INTERNSHIP REPORT

ON

SMALL AND MEDIUM ENTERPRISE (SME) FINANCIAL SERVICES:

AN OVERVIEW OFSONALI BANK LTD.

SUBMITTED TO:

Department of Business Administration

Sonargaon University (SU)

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SUPERVISED BY:

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Submitted for the partial fulfillment of the degree of Executive Masters of Business Administration

Date of Submission: September 5th, 2022

LETTER OF TRANSMITTAL

Date: September 5th, 2022

To

Professor AbulKalam

Dean, Faculty of Business

Sonargaon University (SU)

Dhaka-1215

Subject: Submission of the Internship Report.

Dear Sir,

It gives me an immense pleasure in preparing this report, which was assigned to me for fulfillment of Internship Report program on "Small and Medium Enterprise (SME) Financial Services of Sonali Bank Limited"Tongi, Gazipur Branch. Working on this Internship Report has given me a wide range of exposure. It has taught me to learn theoretical & practical knowledge about Business world and also gained experience regarding practical aspects of Banking Business.

I would like to mention here that I'll extremely grateful to you for your valuable guidance, tireless effort and constant attention as when required in accomplishing the Internship Report. I'll be very pleased to answer any query you think necessary as and when needed.

Sincerely Yours,

_____

Md. TanvirHasan

ID: EMBA2102023017

Department of Business Administration

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CERTIFICATE OF SUPERVISION

This is certified that **Md. TanvirHasan,** ID: EMBA2102023017**,** Program: EMBA (Major: Finance)**,** Department of Business Administration,Sonargaon University (SU)has completed his Internship Report on "**Small and Medium Enterprise (SME) Financial Services:An Overview of Sonali Bank Ltd.**" Tongi, Gazipur Branchunder my supervision. I have fully supervised his effort in the process of completing this report. This report is submitted for the part of fulfillment of the degree of ExecutiveMasters of Business Administration (EMBA) in the concentration of Department of Business Administration, Sonargaon University (SU) Dhaka 1215.

I hereby acknowledge his work and wish him every success and prosperity in his future endeavor.

……

Professor AbulKalam
Dean, Faculty of Business
Sonargaon University (SU)
Dhaka-1215

STUDENT DECLARATION

I Md. TanvirHasan, ID: EMBA2102023017, Program: EMBA (Major: Finance), Department of Business Administration, Sonargaon University (SU) am hereby to declare that the Internship report titled "**Small and Medium Enterprise (SME) Financial Services:An Overview of Sonali Bank Ltd.**" Tongi, Gazipur Branch"submitted in partial fulfillment of the requirement for the awards of the degree ExecutiveMasters of Business Administration (EMBA) is my original work and has not been submitted before for the awards of any other degree/ fellowship/ recognition and/or the like. To the best of knowledge I didn't breach any copyright act intentionally.

……

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ACKNOWLEDGEMENT

I would like to express my gratitude to those people who helped me both directly and indirectly in the preparation of this report. I apologize to the people whose names that have not mentioned but their contribution is highly appreciated. At first, I would like to thank my instructor **AbulKalam,** Professor**,** Department of Business Administration**,** Sonargaon University (SU)Dhaka-1215**,** for guiding me and for giving me the opportunity to initiate this Internship Report. More specifically, I would like to thank him for helping me to prepare this Internship Report.

I would like to thank Department of Business Administration,Sonargaon University (SU)for giving me the opportunity to complete my Internship Report program from Sonali Bank Ltd.

I would like to convey my gratitude to MosharrafHossain (Senior Principal Officer) Manager and MehediGazi Senior Officer of Sonali Bank Ltd for being my Internship Report supervisor. Besides this, all the honorable members of Sonali Bank Ltd. deserve thanks for their encouragement and whole hearted co-operation.

EXECUTIVE SUMMARY

Today, necessity of a Bank as a financial institution is undeniable. A country is financially rich when it has modern financial institution of its own. These institutions play a vital role in the field of financial stability of a country. Banking sector is one of the stable financial institutions of a country.

The report is produced in consequence of my Internship Report, which I have accomplished as a necessity of my EMBA program. This report is accomplished based on my personal experience about Sonali Bank Limited.

The Sonali Bank Limited is a state-owned commercial bank and is one of the prominent public banks of Bangladesh. It provides lots of services for more customer engagement at its business. In this report, we mainly know about the major services as well SME operation of Sonali Bank Ltd.

In this report, the objectives, methodology and limitations of the study are discussed. Those information's are collected for primary source and I asked the branch manager about the whole banking activities and individual prospective. The corporate profile and services are collected from bank official website. The theoretical portion is the main part of this report. In this part, there has been discussed with many statistics and performance and progress of the bank. The SWOT analysis helps to know about the overall scenario of the bank. In the final part of the report, the findings, recommendation and conclusion are added.

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Chapter One

Introduction

1.1 Introduction

Not a single country can think of its economic development without the contribution of banks in this competitive era. Bangladesh is a developing country. Entrepreneurs have to struggle to collect capital. SME financing, govt. treasury; the contribution of the banks cannot be counted. The number of state Owned Commercial Banks are 6,Scheduled Banks are 60, 41 Private Banks(including 10 Islamic Shariah Based Banks), 3 Specialized Banks,9 Foreign Commercial Banks, 5 Non-Scheduled Banks ,34 Non-Bank Financial Institutions and 2 Specialized Financial Institutions are leading in Bangladesh. But, now Sonali Bank Limited is providing SME loan to the entrepreneurs at low and simple condition.

Unemployment problem is a burning question in our country .The young talents do not get expected job. The GDP growth rate of our country is above 8%. But, in 2010-2017 the growth of employment is 7%. There are 27 lac people are unemployed in our country .SME sector may help to ensure their personal income and create adequate job opportunity. The role of Small and Medium Enterprises (SMEs) is indispensable for overall economic development of a country particularly for developing countries like Bangladesh. Since this sector is labor intensive with short gestation period, it is capable of increasing national income as well as rapid employment generation; achieving Millennium Development Goals (MDGs) especially eradication of extreme poverty and hunger, gender equality and women empowerment. It also helps to achieve the Sustainable Development Goals (SDGs) by ensuring the sustainable infrastructure development in our country.

1.2 Justification of the Report

Before my internship period, I have only theoretical knowledge regarding my courses. There are quite differences between theoretical and practical knowledge .So a part of my EMBA program, I have been working as an intern in **Sonali Bank Limited,** for the past forty five days and have gathered practical knowledge on the SME Financial Service. This internship is done for academic purpose that helps me to make acquainted to the corporate culture and mostly practical work experience. It will be beneficial for my upcoming life.

SME is the most vital sector in our country. This sector has been truly remarkable at this time at the same time the entrepreneurs are faced with exceeding challenges. And there is a big scope to

optimize. So realizing this and being a part of SME financing and Service, I have prepared this report.

1.3 Objectives of the Study

From this report, we can gather practical knowledge regarding the overall scenario of Sonali Bank Limited; SME Financing and Services.

Besides these:

1. To know about the procedures regarding the SME Financing;
2. To gain details knowledge about types of SME loan, the range of Loan, interest rate and required documents for a SME loan sanction, and
3. To know about the recovery policy of SME loan of SBL.

1.4 Methodology of the Report

Methodology is the most important component in any study proposal since it explains the procedures and methods through which a particular study will be carried out. This includes discussion on data requirements, sample selection, data analysis, limitations etc. This is a descriptive report.

1.4.1 Data Requirement & Analysis Method

Data are the raw materials for any study. Relevant data for the proposed research study were collected from both secondary and primary sources. Secondary data were collected from the annual reports of the selected Government & Non-Government banks, Bangladesh Bank reports on SME, Bangladesh banks website and from websites of the selected banks, SME Organizations of Bangladesh.

Primary sources:

1. Practical work exposure in Bank.
2. Face to Face conversation and questionnaire survey on the SME Proprietors.
3. Talking with branch manager and other officers.
4. Personal observation at working hours.

Secondary sources:

1. Annual Report 2019 of Sonali Bank Limited.
2. Official website of the Bank.
3. Staff College of Sonali Bank.

1.5 Limitations

Credit management in SME is a vast area of studying. To identify the SME risk management procedure, much longer time and vast publicity is needed. It is not possible to collect whole data within a short time for survey. In this report, the work is done on a sample of small respondents. Time limitation is also one of the main reasons so for that more detailed study was not possible. Besides Covid-19 situation enforce me to make myself isolated from the gathering.

Chapter Two

An Overview of Sonali Bank

2.1 Background of the study of SBL

Soon after independence of the country Sonali Bank emerged as the largest and leading Nationalized Commercial Bank by proclamation of the Banks' Nationalization Order 1972 (Presidential Order-26)

As a fully state-owned institution, the bank had been discharging its nation-building responsibilities by undertaking government entrusted different socio-economic schemes as well as money market activities of its own volition, covering all spheres of the economy.

The bank has been converted to a Public Limited Company with 100% ownership of the government and started functioning as Sonali Bank Limited from November 15, 2007 taking over all assets, liabilities and business of Sonali Bank. After corporatization, the management of the bank has been given required autonomy to make the bank competitive & to run its business effectively.

Sonali Bank Limited is governed by a Board of Directors consisting of 11 (Eleven) members. The Bank is headed by the CEO & Managing Director, who is a well-known Banker and a reputed professional. The corporate head quarter of the bank is located at Motijheel, Dhaka, Bangladesh, the main commercial center of the capital ("Sonali Bank", 2021).

2.2 Vision, Mission Statements and Slogan of SBL

2.2.1 VISION

Socially committed leading banking institution with global presence.

2.2.2 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.

2.2.3 SLOGAN

Your trusted partner in innovating banking.

2.3 Strategies of SBL

1. To manage and operate the bank in the most efficient manner to enhance financial performance and to control cost of fund.
2. To strive for customer satisfaction through quality control and delivery of timely service
3. To identify customer's credit and other banking related needs and monitor their perception towards our performance in meeting those requirements.
4. Reviewing and updating policies, procedures and practices to enhance the ability to extend better service to customers.
5. To train and develop all employees and provide them adequate resources so that customer's need can be reasonably addressed.
6. To promote organizational effectiveness by openly communicating company plans, policies, practices and procedures to employees in a timely fashion.
7. To cultivate a working environment that fosters positive motivation for improved

2.4 Board of Directors of SBL

Chairman	Mr. Ziaul Hasan Siddiqui
Directors	Mr. Md. Fazlul Haque
	Mr. A.K.M Kamrul Islam ,FCA,FCS
	Mr. Md Nurul Alam Talukder
	Mr. Ishtiaque Ahmed Chowdhury
	Dr. Daulatunnaher Khanam
	Mr. Md. Mofazzal Husain
	Dr.Molla Abdul Wadud
CEO & MD	Mr. Md. Ataur Rahman Prodhan

("Board of Directors", 2021)

Table 2.1: Board of Directors

2.5 Goods and Services

Sonali Bank facilitates its customers with a wide a range of products and services. A List of these products and services are given below:

2.5.1 Ancillary Services

Sonali Bank Limited offers multiple special services with its network of branches throughout the country in addition to its normal banking operations.

Collection:

- Gas bills.
- Electricity bills.
- Telephone bills.
- Water/Sewerage bills.
- Municipal holding Tax.
- Passport fees, visa fees and Travel tax.
- Customs & Excise duties.
- Source tax and VAT.
- Jakat fund.
- Hajj deposit.
- Land development tax.

Payment:

- Pension of employees of Government and other Corporate Bodies.
- Bangladesh Bank employee's pension.
- Army pension.
- British pension.
- Students' stipend/scholarship.
- Govt. & Non-Govt. Teachers' salary.
- Food procurement bill on behalf of the Govt.

Social Services:

- Old age allowances.
- Widows, divorcees and destitute women allowances.

• Freedom Fighters' allowances. • Rehabilitation allowances for acid survival women. • Maternal allowances for poor women. • Disability allowances.
Sale & Encashment/Purchase: • Savings Certificates. • ICB Unit Certificates. • Prize Bonds. • Wage Earner's Development Bonds. • US Dollar Premium & Investment Bond. • Lottery tickets of different Semi-Govt. and Autonomous Bodies. • Sanchaypatra. • Public Service Commission's application form. • Judicial Service Commission's application form. • Exchange of soiled / torn notes.
Misc. Services: • Bank a/c information of tax payee client according to demand of NBR. • Local Governance Support Internship. • Enlist of Non Government Insurance Company.

Table 2.3: Ancillary Services

2.5.2 Personal Banking

Every bank first and foremost duty is collecting deposit for the depositors and provides them some special services toward them. Sonali bank also engages it on working as an agent of its customers. Sonali Bank always tries to improve their services to the person.

The services are:

1. Transfer of fund from one branch to another.
2. Transfer of fund on Standing Instruction Arrangement.
3. Collection of cheques through clearing House/beyond Clearing House.
4. Issuance of Payment Order / Call Deposit.

5. Locker facilities for safe keeping of valuables
6. Corporate Client Services with computerized system at selective branches.

2.6 International Banking of SBL

Sonali Bank Limited works as an agent of the exporters and importers. In international business, every businessman has to submit a bank as his/her agent. Commercial Bank offers those facilities against commission. Sonali Bank Limited also offers some facilities for smooth transaction:

Products & Services:

I. Export Credit (Pre-shipment & Post shipment)
II. Facilitating Supplier's Credit
III. LCs (Letters of Credit)
IV. Guarantees in Foreign Currency
    -Bid bond
    -Performance Guarantee
    -Advance payment guarantee
V. Bill Purchasing/Discounting
VI. Remittance, collection, purchases & sales of Foreign Currency & Traveler's Cheques.
VII. NRAT (Non-Resident Account in Taka)
VIII. NFCD A/c (Non-Resident Foreign Currency Deposit)
IX. RFCD A/c (Resident Foreign Currency Deposit)
X. Convertible and Non-convertible Taka Account
XI. Forward contracts
XII. Correspondent Banking Relations

2.7 Micro Credit (SME) of SBL

Micro Credit has now been accepted and recognized as an effective tool for poverty alleviation, self employment and rural socio-economic development. In commitment to reduce poverty in urban and semi-urban and rural areas, Sonali Bank Limited has started micro credit function through a full-fledged Micro credit division in its Head Office from 2003. As such the Bank has been striving its best to provide speedy and active support to this sector.

Presently, 32 Micro Credit Internships/programmers are being run by the Bank. Amongst the programmers, Bank-NGO Linkage wholesale credit programmed, Goat rearing, Lamb rearing, Fruit, Herbal, Medicinal and Nursery development credit scheme, Loan programme for Disabled persons, Swanirvor, different types of Credit through BRDB-UCCA (Corp,Irrigation& Poverty Alleviation), ADB financed Rural Livelihood Internship (RLP) in 152 Upazillas, DaridroBimochoneShahaytaRinKarmachuchi, Rural small business & Small Farming loan scheme , BARD Comilla - SB & RDA Bogra - SB Functional Research Internship etc. deserve special mention in channelising the financial resources for poverty alleviation and rural socio economic development of the country. Credit for Urban Women Micro Enterprise Development (CUMED) Internship without colleteralupto Tk. 5.00 lacs operating in 9 selected branches in Dhaka city, now CUMED has been extended in Dhaka city more 17 branches in addition to existing 9 branches, Chittagong two branches, Moulavi Bazar 3 branches and intotal 92 branches including all District branches of all over the country . Micro Entrepreneur development credit programme -`Unmesh' operating in Moulvibazar district, now this creditprogramme has been extended all over the country. DaridroBimochoneShahaytaRinKarmachuchi now has been extended all over the country in the year 2010. In the year 2007 a special credit programme named ` SIDR ' has been introduced for SIDR affected areas in which there is a provision of collateral free loan upto Tk. 20,000.00 .

More 0ver to make the self dependency specially for the women Micro credit Division has been introduced a new Loan program in the year 2010 named ~ JagoNareeGrameenRin " through 250 Rural branches all over the country with a provision of collateral free upto Tk. 25,000.00. Poverty alliviation credit program extended all rural branches in year 2011.

Recently Micro Credit Division introduced "Ideal Village Programme" aiming at alleviating poverty at sustainable level. The poor professionals of the rural areas (Both man & woman)

those who are reaching out of micro finance assistance being selected as beneficiary under this programme and provided collateral free and easy access credit facility.

"Ideal Village Programme" already launched at 6 districts and at seven other districts is in progress. Hoping that this programme will be implemented every part of the country gradually.

Micro Credit Division provided Tk. 5396.40 Crore to 6605734 beneficiaries' upto 31-12-2013. Present Outstanding Tk.1062.01 Crore against 302557 beneficiaries.

2.8 Other Viable Industrial Sectors:

- Composite textile (woven & knit fabrics).
- Textile / Acrylic Spinning.
- Sweater Industry.
- Garments Accessories & Washing Plant.
- Denim Fabrics (export oriented).
- Tourism / Hotel and Resort facilities.
- Hospital & Clinics.
- Other Export linkage industries.
- Power Generating Plant.
- LPG, CNG Filling & Conversion plant.
- Pharmaceutical Ind.
- Plastic Ind.
- Tannery/Rubber Foot wear.
- Other highly rewarding appropriate technology based Internships.

2.9 Deposits & Credit Scheme

Sonali Bank provides various kinds of deposits and schemes for the customers. These are-

ii. Educational Deposit Scheme
iii. Medicare Deposit Scheme
iv. Rural Deposit Scheme
v. Marriage Savings Scheme
vi. Monthly Earning Scheme
vii. Double Benefit Scheme
viii. Sonali Bank Daily Profit
ix. Nonresident Deposit scheme
x. School Banking Seheme
xi. Retirement Savings scheme
xii. Sonali Bank Deposit Pension Scheme
xiii. Sonali Deposit Scheme
xiv. Tripple Benefit Scheme
xv. Sonali Bank Millionior Scheme

2.10 Automation Status

1. ATM Services:

- 24/7/365 Service
- Cash withdrawal
- Balance enquiry
- PIN Change
- Mini statement
- Mobile phone re-charge
- Fake Note free transaction
- Dispense of fresh note
- SMS service

2.11 Online and SMS Banking:

The bank have provided 24/7 online service to the customer through all branches .The service is also standard .The customer can easily withdraw their deposit at any bank .The bank also ensures the SMS system at its practices.

Chapter Three

Theoretical Analysis of SBL

3.1 Small & Medium Enterprises (SME)

SME is defined as, “A firm managed in a personalized way by its owners or partners, which has only a small share of its market and is not sufficiently large to have access to the stock exchange for raising capital”. SME ordinarily have few accesses to formal channels of finance and depends primarily upon savings of their owners, their families & friends. Consequently, most SMEs are sole proprietorships & partnerships. As with all definitions, this one is not perfect. Depending on context therefore definition of SME wills vary. Despite the common features globally, countries do not use the same definition for classifying their SME sector. Also, a universal definition does not appear feasible or desirable. SMEs have been defined against various criteria. The three parameters that are generally applied by the Governments to define SMEs are:

- Capital investment in plant and machinery
- Number of workers employed
- Volume of production or turnover of business

Other definitions are based on whether the owner of the enterprise works alongside the workers, the degree of sophistication in management, and whether or not an enterprise lies in the "formal" sector. The definitions in use depend on the purposes these are required to serve according to the policies of the respective countries/Governments. According to Bangladesh Bank’s Small and Medium Enterprise (SME) Credit Policies and Programmes:

3.1.1 Definition of Small Enterprise

Small Enterprise refers to the firm/business which is not a public limited company and Complies the following criteria:

Serial No.	Sector	Fixed Asset excluding Land and Building (Tk.)	Employed Manpower (not above)
01.	Services	50,000-50,00,000	25
02.	Business	50,000-50,00,000	25
03.	Industrial	50,000-1,50,00,000	50

Table 3.1: Small Enterprise Criteria

3.1.2 Definition of Medium Enterprise

Medium Enterprise refers to the establishment/firm which is not a public limited.

Company and complies the following criteria:

Serial No.	Sector	Fixed Asset excluding Land and Building (Tk.)	Employed Manpower (not above)
01.	Service	50,00,000-10,00,00,000	50
02.	Business	50,00,000-10,00,00,000	50
03.	Industrial	1,50,00,000-20,00,00,000	150

Table 3.2 : Medium Enterprise Criteria

3.2 Minimum Requirement for SME Financing According to Bangladesh Bank

Each and every SME provider is regulated by separate restriction given by Bangladesh bank along with general banking rules. It may be noted that those minimum requirements should not in any way interrupt the role of monument process through establishing comprehensive credit risk management system appropriate to their type, scope, sophistication and scale of operation. The Board of Directors of particular bank is required to establish policies, procedures and practice in order to define risks, specify security requirement, design internal control and ensure strict compliance with them.

All the minimum requirements can be described as follows-

- **Pre-operation**
- **Operations**
- **Discloser/ethics**

3.2.1 Pre-operation

Before undertaking small enterprise financing, bank/financial institutions are required to follow some specific guidelines. Firms that have already established SME financing are required to compliance with the guidelines by six months of the date of issuance of Small Enterprise Financing Prudential Regulations.

Pre-operation guidelines are

a) For the purpose of undertaken SME financing, banks are required to set up own separate risk management capacity which will be properly staffed in combined with sufficient expertise and experienced person in the field o consumer finance/business.

b) The bank shell develops comprehensive credit policies suitably approved by Board of Directors. The policy will cover loan administration combined with documentations process, disbursement systems and appropriate monitoring mechanism. The policy will also revise with job description and job specification of different layer staffs. Along with it, policy shall specify powers/authority relating to approval/sanction of consumer finance facility.

c) The bank shall develop specific Product Program Guide (PPG) for every type of SME activity. The program shall describe the eligibility of the borrower in terms of objectives or quantitative parameters. It shall also determine the maximum permissible loan limit of each

borrower. Along with that, PPG shall indicate the maximum permissible exposure banks will take against each product.

d) The SME undertaking bank shall have computer-based Management Information's System (MIS) which will cater the need of small and medium enterprise financing portfolio and should be flexible enough to generate necessary information regarding various clients and their payments behaviors. This periodical report are expected to in generating new policies, effectively implementation of current policies and facilities appropriate modifications of existing policy.

e) The bank shall prepare product wise profit and loss account quarterly which will adjusted with the provision on account of classified account as expected. The profit and loss account should be present to the Board of Directors in the immediate next board meeting. In case of foreign banks, the report should be place before committee combined with Chief Executive Officer, Chief Financial Officer and Head of Small enterprise.

f) The bank shall have comprehensive recovery procedures for the delinquent loan. There must have a constructive procedure to recover loan defaulters. That recovery procedure my very product to product, but the distinct should be prescribed in such manner so that pre-planned enforcement measures could be taken immediately.

g) All the institutions starting/undertaken small and medium enterprise financing are instructed to gone through some training on an ongoing basis to their capabilities related with various aspects of SMEs. The bank shall prepare standardized set of borrowing and recourse documents for each types of SME financing.

3.3.2 Operations:

a) Like other financing institutions, small and medium enterprise financing institutions are subject to set up own credit risk management process. The process includes- information about borrower past dealing with banks, assessing the clients ability to repayment, sources of repayment, net worth and information obtained from Credit Information
Bureau approved by Bangladesh Bank.

b) While granting loan to the borrowers, bank shall obtain written declaration from the borrower reviling the details of various facilities he/she already obtained from other financial institutions. The bank shall carefully gone through the declaration detail and find out whether the customer exceeds the resemble limits as laid down in the approved policies of the banks.

Additionally this declaration helps the bank to avoid exposure against an enterprise having multiple facilities from different financial institutions.

c) Bank should establish its own internal audit and control system in order to review its activities. For its inheriting nature, SME portfolios are subject to high risk and various weaknesses. The internal audit review managerial decisions in order to rectify the weaknesses of SME financing and reduce the level of risk. Another function of the internal audit is to look after the delinquency of internal control. It also figured out whether standardized policies are developed and practiced in reality.

d) The bank shall ensure that their accounting and computer systems are properly equipped so that bank can avoid mark up. Even if it marked –up, bank must ensured that the marked-up charge on the outstanding amount is kept separate from the principal. The banks shall also ensure that any repayment made by the borrower is accounted for before applying mark-up on the outstanding amount.

3.2.2 Discloser/ethics

Bank shell disclose all necessary terms and conditions regarding fees-charges; interest rate and penalties. It should also reveal internal information to some extend because sometimes it contains conditions related with interest rate and pre-payments penalties. In order to make it hassle free and keep update with clients, banks are encourage to published brochures regarding their different mood of products, eligibility to apply and frequent asked questions.

3.3 Overall SME Credit Supply Analysis

As on March, 2017, six private banks have 63.21% of the market share for SME lending nationwide, which equals a total of TK 174.478 billion. The remaining four public banks and financial institutions including specialized types of banks hold an estimated 22% market share (6% each) for SME lending. This suggests an estimated total current supply of SME credit (SME loan principal outstanding) of Tk28.97 billion in the first half of the 2016 where in 2017 the figure was BDT 12.143 billion. That means SME loan has been increased by 13.4% (The daily ProthamAlo, 30th August 2018).

3.4 SME Financing of Sonali Bank Ltd.

SME finance is the funding of small and medium-sized enterprises, and represents a major function of the general business finance market – in which capital for different types of firms are supplied, acquired, and costed or priced.

According to Bangladesh Bank guidelines, Sonali Bank Limited emphasizes on SME financing for eliminating poverty by increasing SME loan flow at economically under developed areas and to marginal people. Setting up priority based SME credit policy for women and underprivileged entrepreneurs, the Bank has been working for the improvement of their socio-economic condition. The Bank extended term loans and working capital to different producers, business people and service providers under this sector. In the year 2017, the Bank has disbursed SME loan of Tk. 16,779.30 million.

- A Internship on **"One Branch One Month One new Entrepreneur''** had been launched in 2014 for eliminating poverty by increasing loan flow for unemployed people and economically underdeveloped areas. Under this Internship, Tk. 3,731.60 million has been disbursed to 6,189 new SME entrepreneurs till 2017.
- A total of Tk. 40.00 million has been disbursed to the green sectors (solar energy and bio-gas plant) under **"SonaliAlo"** Internship and total number of clients has stood at 1400.
- **"Women Entrepreneurs Development Desk''** has been established in the Bank and Brochure ''Nipuna'' and ''SME Loan'' is being distributed to the women entrepreneurs to inform the facilities of the scheme.
- Moreover, Tk. 20.00 million has been disbursed to 600 clients in **''Cluster''** financing of the Bank in the period.
- Total outstanding volume of SME credit has stood at Tk. 48,404.70 million till 2020 which is 11% of total loan of the Bank. Overall SME activities will be geared up according to Bangladesh Bank's guideline.

3.5 Sonali Bank Limited Small Business Organogram

Small Business is led by Head of Small Business directly from the Head Office who reports to the Head of SME. The Business is divided into three regions headed by the Regional Heads under whom the Territory Managers are there. Zonal Managers report to the Territory Manager regarding his/her zone who also supervises the CROs working at the very root level

3.6 Marketing Process Related to SME Loan

3.6.1Target Marketing

There are too many different types of customers with too many different kinds of needs. In terms of SME loans, target market of Sonali Bank Limited is small and medium enterprise. There are three sectors of target marketing which SME follows: Trading, Manufacturing and Service. As the sectors of loan disbursement are different, there are different strategies before and after loan disbursement. The marketing officers are chosen in such a way that they can handle different types of customers.

3.6.2Market Positioning

In Bangladesh, there are banks and non banking financial organizations which are relentlessly trying to market their loan products to customer. That is why Sonali Bank Limited has taken some innovative strategies to make a strong position in the market. The marketing officers are very customer friendly.. For market positioning Sonali Bank Limited SME division provides the services like:

- ✓ **Rescheduling System**- If after taking SME loans any customer gets any problem in repaying the loan then the rescheduling process is made for the ease of the customer.

- ✓ **Direct Service**- To get the loan the marketing officers do all the hard work. They provide the service in the holidays for the clients' support. Specially Small and Medium Enterprise and Trading Manufacturing Service.

3.7 Developing Marketing Mix

Sonali Bank Limited SME division plans to mix its products in the following manner:

a. Product: In view of the SME loan, Sonali Bank Limited has 2 types of loan: Short term loanand mid term loan. Short term loan product means 12 months tenor and mid-term means tenor upto 36 months.

b. Price: In terms of SME Loan, Sonali Bank Limited receives a certain amount of processing fees and stamp charge for giving loan to customer.

c. Place: Sonali Bank Limited SME division is always active in reaching the customers point of contact as much as they can. Dedicated SME officers are deployed in each and every corner of the country.

3.8 Special Arrangements for Women Entrepreneurs

About half of the population of Bangladesh is women. Therefore, women participation in the mainstream of economy is crucial for attaining sustainable economic growth & poverty reduction. But women participation in institutional economic sector is inadequate & the rate of women entrepreneurs is very low compared to that of male counterparts. In fact, there exist many obstacles in women participation in the mainstream of economy although the degree of integrity, devotion, creativity and expertise of women society make us surprised. Especially women participation in micro credit programmers and readymade garments industry is contributing significantly to the country's industrialization. Similarly, participation of women entrepreneurs in SME sector is vital for the flourishing of Bangladesh economy. Meantime, Bangladesh Bank has taken some steps and formulated a guideline for the banks & financial institutions to ensure more institutional financial facilities for women entrepreneurs in SME sector.

i. With a view to organizing and making uniform industrial development and to ensure institutional credit facilities, at least 15% of total BB refinance fund for SME sector has been allocated for women entrepreneurs.
ii. Interest rate for women entrepreneurs will be Bank rate (which is at present 5%) plus maximum 5%; i.e. not more than 10% per annum.
iii. Banks/Financial Institutions will accept and settle all types of loan applications of SME women entrepreneurs with the highest priority.

iv. Banks and financial institutions shall take initiative to advertise all the facilities for women entrepreneurs in both electronic & print media.

v. Banks and Financial Institutions may provide a maximum loan facility of Tk.25, 00,000/- against personal guarantee if borrower is woman or majority of the owners of the enterprise are women.

3.9 Products of SME loan of SBL

Services	**Eligibility**	**Loan Amount**	**mortgage**	**Duration**	**Interest Rate**	**Special Features**
SahajRin	Small and Medium sized trading and Manufacturing business.	up to 10.00 (Ten) lac	No (Personal guarantee)	4 years	9%	No security required
Business-man Rin	Any kind of business operating at least 3 or more years	Loan facilities up to 5 crores. Trading sector up tp provide loan 25 Lac, Small Entrepreneur provide up to 5 crores	100% mortgage (75% of the immediate sale price of the property)	Long Term	9% in 50 lac	Monthly or Quarterly installment
SulavRin	Any kind of business operating at least 3 or more years	up to 20.00 (twenty) Crore, Production industry up tp provide loan 20 crores and include service firm provide up to 5 crores	100% mortgage (75% of the immediate sale price of the property)	8 Years	9%	Monthly or Quarterly installment
Majhari	Medium	Maximum loan				

(medium) Rin	Enterprise	limit up to 75 crore	100%	10 years	9%	

Table 3.4: Products of SME loan of SBL

3.10 Procedure of SBL SME Financing

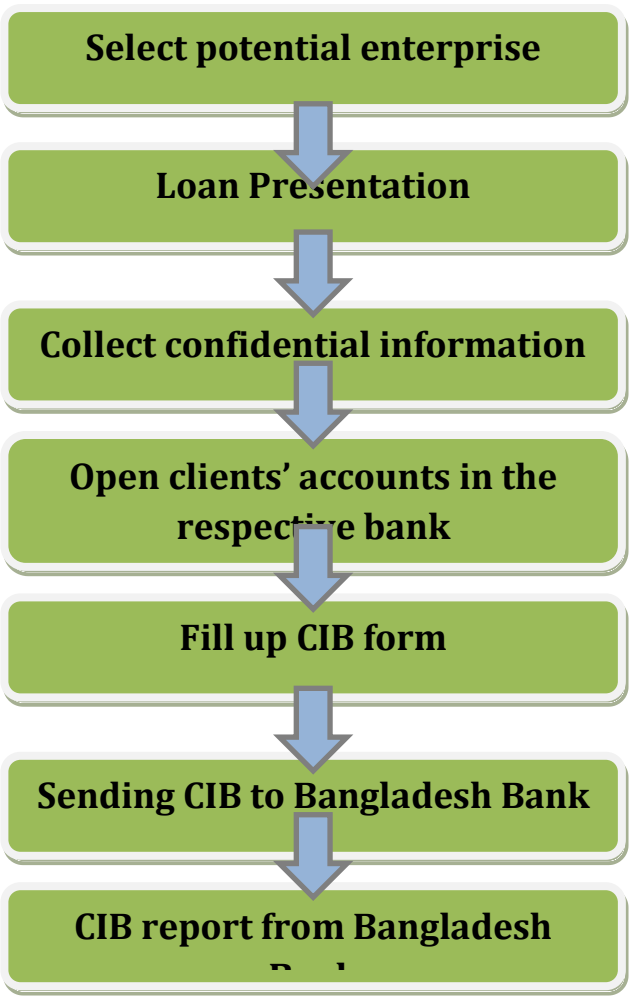


Figure 3.1: Procedure of SBL SME Financing

Now the whole procedure is describing elaborately-

- ✓ **Select potential enterprise:** For SME loan, in this step the CRO conduct a survey and identify potential enterprise. Then they communicate with entrepreneurs and discuss the SME programs, terms and conditions, business plan and necessary things.
- ✓ **Loan Presentation:** The function of CRO is to prepare loan presentation based on the information collected and provided by the entrepreneurs about their business, land property (where mortgage is necessary).
- ✓ **Collect confidential information:** Another important function of a CRO is to collect confidential information about the client from various sources.
- ✓ **Open clients' accounts in the respective bank:** When the CRO decides to provide loan to the client then he/she helps the client to open the bank account. SBL will disburse the loan through this account. On the other hand the client will repay by this account. Although there is some exception occur by the special permission of the authority to repay by different bank account.
- ✓ **Fill up CIB form:** CRO gives a CIB **(Credit Information Bureau)** form to the client and the client fill and sign it. In some cases if the client is illiterate then the CRO fill the form on behalf of the client. Then CRO sent the filled and signed form to the SME head office.
- ✓ **Sending CIB to Bangladesh Bank:** The SME head Office collects all information and sends the CIB form to Bangladesh Bank for clearance. Bangladesh Bank returns this CIB form within 10-12 days with reference number.
- ✓ **CIB report from Bangladesh Bank:** If the client has no loan facility in any bank or any financial institution then Bangladesh Bank uses **'NIL'** in the report.

3.11 SME Banking of Sonali Bank Ltd. (Purpose of SME Loan):

i) Working capital
ii) Purchasing of capital machinery
iii) Delivery Van /Transport for business purpose
iv) Renewing office/ Business premises
v) Purchase of commercial land, possession for new venture
vi) Other eligible portfolio of the bank.

3.12 SME Exposure Limit

The minimum and maximum exposure of the bank on single Small Enterprise shall remain subject to the following:

1. **In case of working capital finance**- Maximum up to 100% of the net required working capital or 75% of the sum total of inventory and receivables whichever is lower.

2. **In case of fixed assets purchase**- Maximum up to 90% of the purchased price. **Limit on clean facility for Tk. 2 Lac to below Tk. 10 Lac:** In order to facilitate growth of smaller loans, banks are free to determine security requirements for loan below Tk. 10 Lac 1. As a minimum Bank must take charge on assets being financed 2. Branch should also obtain other common documents/ charge documents as applicable **For Loan amounting Tk. 10 Lac to Tk. 50 Lac** Registered mortgage over immovable properties with registered power of attorney and disclaimer from the mortgagor(s);

- Hypothecation on the inventory, receivables, advance payments, plants & machineries
- Personal guarantee of spouse/ parents/ other family members
- Third party guarantee from a person acceptable to the Bank
- Postdated cheques for each installment and one postdated cheque for full loan value including full interest
- Branch shall also obtain other common documents/ charge documents as applicable.

3.13 Performance of SME Finance in 2020

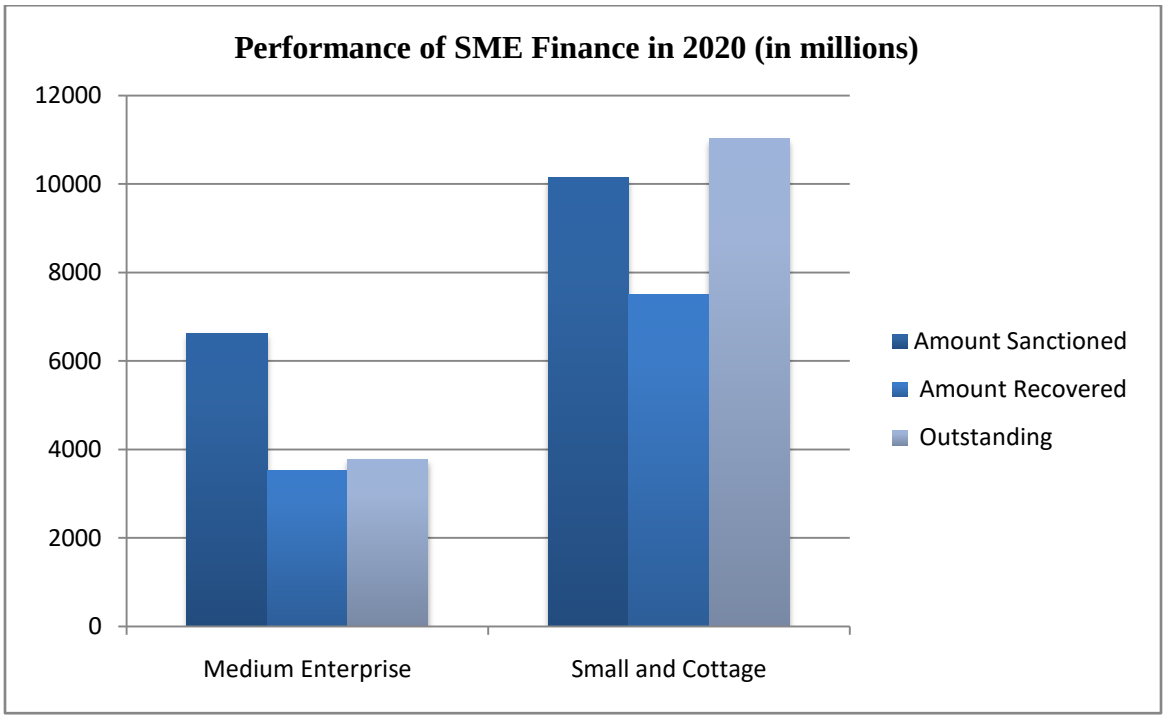


Figure 3.3: Performance of SME Finance in 2020 (**Source: Staff College of SBL)**

3.14 Recovery Policy of SME Loan

The lending is the backbone of a banking activity and an important for bringing profit bank. Usually bank gives loans for different economic sector like agriculture, Industry, Trade Export etc. Also banks earn profit by way interest charged on loans. When a bank gives loans to its borrowers for different purposes. Sometimes some of the loans are not repay in time by borrowers. When a loan is not repay according to the terms and conditions to the sanction rules and guideline. Bank has to enforce its rights and take proper steps to recover the loan. Loan recovery is an important function of Sonali Bank like loan disbursement. Basically the success of the bank depends on the performance of loan recovery. For this reason Sonali Bank follow some rules and regulation of the SME loan recovery. This are-

1. General Policy
2. Statutory policy

3.14.1 General Policy

At first Sonali Bank pursues a general policy to recover the loan. It is an easy and simple way of loan collection. The general policies are:

- To inspire with the courage payback of the installment money in due time.
- To provide rewards for those leaders who clear off his installment money in due time.
- To supervise loan.

3.14.2 Statutory policy

When Sonali Bank cannot recover its disbursed loan through general policies then Sonali Bank follows statutory rules and regulation to recover disbursed loan. It is a complex system of loan recovery.

Issue of demand notice: Demand notice is issued before on month being due of outstanding loan or installment. It is sent to the borrower.

Legal notice: If the borrower doesn't repay his/her respective loans and interest after maturity being received the demand notice under resisted with acknowledgement by post to the borrowers, the bank should send lower notice to him.

Special notice: Beside the above to notice a special notice signature by DC, TNO is sent to the respective borrower to kept mental pressure on him for repaying the loan.

Field Recovery: Loan officer receive the recovers loan through L.O. receipt by visiting the spot and source of the borrower.

Personal communication: If the borrower fails to repay his loan installment, the loan officer communicates communicate with the respected persons.

Chapter Four

Findings, Recommendations and Conclusion

4.1 Summary of Findings

Throughout the research work, I have some findings regarding loan performance by analyzing the financial statement of Sonali Bank Limited; which are given to below:

1. SBL constantly maintain about 5% SME loan. This lower portion in demanded loan proves good loan management. Its small loan disbursement inside BD is more consistent than outside of BD.

2. Its contribution to infrastructural development and living standard up gradation via SME loan is well balanced from 2014.

3.SBL continuously keep financing in industrial and agro based industrial sectors via loan under SBL industrial and agro based industrial credit scheme (Internship), working capital to industries and agro based industries (both hypo and pledge). Loan disbursement in agricultural and micro credit scheme is in a satisfactory level. Even in 2015, it has granted almost 18% and 19% respectively and 8% of its total amount of loan to agriculture directly.

4. SBL was consistent in maintaining small trading loan, export-import oriented loans and back to back loans, but in a competitive market it is losing its clients. But its current account barter (debit balance) is surprisingly static for the last 5 years.

5. Recently SBL has organized so many training programs for the skilled development of its clients and employees as well.

6. Its performance regarding cash loan inside BD is more satisfactory than outside BD which is also applicable for overdraft loan and bills purchased and discounted (excluding treasury bills).

7. In the last 5 years, it granted highest amount of loans in 2012 when the Hallmark incident happened. That's why in that year, it experienced highest amount of classified loan in the recent years.

8. When the total amount of loans and advances are categorized according to maturity time frame, we can see that SBL previously was highly interested in mid-term loan (more than 3 months but not more than 1 year), but after the Hallmark incident it switched its interest to relatively long term loan (more than 1 year but not more than 5 years).

9. The long term loan (more than 5 years) is getting continuous attention in a well balanced way. But the scenario is deteriorating in case of Bills purchased and discounted activities ominously.

4.2 Recommendations

From the precious discussions of the report, we can realize that the concerned authority of SBL along with the policy makers within the government should adopt some effective measures in order to operate efficiently and to cope with the threats for ensuring the soundness and development of this sector. The following actions are suggested:

1. After some undesired incidents, this sector is suffering from some vulnerability. Banks should be kept out of political interference in case of loan sanction and disbursement. Government must allocate more budgets to face the shortage of liquid asset for this booming industry and minimize the restrictions and barriers for this industry. These will increase the efficiency of the banking sector.

2. Carefully choose smart and presentable personnel who will be interacting with the clients in specific situation to minimize expectation gap and proper customer satisfaction. Up gradation of present service quality is a must. Train personnel to make them knowledgeable regarding the services of the organization to interact well with the clients to minimize expectation gap.

3. The failure of commendable banks occurs mainly due to bad loans which occur for inefficient loans and advances portfolio management. Therefore SBL must be extremely cautious about its lending portfolio and select borrowers carefully. Borrower's background, qualification, experience, reputation must be considered.

4. Behind any loan sanction, many people and parties are involved. But if anything goes wrong, only some white collar personnel are punished rather than other involved parties like credit rating unit, inspection unit, papers scrutinizing unit, regular custodians and every single officers who signed in that loan sanction paper.

5. Transparency and accountability is a must and every culprit behind the scam should be punished. Sometimes officers who signs in papers don't have enough scope to scrutinize the paper thoroughly.

6. Using technology to every step of providing customer service and internal activities is a must. In most of the desks, an obsolete version operating system named Windows XP was noticed which suffers from high level of vulnerabilities as Microsoft officially denied providing any kind of further support for this platform. Even most of the computers don't have a free version of anti-virus program. It is inexcusable fault in a highly competitive market as recently

we have experienced a ransom ware (named winery) attack worldwide, especially in financial sector. Moreover, after the Bangladesh Bank hacking scam via SWIFT code malware, they have not been careful enough about it as they were supposed to be. Personnel should be trained properly with enough IT knowledge on a regular basis.

Though this sector is going through some ups and down, this booming and highly flourishing sector can be a supernova in the sky of our economy. That's why proper steps and well patronization should be more available to make this sector as an invincible sector.

4.3 Conclusion

Banking sector is a sector full of unlimited potential. They are the major players of our economy. If we review the past, we can see that this experienced sector has been able to place with high potentiality in the economy of Bangladesh. Though this sector has experienced enough compared to the other sectors in Bangladesh, but to cope with the challenges of modern days, there are huge scopes of modernization, policy up gradation and improvisation to its service quality in a competitive market like today's. This sector has already started leading our economy via contributing to other sectors. The journey of this state owned commercial bank started in the year of 1972. After commencement, Sonali Bank Limited is playing a vital role in the economic growth and development of the country. Still there are huge scopes where it can upgrade itself to cope with the challenges of the competitive present world. This study will help managers to pay more attention to some aspects where SBL is lagging behind and this may help improving both its financial performance and position. The performance of this institution is mostly dependent on the management's ability in formulating strategic plans and the efficient implementation of their strategies. This study will also pave the way of efficient and effective strategic decision making by the managers, especially in the loan management policy. Some departments which don't have a satisfactory performance level up to the mark should be more careful in their operating and overall activities. Those departments which pose the risk of fraudulent and loan default should take proper steps for avoiding risks and for better performance.

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