper entrepreneurs before disbursing the loan.
5) The Bank should collect the data of the project that wants to get loan. Then analyze the data to determine the financial position and the management condition. If the financial position is good and the management is efficient then it should be sanctioned loan.
6) Sanctioned money should not be paid at a time. It should be paid in different stages.
7) Adequate foreign currencies have to be collected.
8) Must perform Credit Risk Grading (CRG), SWOT analysis and Lending Risk analysis before selecting project for loans disbursement.
9) Political interference has to be avoided in both credit disbursement and recovery. Political influence in loan sanction and recovery may create overdue. As a result, the Agrani Bank Limited would take many unprofitable projects.
10) Publishing the names of defaulter's as well as good and regular payers. In various dailies and granting various sorts of facilities to good borrowers will create a moral persuasion on the borrowers. This may decrease the number of defaults and the volume of large outstanding loan amount as well.
11) Pressure from outsider and influence extorted by borrowers are also a great impediment in the smoothes functioning of loan recovery process. The role of government in this case is the most important factor required solving these sorts of problems.
12) More and more competent personals are required to be employed as per requirements of Agrani Bank Limited so that there will be the least possibility of wrong appraisal and evaluation of projects. Government embargo on the employment of Agrani Bank Limited must be relaxed in order to stop the recurrence of this default. Moreover, action must be taken against the willful defaulters will also be of much help.
13) The new entrepreneurs should be encouraged in disbursing loans and those who have the records of regular repayment should be give preference.

14) It is observed that the defaulters generally get various sorts of exemptions as declared by the government from time. Government must not show any kind of mercy to the defaulters in any ways, which may encourage the default culture. This type of action may discourage the borrowers to become willful defaulters.

6.3 CONCLUSION

Agrani Bank limited is a state owned commercial bank. It is committed to provide high quality financial services/ products to contribute to the Grows domestics production of the country through stimulating trade and commerce, accelerating the pace of industrialization, boosting up export, creating employment opportunity for the educated youth, raising standard of living of limited income group and overall sustainable socio-economic development of the country. In this report ratios are use to analysis and interpretation of financial statement. The result shows that the liquidity position is satisfactory, the loan to deposit ratio below the standard that's why profit decrease and as a result profitability ratio declining. The working capital ratio is satisfactory that represent long term financial strength. If Govt. cooperate with management and employees work togather this bank could do more than better. Recently Agrani Bank Limited has taking initiative to introduce “Web Based Online Cheque TT Issue and Payment Software”. As in all the branches of Agrani Bank have Internet facility, it will be very effective measure for solving time consuming TT issue and payment procedure. It will create efficiency in Bill Payment. It will solve the problem of effective distribution of work. It may attract more deposit holder that increase fund for investment and make profit.

6.4 REFERENCES

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