

An Internship Report
on
“Financial Statement Analysis of Sonali Bank Limited”

This Report is submitted to the Department of Accounting, Hajee Mohammad Danesh Science and Technology University, Dinajpur for the Fulfillment of Degree Master of Business Administration (MBA) Program.



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April, 2022

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ACKNOWLEDGEMENT

At first I desire to express my deepest sense of gratitude of Almighty God. I would like to express my deepest appreciation to all those who provided me the possibility to complete this internship report. I wish to give my deep gratitude for the support, direction, and supervision in every aspect from Sonali Bank Ltd. officials, my faculty, and friends and would like to thank **Md. Mostafijur Rahman**, Manager of Sonali Bank Ltd. Suihari Branch, Dinajpur to help me with all their capabilities and affections.

I would like to express my deep sense of thankfulness to my organizational supervisor of this Internship Program, **Md. Mostafijur Rahman**, Manager, Sonali Bank Ltd. Suihari Branch, Dinajpur, for his enormous help and endless support throughout the training period. To get accustomed with the nature of a very dissimilar industry was quite a challenge for me; without his guidance, it would not have been possible for me to continue and then end up with a successful internship.

Finally and most importantly, I would like to concede the guidance of Mohammad Main Uddin, Assistant Professor, Department of Accounting, Faculty of Business Studies, HSTU, Dinajpur-5200 for his expert advice and help in preparing this report without which I could not even come up with my report.

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সোনালী ব্যাংক লিমিটেড
Sonali Bank Limited
উদ্ভাবনী ব্যাংকিং এ আপনার বিশ্বস্ত সঙ্গী

No: SBL/DIN/SUI/

Date: ০৩.০৪.২০২২

TO WHOM IT MAY CONCERN

This is to certify that, Most. Farzana Khatun having Student ID No. 1905863, MBA in Accounting and Information Systems, Faculty of Business Studies, a student of Hajee Mohammad Danesh Science and Technology University (HSTU), Dinajpur, under MBA program has successfully completed her 90 days internship program at Sonali Bank Limited, Suihari Branch, Dinajpur.

During her internship period Most. Farzana Khatun was found honest, sincere & responsible to her assigned duties.

We wish her every success for the days to come.

(Md. Mostafijur Rahman)
Principal Officer (Manager)
Sonali Bank Limited
Suihari Branch, Dinajpur

মোঃ মোস্তাফিজুর রহমান
প্রিন্সিপাল অফিসার (ম্যানেজার)
বি-৮৬০৫

Certificate of Supervisor

This is to declare that Most. Farzana Khatun, a student of MBA in Accounting and Information Systems, Department of Accounting, Faculty of Business Studies, Session 2019, bearing ID No. 1905863 has completed an internship report titled on Financial Statement Analysis of Sonali Bank limited, HSTU Branch, Dinajpur under my supervision.

I recommend the report to submit for awarding the degree of Master of Business Administration (MBA), Hajee Mohammad Danesh Science and Technology University, Dinajpur.

I wish her every success for the days to come.

.....
Supervisor

Mohammad Main Uddin

Assistant Professor

Department of Accounting

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Certificate of Co-supervisor

I hereby declare that the concerned report on “Financial Statement Analysis of Sonali Bank Limited” is a work completed by Most. Farzana Khatun, Student ID: 1905863, MBA in Accounting and Information Systems, Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200, under my Co-supervision and submitted for the partial fulfillment of the requirement of the degree of Master of Business Administration (MBA) in Accounting and Information Systems at HSTU, Dinajpur.

I wish her every success in life.

.....
Co-Supervisor

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Student's Declaration

I hereby declare that the Internship Report on Financial Statement Analysis of Sonali Bank limited, HSTU Branch, Dinajpur is completed by me after collecting and Analyzing data.

I also declare that this is my Internship report and prepared for academic purpose which is a part of MBA and the report may not be used in actual market scenario.

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ABSTRACT

The study applies financial statement analysis of Sonali Bank Limited, Suihari Branch Dinajpur. It means evaluate how well the company performs. The actual objective is achieved through ratio analysis and trend analysis of financial position and overall activities of SBL. The actual objective was to compare and examine empirically the financial performance of this public bank. The main data has collected from the annual financial reports of SBL, from 2016 to 2020. Financial performance is evaluated through two method-Trend analysis and Ratio analysis. Trend analysis are conducted for total deposit, total loan, total profit or loss, from 2016-2020. Trend analysis of “total deposit” and “Income Statement” show chronological grow from 2016-2020, total loan and advance is the highest in 2020 than other year, total deposit in 2020 is highest than other year. Different financial ratio are evaluated such as Current Ratio (CR), Quick Ratio (QR), Net Working Capital, Activity Ratio, Total Asset Turnover, Investment to Deposit Ratio, Cash Reserve Ratio (CRR) are finally measure and analysis the performance for the period 2016-2020. The mathematical calculation, graphical analysis, and comparisons are applies for measuring the position of income and expenditure, net profit, total deposit and advance, loan and total profit for this bank. Current ratio is gradually increasing from 2016 to 2020. The current ratio improved over time marginally. The situation was almost stable. Net Working Capital was highest in 2020 as well as increase step by step. The study represents all results of financial performance measures go in favor of this bank average. However, the results also show the SBL is improving overtime considerably in those ratios and financial trends during the period under the study.

Keywords: Financial performance, Trend analysis, Ratio analysis, Sonali Bank Limited.

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Chapter 1

Introduction

1.1 Introduction

Financial statement analysis is a method of reviewing and analyzing a company's accounting reports in order to gauge its past, present or projected future performance (Bhargava, 2017). This process of reviewing the financial statements allows for better economic decision. The prosperity of a company would depend upon its profitability and financial health. The financial statements published by a company periodically help us to assess the profitability and financial health of the company. Financial statements for banks present a different analytical problem than manufacturing and service companies. As a result, analysis of a bank's financial statements requires a distinct approach that recognizes a bank's somewhat unique risks. Banks take deposits from savers, paying interest on some of these accounts. They pass these funds on to borrowers, receiving interest on the loans. Their profits are derived from the spread between the rate they pay for funds and the rate they receive from borrowers. By managing this flow of funds, banks generate profits, acting as the intermediary of interest paid and interest received and taking on the risks of offering credit. As one of the most highly regulated banking industries in the world, investors have some level of assurance in the soundness of the banking system. As a result, investors can focus most of their efforts on how a bank will perform in different economic environments. In this project, I am trying to provide assistance to the investors, by showing them the performance of Sonali Bank Limited.

1.2 Objectives of the study

The main objective of the report is to evaluate the financial performance of Sonali Bank Limited through the analysis of financial statement.

The specific objectives are:

- To calculate the financial ratios
- To evaluate the financial performance of SBL.
- To identify and assess the present financial performance of Sonali Bank Limited.
- To calculate the financial ratios and identify the areas of concern.
- To understand the implications in analyzing and interpreting the financial ratios.

Chapter 2

Literature review

This paper aims to provide a synthetic review of the literature on the Financial Inclusion. Review of literature justifies the reason for our research. It demonstrates the topic. It narrates a brief elaboration of prior studies. Prior research will help us to ensure that we have included all of our major relevant constructs in our study. It talks about the knowledge of our field which allows us to identify the gap which our research could fill and also strength's the topic that we chose for our research. The literature review will help us to find and select appropriate measurement instruments. The literature review is needed because it is a necessary skill both for researchers and for practitioners of a profession which claims to be founded on a knowledge base and also to locate and summarize the findings of research on a given topic not uncritically but assessing the evidence and for argument to sustain the conclusions. It is also useful to obviate the need for fresh research or to replicate the study.

A comparative study has been done in 2019, by analyzing the financial statements of a company for two years 2015 and 2016. They proved that the company has good financial statements. The techniques applied in their analysis were the liquidity ratios, profitability ratios, turnover assets ratio, and ratios of long-term solvency. It has been observed that the organization have a better ability to meet the current obligations and also the profit earning capacity is comparatively better to the former year (Abraham, 2004).

Financial analysis involves the use of quantitative information from financial statements, that is, income statement, balance sheet and statement of cash flows in order to come up with relationships of the items that are reported by the company according to the accounting standards for reporting. In doing this, the company is able to evaluate its decisions during a financial year or a given period and see its strengths, weaknesses and areas that need attention in the organisation (Abraham, 2004; Bhargava, 2017; Schönbohm, 2013). Additionally, “they also provide clues on where the management might find more resources to boost its revenue” (Mahajan and Yadav, 2016). In a case study on India's telecommunications industry, Bhargava (2017) concludes that due to the increased contribution of the telecoms industry to different economies the financial health of the industry is important to the whole economy. Therefore, there is need for measurement of this constantly to monitor the economic performance of the whole industry. The telecoms industry is highly capital intensive and investors will be

interested in knowing the “the financial condition and worthiness” of the industry which is achieved through financial analysis. However, even though it is beneficial it has to be noted that the ratios isolate the assessed factors from the rest of the report; hence, precaution has to be taken when interpreting them (Abraham, 2004).

In 2012, a research was conducted to understand the use of various financial analysis methods by different organizations in hotel industry and their role in financial decision making. The research witnessed a broader usage of ratio analysis and comparative analysis (horizontal analysis) techniques to evaluate the financial performance of the firms whereas a small sized firm preferred common size analysis (vertical analysis). Of all, the ratio analysis techniques help the organization in surveying each element in a deeper sense Dionyssopoulou, P., and Asvesta, S. (2012).

In 2015, A study highlighted the significance of relationship between the financial indicators and financial behavior of an organization and role of the indicators in decision making by the management. 9 listed companies of Borsa Istanbul-30(BIST-30) were considered, and a model had been created to identify the effect of financial ratios viz. Current ratio, Leverage ratios, EPS on the financial performance of the company and hence explained how much the latter is affected by the former. Higher current ratio increases the expectancy of increasing profitability of a firm. Higher leverage ratio indicates the higher risk in company’s financial policies (Eda Oruc Erdogan *et al.*, 2015).

This paper analyses financial performance by considering ratio analysis in order to identify anomalies and focus attention on matters of significant concern. It discusses the centrality of mission in the use of financial ratio analysis and extends (Turk *et al.*, 1995) financial performance model for analysis and measurement of financial and operational control. The paper also identifies the limitations of such analysis and suggestions for now the model can be applied to individual nonprofit organisations.

I see the study of financial statement analysis work different person different bank analysis, Ratio analysis, Analyzing activity, Activity ratio, Analyzing debt ratio, Analyzing profitability ratio, Return on equity (ROE), Earning per share (EPS), Prices earning ratio, Trend analysis but not analysis Sonali Bank Limited. The Sonali Bank Limited is largest commercial Bank Limited in Bangladesh. I wish analysis financial statement analysis of Sonali Bank Limited.

Chapter 3

Methodology

This report reveals the overall activities performed by Sonali Bank Ltd. It has also been administered by collecting secondary data. Annual reports of SBL were the major secondary data sources in this regard. Ratio analysis and trend analysis have also been used as major tools for the financial performance analysis. The study is performed based on the information extracted from different sources collected by using a specific methodology. This report is analytical in nature.

The primary sources of data are:

- Take expert opinion from the officers.
- Direct observation.
- Informal Discussion.

The secondary sources of data are:

- Annual Report of SBL.
- Different text book and journals.
- Various reports and articles related to study.
- Some of my course elements as related to this report.
- Web base support from the internet and intranet.

3.1 Data Collection Procedure and Instruments

For the “analysis of financial statement of Sonali Bank Limited” I mainly used Secondary data. Besides this I also collect some information by taking expert opinion from the officers and direct observation while I doing the internship program at the bank.

Instruments Used For Analysis

- Ratio Analysis
- Trend Analysis

3.2 Ratio Analysis

The quantitative (such as ratio analysis) tools are used to analyze the gathered data and different types of computer software are used for reporting the gathered information from

the analysis such as- Microsoft Word, Microsoft Excel etc. Ratio can be classified into four broad groups-

- Liquidity Ratio
- Activity Ratio
- Debt Ratio
- Profitability Ratio

3.3 Trend analysis

It is really important to analysis trends in ratios as well as their absolute levels. This analysis informs us whether a company's financial condition improving or deteriorating.

3.4 Limitation

Observing and analyzing the broad performance of a bank and one of its Branches are not that easy. Moreover due to obvious reasons of scrutiny and confidentiality, the bank personnel usually don't want to disclose all the statistical information about their organization. Time is another major limitation of the duration of the program was ten weeks only and being a temporary member of the organization, it was not possible on my part to notice or express some of the sensitive issues and other aspects

However the some of the limitations I have face while preparing this Report are listed as follows:

- The officers were quite busy with their regular activities. For this reasons it was also a little problem to collect detail information from them.
- Because of time shortage many related area cannot be focused in depth.
- Website in different organization of Bangladesh contains poor information.
- Lack of structured and current information as the Bank's policy does not permit to disclose various data related to my study and this is the major problem among all the problems, I have encounter

Chapter 4

History, background and Concept of the Bank

4.1 History

Sonali Bank Limited was established in 1972 under the Bangladesh Banks (Nationalization) Order, through the amalgamation and nationalization of the branches of Sonali Bank Limited of Pakistan, Bank of Bahawalpur and Premier Bank branches located in East Pakistan until the 1971 Bangladesh Liberation War. When it was established, Sonali Bank Limited had a paid up capital of 30 million taka. In 2001, its authorized and paid up capital were Tk 10 billion and Tk 3.272 billion respectively. Presently, its authorized and paid up capital is Tk 10 billion and Tk 9 billion respectively. The bank's reserve funds were Tk 60 million in 1979 and Tk 2.050 billion on 30 June 2000. In 2013, \$250,000 was stolen from the bank by Cyber criminals using the Swift International payments network. In 2016 the Bank signed an Memorandum of Understanding with PayPal.

Sonali Bank Limited is one of the most popular State-owned Commercial Banks in Bangladesh. Sonali Bank Limited starts its work in 1972 under the Bangladesh Banks (Nationalization) Order. Sonali Bank Limited has a total of 1203 branches. Out of them, 854 in rural areas, 345 are located in urban areas, and 2 are located overseas. It in addition operates the Sonali Exchange Company Inc. in USA and Sonali Bank Limited (UK) Ltd., United Kingdom, to facilitate foreign exchange remittances. Sonali Bank Limited UK remits up to 14 destinations across Bangladesh directly; these include Dhaka, Sylhet, Chittagong, Maulvibazar, Balaganj, Beanibazar, Jagannathpur, Biswanath, Habigonj, Sunamganj, Nabigonj, Golapganj, Kulaura or Tajpur. There are currently three branches in the UK, one located in Brick Lane, London, another in Small Heath, Birmingham and in Manchester. we collect here Sonali Bank Limited. All branch swift code. Collect your branch swift code see below:

4.2 Sonali Bank Limited at a glance

SBL is one of the largest public banks in Bangladesh. Recently it is going to introduce shares. It operates through One Head Office, 30 Main Divisional Offices, 6 General Manager's Office, 42 Principal Offices, 19 Regional Offices and 198 fully computerized branches, ensuring best possible and fastest services to its valid clients and efficient management. Sonali Bank Limited has a total of 1211 branches. Out of them, 343 are

located in urban areas, 862 in rural areas, and 2 are located overseas. It also operates the Sonali Exchange Company Inc. in USA and Sonali Bank Limited (UK) Ltd., United Kingdom, to facilitate foreign exchange remittances. Sonali Bank Limited UK remits up to 14 destinations across Bangladesh directly, these include Dhaka, Chittagong, Sylhet, Moulvibazar, Beanibazar, Balaganj, Biswanath, Jagannathpur, Sunamganj, Gopalganj, Nabigonj, Hobigonj, Kulaura or Tajpur. There are currently three branches in the UK, one located in Osborn Street, London, another in Small Heath; Birmingham and in Manchester.

4.3 Corporate Profile

Name of the Company	: Sonali Bank Limited
Chairman	: Mr. Ziaul Hasan Siddiqui
CEO and Managing Director	: Mr. Md. Ataur Rahman Prodhan
Company Secretary	: Mr. Tauhidul Islam
Legal Status	: Public Limited Company
Genesis	: Emerged as Nationalised Commercial Bank in 1972, following the Bangladesh Bank (Nationlisation) Order No. 1972 (PO No.26 of 1972)
Date of Incorporation	: 03 June, 2007
Date of Vendor's Agreement	: 15 November, 2007
Registered Office	: 35-42, 44 Motijheel Commercial Area, Dhaka, Bangladesh
Authorised Capital	: Taka 6000.00 Crore
Paid-up Capital	: Taka 4530.00 Crore
Number of Employee	: 19,348
Number of Branches	: 1228
Phone-PABX	: 9550426-31, 33, 34, 9552924
FAX	: 88-02-9561410, 9552007
SWIFT	: BSONBDDH
Website	: www.sonalibank.com.bd
E-mail	: itd@sonalibank.com.bd

4.4 Vision and Mission

Our Vision

- Socially committed leading banking institution with global presence.

Our Mission

- Dedicated to extend a whole range of quality products that support divergent needs of people aiming at enriching their lives, creating value for the stakeholders and contributing towards socio-economic development of the country.

Our Slogan

- Your trusted partner in innovative banking.

4.5 Common Goals of Sonali Bank Limited in Bangladesh

Banks will be the absolute market leader in the number of loans given to small and medium sized enterprises throughout Bangladesh. They will be a world-class organization in terms of their service quality and establishing relationships that help its customers to develop and grow successfully. They want to be the Bank of choice both for its employees and its customers, the model bank in this part of the world.

4.6 Common Principal Activities of Sonali Bank Limited in Bangladesh

The common principal activities of the banks is to provide all kinds of commercial banking products and services to the customers including deposits taking, cash withdrawal, extending investments to corporate organization, retail and small and medium enterprises, trade financing, project finance, working capital finance, lease and hire purchase financing, issuance of Debit card. Their vision is to be the best private commercial bank in Bangladesh in terms of efficiency, capital adequacy, asset quality, sound management and profitability.

4.7 Common Strategies of Sonali Bank Limited in Bangladesh

- The strategies of Sonali Bank Limited in Bangladesh include:
- To strive for customers best satisfaction and earn their confidence.
- To manage and operate the Bank in the most effective manner.

- To identify customer's needs and monitor their perception towards meeting those requirements.
- To review and updates policies, procedures and practices to enhance the ability to extend better services to the customers.
- To train and develop all employees and provide them adequate resources so that the customers' needs are reasonably addressed.

4.8 Management Hierarchy of Sonali Bank Limited



4.9 Head Office

Amongst the entire public bank of Bangladesh Sonali Bank Limited is the one of the largest. Now the Bank wants to call for shares.

The location of the Sonali Bank Limited Head Office is Motijheel Commercial Area, Dhaka 1000.

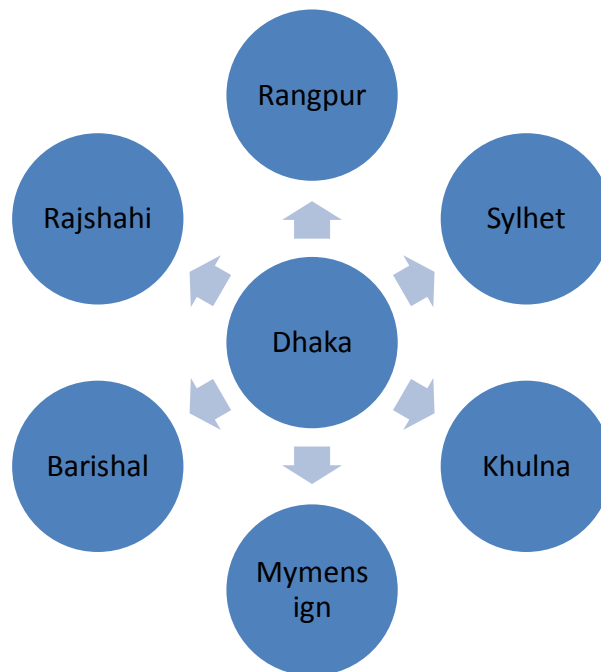
4.10 Schemes-Offered by Sonali Bank Limited

Sonali Bank Limited provides various services to their clients. With the strong co-ordination and assistance of all the branches, the bank operates following activities: Customers are now enjoying various services from Sonali Bank Limited. Customers can

submit their money of Gas, Water, Electricity Bills, and Tax through the bank online and offline services.

4.11 Branch Networks

Sonali Bank Limited has 1215 existing branches and some other proposed branch all over the Bangladesh to provide better service to their valuable customers.



A broad range of product with attractive price and a suitable location is not enough for a business to survive. It is very important to make the people aware about the existence and operation of that organization. This is why the promotional activity is very vital. Sonali Bank Limited is engaged in various kinds of promotional activity. From time to time ABL sponsors cricket tournament in national level. The Bank advertises on newspaper, TV, billboard etc. It also participates in social activities, for example, for the cold stricken poor people of North Bengal.

ABL also has souvenirs for example, wallet, key ring, diary, desk calendar, wall clock etc. that work as promotional activity. To attract and retain corporate clients, the Head Office maintains personal relationship with the clients; arrange party or events in various occasions. These are the main promotional activity conducted by Sonali Bank Limited.

4.12 Ethical Standards

1. Be Trustworthy: We believe in mutual trust and treat our customers in a way so that they can trust us.



- 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.
- 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.
- 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.
- Be involved with the Community: We remain involved in community-related issues and activities, thereby demonstrating that our business is socially responsible.
- Be Respectful: We treat all stakeholders with utmost respect and courtesy regardless of differences, positions, titles, ages, or other types of distinctions.

Chapter 5

Result and Discussion

5.1 Different Terminologies

Financial Statement:

Financial Statements represent a formal record of the financial activities of an entity. These are written reports that quantify the financial strength, performance and liquidity of a company. Financial Statements reflect the financial effects of business transactions and events on the entity.

Four Types of Financial Statements

The four main types of financial statements are:

Statement of Financial Position

Statement of Financial Position, also known as the Balance Sheet, presents the financial position of an entity at a given date. It is comprised of the following three elements:

- **Assets:** Something a business owns or controls (e.g. cash, inventory, plant and machinery, etc)
- **Liabilities:** Something a business owes to someone (e.g. creditors, bank loans, etc)
- **Equity:** What the business owes to its owners. This represents the amount of capital that remains in the business after its assets are used to pay off its outstanding liabilities. Equity therefore represents the difference between the assets and liabilities.

Income Statement

Income Statement, also known as the *Profit and Loss Statement*, reports the company's financial performance in terms of net profit or loss over a specified period. Income Statement is composed of the following two elements:

- **Income:** What the business has earned over a period (e.g. sales revenue, dividend income, etc)
- **Expense:** The cost incurred by the business over a period (e.g. salaries and wages, depreciation, rental charges, etc)

Cash Flow Statement

Cash Flow Statement, presents the movement in cash and bank balances over a period. The movement in cash flows is classified into the following segments:

- **Operating Activities:** Represents the cash flow from primary activities of a business.
- **Investing Activities:** Represents cash flow from the purchase and sale of assets other than inventories (e.g. purchase of a factory plant)
- **Financing Activities:** Represents cash flow generated or spent on raising and repaying share capital and debt together with the payments of interest and dividends.

Statement of Changes in Equity

Statement of Changes in Equity, also known as the *Statement of Retained Earnings*, details the movement in owners' equity over a period. The movement in owners' equity is derived from the following components:

- Net Profit or loss during the period as reported in the income statement
- Share capital issued or repaid during the period
- Dividend payments
- Gains or losses recognized directly in equity (e.g. revaluation surpluses)
- Effects of a change in accounting policy or correction of accounting error

Link between Financial Statements

- The following diagram summarizes the link between financial statements.

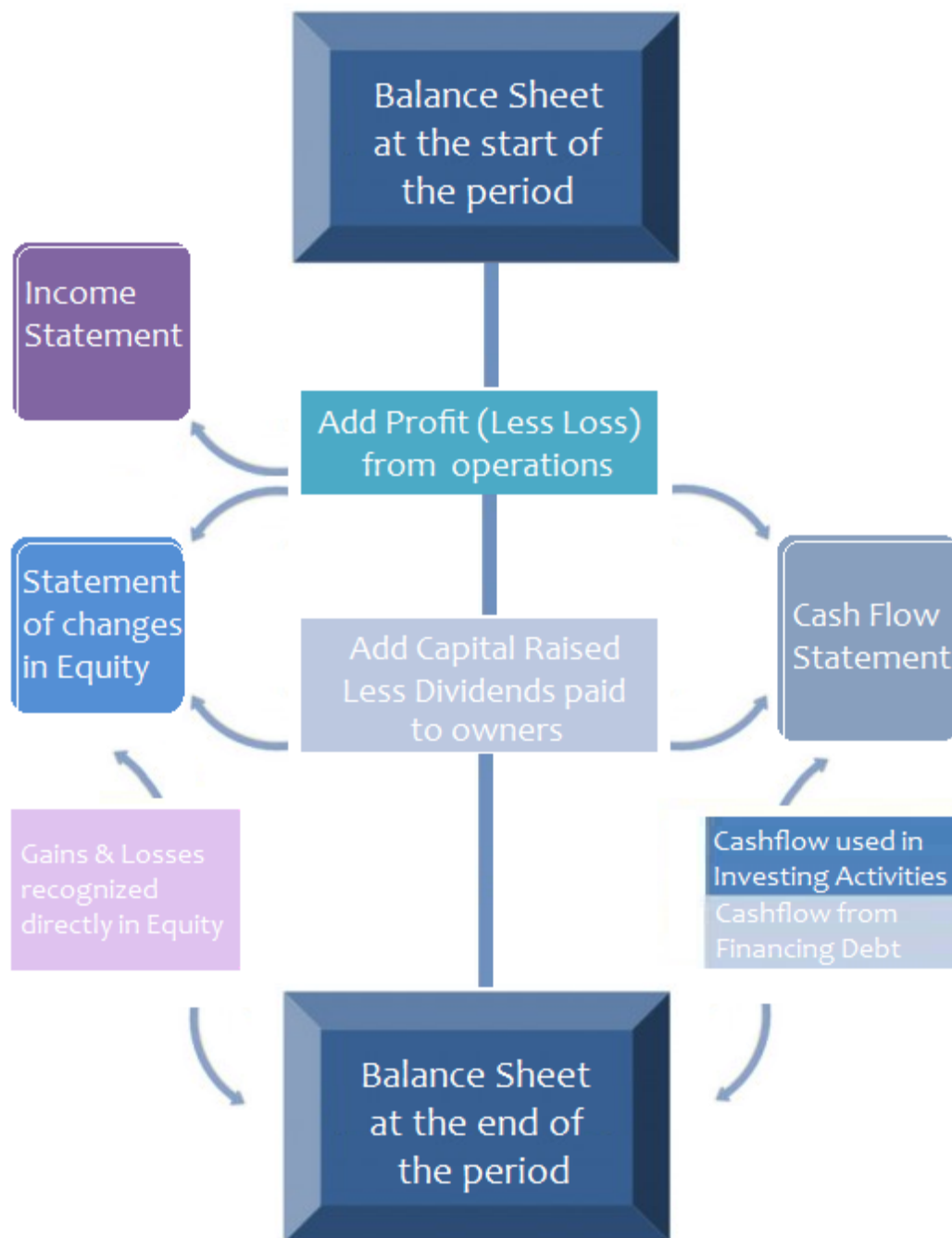


Figure 5.1: Link between financial statements

Particulars	2016 (Tk in Million)	2017 (Tk in Million)	2018 (Tk in Million)	2019 (Tk in Million)	2020 (Tk in Million)
Paid up capital	1199.12	1498.90	1798.08	2158.42	4072.21
Total Loans and Advances	26842.14	31877.86	43419.36	48295.55	66377.70
Price earning Ratio	9 times	12 times	10 times	11 times	14 time
Earning per share	41.22	30.05	28.53	30.67	41.04
Income from investment	369.12	764.48	520.33	696.66	919.45
Total asset	37159.65	44940.54	55928.72	66166.52	87140.11
Total deposit	33317.64	39348.00	49538.35	58033.47	75629.14

Source: Annual Report of Sonali Bank Ltd.2016-2020

Table: 5.1 Financial Highlights

Financial performance analysis

Financial performance analysis of a company is very important to get an overall view about an organization. It generally consists of interpretation of balance sheet and interpretation of income statement. By using these two sources one can perform the ratio analysis and trend analysis which are the major tools for analyzing the financial performance of a bank.

5.2 Ratio Analysis

Ratio is a method of interpreting the financial statement of a company. The purpose of ratio analysis is identifying the risk of business firm and the financial statement of a business firm, performance evaluation, compare income analysis.

Groups of Financial Ratios:

Financial ratios can be divided into four basic groups or categories:

- i. Liquidity ratios
- ii. Activity ratios
- iii. Debt ratios and
- iv. Profitability ratios

Liquidity, activity, and debt ratios primarily measure risk, profitability ratios measure return. In the near term, the important categories are liquidity, activity, and

profitability, because these provide the information that is critical to the short-run operation of the firm. Debt ratios are useful primarily when the analyst is sure that the firm will successfully weather the short run.

I. Liquidity Ratio:

The liquidity of a business firm is measured by its ability to satisfy its short term obligations as they come due. Liquidity refers to the solvency of the firm's overall financial position. The three basic measures of liquidity are-

Current Ratio:

One of the most general and frequently used of these liquidity ratios is the current ratio. Organizations use current ratio to measure the firm's ability to meet short-term obligations. It shows the bank's ability to cover its current liabilities with its current assets.

Current Ratio = Current Asset/Current Liabilities

Quick Ratio:

The quick ratio is a much more exacting measure than current ratio. This ratio shows a firm's ability to meet current liabilities with its most liquid assets.

Quick Ratio = (Total Current Asset - Inventory) / Total Current Liabilities

Net Working Capital:

Net Working Capital, although not actually a ratio is a common measure of a firm's overall liquidity. A measure of liquidity is calculated by subtracting total current liabilities from total current assets.

Net Working Capital = Total Current Assets - Total Current Liabilities

II. Activity Ratio:

Activity ratios measure the speed with which accounts are converted into sale or cash. With regard to current accounts measures of liquidity are generally inadequate because differences in the composition of a firm's current accounts can significantly affect its true liquidity. A number of ratios are available for measuring the activity of the important current accounts which includes inventory, accounts receivable, and account payable. The activity (efficiency of utilization) of total assets can also be assessed.

Total Asset Turnover:

The total asset turnover indicates the efficiency with which the firm is able to use all its assets to generate sales.

Total Asset Turnover = Sales/ Total Asset

Investment to Deposit Ratio:

Investment to Deposit Ratio shows the operating efficiency of a particular Bank in promoting its investment product by measuring the percentage of the total deposit disbursed by the Bank as long and advance or as investment. The ratio is calculated as follows:

Investment to Deposit Ratio = Total Investments / Total Deposits

III. Debt Ratio:

The debt position of that indicates the amount of other people's money being used in attempting to generate profits. In general, the more debt a firm uses in relation to its total assets, the greater its financial leverage, a term use to describe the magnification of risk and return introduced through the use of fixed-cost financing such as debt and preferred stock.

Debt Ratio:

The debt ratio measures the proportion of total assets provided by the firm's creditors.

Debt Ratio = Total Liabilities / Total Assets

Equity Capital Ratio:

The ratio shows the position of the Bank's owner's equity by measuring the portion of total asset financed by the shareholders invested funds and it is calculated as follows:

Equity Capital Ratio = Total Shareholder's Equity / Total Assets

Time Interest Earned Ratio:

This ratio measures the ability to meet contractual interest payment that means how much the company able to pay interest from their income.

Time Interest Earned Ratio=EBIT/ Interest Expense

IV. Profitability Ratio:

These measures evaluate the bank's earnings with respect to a given level of sales, a certain level of assets, the owner's investment, or share value. Without profits, a

firm could not attract outside capital. Moreover, present owners and creditors would become concerned about the company's future and attempt to recover their funds. Owners, creditors, and Management pay close attention to boosting profits due to the great importance placed on earnings in the marketplace.

Operating Profit Margin:

The Operating Profit Margin represents what are often called the pure profits earned on each sale dollar. A high operating profit margin is preferred. The operating profit margin is calculated as follows:

$$\text{Operating Profit Margin} = \text{Operating Profit} / \text{Sales}$$

Net profit Margin:

The net profit margin measures the percentage of each sales dollar remaining after all expenses, including taxes, have deducted. The higher the net profit margin is better. The net profit margin is calculated as follows:

$$\text{Net profit Margin} = \text{Net profit after Taxes} / \text{Sale}$$

Return on Equity (ROE):

The Return on Equity (ROE) measures the return earned on the owners (both preferred and common stockholders) investment. Generally, the higher this return, the better off the owners.

$$\text{Return on Equity (ROE)} = \text{Net profit after Taxes} / \text{Average stockholder's Equity}$$

Price/ Earnings ratio (PE ratio):

The Price/ Earnings ratio (price-to-earnings ratio) of a stock is a measure of the price paid for a share relative to the income or profit earned by the firm per share.

$$\text{P/E ratio} = \text{Stock price per share} / \text{earnings per share}$$

Earnings per share (EPS):

EPS represents the dollar amount earned behalf of each outstanding share of common stock. $\text{EPS} = \text{Net income} / \text{no. of share outstanding}$

Chapter 6

Data Analysis

6.1 Ratio and Trend Analysis

Current ratio:

The current ratio, one of the most commonly cited financial ratios, measures the firm's ability to meet its short term obligations. The higher the current ratio, the better the liquidity position of the firm. It is expressed as:

$$\text{Current Ratio} = \text{Current Asset} / \text{Current Liabilities}$$

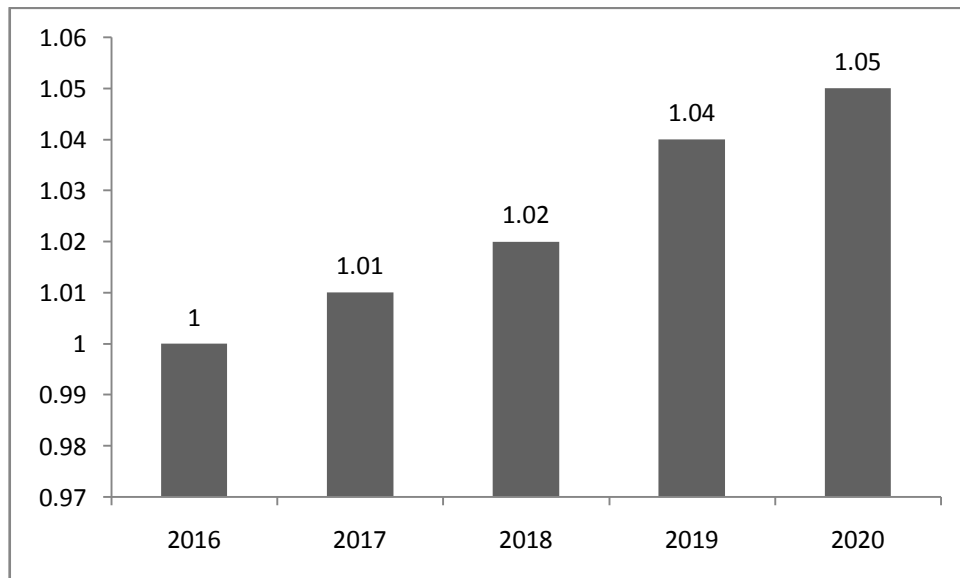
Year	2016	2017	2018	2019	2020	Standard
Current Ratio	1.00	1.01	1.02	1.04	1.05	1:1

Source: Annual Report of Sonali Bank Ltd. 2016-2020

Table 6.1: Current ratio

Graphical Presentation

Figure 6.1: Current Ratio



Interpretation:

The graph shows an upward trend in SBL's current ratio. This indicates that SBL's has increased its liquidity position and thereby it has reduced the change of being technically insolvent.

Net Working capital:

Net working capital, although not actually a ratio is a common measure of a firm's overall Liquidity a measure of liquidity ratio calculated by:

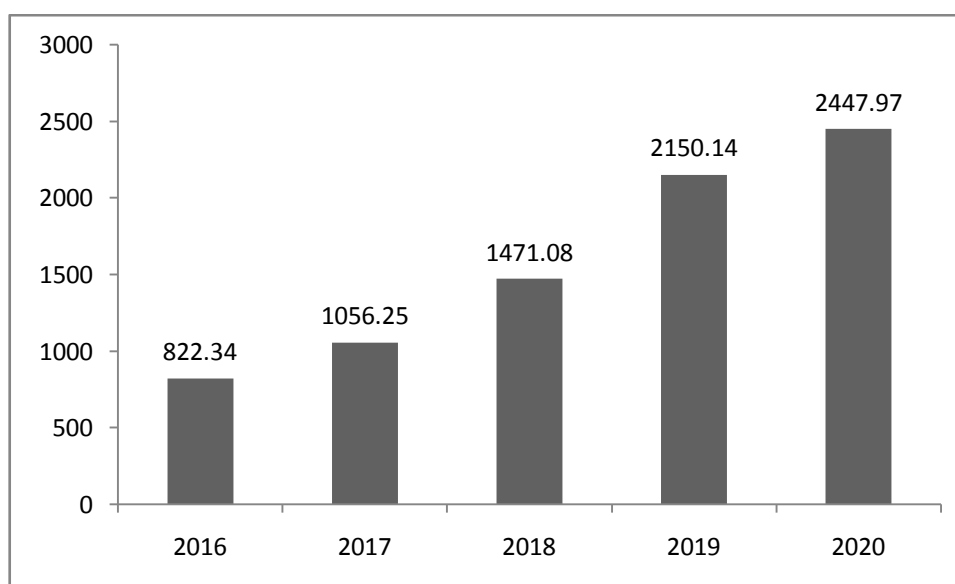
Net Working capital=Current Asset-Current Liabilities

Year	2016	2017	2018	2019	2020	Standard
Net Working Capital (Tk)	Tk.822.34	Tk.1056.25	T.k1471.08	T.k2150.14	Tk.2447.97	Higher is the better

Source: Annual Report of Sonali Bank Ltd. 2016-2020

Table 6.2: Net working capital

Figure 6.2: Net Working Capital (Tk)



Interpretation:

Net working capital measures the liquidity position of the firm. In 2016 the net working capital was Tk. 822.34 million which was gradually increased to Tk. 2447.97 million in 2020. The graph shows that increase trend of SBLs liquidity position this indicates that SBL has increased its ability to pay short term obligation out of its currents assets.

Cost Income Ratio:

It measures a particular Bank's operating efficiency by measuring the percent of the total operating income that the Bank spends to operate its daily activities. It is calculated as follows:

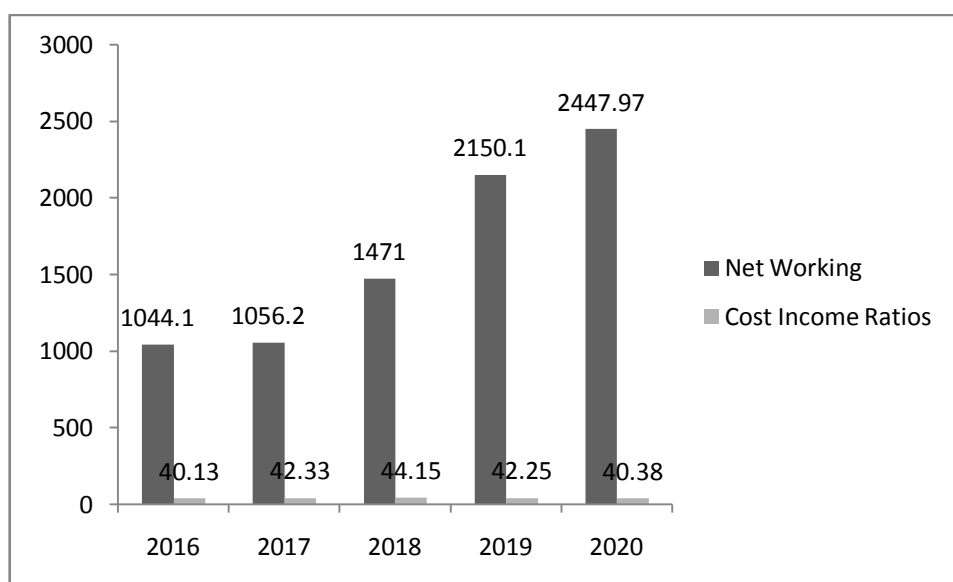
$$\text{Cost Income Ratio} = \text{Total operating Expenses} / \text{Total Operating Income}$$

Year	2016	2017	2018	2019	2020	Standard
Net Working	1044.1	1056.2	1471.0	2150.1	2447.97	Higher is the better
Cost Income Ratios	40.13	42.33	44.15	42.25	40.38	

Source: Annual Report of Sonali Bank Ltd. 2016-2020

Table 6.3: Cost Income Ratio

Figure 6.3: Net Working and Cost Income Ratios



Interpretation:

In 2016 the cost income ratio of SBL is high but after that it is decreasing. So it can be said that the operating efficiency of the SBL is becoming good. That means they are successful in minimizing their operating cost.

Total Asset Turnover Ratio:

The total asset turnover indicates the efficiency with which the firm is able to use all its assets to generate income.

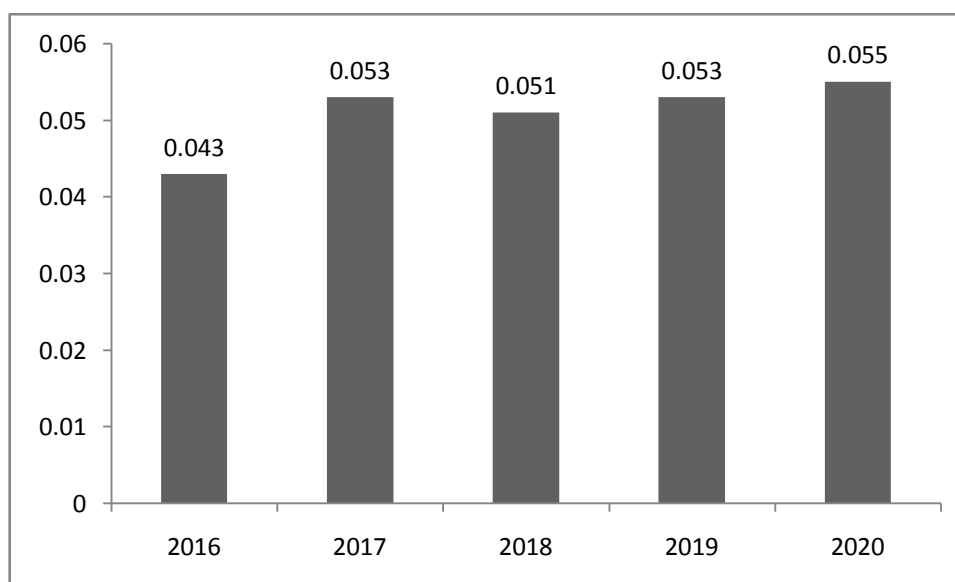
Total Asset Turnover= Operating Income/Total Asset

Year	2016	2017	2018	2019	2020	Standard
Total Asset Turnover (Times)	0.043	0.053	0.051	0.053	0.055	Higher is the better

Source: Annual Report of Sonali Bank Ltd. 2016-2020

Table 6.4: Total Asset Turnover Ratio

Figure 6.4: Total Asset Turnover (Times)



Interpretation:

We know that this ratio measures the efficiency of the bank in using its total assets to generate operating income and the higher the ratio, the higher the efficiency of the bank is in using its assets. The graph shows an upward trend in total asset turn over except in 2016. Its total asset turnover is lowest in 2016, but it is highest in 2018. This indicates that SBL is becoming more efficient in using its assets to generate operating income.

Investment to Deposit ratio:

Investment to Deposit Ratio shows the operating efficiency of a particular Bank in promoting its investment product by measuring the percentage of the total deposit disbursed by the Bank as loan and advance or as investment. The ratio is calculated as follows:

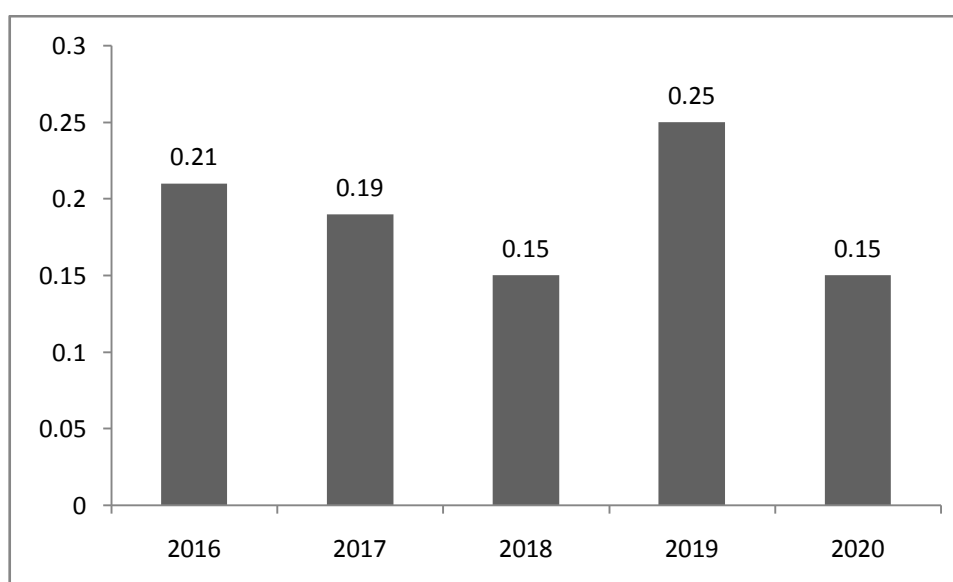
Total investment/Total Deposit

Year	2016	2017	2018	2019	2020	Standard
Investment to Deposit Ratio	.21	.19	.15	.25	.15	Higher is the better

Source: Annual Report of Sonali Bank Ltd. 2016-2020

Table 6.5: Investment to Deposit ratio

Figure 6.5: Investment to Deposit Ratio



Interpretation:

In 2016 the unexpected investment was made by the Bank, the 21% of total deposit are in the form of investment. But this ratio drastically falls from 21% to 15% which is not good sign for the bank.

Net Profit Margin:

The net profit margin measures the percentage of each sales taka remaining after all expenses, including taxes, have deducted. The higher the firm's net profit margin is better. The net profit margin is a commonly cited measure of the company's success with respect to earnings on sales.

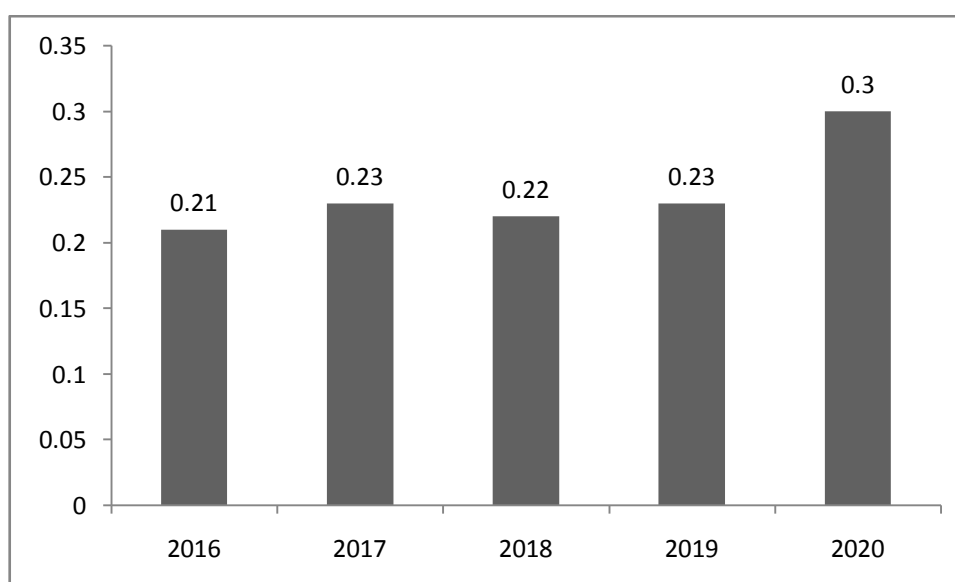
Net Profit Margin=Net profit after tax/operating income

Year	2016	2017	2018	2019	2020	Standard
Net Profit Margin	.21	.23	.22	.23	.30	Higher is the better

Source: Annual Report of Sonali Bank Ltd. 2016-2020

Table 6.6: Net Profit Margin

Figure 6.6: Net Profit Margin



Interpretation:

We know that this ratio shows the portion of total operating income that remains after deducting all the costs and expenditure for particular period of time. From the graph I have seen that the net profit margin is raising position in 2016 to 2020 except 2018. There profit margin is in strong position.

Return on Asset (ROA):

The return on asset (ROA), which is often called the firm's return on total assets, measures the overall effectiveness of management in generating profits with its available assets. The higher the ratio is better.

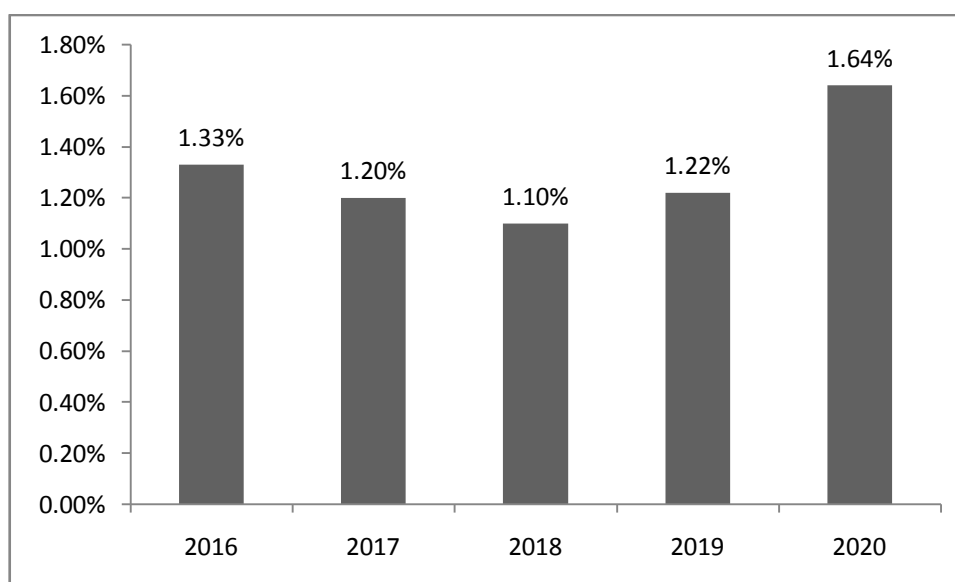
Net Profit Margin=Net profit after tax/operating income

Year	2016	2017	2018	2019	2020	Standard
Return on Asset	1.33%	1.20%	1.10%	1.22%	1.64%	Higher is the better

Source: Annual Report of Sonali Bank Ltd. 2016-2020

Table: 6.7: Return on Asset (ROA)

Figure 6.7: Return on Asset

**Interpretation:**

Return on assets is an indicator of how profitable a company is. This ratio is used annually to compare the business performance to its norms. The banks return on asset was increasing from 1.33 to 1.64 in the preceding 5 years. It can be said that SBL's earning capacity is increasing year by year. This is good sign for the Bank.

Return on Equity (ROE):

The return on equity measures the return earned on the owner's investment. Generally, the higher return is the better off the owner's.

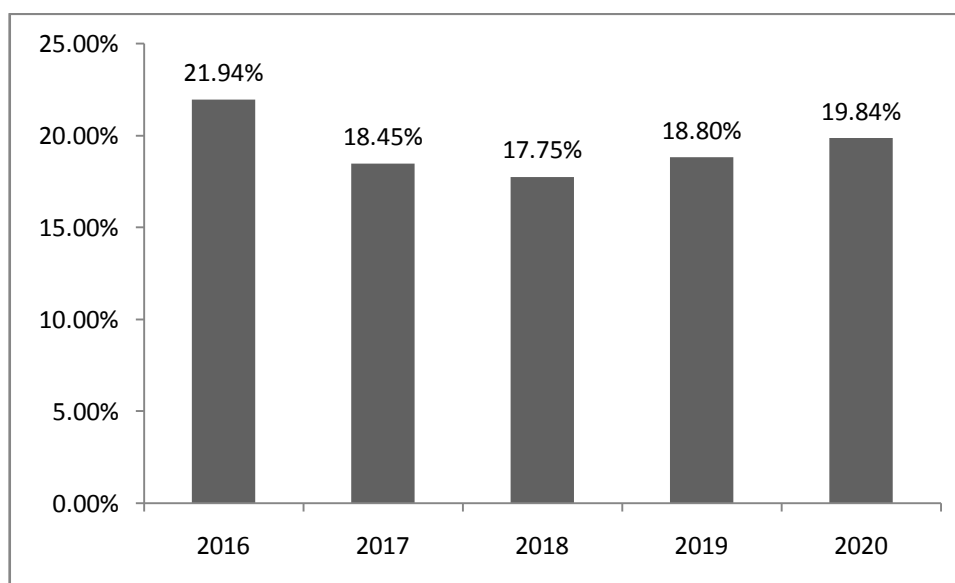
Return on Equity=Net Profit after Tax/ Shareholders equity

Year	2016	2017	2018	2019	2020	Standard
Return on Equity	21.94%	18.45%	17.75%	18.80%	19.84%	Higher is the better

Source: Annual Report of Sonali Bank Ltd. 2016-2020

Table: 6.8: Return on Equity (ROE)

Figure 6.8: Return on Equity



Interpretation:

The return on equity ratio was decreasing from 2016 to 2020. That was decreased from 21.94% to 19.84%. This is not desirable. So, the management should work hard to increase the return associated with equity. Though return on equity has slightly increased in 2020 from preceding year, still it is significantly deviated from that of in 2016.

Earnings per Share:

The firm's Earning per share (EPS) are generally of interest to present or prospective stockholders and management. The Earning per share represent the number of taka earned on behalf of each outstanding share of common stock. The earnings per share are calculated as follows.

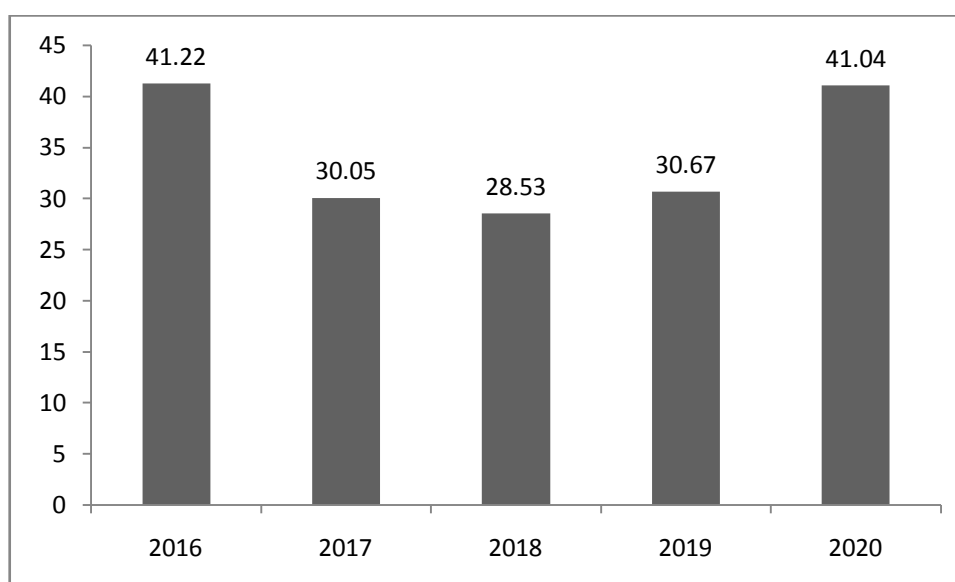
Earnings Per Share = Earnings available for common stock holder / No of shares of common stock outstanding

Year	2016	2017	2018	2019	2020	Standard
EPS	41.22	30.05	28.53	30.67	41.04	Higher is the better

Source: Annual Report of Sonali Bank Ltd. 2016-2020

Table: 6.9: Earnings per Share

Figure 6.9: Earnings per Share



Price Earnings Ratio:

The price or earning (P/E) ratio is commonly used to assess the investor appraisal of share value. The P/E represents the amount investors are willing to pay for each taka of the firm's earnings. The higher the P/E ratio, is the greater the investor confidence in the firm's future. The price Earning (P/E) ratio is calculated as follows:

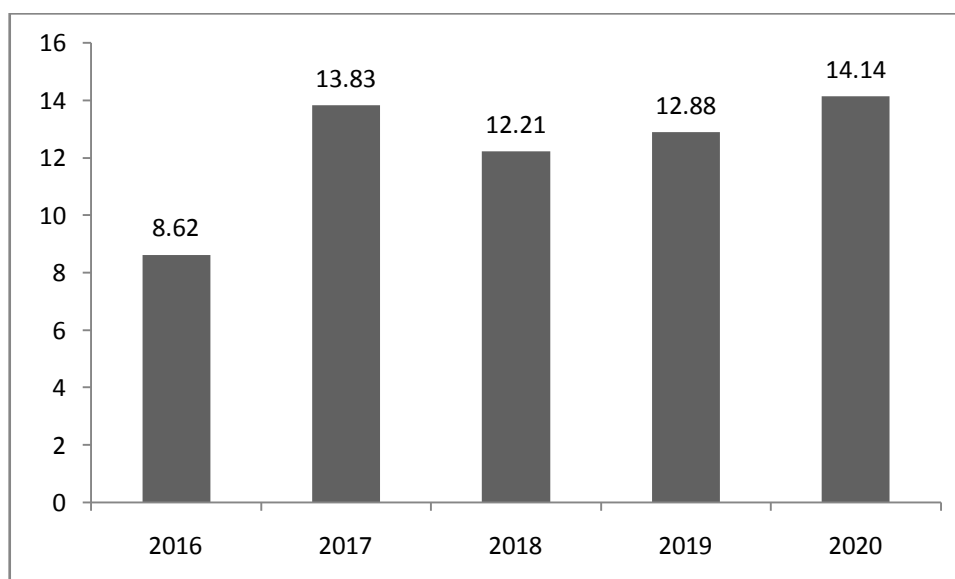
Price Earnings Ratio=Market price per share of common stock/Earning per share

Year	2016	2017	2018	2019	2020	Standard
Price Earning Ratio (times)	8.62	13.83	12.21	12.88	14.14	Higher is the better

Source: Annual Report of Sonali Bank Ltd. 2016-2020

Table: 6.10: Price Earnings Ratio

Figure 6.10: Price Earnings Ratio (times)



Interpretation:

It measures the level of price that the investors are paying for per taka of earnings offered by the bank. From the graph I have seen that in year 2020 the investors has paid maximum amount of price for per unit of earnings in which the bank issued its share in the market. This indicates the investors are paying more and willing to invest in SBL.

Debt Ratio:

The debt ratio measures the preparation of total assets provided by the firm's creditors.

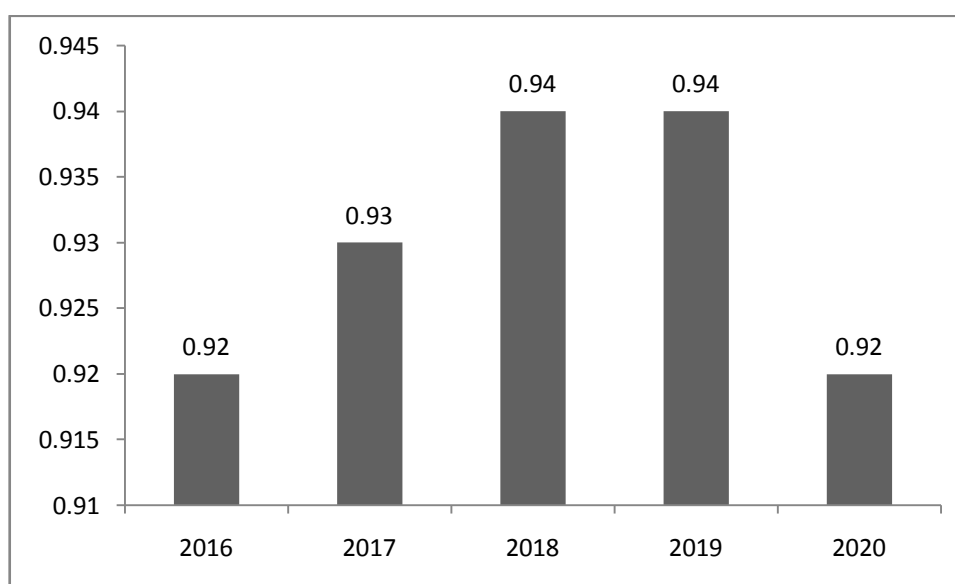
Debt ratio= Total Liabilities/Total Assets

Year	2016	2017	2018	2019	2020	Standard
Debt Ratio	0.92	0.93	0.94	0.94	0.92	Higher is the better

Source: Annual Report of Sonali Bank Ltd. 2016-2020

Table: 6.11: Debt Ratio

Figure 6.11: Debt Ratio

**Interpretation:**

The graph shows that debt ratio of SBL is fluctuating. The SBL has reduced its debt ratio and thereby it has reduced financial leverage and financial risk.

Time Interest Earned Ratio:

The times interest earned ratio, sometimes called the interest coverage ratio, measures the firm's ability to make contractual interest payments.

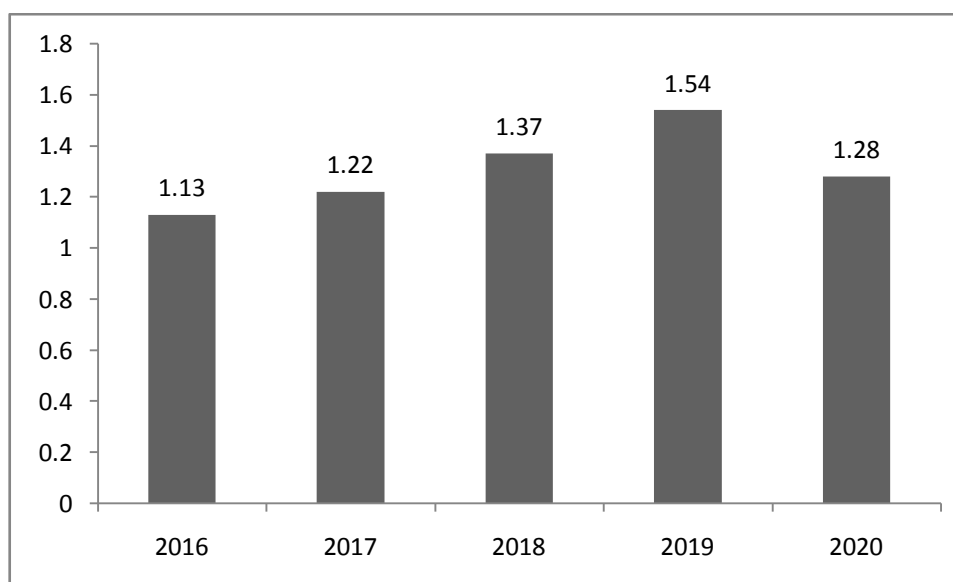
$$\text{Time Interest Earned Ratio} = \text{Earnings before interest and Taxes} / \text{Interest}$$

Year	2016	2017	2018	2019	2020	Standard
Time Interest Earned Ratio	1.13	1.22	1.37	1.54	1.28	Higher is the better

Source: Annual Report of Sonali Bank Ltd. 2016-2020

Table: 6.12: Time Interest Earned Ratio

Figure 6.12: Time interest earned ratio



Interpretation:

Their Time Interest Earned ratio was not satisfactory because, they have only 1.54 tk. against 1 taka interest obligation which is not good. They should reduce their interest obligation or increase the EBIT in order to smoothly operate their business.

Chapter 7

Findings and Suggestions

7.1 Findings

Ratio analysis serves as one of the most important tools and technique to measure the profitability and liquidity for a firm or company. It measures the efficiency of our capital whether of owner or borrowed that how effectively it can be used without incurring any extra expense. It also helps in maintaining the debt repayment capacity of an organization by providing them efficient asset management techniques through ratio analysis. Also, it helps to improve a company's performance through intra-firm comparison because ratio analysis is the most widely used and reliable source of financial result analysis. Now, the findings of this study can be expressed as follows:

➤ **Liquidity**

- Current Ratios of SBL were 1.00 times, 1.01times, 1.02 times, 1.04 times and 1.05times respectively in 2016, 2017, 2018, 2019 and 2020. Over the period current ratio of SBL was below the standard. In terms of standard of current ratio, liquidity position of SBL is not satisfactory.
- Net Working Capital of Sonali Bank Limited was Tk822m, Tk1056m, Tk1471m, Tk 2150 m and Tk 2447 m respectively in 2016, 2017, 2018, 2019 and 2020. After 2018 net working capital of SBL increased. It is good sign for the bank.

➤ **Profitability**

- Cost income ratio of Sonali Bank Limited was 40.13%, 42.33%, 44.15%, 42.25% and 40.38% respectively in 2016, 2017, 2018, 2019 and 2020. After 2019 cost income ratio of SBL decreased. It is bad sign for the bank.
- Total Asset Turnover Ratio of SBL was 0.053 times, 0.053 times, 0.051 times, 0.053 times and 0.055 times respectively in 2016, 2017, 2018, 2019 and 2020. Over the period total asset turnover ratio of SBL was below the standard. In terms of standard of total asset turnover ratio, liquidity position of SBL is not satisfactory.
- Investment to deposit ratio of Sonali Bank Limited were 21%, 19%, 15%, 25%, 15% respectively in 2016, 2017, 2018, 2019 and 2020. Investment to Deposit Ratio has been showing a decline trend. It indicated that SBL was not able to utilize its deposited fund properly.

- Net Profit Margin of Sonali Bank Limited was 21%, 23%, 22%, 23% and 30% respectively in 2016, 2017, 2018, 2019 and 2020. After 2019 Net Profit Margin of SBL increased. It is good sign for the bank.
- In 2020 Return on Assets was the highest (1.64). After 2016 return on assets decreased, it is not good sign for the bank.
- Return on equity was 21.94%, 18.45%, 17.75%, 18.80% and 19.84% respectively in 2016, 2017, 2018, 2019 and 2020. Return on Equity was the lowest (17.75%) in 2018. After 2018 SBL was able to increase its Return on Equity.
- In 2016 Earnings-per Share was the highest (Tk41.22). After 2016 EPS of SBL decreased and it was the lowest in 2018. After 2017, EPS of SBL increased. It's a good sign for bank.

➤ **Solvency**

- Debt ratios of SBL were 92%, 93%, 94%, 94% and 93% respectively in 2016, 2017, 2018, 2019 and 2020. In 2018 it was the highest. After 2019 debt ratio of SBL decreased. It is a good sign for the bank.
- Price Earnings Ratios of SBL were 8.62 times, 13.83 times, 12.21 times, 12.88 times and 14.15 times respectively in 2016, 2017, 2018, 2019 and 2020. Over the period current ratio of SBL was below the standard. In terms of standard of current ratio, liquidity position of SBL is not satisfactory.

7.2 Suggestions

It is not unexpected to have problems in any organization. There must be problems to operate an organization. The following recommendations can be suggested to solve the above mentioned problems.

- Over the period current ratio of SBL was below the standard. SBL should increase its current assets to improve liquidity position.
- In 2018 net working capital was the highest Tk.2447m. SBL should try to decrease its net worth.
- In 2018 cost income ratio was the highest (44.15%).Bank should work hard to decrease its cost income ratio to improve profitability.
- In 2020 total asset turnover on assets was the highest (0.055). Over the period current ratio of SBL was below the standard. In terms of standard of current ratio, liquidity position of SBL is not satisfactory. So we should high the standard of total asset turnover. Then SBL position will be satisfactory.

- Investment to deposit ratio has been showing a decline trend since 2016. Management of SBL should work hard to utilize deposited fund properly.
- Over the period net profit margin of SBL was below the standard. SBL should increase it's to improve probability position.
- In 2020 return on assets was the highest (1.64). After 2017 return on assets decreased. Bank should try to utilize its assets properly to increase return associated with total assets.
- In 2016 Price/Earnings ratio was the highest. After 2016 it was decreased. So, Bank should try to increase Price/Earnings Ratio to boost investor's confidence.
- Return on equity was highest in 2016 (21.94). Equity was the lowest (17.75%) in 2018. After 2018 SBL was able to increase its Return on Equity. It will help the bank to increase ROE. It is satisfactory for the bank.
- Debt ratios of SBL were the highest. After 2016 debt ratio of SBL decreased. Sowed should increase Debt ratios. In terms of standard of liquidity position of SBL satisfactory.
- In 2016 Earnings-per share was the highest (Tk41.22). So we should increase EPS for establish of the bank
- All banking activities should be performed using IT
- Bank should neglect the manual based operation

Chapter 8

Conclusion, Policy implication and Future work

8.1 Conclusion

Sonali Bank Limited is a state owned commercial bank. It is committed to provide high quality financial services/ products to contribute to the growth of G.D.P. 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 (Mahajan, *et al.*, 2016). Many new commercial banks have been established in the last few years and these banks have made the banking sector very competitive. So, now the banks have to organize their operation and do their operations according to the need of the market. The major task for banks, to survive in this competitive environment is by managing its assets and liabilities in an efficient way. After analysis the financial statement of Sonali Bank Ltd. (SBL) it can be realized that SBL's banking system has some problem. SBL has enough current asset and working capital to meet up the short term obligation but the bank's assets attention of sale is not good. Nowadays SBL take many steps to reduce debt it is a good side of the bank but its investment to deposit is not increasing and bank's interest payment ability is not good. It can easily be found out from the analysis that current ratio, cost income ratio, total asset turnover ratio and return on asset, was not satisfactory level. So these ratios need to rise to a satisfactory level. On the other hand earning per share, debt ratio, net working capital ratio was in satisfactory level.

8.2 Policy implication

The representatives of Sonali Bank Limited have been turning out hugely for accomplishing its objectives and vision. This report will serve as a guideline to the Sonali Bank limited to look up the financial statement and make a superior allocation for improving efficiency for the coming time. This report will be helpful for the policy makers to improve the Sonali Bank limited. For a better Policy implication, it is proposed at the public level to give greater improvement in the technological advancement, equity market as well as having more collaboration with major developed stock exchange in order to encourage sound and developed stock market day by day and increase the economic growth.

8.3 Future work

Based on findings of the study, it is recommended that concerned authority should make essential strides for the turn of events of the bank profitability and thereby accelerating the economic growth. Besides, this study will offer some significant data to the bank and its investors, government, experts and regulatory authorities. Finally, it is suggested that further exploration and examinations can be done for expanded time frame utilizing extra information and more complex research methodologies.

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