

**Project Paper  
on**

***An Appraisal of Pubali Bank Limited***

**BUS 498**

***Prepared For***  
**Dr. Tanbir Ahmed Chowdhury**  
**Professor**  
**Department of Business Administration**  
**East West University**

***Prepared By***  
**Moinul Hassan**  
**ID # 2006-1-10-178**

**Date of Submission: 22<sup>nd</sup> December, 2010**



**East West University**

# Letter of Transmittal

December 22 2010

Dr. Tanbir Ahmed Chowdhury  
Professor  
Department of Business Administration  
East West University  
Mohakhali, Dhaka

## **Sub: Submission of project paper**

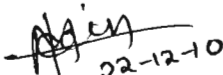
Dear Sir:

With due respect, gratitude and appreciation, I would like to present this project paper on **“An Appraisal of Pubali Bank Limited”** as a Project Paper for my BBA degree at East West University. The project work gave me the opportunity to put my skills and capacity to the test under several circumstances and to solve challenges associated with my academia and work.

I have used several kinds of methods to gather information to do the competitive analysis. The methods include web browsing and documentation. In the analysis both primary and secondary data were used.

The best efforts were applied to match the theoretical concepts to complete this project with real life situation. The whole work was challenging and very much enjoyable.

Sincerely Yours

  
22-12-10

Moinul Hassan

ID # 2006-1-10-178

## Acknowledgement

First of all I like to express my gratitude to Almighty Allah who has given me the opportunity to go through the total process of writing this project report.

I would like to express my gratitude to my honorable faculty supervisor Dr. Tanbir Ahmed Chowdhury, Professor, Department of Business Administration of East West University; who has given me suggestions regarding the writing of this report, which has become an excellent way of understanding the topic of my project work. Basically in our academic life we got a lot of theoretical experiences about the business activities. I got a great pleasure whenever I saw those forms of business activities in my practical involvement. This gave me an opportunity to bridge the gap between my theoretical understanding and practical work in a meticulous way.

I would also express my gratitude to Mr. Palash Ahmed, Principal Officer, Pubali Bank, for giving me all sorts of logistics supports from initiation to final preparation of my report. I would also like to thank all the officials of the Pubali Bank who have given me support by giving their valuable time in my report writing process. Without their support it might have been not be possible to complete my report in this way.

## **Contents**

---

	Page(s) No.
<b>EXECUTIVE SUMMARY</b>	<b>VI</b>
<b>CHAPTER 01: INTRODUCTION</b>	<b>1 - 6</b>
1.1 An overview of Pubali Bank Limited	1 - 4
1.2 Objectives of the Study	5
1.3 Scope & Methodology of the Study	5
1.4 Limitations of the Study	6
<b>CHAPTER 02: AN OVERVIEW OF THE PRINCIPAL ACTIVITIES OF PUBALI BANK LIMITED</b>	<b>7 - 21</b>
2.1 Capital Structure of Pubali Bank Limited	7 - 8
2.2 Trends of Branch Expansion of Pubali Bank Limited	9 - 11
2.3 Number of Employees of Pubali Bank Limited	12 - 13
2.4 Types of Deposits	14 - 18
2.5 International Trade and Foreign Exchange	18 - 21
<b>CHAPTER 03: AN APPRAISAL OF THE PERFORMANCE OF PUBALI BANK LIMITED</b>	<b>22- 40</b>
3.1 Deposits of Pubali Bank Limited	22
3.2 Modes of Credit and Advance	23 - 31
3.3 Fixed Assets of Pubali Bank Limited	32
3.4 Total Income of Pubali Bank Limited	33
3.5 Loan Deposit Ratio	34 - 35

3.6 Net Profit after Tax	36
3.7 Earnings per Share (EPS)	37
3.8 Dividend Declared by Pubali Bank Limited	38
3.9 Return on Assets	39 - 40

CHAPTER 04: PROBLEMS AND RECOMMENDATIONS OF PUBALI BANK LIMITED	41 - 42
--	---------

CONCLUSION	43
------------	----

SOURCES OF DATA	44
-----------------	----

## **Executive Summary**

The Banking industry is one of the most attractive industries in Bangladesh. Every year, this industry is growing at a higher pace. With this growth the modernization of banking systems has also improved a lot. The entrance of multinational banks in the country and simultaneously the emergence of Private Commercial Banks have made this business very competitive.

Pubali Bank is the largest Commercial Bank in Private Sector in Bangladesh. It provides mass banking services to the customer through its branch network all over the country. This Bank has been playing a vital role in socio economic, industrial and agricultural development as well as in the overall economic development of the country since its inception through savings mobilization and investment of funds. The evaluation of bank performance is a complex process involving interactions between the environment, internal operations, and external activities. The ultimate objective of management is to maximize the value of bank's equity shares by attaining the optimal mix of returns and risks. In this respect bank management needs to develop a comprehensive plan in order to identify objectives, goals, budgets and strategies that will be consistent with the maximization of share values.

In this report I mainly focused to appraise on Pubali Bank Limited. I tried to give an overview of the principal activities and performance of Pubali Bank. Lastly I sort out the problems and tried to give some solutions to overcome those problems.



## **CHAPTER 01: INTRODUCTION**

---

Banks play an important role in the business sector and industrialization of a country. Basically, bank collects deposit from the surplus units and lends it to the deficit units against interest for a certain period. Under this sphere, the bank offers different interest notes and other options to there customers to remit and deposit there money. Most of the common between the banks, only the customer service and other facilities vary.

A Significant growth in the GDP with lower inflation level was attained during the past few years despite a host of adverse external sector developments like South-East Asian crisis and recent global recession and various domestic adversities including devastating floods.

In the background of liberalization of the economic policies in Bangladesh, there are many government banks, semi-government banks, private and foreign banks. Pubali Bank Ltd is one of the largest and leading private commercial sector banks in Bangladesh.

### **1.1 An Overview of Pubali Bank Limited**

#### **Historical Overview**

Pubali Bank limited is the largest Commercial Bank in Private sector. The Bank was incorporated in the year 1959 under the name and style of Eastern Mercantile Bank Limited under company Act 1913. After liberation of the country in 1971, the Bank was nationalize as per policy of the Government of the People's Republic of Bangladesh under the Bangladesh Bank (Nationalization) order 1972(PO No 26 of 1972) and was renamed as Pubali Bank. Subsequently,



the Bank was denationalization in the year 1983 and was again incorporated in Bangladesh under the name and style of Pubali Bank Limited in that year. The Government of the People's Republic of Bangladesh transferred the entire undertaking of Pubali Bank Limited, which took over the same as a going concern. There are 386 branches all over Bangladesh doing business as well as giving services to the people. The Head Office of the Bank situated at 26, Dilkusha Commercial Area on its fourteen-storied own building. It is listed in the Stock Exchanges at Dhaka and Chittagong as publicly traded company for its general class of shares.

It has a large asset position comprising of Tk.89884.70 million in December 2009. The Bank employs largest in private sector, which stood 5321 personnel in December 2009.

### **Vision of Pubali Bank Limited**

To hold the position of the best private commercial Bank in Bangladesh with adherence to meticulous compliance of rules and regulations and strong commitment to corporate social responsibility.

### **Mission of Pubali Bank Limited**

To become the most remarkable and admirable private commercial bank in the country. To get recognition as a dynamic, innovative and customer service oriented bank. To keep momentum of continuous & steady growth with maximum transparency and to diversify products and resources. To expedite continuous update of information and technology with all modern facilities to cope with demand and challenges of the time.





## Credit Ratings

Pubali Bank now "Double A" Rated.

Credit Rating was done by the Credit Rating Agency of Bangladesh Limited (CRAB) on the basis of Audited Financial Statements as on 31.12.2009. The summary of the rating is presented below:

### Credit Rating Report(Surveillance Rating)

	Long Term	Short Term
Rating Outstanding	AA3	ST1
(Updated 6 April 2010)	Double A Three (Very Strong Capacity)	Highest Grade
Validity of outstanding rating 1(One) year.		

CRAB has assigned AA3 (Pronounced Double A Three) rating of Pubali Bank Limited in the Long Term and ST1 in the Short Term. This level of rating indicates very strong capacity for timely payment of financial commitments in both Long Term and Short Term with very low likelihood to be adversely affected by foreseeable events. CRAB performed the present rating assignment based on the Audited Financial Statements of 31 December 2009 and other relevant information. The present rating takes into account, among others, Bank's comfortable capital adequacy, improved asset quality, continued profitability, adequate liquidity and reduction in non-performing assets(NPA) levels to single digit(gross 2.96%).

Pubali Bank Limited was assigned A1 in the Long Term and ST-2 in the short Term by CRAB on April 2009 which had a validity of 1(one) year from the date of rate assigned on the Audited Financial Statements of 31 December 2008.



**Table 1: Pubali Bank at a glance**

(Figure in million TK.)

Particulars	Year		
	2007	2008	2009
Authorized Capital	5000.00	5000.00	5000.00
Paid up Capital	2100.00	2940.00	3822.00
Reserve funds	3832.09	4606.82	5687.08
Deposits	57996.65	73016.10	83466.01
Advance	50549.24	61788.30	74203.95
Investment	5556.30	8375.58	12168.08
Import Business	48345.00	58009.20	69493.00
Export Business	19907.00	24795.80	24739.40
Bridge Finance	6.89	6.89	6.89
Total Income	7087.38	9009.25	16663.35
Total Expenditure	4145.56	5563.87	6824.57
Pre-tax Profit	2941.78	3445.65	3839.40
Net Profit	1353.35	1515.72	2092.82
Total Assets	71550.09	89884.83	107579.59
Fixed Assets	1357.38	1388.56	1443.31
Number of Shareholder	19009	24153	30899

Source: Annual Report- 2009



## **1.2 Objectives of the Study**

The specific objectives of the study are as follows:

- i. To present the principal activities of Pubali Bank Limited.
- ii. To appraise the performance of Pubali Bank Limited.
- iii. To identify the problems of Pubali Bank limited.
- iv. To suggest remedial measures for the development of Pubali Bank Limited.

## **1.3 Scope & Methodology of the Study**

The scope of the report is an appraisal on the overall performance of Pubali Bank Limited.

The study is mostly based on secondary data's which I have collected from the annual reports. For primary data I have visited the bank and talked with its employees personally. Major factors in the annual report have been used to analyze financial data of Pubali Bank.

The study covers the financial data of year 2003 to 2009. After collecting the raw data from various sources, it has been processed, tabulated, edited for the purpose of the study.



## **1.4 Limitations of the Study**

I faced some limitation while preparing this project work. Most importantly my task were hard hit by time constrains which prevented me from doing a more elaborate survey. I could not prepare this report more elaborately for adequate resource unavailability. I found that many people are skeptic in reveling information. Despite all this limitations I tried my level best to make it a concise study.



## **CHAPTER 02: AN OVERVIEW OF THE PRINCIPAL ACTIVITIES OF PUBALI BANK LIMITED**

---

### **2.1 Capital Structure of Pubali Bank Limited**

Capital structure refers to the way that a corporation finances its assets through some combination of debt and equity. The capital structure of PBL is given below.

#### **Share capital**

Authorized Capital and paid-up capital of the bank stood at TK.5000.00 million and Tk.3822.00 million respectively in 2009. Out of total 30899 Shareholders, Bangladesh Government held 93 shares of taka 9300.00 while the remaining shares of paid up capital Tk.3821.99 million were held by various institutions and individuals of which directors held 11.30%, other banks and financial institutions held 29.66%, Cooperative societies held 2.31%, Other institutions held 9.71%, Non resident Bangladeshis held 10.60% and General publics held 36.42% of total shares.

#### **Statutory and other Reserve**

At the close of 2009, the statutory reserve and other reserves of the bank stood at Taka 5687.28 million, out of which Statutory Reserve was Tk. 3152.72 million, other reserve was Tk. 2534.53 million. Total reserves was Tk. 4606.82 million at the end of 2009.

#### **BIS Capital Adequacy Ratios**

In accordance with the instruction of Bangladesh Bank, Central Bank of the country, the bank adopted BIS risk-adjusted capital standards to measure capital adequacy. Banks in Bangladesh are required to maintain the ratio of minimum 5%.



(Figure In Million TK.)

Particulars	Amount	
<b>Tier I Capital</b>		
Paid-up capital	3822.00	
Statutory Reserve	3152.72	
General Reserve	1369.47	
Retained Earnings	<u>0</u>	
<b>8344.19</b>		
<b>Tier II Capital</b>		
Provision against		
unclassified loans & advances	951.02	
Provision for off balance sheet exposures	179.30	
Asset revaluation reserve	557.31	
Revaluation on Investment (HFT)	80.95	
Revaluation on Investment (HTM)	21.39	
Exchange equalization account	<u>299.59</u>	
	<u>1727.83</u>	
<b>Total capital maintained</b>	<u>10072.02</u>	
<b>Capital adequacy ratio</b>	<b>Required</b>	<b>Held</b>
Tier I	5.00%	11.29%
Tier II	5.00%	2.34%

The Bank's Capital Adequacy Ratio stood at 11.29%, with Tier I capital ratio as of December 31, 2009. And the total risk adjusted capital or supplementary capital adequacy ratio stood at 2.34%.



## 2.2 Trends of Branch Expansion of Pubali Bank Limited

### Branch Network:

PBL is the largest commercial Bank in private sector of Bangladesh. The Bank within stipulation lay down by the Bank Company Act 1991 and directives as received from Bangladesh Bank from time to time provide all types of commercial Banking services. It has 386 branches all over the country and also enlisted the Dhaka and Chittagong stock exchange as publicly quoted company for its general class of share.

**Table 2: Number of Branches of PBL in Different Zones as On December 2009**

Bank's Name	Name of Region/Zone	No. of Branches
<b>PUBALI LIMITED</b>	Dhaka	73
	Narayangonj	17
	Chittagong & Hill Track	58
	Sylhet	43
	Moulvibazar	31
	Comilla	27
	Noakhali	19
	Mymensingh	23
	Rajshahi	24
	Rangpur	19
	Barisal	28
	Khulna	24
	<b>Total Branches</b>	<b>386</b>

Source: Annual Report- 2009



## **Branch Expansion:**

Pubali Bank has the largest number of branches among the private banks of Bangladesh. And the number of branches are increasing day by day. Currently Pubali bank has 386 branches all around Bangladesh. But in 2001 the number of branches was 349 and in 2002 it was increased to 350. After that Pubali bank didn't increase their number of branches for 3 years. As Pubali bank was under supervision of the Bangladesh Bank for not increasing their paid up capital. Pubali bank managed to overcome this problem by earning very good profit and declaring 300% and 200% bonus stocks to increase their paid up capital in the following years. After 2005 Pubali bank continued to increase the number of branches and in 2006 the total number of branches were 356. Later in 2007 the total number of branches was increased to 361. And in 2008 the number was 371. And today Pubali Bank Limited has 386 branches all over Bangladesh.

PBL has passed a very successfully year 2009 in achieving operating Profit, substantial growth in business and revenue. To retain the continued growth the plan of PBL is to gave emphasis to diversify the income streams, enhance productivity, fee based earnings, foreign trade & remittance, develop computer software, skilled manpower, credit risk management efficiency with a view to attain success PBL has in the mean time developed owned computer software Pubali Integrated Banking Software (PIBS) which has been installed successfully as many as 100 branches. Rest of which are purchased from a software company namely A2ZBS. Pubali Bank believes that they will be able to go completely online with their own PIBS within February 2011.





The following table shows the number of branches and increment throughout the years.

**Table 3: Increase of Branches**

YEAR	Number of Branches	Growth (in number)
2001	349	—
2002	350	1
2003	350	0
2004	350	0
2005	350	0
2006	356	6
2007	361	5
2008	371	10
2009	386	15

Source: Annual Reports of PBL of different years



## **2.3 Number of Employees of Pubali Bank Limited**

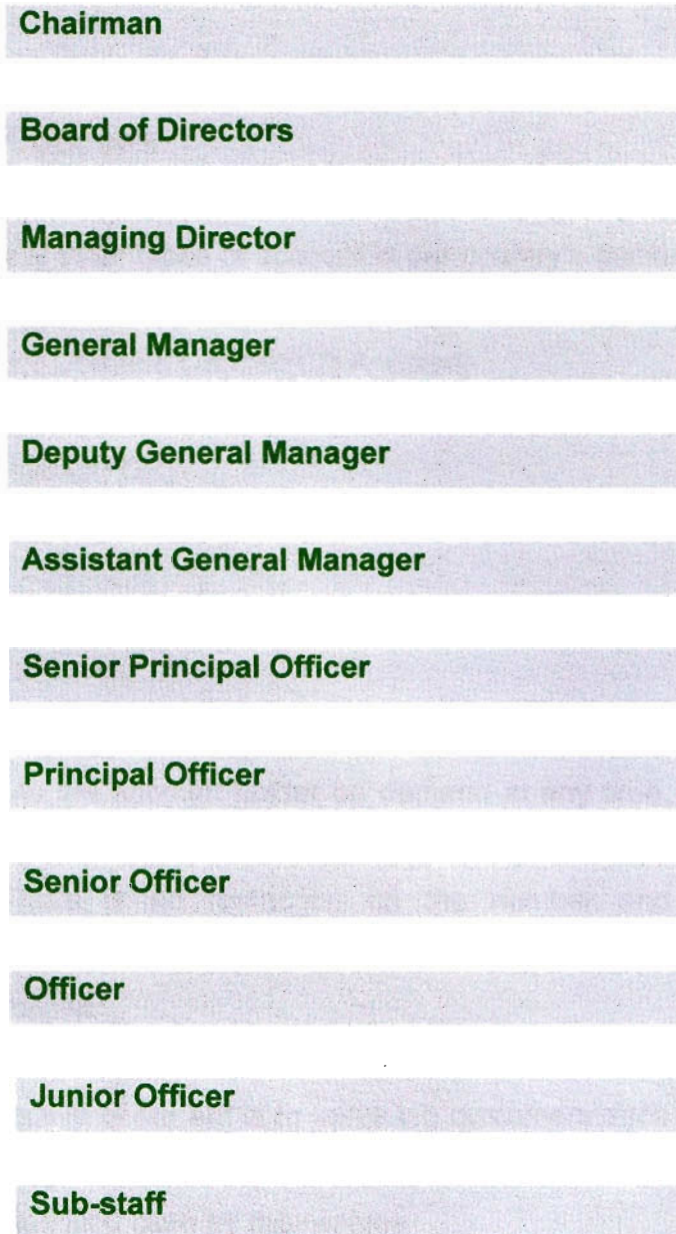
The Bank employs largest in private sector, which stood 5375 personnel in December 2009. The numbers of employees are in increasing trend for last few years as the bank opened some new branches throughout the years. follows its own organizational structure and the top level management makes all the major decisions at PBL.

The Board of Directors being at the highest level of organizational structure plays an important role on the policy making. The Board of Directors is not directly concern with the daily operation of PBL. They had delegated their authority to the Managing Director who is assist by General Manager to look after the day-to-day affairs of the Bank.

The Bank is running by an excellent management team under the direct supervision of a competent Board of Directors. The Board of Directors comprises total fourteen members headed by the Chairman. **Mr. Hafiz Ahmed Mazumder** is the present Chairman of the Board. The Managing Director (MD) heads management team. Under him a General Manager (GM) heads each department of the Bank. **Mr. Helal Ahmed Chowdhury** is the present Managing Director of PBL.



**Figure 1: The Management Hierarchy of PBL**



Source : Annual Report of PBL

According to the management hierarchy, we can see the flow of command from the top level management to the bottom level management. Besides that, there are 14 divisions in the head office of PBL. Each division has a general manager, who helps to implement the strategies of the board of directors. For helping the



general managers there are deputy general managers and assistant general managers.

## **2.4 Types of Deposits**

There are basically three types of account in our country's banking system.

They are-

Current account or Demand Deposit(CD Account)

Savings Deposit(SB Account)

Fixed or Time Deposit(FDR)

### **Current account**

Current account is purely demand deposit account because the bank is bound to pay the amount to the account holder on demand at any time. It is running and active account, which may be operated upon any number of times during a working day. There is no restriction on the number and the amount of withdrawals from a current account. The special characteristics of a current account are as follows:

The primary objective of current is to serve big customers such as businessmen, joint stock companies, private limited companies, public limited companies etc. from the risk of handling cash by themselves.

The cost of providing current account facilities is considerable to the bank since they undertake to make payments and collects the bills, drafts, cheques for any number of times in a particular day. The bank therefore does not pay any interest on current deposit while on the other hand some banks charge for incidental charges on such account.



For opening of a current account minimum deposit of taka 1000/= is required. Introductory reference is also required for opening of such account.

### Fixed Deposit Receipts (FDR)

These are the deposits, which are made with the bank for fixed period specified in advance. It is purely a time deposit account. The bank doesn't maintain cash reserves against these deposits and therefore the bank offers higher rates of interest on such deposits. Fixed deposit receipts are best for those who have ample of cash at disposal. They can open a FDR and at maturity they will get a good amount of interest. At present the rate of interest for fixed deposit Receipt (FDR) in the Pubali Bank Limited are as follows:

**Figure 2: Rate of interest for fixed deposit Receipt (FDR)**

Time period	Interest rate (less than 1 crore)	Interest rate (more than 1 crore)
For 1(one month)	7%	7.25%
For 3(three month)	8.25%	8.5%
For 6(six month)	8.5%	8.75%
For 1(one year)	9%	9.25%
For 2(two year)	9.5%	9.75%

Source: Bank Circular



## **Savings Account**

A savings account is meant for the people of the lower and middle classes who wish to save a part of their incomes to meet their future need and intend to earn an income from their savings. It aims to encouraging savings of non trading persons, institutions, society and clubs etc. by depositing small amount of money in the bank. Both the elements of time and demand deposit are present in this account. Currently PBL pays 4.5% interest annually for the deposits in saving account. PBL allows to withdraw money 3 times per week without charging on interest. If anyone withdraw money more than three times in a week, then the bank don't give any interest on that account for that month. It's possible to open a saving account in PBL by depositing Tk. 500 only.

## **Other Types of Deposit Accounts**

There are some other types of deposit account maintained by PBL.

Such as:

### **(a) Short term deposit**

It is also a time deposit account. Most of the attributes of this account are as same as current account. The only difference is that 7 days notice is inquired for withdrawal of any sum and interest is paid.

### **(b) Savings schemes**

To attract depositors and encourage saving Pubali Bank Limited introduced various schemes.



## **Monthly Savings Scheme**

### **Objectives**

Building the habit of savings

Attract small savers

Saving for rainy days

Ensure regular income flow

### **Mode**

Monthly installments of various sizes for a fixed deposit.

### **Benefits**

Lump sum returns after various terms of period

## **Monthly Benefit Scheme**

### **Objectives**

Help the retired persons for investing their retirement benefits

Create investment opportunities for non resident Bangladeshi

Explore investment opportunities for school, college, university etc

### **Mode**

Deposit a fixed amount of money, say tk. 50000 or it's multiply for five years.

### **Benefits**

A fixed amount of money in every month for five years



## **Double deposit scheme**

### **Objectives**

Gives maximum profit

Help in meeting specific needs like education, marriage etc

### **Mode**

Deposit a fixed amount of money, say tk. 50000 or it's multiply for 7 years.

### **Benefits**

After seven years deposited amount will be doubled.

## **Hajj deposit scheme**

Pubali bank has recently introduced a scheme name Hajj deposit schemes. Under this scheme, PBL allows general public to deposit a certain amount of money for minimum 1 year to 5 years. At the maturity PBL return the money for Hajj purpose. The deposited money under this scheme is invested in different project by following Islamic shariah.

## **2.5 International trade and foreign exchange**

The word international business means business among different countries. In international business buyers and sellers are from different countries. None of them know each other nor about their business integrity and creditworthiness. Various regulations prevailing in their respective countries about foreign trade are also unknown to them. Thus, the buyer wants to be assured of goods and the





seller to be assured of payment. In such a situation commercial Banks assure these things simultaneously by opening letter of credit guaranteeing payment to seller and goods to buyers. By opening letter of credit on behalf of a buyer and in favor of a seller, commercial banks undertake to made payment to a seller subject to submission of documents drawn in strict compliance with the terms of the letter of credit giving title to goods to the buyer.

International trade constitutes the main stream of business activities of PBL. We offer a full range of trade finance and services namely, issue, advice and conformation of Documentary credit; offering and arranging forward exchange rate, pre-shipment and post-shipment finance, negotiation and purchase of export bills, discounting bill of exchange, collection of bills, inward and outward remittances etc. PBL is also a member of SWIFT.

Main Tasks of the Foreign Exchange Department are-

Import Business

Export Business

Foreign Correspondent

### **Import business**

Import means inward flow of goods and services from other countries. The economy of our country is basically import based economy. Requirement of foreign goods are higher than that of local produced goods. For import clients must open a letter of credit to import goods. Letter of credit may be defined as an arrangement guarantee issued by a bank at the request & on the instructions of a customer to make payment to or to the order of the beneficiary.



From the very beginning PBL has embarked on extensive foreign exchange business with a view to facilitating international trade transactions of the country. The bank has established credit amounting to Tk 60493.85 million as of December 31, 2009 items of import financed by the bank included electronic equipment's, sports goods, rice, wheat, seeds, soybean, polyolefin, dyes, chemicals, accessories etc. In the year 2003 PBL has decided to focused on the issue of re-export known as 'enrapt' for the next five years. As a result the earning from import business showed a tremendous growth. Total import business of year 2002 was around 1000 million, in 2005 it became 26033 million and in 2008 it was 58009 million. So we can say that PBL showed a remarkable improvement in the import business.

### **Export Business**

Export means outward flow of anything from one country to another. Export as sending of visible things outside the country for sale. Export trade plays a vital role in the development process of an economy with the export earning we met out import.

Export of frozen food or mainly shrimps has developed in recent years as an important export activity in Bangladesh. The sector obviously has a promise. It was the third largest foreign currency earner for the country in 2008-2009 fiscal years but earning in that year was below that of the previous year. This pointed to the urgency of tanking steps to ensure steady higher earning from the sector. The country's highest foreign currency earner, the ready-made garments (RMG) industry, faced a similar situation of enforcing labor standards by getting rids of child workers. Timely steps in this direction saved the RMG sector from serious adverse experiences. In the same manner, producers and exporters in the frozen food, Leather industry sector need to understand of importers and work sincerely to fulfill them as a way of ensuring the viability of their business.



A rich new vein of export earnings for the country can open up at a time when there exists much eagerness for understandable reasons to boost the foreign currency reserve. This is possible through the development of an export-oriented silk industry. Bangladesh has been on the world map as a silk producing country for a long time. It's production of natural silk industry in order part of the Indian subcontinent. But India is among the top five countries of the world in respect of silk production whereas Bangladesh is a very tiny player in the world silk industry, not with standing the fact that it possesses hospitable natural conditions for the establishment of a large silk industry with a strong export- oriented component.

The total export business handled by PBL amounted to Tk. 24739.65 million as of December31, 2009. In export business, PBL also showed good amount of growth. Total earnings from export business in 2003 was around Tk. 1020 million, in 2005 it stood to Tk. 15721 million, in 2008 it was Tk. 24795 million. So we can say that PBL is continuously improving its performance on export business.

### **Foreign correspondent**

Besides doing import and export business, PBL acts as a foreign correspondent for inward and outward remittance, encashment of traveler's cheque, purchase and encashment of foreign currency and market analysis of foreign currency.



## **CHAPTER 03: AN APPRAISAL OF FINANCIAL PERFORMANCE OF PUBALI BANK LIMITED**

---

### **3.1 Deposits of Pubali Bank Limited**

Banks earn profit through deposit mobilization. Banks act as an intermediary; they collect deposits from the surplus unit and give it to the deficit unit. Pubali Bank Limited collects deposit from the people at lower rate and invests the same to the people again at higher rate. And difference between lower rate of deposit and higher rate of investment is the earnings of the Bank.

Total deposits of last five years are given in the following table

**Table 4: Deposits of PBL**

Year	Deposit (in million taka)	Growth (%)
2003	35852.60	
2004	39789.71	9.89474
2005	44503.33	10.59161
2006	48675.93	8.57204
2007	57996.82	16.07138
2008	73016.51	20.57027
2009	88466.46	17.46419

The bank mobilized total deposits of TK. 88466.46 million as on 31.12.2009. Total deposit in 2003 was 3582.60 million. Pubali bank managed to get a constant growth in collecting deposits in the following years. Growth of deposits



was maximum in year 2008 comparing with 2007. Competitive interest rates, sustained deposit mobilization efforts of the Bank, and increasing customer confidence in the Bank contributed to the notable growth in deposits. Efforts are being made to broaden the deposit base while reducing the average cost of funds.

## **3.2 Modes of Credit and Advance**

Credit is the most important function of the bank. Presently banking is a very dynamic sector in our country. Its impact in our country economy is quite vast. Since they deal with money, they have to be very much cautious in providing credit. Credit policy of Pubali Bank Ltd. is formulated in a very sincere way and they implement it very strictly. The fundamental nature of credit is that an element of trust exists between buyer and seller-whether of goods or money. The main use of bank fund is to collect money from surplus unit and lend it to deficit economic unit. In the ordinary course of business, banks accept deposit from surplus unit and lend money to deficit unit. Bank makes loans and advances to traders, businessmen, industrialists and many other persons against security of some cautious policy and sound lending principle in the matter of lending.

### **Origin of Credit**

The very first credit transaction in history certainly took place hundreds of years ago, before the existence of bank, credit bureaus, or credit departments. As the time passed, financial institutions developed to put funds from savers into the hands of borrowers who used this value to create economic value. Credit contributed to economic growth of countries throughout the world as it makes goods and services available to consumers, businesspersons, and governments.

Although the basic tasks of evaluating risk, extending credit, and collecting payments have not changed, the mechanisms for marketing and conducting



credit programs have changed dramatically over the years. Computers using sophisticated credit scoring systems speed up the disbursement and collection of account balances. Credit bureaus maintain vast database of information about borrowers available online through computer networks. Lenders continue to find more ways to offer more credit options to businesses and consumers.

### **Definition of Credit**

In a financial system of any economy, we know, financial surpluses mobilized from surplus economic unit and transferred to the deficit economic unit. In the banking world, the bank acts as an intermediary in between deficit economic unit & surplus economic unit. Bank mobilizes the fund from surplus economic unit as deposit & makes the fund available to the deficit unit. The style of making the fund available to the deficit unit is nothing but creation of credit. Credit is in true sense, making provision of fund by one party to another party under certain terms & conditions.

One of the basic functions of bank is deposit extraction and credit extension. It helps this kind of organizations to earn around 80% of the total revenue so it is the crying need for any bank.

### **Importance**

Credit plays a very vital role in national economy in the following ways-

It provides working capital for industrialization.

It helps to create employment opportunities.

Credit controls almost all kinds of production activities of the country.

People's purchasing power increases for it.

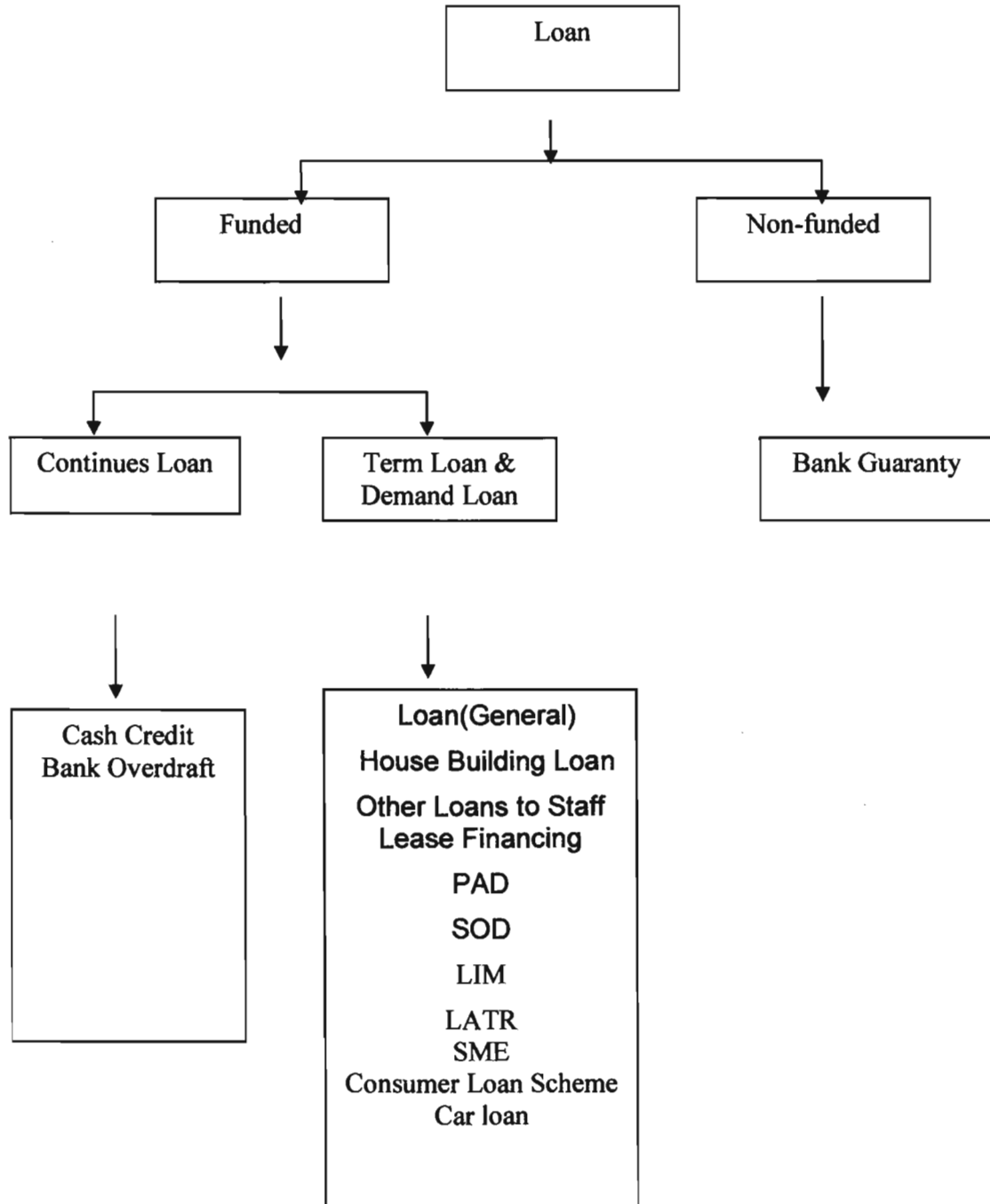
It brings social equity.

Cash generation occurs for its successful performance.

Business cycle can run well only by the help of lending system.



Figure 3: Different Credit or Loan Facility Provide by Pubali Bank Limited

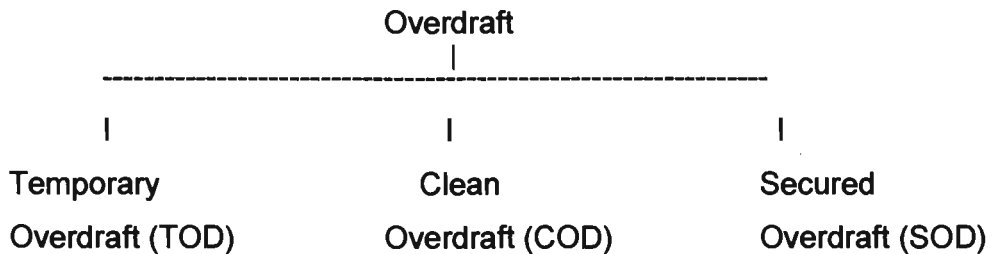




## Bank Overdraft

When a current account holder is permitted by the bank to draw more than what stands to his credits, such an advance is called an overdraft. The banker may take some collateral security or may grant such advance on the personal security of the borrower. Pubali Bank Limited has given this overdraft facility to its clients.

**Overdraft is of three kinds:**



### Temporary Overdraft:

TOD is allowed to honor an important check of a valued client without any prior arrangement. As this facility is allowed for a very short period, it is called temporary Overdraft.

### Clean Overdraft:

Sometimes overdrafts are allowed against Land, Building etc. is called Clean overdraft. It is granted in very special case to contractor and suppliers for carrying on construction work and supply orders and to businessmen for expansion of their business.

COD is allowed to the borrower on the basis of the under following security:

Supply Order

Work Order

Usually Pubali Bank Ltd, Foreign Exchange branch does not maintain these two types of overdraft.





### Secured Overdraft:

When overdrafts are allowed against financial obligation, they are called secured overdraft. Overdraft (SOD). SOD is generally granted for smooth running of the client's business.

Financial Obligation includes those papers, which can be easily liquidated like FDR, BSP, PPS. Insurance Policy, Share Debenture etc. PBL, Foreign Exchange Branch allows 85% - 90% of loan facility against this scheme, where the remaining 10% of the instrument is treated as margin if the party fails to pay the interest.

Interest rate: 15% -16% per annum.

Terms and condition:

Bank may cancel/alter the sanction without assigning any reason whatsoever.

In case, of client failure to pay the banks dues within the validity of the limit bank may encash client without any prior intimation to client.

### Cash Credit:

So far I have observed in this desk, a cash credit is an arrangement by which the customer is allowed to borrow the money up to a certain limit. This is a permanent arrangement and the customers need not to draw the sanctioned amount of money at a time. The borrower can draw the money as and when required. The borrower can put back any surplus. Interest is charged only to the amount withdrawn and not the whole amount sanctioned. Cash credit arrangement is usually divided into two ways:

Cash Credit pledge

Cash Credit Hypothecation



### **Cash Credit Pledge:**

In case of cash credit pledge, the possession of the goods belongs to bank and ownership of the goods belongs to the borrower and bank takes the possession of the goods as primary security.

The goods stored in go down under lock and key and it is under direct supervision of the bank. If the borrower wants to sell any portion of the pledged goods needs the bank permission with returning the value of the loan amount. It is therefore regarded as the most secured type of advance. PBL does not practice this type of loan facility.

### **Cash credit Hypothecation:**

In case of "Hypothecation", possession of goods is not transferred to the bank and therefore, such an advance is not better than a clean loan, such an advance can thus only be granted to a person with full integrity, where the bank has full confidence on the client. Cash credit in the" Hypothecation" is normally accompanied with mortgage of immovable properties. The party/ borrower possesses the lock and key of the go down.

Rate of interest: 15% - 16% per annum.

Renew system: It can be renewed after one year.

Terms and conditions:

Insurance policy to be obtained against the stocks to be hypothecated covering fire and risk at the cost of the customer.

Stock report to be submitted on the monthly basis

Banks the right to cancel or call back sanctioned credit limit.



## Term Loan

Pubali Bank Ltd all term loan is treated as demand loan. That means whenever Bank ask for money client have to pay the money. But in reality bank don't ask for money in any time. Client paid their installment in according the annum that fixed by bank.

## General Loan

When an advance is made in a lump sum repayable either in fixed monthly installment or in lump sum and no subsequent debit is ordinarily allowed except by way of interest, incidental charges etc. it is called a loan account to be opened in the ledger and it is paid to the borrower either in cash on by way of credit to his current/ savings account.

Interest rate: 13% Flat rate

Terms and conditions:

1. Disbursement will be made after completion of all formalities.
2. Bank reserve the right to cancel or amend the terms and conditions partly or wholly at its direction without assigning any reason whatsoever.
3. When the principal debtor defaults in fulfilling this obligation or promise liability for repayment of loan goes to the guarantor.

## PROJECT FINANCE

The bank may finance to small enterprise under this project finance.

**Customer Segment :** Finance will be provided under the following segment -

- 1) Manufacturing concern
- 2) Trading concern
- 3) Service concern.

**Purpose:** For financing projects / capital machineries of the firm.

**Age limit of applicant :** 20 years to 55 years respectively. However, the bank may consider on the basis of merit of proposal



**Loan size & Term of loan:** TK. 2.00 lac to TK. 1.00crore. Term may be maximum of 5 years.

### **CONSUMER LOAN SCHEME (CLS)**

Consumer credit scheme offer the customer to buy their needed item without paying the full cost of the item. Bank used to buy the product in favor of the customer. Customer needs to repay the loan with a fixed installment for a certain period of time. The installment consists of principal payment as well as interest.

#### **Major objectives:**

- To extend credit facility to the limited income group.
- To develop standard of living of middle and upper middle class.
- To participate in the socio economic development of the country.
- To extend credit to a wide range of customers

### **Loan against Imported Merchandise (LIM)**

Whenever importer unable to paid his imported merchandise money they can take the LIM facility. In this process bank paid money for the behalf of his client to the beneficiary bank, but bank hold the imported merchandise in bank owned warehouse. Client withdraw merchandise whenever they needed to sell and they paid money to the bank.

**Interest Rate:** 15% - 16%



## Loan Against Trust Receipt (LATR)

This facility same like LIM but in this process importer can take imported merchandise in their own warehouse because bank trust that particular client and bank permitted that particular client to take imported merchandise. Those clients are big client and have long relation with bank.

Interest Rate : 15%- 16%

Those are the schemes available for loans in Pubali bank. In 2009 Pubali bank disburse 74203.33 million taka as loan in various industries and personal needs.

The following table show the growth of advances of Pubali Bank Limited throughout the years

**Table 5: Advances of Pubali Bank Limited**

Year	Advances (in million taka)	Growth (%)
2003	26282.69	
2004	27542.33	4.573469
2005	32639.68	15.61703
2006	40386.65	19.18201
2007	50549.17	20.10423
2008	61788.15	18.18954
2009	74203.33	16.7313

Total advances of Pubali bank stood to 74203.33 million taka at the end of the year 2009. Pubali bank shows good amount of growth in terms of giving credit.

The growth was lowest in the year 2004 in comparison of 2003 and it was as high as 20.10% in the year 2007 in comparison of 2006.



### 3.3 Fixed Assets of Pubali Bank Limited

Fixed assets are long-term tangible piece of property that a firm owns and uses in the production of its income and is not expected to be consumed or converted into cash any sooner than at least one year's time. Most of the branches of Pubali bank are on it's own land. But majority of the branches in Dhaka and Chittagong city are on rental or lease basis. The major fixed assets of Pubali bank are buildings, land, furniture an fixtures, machinery and equipments and motor vehicles. Pubali bank calculates its fixed assets other than land at cost or revalued price less depreciation.

Total fixed assets of Pubali bank for last five years are shown in the following table.

**Table 6: Fixed Assets of Pubali Bank Limited**

Year	Fixed Assets (in million taka)	Growth (in %)
2003	582.6	
2004	545.4	-6.82068
2005	546.48	0.197628
2006	1369.07	60.08385
2007	1367.23	-0.13458
2008	1383.36	1.166002
2009	1433.5	3.497733



Net fixed assets of Pubali Bank stood at 1433.50 million taka at the end of the year 2009. In 2003 total fixed asset was 582.60 million taka. Growth of fixed assets was as high as 60.08% in the year 2006 in comparison with 2005. The main reason would be the asset re-evaluation and also investing in internet banking. In the year 2006 Pubali Bank bought new computers and software for most of the branches in order to make this bank an online bank.

### 3.4 Total Income of Pubali Bank Limited

From the word total income we understand the gross income of the company. Banks main source of income comes from deposit mobilization. Rather than that banks also engage in various activities for which they charge money. That is also another source of income. In order to calculate net income we have to know the total earnings then we have to deduct all the expenses. Higher amount of income shows higher profitability of the bank.

The growth of total income of Pubali bank is shown in the following table.

**Table 7: Total Income of Pubali Bank**

Year	Total income (in million taka)	Growth ( in %)
2003	3569.3	
2004	3455.32	-3.29868
2005	4435.9	22.10555
2006	5494.49	19.26639
2007	7087.63	22.47775
2008	9009.25	21.32941
2009	10663.81	15.51566



The total income of Pubali bank stood to 10663.81 million taka as on 31<sup>st</sup> December 2009. The amount is very much impressive and it was highest amount among the private commercial banks of Bangladesh on that year. In the year of 2003 total income of the bank was 3569.30 million taka. Next year it has been decreased to 3455.22 million taka. The main reason for this was during 2003 total amount of loan given was less. As the amount of loan given it respect to the total deposits was less then 70%. So the bank had a lot of idle fund on that year. But after that PBL manages to show positive growth in their total income. And throughout the years, they had an excellent growth. The growth was highest in 2007 and they achieved a growth of 22.48%. In 2008 the growth of total income was 21.32% and at the end of 2009 they had a growth of 15.52%. So we can say that the management of PBL is very much efficient as they prove it on the growth of their total income.

### **3.5 Loan deposit ratio**

Banks earn profit through deposit mobilization. There are various types of schemes on which depositors deposit their money. And from that deposited amount banks give loans to others. By this way banks earn profit. Depositors doesn't give and surety whether they will withdraw their money or not. So banks always have to keep some reserve in their hand so that they can entertain the claims of the depositors. Loan deposit ratio means the ratio of loan that is given from the total deposits of the depositors. Higher loan deposit ratio is bad for the bank as they might suffer from liquidity crisis and they may not be able to entertain the claims of the depositors. According to the rules of Bangladesh bank, every bank have to keep at least 10% money on reserve of the total deposited amount





Loan deposit ratio of Pubali Bank is shown in the following table

**Table 8: Loan deposit ratio of PBL**

Year	Loan deposit ratio ( in %)	Growth (in %)
2004	69.22	
2005	73.44	5.746187
2006	82.97	11.48608
2007	87.16	4.807251
2008	84.62	-3.00165
2009	83.88	-0.88221

Pubali bank has given 83.88% of their total deposits as various types of loan in the year 2009. In 2004 the ratio was 69.22 and it was lowest in last 6 years. The main reasons might be lack of efficient management. Political unrest is another reason to lessen this ratio. Due to the political unrest many companies suffer losses therefore they were scared to take further loans for the banks. But after that Pubali bank shows constant growth in the loan deposit ratio. And for the last four years, PBL manages to distribute minimum 80% of their total deposits as loans. So we can say that the management of PBL is very much efficient.



### 3.6 Net Profit after Tax

Organizations have to pay tax on their net profit. Higher the profit after provision and taxation, higher the maximization of shareholder's wealth. So we can say that net profit after tax determines the performance of the management. In order to calculate net profit, we have to deduct total expenditure from total income. Then we have to deduct income tax from net profit to find net profit after tax. Following table shows Pubali Bank's net profit after tax for past few years.

**Table 9: Net Profit after tax**

Year	Net profit after tax ( in million taka)	Growth (in %)
2003	189.8	
2004	134.7	-40.9057
2005	573.45	76.51059
2006	845.53	32.17863
2007	1353.51	37.53057
2008	1515.23	10.67297
2009	2092.23	27.57823

From the year 2004 Pubali Bank showed a very healthy growth in net profit after tax. And it stood at 2092.23 million taka at the end of year 2009. Though this growth was negative in 2004 in comparison with 2003. But in 2005 this growth was as high as 76.51% which was highest among last few years.



### 3.7 Earnings per Share (EPS)

Earning per share means net earnings per share. It is calculated by dividing the net income with total number of shares. EPS is a vital factor for determining the price of the particular stock. Whatever the income remains in the business after all prior claims, other than owners claim, will belong to the ordinary shareholders can than make the decision as to how much of this income they wish to remove from the business in the from of dividend, and how much they wish to retain in the business. The stockholders are partially interested in knowing how much has been earned during the financial year on each of the share held by them. For this reason an earning per share figure must be calculated.

Following table shows the growth pattern of Pubali Bank's EPS for last 7 years.

**Table 10: Earnings per Share of PBL**

Year	Earnings Per Share	Growth (in %)
2003	94.92	
2004	67.35	-40.9354
2005	143.36	53.02037
2006	70.46	-103.463
2007	64.45	-9.32506
2008	51.54	-25.0485
2009	54.74	5.845817



Earnings per share of Pubali bank is very good. Each share of Pubali bank has a face value of 100 taka. Since 2004 EPS is more than 50 taka in every year. And it was as high as 143.36 taka in 2005. But if we consider growth of EPS of PBL, we can see that it has decreased most of the time in spite of earning good profit. The growth of EPS was positive only in 2009. The main reason behind of decreasing this EPS is the increase in the paid up capital of PBL. In 2004, the paid up capital of Pubali bank was 200 million taka. In 2005 PBL declares 100% bonus share and increase their capital to 400 million taka. After that they declares 200% stock dividend and further increase their capital to 1200 million taka. After that in 2007 PBL declares 75% stock dividend and further increased their paid up capital to 2100 million taka. After that PBL gave 40% stock dividend in 2007 and 30% stock dividend in 2008 so at the end of 2009 total paid up capital of PBL increased to 4969 million taka. So the total number of shares increased more than 10 times than it was in 2004. Because of the diluted shares, EPS becomes low. So we can say that PBL manages to earn good profit throughout the years.

### **3.8 Dividend Declared by Pubali Bank Limited**

Dividend is the fruit of shareholder's investment. It's the main reason for which shareholders invest in a company. From the word dividend we understand that it's the portion of earnings which is distributed among the common shareholders. Pubali bank has a good history for giving dividends. According to the law of Bangladesh bank, every bank have to increase their paid up capital to 5000 million taka within 2010. There are two ways for increasing paid up capital. One is by giving stock dividend and other one is by giving right shares. Stock dividend allows a firm to increase their paid up capital by reducing the retained earnings. And firm's which fails to earn good profit goes for right shares.

In order to increase the paid up capital, Pubali bank declares bonus shares from 2004. . In 2004, the paid up capital of Pubali bank was 200 million taka. In 2005 PBL declares 100% bonus share and increase their capital to 400 million taka. After that they declares 200% stock dividend and further increase their capital to 1200 million taka. After that in 2007 PBL declares 75% stock dividend and further increased their paid up capital to 2100 million taka. After that PBL gave 40% stock dividend in 2007 and 30% stock



dividend in 2008 so at the end of 2009 total paid up capital of PBL increased to 4969 million taka.

### 3.9 Return on Assets:

Return on assets measures how efficiently profits are being generated from the assets employed in the business when compared with the ratios of firms in a similar business. A low ratio in comparison with industry averages indicates an inefficient use of business assets.

The Return on Assets Ratio is calculated as follows:

$$\text{Return on Assets: } \frac{\text{Net profit before tax}}{\text{Total Assets}}$$

Following table shows the growth of Pubali Bank's return on assets throughout the years.

**Table 11: Return on Assets of PBL**

Year	Return on Assets (in %)	Growth ( in %)
2004	0.29	
2005	1.09	73.3945
2006	1.45	24.82759
2007	1.89	23.28042
2008	1.69	-11.8343
2009	1.94	12.8866



As we can see that the return on assets ratio shows both positive and negative changes. The ratio was very poor in the year 2004. But till 2007 this ratio increased tremendously and stood to 1.89%. in 2008 the ratio decreased to 1.69% and then in 2009 it increased by 12.88% and stood to 1.94%.



## **CHAPTER 04: PROBLEMS AND RECOMMENDATIONS OF PUBALI BANK LIMITED**

---

- PBL has no Online Banking System yet so that customer service cannot be provided promptly. Acquiring Foreign Remittance depends on prompt customer service and instant payment, which requires Online Banking system. So, PBL may be introducing Online Banking system to attract customer and provide better customer service and to remit the money in lesser period of time.
- Customer always wants the better banking services. Few banks also provide the ATM and Evening banking facility from any of their branches, but Pubali Bank does not have ATM and Evening facilities in all the branches. So PBL may ensure to provide such facilities to the customers and to regenerate revenue and increase the profit index per annum from the customers and also minimize the risk of robbery cash and the tension of the businessmen.
- PBL hardly exercises sells promotion policy, which will be a cause to its survival among all other new banks. As the other banks are tremendously exercise to improve the sells promotion, PBL should exercise sells promotion practice.
- Products offered by PBL are very few. PBL should diversify its array of carefully tailored products and services to cater to needs of customer segments and increase profitability.
- Although PBL has developed its own Banking Software (PIBS), that is not so updated. It has been developed Foreign Exchange Module but does not yet operate all AD branches. As per my knowledge it is running in



**“Nayapaltan Branch-Pubali Bank Limited” as test basis. It should be immediately necessary to replace the manual banking process by efficient banking system for better business portfolio.**

- **PBL may be introduced with modernize new era like Merchant Banking, Treasury operations, SWAP, Dealing Room operations or foreign currency dealings. Though it is difficult to transact so such operations and it requires adequate manpower, but by introducing with the transactions and maintaining properly the PBL, International Division can increase the business volume of foreign exchange & earn more and can play an important role to the total earnings of PBL.**





## **CONCLUSION:**

---

Despite the fact that 2009 was a year of many challenges, the Bank managed that quite successfully. The year was concluded with a steady growth and the market share was retained in all areas of operations. Bank management is confident about its ability to sustain its earning capacity and maintenance of asset quality in the coming years.

If we observe the overall performance of the bank, we can say that the year 2004 was not that good for the bank in term of growth prospect. Reason behind this negative growth is nothing but the external factors. As results related to internal factors was very much satisfactory. The profitability of the bank was comparatively satisfactory because the fluctuation is not highly significant. Some new branches were opened during the study period. So as new bank those new branch's performance was quite satisfactory.

So in conclusion it can be said that every organization has its positive as well as negatives & in case of Pubali Bank existence of the later one is less than the earlier one & as the management is determine to reach the pick of success it seems that in near future the negatives will be eliminated.



## **SOURCES OF DATA**

---

- **Annual Report**

Pubali Bank Ltd.

From the Year 2003 to 2009.

- **Web address or URL**

<http://www.pubalibangla.com>

<http://www.google.com>

<http://en.wikipedia.com>