

Corporate Social Responsibilities through Financial Statement Analysis of Mercantile Bank Limited

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Abstract: Bank has a significant role in the economic development process of a country. Today banking sectors are being proved the most important sector in the economy of Bangladesh. Banks are the custodians of the society economic resources and total economies development depends on the proper utilization of these resources. The successful banking business ensures the growth of the economy by the effective uses of the funds. In order to developing the national economy, banks keep in mind going for lending, maintaining safety, liquidity and profitability. Mercantile Bank Limited was introduced in Bangladesh as a banking company under the Company Acts, 1994 and commenced operation on 2nd June 1999. Numerically it is just another commercial bank, one of now operating in Bangladesh. But the finders are committed to make different and a bit special qualitatively. This bank has new vision to fulfill and a new goal to achieve and try to reach new height for realizing its dream. This study is highlighted on the basis of Performance analysis of Mercantile Bank Ltd. where different types of important financial ratios of MBL to reduce its effective social responsibilities. This study tried to include all the necessary information related to this topic. While preparing this research I have always tried my level best to make it authentic and at the same time easily understandable. For this secondary data is collected as number of reference books to get the theoretical backup.

Keyword: banking, CSR, business, environment, consumer.

I. Introduction

Banking Business is appearing to be the dominant factor in recent years. Long before, since the emergence of banks and similar activities was to attracting people to save valuable possessions and engaging more people in it. But with the change in time and technology the pattern of bank business activities has also changed. It is now changing in every day with the changing world with competent man and cutting edge technology to fulfill its goal for the people. Today it is widely recognized that the contentment of customers in relation to services of the bank is essential to survive and prosper. Corporate Social Responsibility (CSR) has been described as corporate citizenship, moral and transparent business values, ecological sustainability or corporate charity. It is a business practice to deliver sustainable and ethical values to the equity holders, employees, customers, environment, society, government and other stakeholders at large. Mercantile Bank Limited (MBL) is fully committed to conduct its business activities in an economically, environmentally and socially sustainable manner. The Bank always fosters the motive in mind to build an ever-lasting warm relationship with the customers, employees, capital providers, community people, regulatory bodies and other stakeholders. Keeping this motive in mind, MBL always cares all of its stakeholders and the community people since its inception. Banks are financial institutions and have to utilize their generated fund effectively by investing in different sectors. Its team of dedicated professionals is committed to provide an unparalleled service by using the latest technology to make Bankable proposals harvest maximum benefits for the customers, the shareholders and the society at large. In order to ensure a satisfactory level of recovery rate from its investing activities, Banks should have a sound customer service. Identifying the reliable and real clients in providing cash, credit and advances is essential for banking business and application of an appropriate customer services can help this respect. As customers are one of the most important considerations in the personal Banking, they should be given a chance to exchange their views and ideas about the Bank's products and services. This study to measure customer satisfaction on Consumer Credit Scheme (CCS) offered by the banks in Bangladesh as it is one of the most attractive Schemes of the sector. The customers are getting small amount of loan without any security. So there are high respond from customers' side. This scheme is generally for the service-holders to meet their emergency needs such as marriage, medical treatment/surgery or educational expenses of their

children. On the other hand the Banks are earning substantial profit from Consumer Credit Scheme (CCS). But if the CCS does not manage properly, it would be shocking for both parties. The main problem faced by the banks with this scheme is defaulting problem. The defaulting rate is a bit higher than the expectation set by the Banks. So the specific impartial of this study is to find out the customer satisfaction level of CCS and how the bank can reduce defaulting. This research tried to identify the consumers' perception about the service quality of the Credit Department of the banking sector in Bangladesh.

II. RESEARCH METHODOLOGY

The research used questionnaire to gather those qualitative data. In the introduction part of the questionnaire the reason of the research as well as the instruction to fill up the questionnaire was written. All participation was voluntary and the participants were allowed to withdraw without at any time without showing any reason. The customers did not have to answer all the questions if they do not want to and they were given the liberty to leave any of the questions they didn't like. The researcher explained the questions to the customers if they do not understand any. As taking personal interview was time consuming, it was not conducted. The research paper used primary and secondary data. Primary information was collected through interviewing employees and managers of different banks and directly communicating with the customers using a structured questionnaire. Primary data were mostly derived from the discussion with the employees & through surveys on customers of the organization. Different types of secondary data were elaborated in the research.

III. LITERATURE REVIEW

"MBL believes that corporate governance should not be a mere statement of compliance. The Board always takes strategic decisions emphasizing good governance to protect the interests of the Shareholders and other stakeholders at large, increasing their confidence and establishing their trust." Mercantile Bank Limited emerged as a new commercial bank to provide efficient banking services and to contribute socio-economic development of the country. The Bank commenced its operation on June 2, 1999. The Bank provides a broad range of financial services to its customers and corporate clients. The Board of Directors consists of eminent personalities from the realm of commerce and industries of the country. MBL embraces the concept of CSR and believes that CSR is fundamental to attain long-term sustainability and business growth. CSR plays an important role in promoting the image of the Bank locally and internationally. Accordingly, MBL integrates social, environmental and economic issues into its values and operations. MBL operates its banking activities in economically, environmentally and socially sustainable manner in line with the Bank's Vision and Mission. The Board ensures and encourages investment in CSR programs. Management of the Bank informs the Board on CSR activities and is responsible to implement a specific line of approving authority, control and monitoring for financial support of such activities. MBL since its inception cares for all its stakeholders and the community. The Bank has established Mercantile Bank Foundation to promote dialogues between the Bank and the community. The Bank contributes each year 1% of its operating profit or BDT 4.00 million (which one is maximum) to Mercantile Bank Foundation every year. Through this Foundation, MBL provides financial support to the distressed people of the society. The Foundation awards eight famous personalities of the country each year for their dazzling contributions in eight arenas such as Bengali Language and Literature, Education and Culture, Research on Liberation War, Economy and Research on Economy, Commerce and Industry, Medicine, Science and Technology, Journalism and Sports. In continuation in 2017, MBL Foundation awarded nine prominent personalities for their outstanding contribution in nine arenas. As well, MBL Foundation supports the writers and publishers in purchasing their books and distributing these at different educational institutions on the occasion of national and historical days. The Foundation supports in establishing hospitals, clinics, etc. for the improvement of the health sector. It also donates one time financial endowment to the poor artiste, literature-patron and fatal disease-affected poor patients. It also supports the poor father for arranging his daughter's marriage and helps poor but bright students. Beside Mercantile Bank Foundation, the Bank itself is also engaged in conducting CSR activities from its own fund. MBL is trying to enrich economic and social indicators of society by creating employment opportunity, helping the underprivileged people and ensuring environment friendly society. MBL always shares the misery of the distressed people. The Bank continuously strives to assist the victims of natural disaster through financial assistance and various rehabilitation programs.

IV. CORPORATE SOCIAL RESPONSIBILITIES OF THE BANK

The Year 2017 was the challenging one for the financial sector. The incessant fall-out of international credit market due to world economic meltdown resulting sluggish growth has put significant pressure on financial performance of banks and financial institutions worldwide. Mercantile Bank Ltd. Achieved continuous growth in almost all arenas of its business despite this economic crisis, facing intensified competition of the industry. The Bank remained in financial strong position with its continued focus on the vision of becoming country's finest corporate citizen, providing excellent and need-based customer service.

IT CENTERS: TECHNOLOGY

Technology is rapidly changing in the banking sector. From the beginning, MBL has adopted modern hardware and software technologies to reach services easier and quicker way to the customers. We have introduced on-line banking and SMS banking services for our customers. We are providing 24 hours banking services to our clients through SMS banking and ATM booths across the country. We have given importance in expanding our ATM service. Our IT team has successfully implemented ATM Switching System and has already deployed 19 ATMs. Interface with a Switching System of other service providers has expanded our network to over 1000 additional ATMs situated across the country. MBL is already a member of BACH (Bangladesh Automated Clearing House) System of the Central Bank. An Agreement has been signed with Data Edge Limited for sound adaptation of automated clearing house. We believe that technology will play an increasingly crucial role in future and we would be able to provide more IT based products to our customers. Online Banking have so far been activated with 42 Branches of the Bank from January 01, 2006. Online service is now available for all customers –Both Cash deposit and withdrawals, Cheque Deposits and Transfer in CD, SB, STD, Loan accounts (Cheque Bearing within limit) and Monthly Savings Scheme (MSS) .

FUTURE OUTLOOK

While the year is expected to be a tough one for the financial service sector, as the global financial turmoil is not over and the resurgence of the world economy is sluggish. However the Board of Directors of the Bank is optimistic about the Bank's prospects and success in upcoming days. The Bank in achieved continuous growth almost in all arenas of its business and the Bank is well positioned to enter into the New Year with a strong management team. In we made good progress in executing the Bank's strategic agenda and priorities. Opportunities to further strengthen our business are becoming increasingly evident as the environment becomes more challenging, which presents us with a range of organic growth and acquisition opportunities. However, the Board recognizes that the future is uncertain and that in the current environment its first priority is to ensure that the Bank continues to maintain its strong financial position. We do believe that continuation of our superior services, adoption of new products and technologies, harmonious banker-customer relationship, embellishment of our human resources with various trainings, prudent business policies, better risk management and corporate governance system will help us to handle this challenge more efficiently. The priorities for the Bank are clear and despite trying market conditions we aim to make full use of strategic opportunities presented to us. We see ourselves as a Bank with a quality set of businesses, strong and effective management, well able, in relative terms, to face with confidence world market uncertainties With a view to reaching our services to the doorsteps of all types of people, we intend to establish some new branches and SME service centers in 2010 across the country. MBL aims to reach its desired goal by maintaining all the rules and regulations of all regulatory authorities, taking care of the welfare of the customers and society and its employees providing quality services to its customers.

V. CSR ACTIVITIES OF THE BANK: PRACTICAL ASPECTS

1. ECONOMIC BENEFIT OF THE ISSUE:

EMPLOYMENT

MBL plays an important role in creating job opportunities for the people. Each year, the Bank creates employment opportunities for fresh graduates as well as experienced officials. In 2008, a total of 169 fresh graduates have joined with MBL family. The new recruits have joined as Probationary Officers (82) and Assistant Officer (87). Besides, experienced bankers are also being appointed in the Bank as and when required. At the end of 2008, the Bank has 1,115 officials in its payroll. Moreover, Bank's financing to the SME sector will indeed promote employment generation.

EDUCATION

MBL desires for an educated nation. The Bank through its Foundation, patronizes the education sector of the country. The Bank provides scholarship to the needy and brilliant students of different educational institutions. Best two MBM graduates of BIBM gets financial awards from the Bank. In the year under review, the Bank has provided scholarship worth BDT 1 lakh in this regard. The children of the employees of the Bank also get scholarship for brilliant results. MBL has also donated BDT 1.00 million to Bangle Academy for research in Bengali Literature with a view to aid academic research, which would eventually uphold Bangladeshi culture across the Globe.

PROFESSIONAL DEVELOPMENT

Professional education has been encouraged in MBL. The Bank believes that to be more professional one should gather professional knowledge. The Bank is continuing its supports to the professional bodies as it continued earlier. The Bank encourages its employees to complete Banking Diploma by rewarding BDT 5,000 for completion of part-I and BDT 7,000 for completion of part-II.

SUPPORT TO DESTITUTE

MBL always shares the well and woe of the distressed people. Mercantile Bank Foundation has been set up to give financial support to the underprivileged communities. Through this Foundation, the Bank concentrates on addressing the needs of physically disable people such as blind, acid victims etc. The people of our country are used to be the victims of natural calamities every now and then. The Bank strives to assist the victims of natural disaster by providing financial help in rehabilitation and rescue purpose. In the year 2008, the Bank donated BDT 15.30 lakh for helping the disaster victims.

FOR CUSTOMERS

MBL provides the most efficient and need-based services in every aspect of its business by being more innovative and professional. The needs and expectations of the customers drive us to the development of new banking products and services. MBL uses trained personnel and state-of-art technology for delivering prompt services to the customers. The Bank has high reputation for delivering better customer service and is also committed to uphold its image in coming days. Customer Service Excellence is an integral part of its strategy to stay ahead in an extremely competitive banking industry. To attain a continuous improvement in customer service, all branches of our Bank have established 'Customer Complain and Suggestion Box'. At branch level, officials are deployed to assist and interact with customers on banking queries and provide prompt solutions of the queries. A number of banking products has been launched for the people who have traditionally been excluded from the banking services. 'Women Entrepreneurs Development Scheme' has been introduced in the Bank for the women who are experienced but dearth of capital is hindering their initiatives to start business. An agreement with Women Entrepreneurs' Association, Bangladesh (WEA) has been signed to encourage women entrepreneurs to come forward in the business. We have also introduced SME services for the marginal people of our country.

FOR EMPLOYEES

MBL, which has 1,115 employees provides due importance for promoting the well-being of its employees by offering attractive remuneration and other fringe benefits. Employees' remuneration and benefits packages are monitored and regularly reviewed to ensure a competitive package in the industry. Incentive bonus from yearly profit is also rewarded to the employees on performance basis. Employees are awarded all sorts of supports to pursue professional educations. The Bank provides its employees personal loan facilities such as car loan, furniture loan and other loan to make their life easier and comfortable. Growth and progression opportunities for employees are available in the Bank. With competitive remuneration packages and employees' well-being is looked after through attractive benefits such as medical coverage, loans at lower rate of interest for housing and car as well as other forms of financial assistance. MBL seeks to provide a standard quality of life to its employees. The Bank ensures a hygienic and convenient work environment for its employees. Performance and merit are the basis of promotion for the employees. The Bank respects the worth and dignity of individual employees. Importance has been given for building skill and efficiency of the employees to do their assigned day-to-day jobs with due confidence by bringing them in the 'Training Net'. For this purpose, Training Institute

of the Bank has been refurbished in a large and well-equipped premise located in Swedish Tower, 41/6 Purana Paltan, Dhaka, which has a well-resourced library. The trainees are being provided residential amenities in the Training Institution.

FOR EQUITY HOLDERS

Maximization of wealth of the equity holders gets top listed priority in the Bank. MBL is committed to its capital providers to deliver fair returns on their investment. Equity holders are always concerned to see their institution progressive. The Bank runs its business activities keeping in mind as its shareholders wish to see it. MBL is consistently delivering a superior return to its shareholders and investors. In 2008, Dividend Payout Ratio was 58.41%. The Bank has achieved BDT 34.24 as EPS and declared Stock Dividend @ 20% in the year 2016.

FOR ENVIRONMENT

MBL is concerned with conservation and preservation of the environment. There is a rising level of awareness and demand to address the issue of sustainability of the environment because the whole world is increasingly experiencing the devastating effects of environmental changes for Green House affects due to Global Warming. The Bank is mindful of its responsibilities to the future generations by playing its part in promoting environmental awareness and in the conservation of the environment.

The Bank takes environmental issue very cautiously while financing new projects. It finances only in those projects, which are environment-friendly. Early detection of environmental risks is an integral part of credit appraisal system of the Bank. Ecological damage will sooner or later harm not only the society but also the Bank in the form of loan losses or image problems. In this regard, the Bank sent two officials to the Hague, Netherlands for training on 'Environment and Social Management Course for Financial Institutions' conducted by FMO, Netherlands. The Bank creates awareness among people of the community about the effects of environmental pollution and its consequences.

2. SOCIAL-CULTURAL BENEFIT OF THE ISSUE

MBL fosters the culture of various communities. The Bank is relentlessly supporting traditional games and sports by taking some non-profit initiatives. As a recognized benefactor of culture, the Bank provides funding for the publication of art books that familiarize the Bank. A variety of cultural institutions have been benefited by the initiatives of the Bank. The Bank also supports the writers, musicians and other performers in their inventive activities.

The Bank patronizes different cultural activities. A number of cultural programs encouraging different communities have been sponsored by the Bank. The Bank has sponsored National Chess Championship, Tennis competition and Swimming competition in different times. In 2008, the Bank was the Official Sponsor of '23rd National Swimming Championship Competition' arranged by Bangladesh Swimming Federation. BDT 1 (one) million has been donated to celebrate this ceremony.

MERCANTILE BANK FOUNDATION

Mercantile Bank Foundation has been established to act as a helping hand to the community people and Bank's commitment towards CSR. The Foundation always plays its role by extending charitable and beneficial social services. The Foundation has been promoting a dialogue between the Bank and its community for over nine years. Through its programs, the Foundation strives to preserve and promote cultural heritage and support artistic expression. It also provides funding for state-of-art research, as well as for innovative projects in the areas of education, social insertion and disability.

3. THREATS & WEAKNESS IN MBL AS A EXTERNAL FACTOR

In FY2017, Bangladesh economy experienced a moderate growth rate of 5.88%, where target level of growth for FY2010 is 6.0%. World Bank predicted that Bangladesh Economy would grow by 5.4% whereas Asian Development Bank (ADB) came up with yet another projection saying that the Bangladesh economy would shrink from 5.4% to 5.2%. Bangladesh experienced adverse effects from the global downturn, primarily through slower growth of exports and workers' remittances, and damped investment sentiment. Still, it has maintained relatively strong expansion, reduced inflation, and kept a current account surplus mainly with the

help of huge remittance inflow. The medium-term trajectory will depend heavily on the Government's ability to implement reforms, which include substantially boosting budget revenue and raising infrastructure investment in FY2010 as dampened global demand could weigh on exports and workers remittances. With this backdrop, 2010 will be another challenging year for the financial institutions of Bangladesh. Decline in garments and other export items, continued pressure on interest margins, fees, commission and exchange earnings and increased provision requirement will pose a challenge to the financial institutions during 2010 also. Sound political environment is also desired but on which we have no control. In this scenario, to pursue growth the Bank will always stick to good corporate governance and practices and sound risk management policies and strict credit evaluation.

4. STRENGTH & OPPORTUNITY IN MBL AS A INTERNAL FACTORS

The year 2010 has started with a new hope and potential. New opportunities for the banking industry are waiting, including Mobile and Internet Banking. With a political government in power and a strong foreign exchange reserve of more than 10 billion USD, the hope that the congenial business atmosphere will prevail is not illusory. Political stability is an important issue in this regard. A stable political situation boosts up the confidence of the investors. As a result, economic activities of the country are expected to get its momentum. This vibrant economic condition will certainly go in favor of the banking industry. Under these circumstances, we do strongly believe that with the patronization and co-operation of our valued clients and shareholders, our efficient and energetic workforce would be able to achieve significant growth in 2018 and subsequent years by capitalizing the new opportunity created in the banking sector.

5. STRUCTURAL FEATURES OF THE ISSUE

ASSETS AND LIABILITIES POSITION

Deposits of the Bank increased by BDT 8,495.12 million during 2017 registering a growth rate of 17.15 percent. At the end of the year 2017, total deposit of the Bank stood at BDT 58,033.47 million against that of BDT 49,538.35 million till 2008. The amount of Fixed Deposit, Current Deposit and Deposit under Schemes contributes 33.11%, 3.52% and 40.89% of total deposits. MBL remained market leader in terms of deposits, especially for its Scheme Deposit products. Bank's Loans and advances, which are well diversified, have grown by 11.23 percent during the year. Total loans and advances at the end of 2017 reached to BDT 48,295.55 million as against that of BDT 43,419.36 million up to December 2008

MBL'S PRODUCTS AND SERVICES

Since the inception, the Bank has launched several banking products in the market, which has drawn huge public interest. Among these, Monthly Savings Scheme, Family Maintenance Deposit Scheme, Double Benefit Deposit Scheme, Quarterly Benefit Savings Scheme, Advanced Benefit Savings scheme, 1.5 Times Benefit Deposit Scheme, Consumer Credit Scheme, House Building Loan Scheme and SME Loan have attained significant popularity among the people.

MBL'S CARD BUSINESS

MBL started its credit card operation in 2002 with Q-Cash proprietary cards and in June 2006, VISA Brand Card was launched. Very stiff competition prevails in credit card market. At the end of December 2017, MBL earned BDT 15.04 million net revenue from card business. The Bank extends various services to the customers to meet the modern and varied needs of the customers. VISA Dual Prepaid Card, VISA Dual Hajj Card, Credit Card and Debit Card have been introduced in the Bank with various up-to-date facilities such as withdrawal through Pay Order, SMS alert services, issuance of supplementary card, longer interest free period etc. Call center of the Bank provides 24 hours service to its cardholders. Bank's international/ dual cards are acceptable all over the world. MBL is expanding its ATM network each year to serve more customers with card facilities. The Bank is also alert to the potential risk of credit card fraud and unauthorized use of card. Procedures and policies to combat credit card fraud are regularly reviewed and updated to minimize the risk of loss to credit card customers.

VI. CONCLUSION

At present the banking industry in our country facing not only the indigenous banking competition but also it is matching toward global banking competition overtime. Bangladesh is playing a vast role in developing the banking sector. As one of the leading bank in the market, Mercantile Bank Limited day by day is achieving the higher growth of potentiality. In the light of forgoing discussion and finding I put forward for the following suggestion for achieving greater performance. Net interest margin ratio of Mercantile Bank Limited is satisfactory. So bank can increase its volume of loans and advances for more profit to fulfill the corporate social responsibilities. The magnitude of interest income on advanced should be developed by banks to meet the twin objectives higher income generation and financing of prospective economic sector, which also goes with the motto of the bank to help the people and the society at large. Ratios are tools to providing us with clues and symptoms of under line conditions, ratio properly interpreted identify areas requiring further investigation. Analysis of a ratio reveals important relations and bases of comparison on uncovering condition and trends difficult to detect by inspecting individual component comprising the ratio. Ratios like other analysis tools are future trend and magnitude. We must also assess factors potentially influencing future ratio. Consequently, the usefulness of ratio depends on our skillful interpretation of them and is the most challenging aspect of ratio analysis. Now we will know the position of the various ratios. The impact of business on the society has become a crucial issue. Business organizations are now regarded as "corporate citizens" and as a result, the business world is striving to play their responsibility in this regard. MBL has profound commitment towards the society. Profit maximization is not their only goal. As a corporate citizen, they are committed to the society. The Bank firmly believes in the need to focus on the areas of poverty alleviation and health care for the benefit of the nation in the long run. With this vision, they have established Mercantile Bank Foundation. A certain percent of the operating profit of the Bank is allocated each year to this Fund. The activities of the Foundation and the Bank are in the areas of health, education, sports, support to destitute, cultural activities, environment protection etc. In the year 2017, MBL donated BDT 30.62 million.

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