

**LOANS AND ADVANCE OPERATION OF SONALI  
BANK LIMITED (AGARGAON BRANCH)**

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**LOANS AND ADVANCE OPERATION OF SONALI BANK  
LIMITED(AGARGAON BRANCH)**

**BY  
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**REGISTRATION NO. : 10-03857**

An Internship Report  
Submitted to the Faculty of Agribusiness Management  
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in partial fulfillment of the requirements  
for the degree of

**MASTER OF BUSINESS ADMINISTRATION  
IN  
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**SEMESTER: JULY-DECEMBER/ 2016**

**Approved by:**

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**Prof. Nur-Mohammad Rohamotullah  
Supervisor**

## *ACKNOWLEDGEMENT*

*At first, I would like to express my deepest gratitude to Almighty Allah for giving me the strength to finish the task within the schedule time.*

*I would like to express my heartiest gratitude to those people who have helped me to not to get lost during the preparation of this internship report. I acknowledge all those who helped me to bring this internship report to reality.*

*I would like to offer my deep gratitude, compliments and heartfelt thanks to respectable teacher and my internship supervisor **Prof. Noor Md.***

***Rahmatullah** whose constant supervision and guidance enabled me to prepare this internship report. I am indebted to him for his excellent support and guidance throughout the study.*

*My gratitude also goes to Md. HelalUddin, Assistant General Manager of Sonali Bank Limited Ltd., College Agargaon Branch, Dhaka for providing necessary help and guidance. Special thanks to Sabrina Sultana for facilitating me to learn Banking operations.*

*I am ever grateful to some of my friends who helped me to complete this internship report. My deepest apology goes to those names that I have mistakenly omitted here.*

*Finally, a silent stream of gratitude is for my most adorned parents whose blessing is always with me in this world.*

*The Author*

*July-December/ 2016*

## **Letter of Transmittal**

**May 18, 2017**

**To,**

**Prof. Noor Md. Rahmatullah**

**Department of Agricultural Statistics**

**Sher-e-Bangla Agricultural University**

**Subject: Submission of internship report.**

**Dear Sir,**

**I am a student of MBA (Agribusiness) Faculty of Agribusiness Management. It is my pleasure to submit my internship report on “LOANS AND ADVANCES OPERATION OF SONALI BANK LTD”. I have tried my best to present necessary information and findings as clearly as I could within the time and resource available.**

**I hope that the information presented in this report will provide a clear picture about the Bank and the Customer Satisfaction on Services of the Sonali Bank Ltd, Agargaon Branch, Dhaka-1207. If you have any inquiry regarding this study, I will be glad to respond.**

**Sincerely Yours,**

**Md. NazmulHossain**

**Reg. No. 10-03857**

**Session: july-December./2016**

**Faculty of Agribusiness Management**

**Sher-e-Bangla Agricultural University**

## **Declaration**

**May18, 2017**

**To**

**Prof. Noor Md. Rahmatullah  
Department of Agricultural Statistics  
Sher-e-Bangla Agricultural University**

**Subject: Declaration regarding the validity internship Report.**

**Dear Sir,**

**This is my truthful declaration that the internship report on “LOANS AND ADVNACES OPERATION OF SONALI BANK LTD.” I have prepared is not a copy of any**

**Internship report previously made by any other student.**

**I also express my honest confirmation in support if the fact that said internship report has neither been before to fulfill any other course related purpose nor it will be submitted to any other person or authority in future.**

**Sincerely Yours,**

**Md. NazmulHossain**

**Reg. No. 10-03857**

**Session: July-December /2016**

**Faculty of Agribusiness Management**

**Sher-e-Bangla Agricultural University**

# **LOANS AND ADVANCE OPERATION OF SONALI BANK LIMITED**

## **ABSTRACT**

**This report is prepared as requirement of MBA in Agribusiness program. This report focuses practical experiences; Loans and Advance Operation of Sonali Bank Limited .This report will give a clear idea about Loans and Advances of Sonali Bank Limited. The main objective of the report is to know about the loans & advances operations of Sonali Bank Ltd. and the procedure followed by the bank for sanctioning loans and advances. This Bank tries to provide higher quality services in case of sanctioning the loans and advances. The information of the report has collected from Primary and secondary sources like books, published reports and website of the Sonali Bank Limited.**

**After analyzing data, it was found that customers have chosen Sonali Bank Limited for its goodwill as state owned bank. But the loan sanctioning procedure is time consuming. That's why bank is losing its valuable customers in loan and advance department. Therefore, Sonali Bank Limited should give more effort to make well establish market in the context of Bangladesh and be more flexible to disburse loans& advances.**

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*Prof. Noor Md. Rahmatullah*

*Department of Agricultural Statistics*

*Faculty of Agribusiness Management*

*Sher-e-Bangla Agricultural University*

*Dhaka-1207*

## **CERTIFICATE**

*This is to certify that internship report entitled, "Loans and Advance Operation of Sonali Bank Limited" submitted to the Faculty of Agribusiness Management, Sher-e-Bangla Agricultural University, Dhaka, in partial fulfillment of the requirements for the degree of **MASTER OF BUSINESS ADMINISTRATION in AGRIBUSINESS**, embodies the result of a piece of bona fide internship work carried out by *Md. Nazmul Hossain*, Registration No. 10-03857 under my supervision and guidance. No part of the internship report has been submitted for any other degree or diploma.*

*I further certify that such help or source of information, as has been availed of during the course of this investigation has duly been acknowledged.*

*Dated: July-December/ 2016 Prof. Noor Md. Rahmatullah*

*Place: Dhaka, Bangladesh Supervisor*

# CHAPTER ONE

## *Introduction*

## **1.1 Background of the Study**

**It has become essential for every person to have some idea on the bank and banking procedure. As our educational system predominantly text based, inclusion of practical orientation program is an exception to the norm. From practical knowledge, we will be able to know real life situations and start a career with some practical experience. Masters of Business Administration (MBA) is a professional course. The course is designed with an excellent combination of practical and theoretical aspects. After completing MBA, certain times are preserved for internship.**

**As a student of MBA, internship is an academic requirement. For internship every student is required to work in a selected institution to enhance ones practical knowledge and experiences. For the requirement of my course I was assigned to Sonali Bank Limited (SBL), Agargaon Branch for my internship. In this situation I was assigned to prepare report on “Loan and Advances of Sonali Bank Limited.”**

**Basically, this report is highlighted on Loans and Advances of the bank, Structure, Analysis, Present status, Performance of SBL, Own Experience, Recommendation and Conclusion.**

## **1.2 Significance**

**This internship report is an important partial requirement of two years MBA graduation program. This is because knowledge and learning become perfect when it is associated with theory and practice. By this internship program students can establish contacts and networking. Contacts may help to get a job in practical life. That is, student can train and prepare themselves for the job market. A poor country like Bangladesh has an overwhelming number of unemployed educated graduates. As they have no internship experience they have not been able to gain normal professional experience of establish networking system, which is important in getting a job. Therefore, it is obvious that the significance of internship is clearly justified as the crucial requirement of two years MBA(Agribusiness) graduation.**

## **1.3 Origin the Report**

**MBA (Agribusiness) course requires 16 weeks or four month attachment with an organization (The Sonali Bank Limited) followed by a report assigned by the supervisor in the organization and endorsed by the faculty advisor. I took the opportunity to do my internship in The Sonali Bank Limited (SBL). My topic of internship is authorized from the head office of SBL. My faculty supervisor Prof. Noor Md. Rahmatullah, Department of Agricultural Statistics, Faculty of Agribusiness Management, Sher-e-Bangla Agricultural University, also approved the topic and authorized me to prepare this report as part of the fulfillment of internship requirement. The report thus was titled as ‘Loans and Advances of Sonali Bank Limited.’**

#### **1.4 Background of the Report:**

**The business world is getting dynamic and competitive. It is hard for an organization to run & even survive in a fast paced, growing and uncertain world if it cannot keep tracks with the go of business dynamism. Business plays and links important roles in developing the economy of a country. So, as a business graduate, I think I need to be attached with any organization to get a handy & versatile experience about the business world before starting our career.**

**Internship is the arrangement, which makes a bridge between our academic knowledge and practical world to have an acquaintance with the real business world as well as to gear me up to lead the future competitive business. I have worked in Different divisions of SBL, Agargaon Branch, Dhaka. In this report, I will try to make an overall analysis on, Loan and Advances of SBL.**

#### **1.5 Objectives of the Report:**

##### **1. General objective:**

- To analyze The Loan and Advances of “The Sonali Bank Limited.”

##### **2. Specific objective:**

- a) To get enough knowledge about Loans and Advances of Sonali Bank Limited.
- b) To Know about Central bank requirements for the commercial banks on Loan and Advances.
- c) To indicate the limitations for problems of the loan operation and implementation procedure.

- d) To find out the internal system & actual Loan and Advances process of Sonali Bank Limited.
- e) To provide Sonali Bank's loan operation and implementation strategy like estimation of budget monitoring process, resource allocation etc.

### **1.6 Methodology:**

**Methodology refers to the essential part of the study and the process of collecting information and arranging it in terms of the relevant issues of the study. It is designed in a way so that it correspondent to achieve the objectives of the study.**

**Data collection sources: The study input was collected from two sources:**

#### *a) Primary sources*

- Practical desk work
- Face to face conversation with the officer
- Direct observations
- Face to face conversation with the client

#### *b) Secondary sources*

- Annual report 2014-2015, Sonali Bank Limited
- Files & Folders
- Memos & Circulars
- Various publications on Bank
- Websites
- Different circulars sent by Head Office and Bangladesh Bank.
- **Credit Policy Manual of Sonali Bank Limited**
- **Credit Risk Grading Manual by Bangladesh Bank**

### **1.7 Scope of the Study**

**This report has prepared to gain a clear view of the liquidity management of the SBL. Using of all my whole experience I try to include all of the criteria of the liquidity management. I focus on what are the liquid assets, what is the liquidity, what is the liquidity management, the Bangladesh Bank's requirement on liquidity management for all the commercials banks. I also try to show how The Sonali Bank Limited handles all the liquidity requires activities, how to manage fund in urgent situations and how to use access money in profitable sectors.**

**Purpose of the report would be to focus on how The Sonali Bank Limited maintains liquidity requirements and fulfills the central bank's requirements on liquidity management of the commercial banks. And finally I draw the conclusion on the liquidity management of The Sonali Bank Limited.**

### **1.8 Limitation of the Report**

**Though I have given utmost effort to prepare this paper but there are some limitations of the study. Such are as follows-**

- The main constrain of the study was insufficiency of information, which was required for the study. There are various information the bank employee can't provide due to security and other corporate obligations.
- Due to time limitation many of the aspects could not be discussed in the present report. Learning all the functions within just 90 days is really tough.
- Since the bank personnel were very busy, they could not provide enough time to me. Lack of opportunity to visit more than one branch.
- The functions and activities of Sonali Bank are too vast, so they change their strategy day by day. As a result I can't collect update information & strategy.

## **CHAPTER TWO**

**(Organizational Profile of “Sonali Bank Limited”)**



## **Profile of Sonali Bank Limited:**

### **2.1 History of the Sonali Bank Limited:**

Soon after independence of the country Sonali Bank emerged as the largest and leading nationalized commercial bank by proclamation of the Bank's Nationalization Order 1972 (Presidential order- 26 )liquidating the then National Bank of Pakistan, Premier Bank and Bank of Bhawalpur. 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 repaired autonomy to make the bank competitive & to run its business effectively.

Sonali bank limited is governed by a Board of Directors consisting of 13(thirteen) members. The Bank is headed by the Chief Executive Officer & 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 and the main commercial center of the capital.

### **2.2 Bank's Core Business:**

**Corporate banking  
Project banking  
SME Finance  
Consumer finance  
International Trade  
Loan Syndication  
Foreign Exchange Dealing  
NGO Linking Loan  
Investment  
Government Treasury Function  
Money Market Operation  
Capital Market Operation  
Remittance**

### **2.3 Vision & Mission:**

#### **Vision:**

**Socially committed leading banking institution with global presence.**

#### **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.**

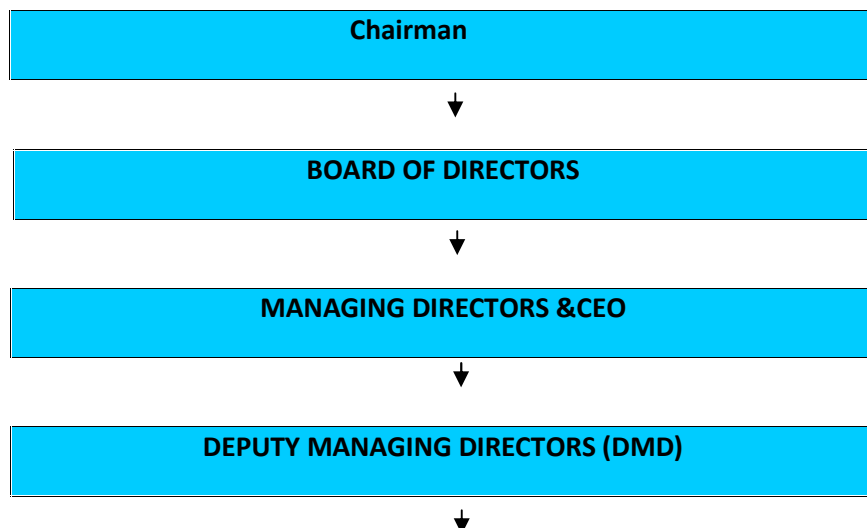
**2.4 Slogan:**

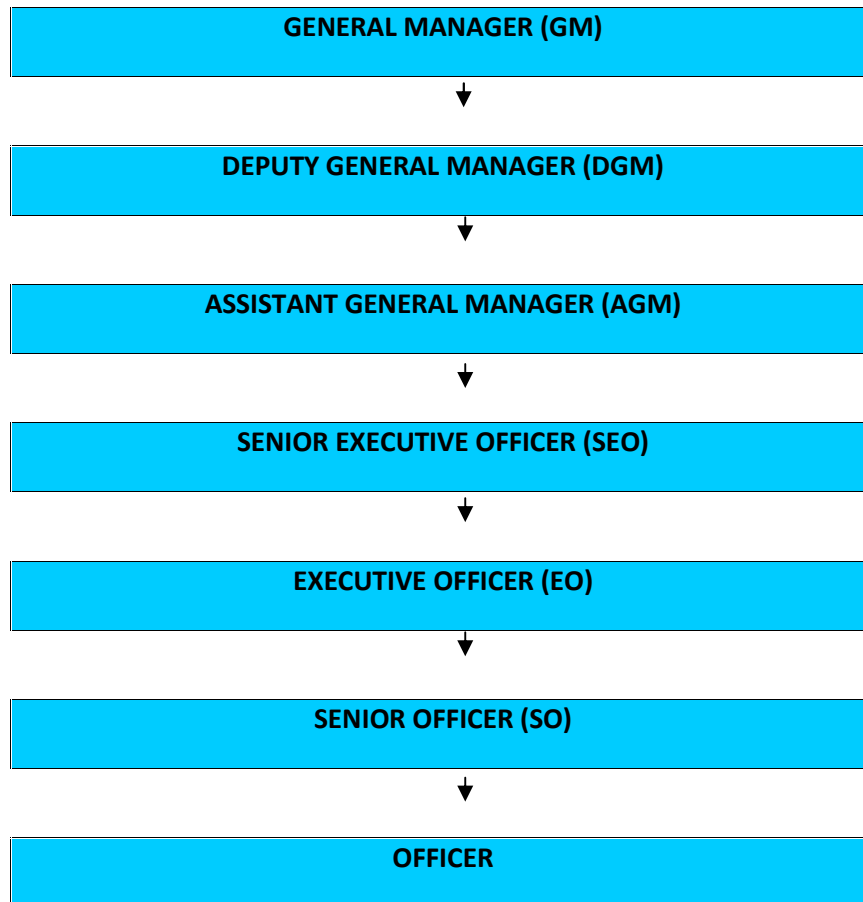
**Your trusted partner in innovating banking.**

**2.5 Sonali Bank Limited: Management Hierarchy:**

**Sonali Bank Limited is governed by a Board of Directors consisting of 11 (eleven) sa well-known banker and a reputed professional. The corporate Head**

**Quarter of the bank is located at Motijheel, Dhaka Bangladesh.**





## 2.6 Corporate Profile:

<b>Name of the Company</b>	<b>: Sonali Bank Limited</b>
<b>Chairman</b>	<b>:MonzurHossain</b>
<b>CEO &amp; Managing Director</b>	<b>: Pradip Kumar Dutta</b>
<b>Company Secretary</b>	<b>: A.K.M. SajedurRahman Khan</b>
<b>Legal Status</b>	<b>: Public Limited Company</b>
<b>Genesis</b>	<b>:Emerged as Nationalised Commercial Bank in 1972, following the Bangladesh Bank (Nationalisation) Order No. 1972(PO No.26 of 1972)</b>
<b>Date of Incorporation</b>	<b>: 03 June, 2007</b>
<b>Date of Vendor's Agreement</b>	<b>: 15 November, 2007</b>

**Registered Office** : 35-42, 44 Motijheel Commercial Area, Dhaka,  
Bangladesh

**Authorised Capital** : Taka 6000.00 core

**Paid-up Capital** : Taka 3830.00 core

**Number of Employee** : 21,839

**Number of Branches** : 1207

**Phone-PABX** : 9550426-31, 33, 34, 9552924

**FAX** : 88-02-9561410, 9552007

**SWIFT** : BSONBDDH

**Website** : [www.sonalibank.com.bd](http://www.sonalibank.com.bd)

**E-mail** : [itd@sonalibank.net.bd](mailto:itd@sonalibank.net.bd)

**2.7 Some notable features of  
the Bank are as follows:**

1. Total Number of Branches

I. Number of overseas :1207  
:02

II. Number of local branches :1203  
:860  
:342

Number of rural branches

i. Number of urban branches :19

2. Number of Regional Offices :43

3. Number of Principal Offices :10

4. Number of G.M. Offices

---

**Subsidiaries**

1. Sonali Exchange Company Incorporated (SECI) having 09 branches in USA.

2. Sonali Investment Limited (Merchant Banking) having 04 branches at Motijheel, Paltan, Uttara and Mirpur in Dhaka, Bangladesh.

**Associates**

**Sonali Bank (UK) Limited having 06 Branches in UK**

	<b>Representative Office</b>	
	<b>01(One) in Jeddah, 01 in Riyadh, 01 in Kuwait</b>	
	<b>Islamic Banking Windows</b>	<b>05</b>
	<b>Correspondent</b>	
1.	Bank	631
2.	Exchange House	
		<b>54</b>

## **CHAPTER THREE**

### ***“Disbursement of Loan and Recovery System”***

### **3.1 Some Principles**

#### **Principle of Liquidity:**

The banker while making advance must see to it that the money lent is not locked up for a long time because, majority of Bank's liabilities are payable either on demand or after short notice. So the banker should make sure that the loans are liquid enough to meet the banks liability structure. Liquidity means availability or readiness of bank funds on short notice. The liquidity of advance means its repayment on demand on due date or after a short notice. The loan must have fair chances of repayment according to repayment schedule.

Otherwise, the liquidity position of a bank may be threatened.

#### **Principle of Security:**

The security offered by a borrower for an advance is insurance to the banker. It serves as the safety value for an unforeseen emergency. So another principle of sound lending is the

Security of lending. The security accepted by a banker to cover a bank advance must be adequate, readily marketable, easy to handle and free from any encumbrance.

#### **Principle of Profitability:**

Commercial Banks obtain funds from shareholders and if dividend is to be paid on such shares it can only be paid by earning profit. Even in the case of public sector banks although they work on service motive they also have to justify their existence by earning profit. This is not possible unless funds are employed profitably. So the fund should be employed in reliable and profitable sources, but for the sake of profitability, the other two principles safety and liquidity cannot be sacrificed.

#### **Principle of Diversification:**

The advance should be as much broad based as possible and must be in conformity with the deposit structure. The advances should not be in one particular direction/ industry/ activity or one or few borrowers because

adversity faced by that particular industry will have serious adverse effect on the bank.

**Principle of National Interest:**

The development of banking has reached a stage where a banker is required to identify his business with national policies. Banking Industry has significant role to play in the economic development of a country. So, the savings of the people which are mobilized by banks must be distributed to those sectors which require development in the country's Planning Program.

**Others:**

**Creditworthiness of a borrower:**

**A)Character:**

-To determine whether the borrower has a responsible attitude towards borrowed funds and whether he will have every effort to repay what is owed.

-Responsibility, truthfulness, serious purpose, and serious intention to repay loans make up the characters of the borrower.

**B)Capacity:**

-Whether customer requesting loan has the authority to request loan and have the legal standing to sign loan agreement and documents.

**C)Economic Condition/ Assets:**

-Whether borrower has sufficient assets to repay the loan.

-Other loans and liabilities of the borrower.

**D) Credit history/Credit habit:**

-Whether loans borrowed by the customers previously and how those earlier loans were handled.

-Whether there is any loan default earlier.

-Whether legal action has ever been taken against him for recovery of default loan.

### **E) Credit Rating:**

**-Credit rating of the borrower by credit rating agencies**

#### **3.2 Credit Rating of the Bank**

**As per the BRPD instruction circular No.6 dated July 5, 2006, the bank has done its credit rating by Credit Rating Information and Services Limited (CRISL) based on the financial statements dated 31 December 2011.**

#### **Credit Rating Report (Surveillance Rating)**

<b>Surveillance Rating-2013</b>	<b>Long Term</b>	<b>Short Term</b>
<b>As Government Supported Entity</b>	<b>AAA</b>	<b>ST-1</b>
<b>As Private Commercial Bank</b>	<b>A-</b>	<b>ST-2</b>
<b>Outlook</b>	<b>Stable</b>	
<b>Date of Rating</b>	<b>16 October, 2013</b>	

#### **3.3 Credit Principals:**

- The Bank shall provide suitable credit services and products for the market in which it operates. Product innovation shall be a continuous process.
- Loans and advances shall normally be financed from customers deposit and not out of temporary fund or borrowing from money market.
- Credit facilities shall be allowed in a manner so that credit expansion goes on ensuring quality i.e. no compromise with the Bank's standard of excellence. Credit is extended to customers who will complement such standards.
- All credit extension must comply with the requirements of Bank's Memorandum and Articles of Association, Bank companies Act as



amended from time to time, Bangladesh Bank's instructions Circulars, Guidelines and other applicable laws, rules and regulations.

- The conduct of the loan portfolio should contribute, within defined risk limitation, to the achievement of profitable growth and superior return on the Bank's capital.
- Credit advancement shall focus on the development and enhancement of customer's relationship and shall be measured on the basis of the total yield for each relationship with a customer (on the global basis), though individual transactions should also be profitable.

### 3.4 Process of Loan Recovery in short:

Recovery plan is one of the components of performance plan. It is a future intended action in respect of recovery. In other words, it is a conscious and deliberate effort to recover all current dues and overdue loans.

Days past Due	Collection Action
1-14	Soft call requesting payment.
15-29	1 <sup>st</sup> reminder letter
30-44	2 <sup>nd</sup> reminder letter + Single visit
45-59	<ul style="list-style-type: none"> <li>• 3<sup>rd</sup> reminder letter</li> <li>• Group visit by team member</li> <li>• Follow up over phone</li> <li>• Letters to Guarantor, Employer, and Reference all above effect follows.</li> <li>• Warning on legal action by next 15 days.</li> </ul>
60-89	<ul style="list-style-type: none"> <li>• Call up loan</li> <li>• Final reminder &amp; Serve legal notice.</li> <li>• Legal proceedings begin.</li> <li>• Repossession starts.</li> </ul>
90 and above	<ul style="list-style-type: none"> <li>• Telephone calls/Legal proceedings continue.</li> <li>• Collection effort continues by officer &amp; agent</li> <li>• Letter to different banks / Association.</li> </ul>

### 3.5 Loan Classification

Classification of loan is mandatory for all scheduled commercial banks. It has become obvious due to the bad culture of fabricating the income by window dressing of the financial statement of the commercial banks. It has been observed that sometimes bank income is being calculated by showing the unrealistic expected income. To protect this ill practice, classification of loan has come to the effect basing upon a standard criterion. Loans are classified into three categories on the basis of the length of overdue.

These are:

- i) Substandard : If the loan remains overdue for 9 (nine) month & above
- ii) Doubtful : If the loan remains overdue for 24 months and above
- iii) Bad or loss : If the loans remain overdue for 36 months and above

The criteria of loan classification are:

- i) Overdue
- ii) Required payment
- iii) Limit overdrawn
- iv) Legal action
- v) Qualitative judgment

## **CHAPTER FOUR**

*(Analysis of SBL)*

#### **4.1 Principles of loans and advances:**

**All lending will be adequately secured with requirements as lay down by the head office Credit Committee.**

- ❖ Loans and advances shall be normally funded from customers deposit of a permanent nature, and not out of short- term temporary funds or borrowing from other banks or thorough short -term money market operations.
- ❖ Credit evaluation will include:
  - a. Prevalent credit practices in the market place.
  - b. Credit worthiness, background and track recorded of the borrower.
  - c. Financial standing of the borrower supported by financial statement and other documented evidence.
  - d. Legal jurisdiction and implications of applicable laws.
  - e. Effect of any applicable regulations and laws.
  - f. Purpose of the facility.
  - g. Tenure of the loan.
  - h. Viability of the business proposition.
  - i. Cash follow projections.

- j. Quality and adequacy of security, if available.
- k. Risk taking capacity of the borrowers.
- l. Entrepreneurship and managerial capacities of the borrower.
- m. Reliability of the sources of repayment.
- n. Volume of risk in relation to the risk taking capacity of the bank company concerned.
- o. Profitable of the proposal to the bank or company concerned.

#### **Sources of Credit Investigation:**

##### **The following are the sources of credit information**

- ✓ Loan application
- ✓ Financial statements (profit and loss account, Balance sheet, cash flow statement).
- ✓ Study of accounts
- ✓ Market reputation
- ✓ Other sources, i.e.
  - **Income tax statement**
  - **Registration office**
  - **Press report**
  - **Revenue and municipal rent receipt register of joint stock company**
  - **VAT return**
  - **Report from CIB**
  - **Confidential report from fellow banks.**
  - ✓ **CRG**

- ✓ FSSA
- ✓ Personal interview
- ✓ Personal visit


**Preparation of credit report:**

**On the basis of investigation the branch manager will prepare a credit report as per format provided by their head office.**

**After preparing credit report banks ask for loan documentation.**

**Loan documentation:**

**As other commercial banks one of the main functions of Somali bank is to extend credit facilities of its valued customers. The credit facilities are given against varies types of securities. These are mainly:**

 **Personal i.e. credit worthiness of the proposed borrower and guarantor. Moveable i.e. FDR, shanchaypattra goods and commodities balance of deposit A/C etc.**

 **Immoveable i.e. land building etc.**

**Before rendering credit facilities bank has to create charge over the securities through a number of agreements .papers etc. which are called documents.**

**Loan issue:**

**Required document:**

- 1) Current issue trade license.
- 2) Tax receipt copy.
- 3) Property tax receipt copy.
- 4) Tax broad application for proper paid tax.
- 5) One Sonali Bank account.
- 6) Three copy photo.
- 7) Two guarantors.
- 8) Fixed property or business document (Original copy will be submitted in to the bank)

**Loan issue process:**

- 1) **Loan holder application.**
- 2) **Bank application.**

- 3) **Loan proposal prepared by the bank (For Respective customer)/ loan holder.**
- 4) **Stock valuation of the business product or the property (prepared by bank or the loan holder).**
- 5) **Enterprise valuation up 1 to 6 month.**
- 6) **Loan holder detail information.**
- 7) **Bank will be verifying the information.**
- 8) **Property verification.**
- 9) **Application sends to the head office.**
- 10) **Head office send to the Bangladesh bank for inquiry of the loan holder.**
  - 11) **Bangladesh bank sends to the loan holder.**
  - 12) **Head office sends the list of the document which is required.**
- 13) **The bank collects the entire document to the loan holder and sends to the head office**
  - 14) **Insurance of the loan and its copy.**

#### **Loan renewal**

**The Sonali Bank Ltd offered by the customer to the consumer credit loan which is the maturity date in the one year so loan holder renewal their**

**loan the renewal of the loan takes some steps this are a follows:**

- 1) **Application of the loan holder.**
- 2) **Inquiry of the Bangladesh Bank, credit information bureau (CIB).**
- 3) **Inquiry of the loan issue bank.**
- 4) **Current trade license.**
- 5) **New valuation copy of business product.**
- 6) **Bank Application.**
- 7) **New insurance copy.**
- 8) **Document sanction for the head office which is send for new loan issue time.**
- 9) **Bank authority letter.**
- 10) **Valuation of the property which is doing by the bank and loan proposal from.**

**Relation between Advances with the Security:**

<i>Types of advance</i>	<i>Securities</i>
<i>Loans</i>	<i>Line or various kinds of Sanchaypatra, Govt. Securities, FDR, Collateral of immovable property, shares quoted in stock exchange</i>
<i>Overdraft</i>	<i>DBS, SDPS, Pledge or hypothecation of machinery, land and building on which machinery are installed, stock in trade goods products and merchandise.</i>

➤ **4.2 Modes of Charging Security:**

A wide range of securities is offered to banks as coverage for loan. In order to make the securities available to banker, in case of default of customer, a charge should be created on the security. Creating charge means making it available as a cover for advance. The following modes of charging securities are applied in the Sonali Bank Limited.



- **Lien**

A lien is right of banker to hold the debtor's property until the debt is discharged. Bank generally retains the assets in his own custody but sometimes these goods are in the hands of third party cannot discharge it without the permission of bank. Lien gives banker the right to retain the property not the right to sell. Permission from the appropriate court is necessary. Lien can be made on moveable goods only such as raw materials, finished goods, shares debentures etc.

- **Pledge**

Pledge is also like but here bank enjoys more right. Bank can sell the property without the intervention of any court, in case of default on loan, but for such selling proper notice must be given to the debtor. To create pledge, physical transfer of goods to the bank is must.

- **Hypothecation**

In this charge creation method physically the goods remained in the hand of debtor. But documents of title to goods are handed over to the banker. This method is also called equitable charge. Since the goods are in the hand of the borrower, bank inspects the goods regularly to judge its quality and quantity for the maximum safety of loan.

- **Mortgage**

Mortgage is transfer of interest in specific immovable property. Mortgage is created on the immovable property like land, building, plant etc. Most common type of mortgage is legal mortgage in which ownership is transferred to the bank by registration of the mortgage deed. Another method called equitable mortgage is also used in bank for creation of charge. Here mere deposit of title to goods is sufficient for creation of charge. Registration is not required. In both the cases, the mortgage property is retained in the hank of borrower.

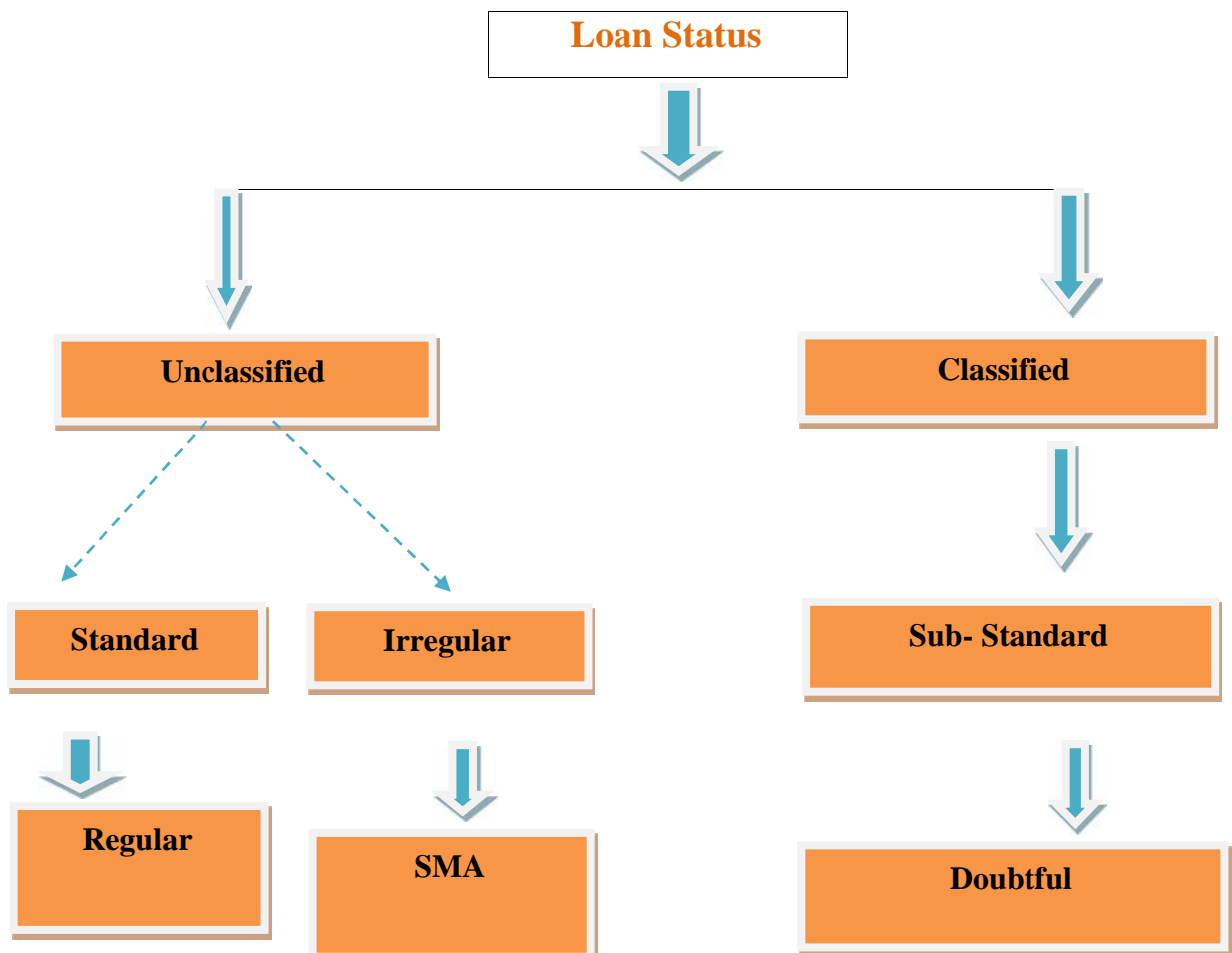
- **Trust Receipt**

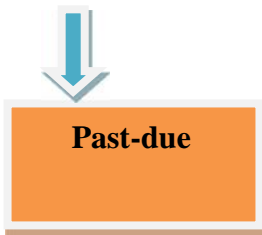
Generally goods imported or bought by bank's financial assistance are held by bank as security. Bank may release this lien/pledge these goods against trust receipt. This means that the borrower holds goods in trust of the bank; trust receipt arrangement is needed when the borrower is going to sell these goods or process it further but borrower has no sufficient fund to pay off the bank loan. Here proceeds from any part of these goods are deposited to this bank.

#### 4.3 Documents/Forms entitled to loan sanction and disbursement:

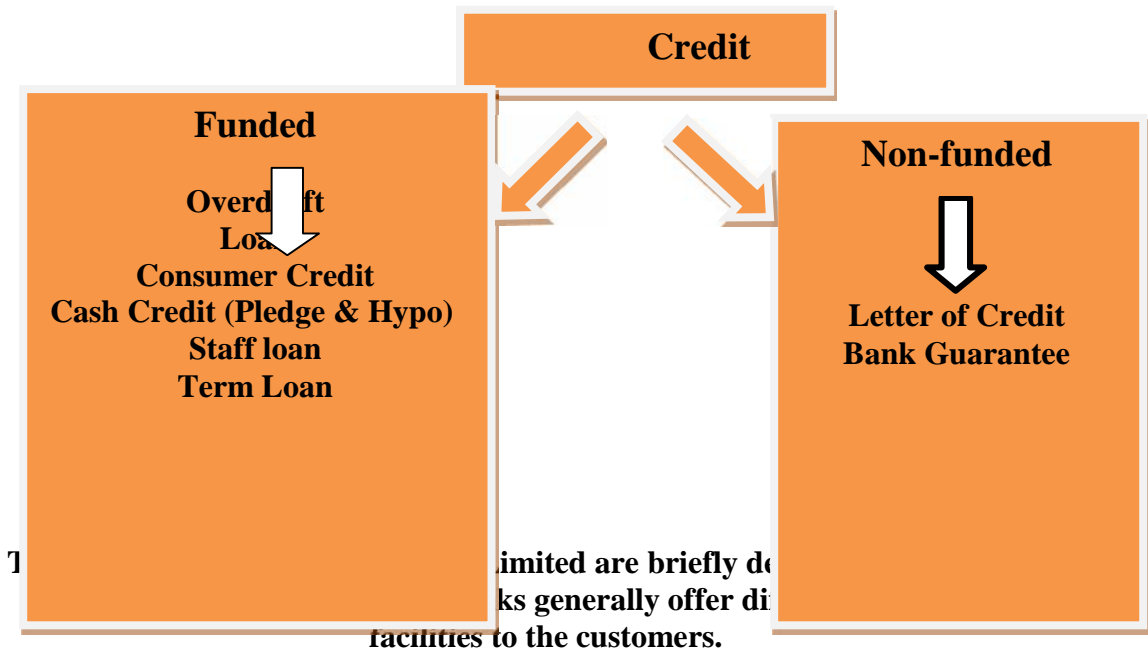
- ✓ Consent of the guarantor form.
- ✓ Credit Information Bureau (CIB) form.
- ✓ Check list.
- ✓ Office Note.
- ✓ Details of the entrepreneur.
- ✓ Details of his/her assets.
- ✓ Confidential Opinion Report.
- ✓ Proprietary Credit Report.
- ✓ Company's Credit Report.

#### 4.4 Classification of the Loan





**Classification on characteristics of financing:**



**Types of loan offered by the Sonali Bank Limited:**

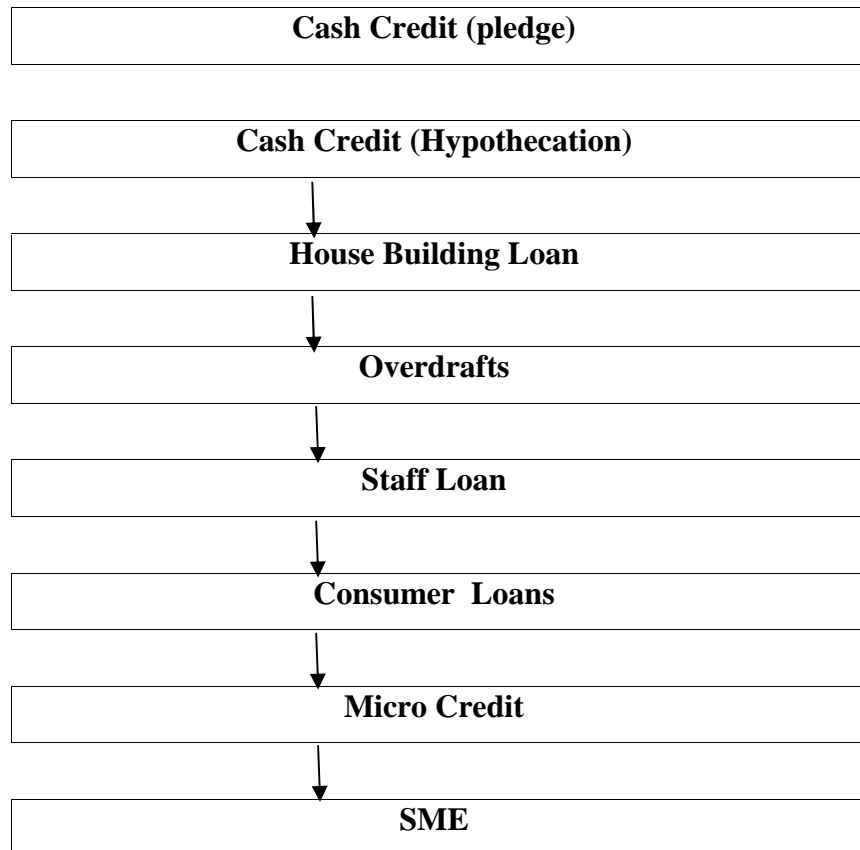
Sonali Bank Limited provides the following types of loan offered to the customers. These are as follows.

- ❖ Agricultural loan.
- ❖ Rural credit.
- ❖ Industrial project loan SME loan.
- ❖ Agro base industrial project loan.
- ❖ Small cottage industries loan.
- ❖ Working capital loan.
- ❖ Housing building loan consumer credit special small loan.
- ❖ Export import trade loan.

From the above different types of loans, I have described some of the loan on the basis of information.

**4.5 Categories of Credit:**





#### **4.6 Sanction Procedure of Cash Credit:**

**The sanction procedure of Cash Credit (pledge) and Cash Credit (hypothecation) are as follows:**

- a) The borrower will apply for sanctioning credit in white paper.**
- b) Banker will examine the borrower's current account statement and transaction.**
- c) Banker will collect confidential report from other banks and other business man.**
- d) Security checking, valuation and observing perfection by the lending officer. For checking collateral security (Land and Building) banker will collect CS, SA and RA records of the land, Mutation and Non-Encumbrance Certificate, Mouza Map, Up-to-date Rent and Legal opinion of the banks legal advisor.**
- e) For loans more than tk.50 Lac, LRA is required.**
- f) The borrower will fill up the prescribed application form.**
- g) The credit officer will prepare loan proposal and credit report.**
- h) The proposal will move to the sanctioning authority with commend and/or recommendation of management of every step of the hierarchy.**

- i) If the proposal is approved, bank will prepare a sanction letter and the borrower will receive it.

#### **House Building Loan:**

House building loan are generally sanctioned for commercial building sometimes for houses to the Staff. Staff house building loans are for the bank employees to construct houses. House building loans are also provided to the employees of other financial institutions with the clearance of the BB for those, who have obtained loan from their respective institutions but could not complete construction. House building loans and repayment is made by installments and maximum repayment period is 12 year. The interest rate of House Building Loan (Staff) is 8% per annum.

#### **Procedure:**

- a) Application for credit by the borrower with following documents.
- ◆ Estimated cost and building layout plan prepared by engineer and architect.
  - ◆ Certificate from RAJUK.
  - ◆ Tax Payment receipt.
  - ◆ Borrower monthly income statement
  - ◆ Original title deed of the land.
- b) The credit officer will prepare a credit report.
- c) Banks lawyer will verify the documents.
- d) Branch will send the proposal to the head office with proper recommendation.
- e) Engineer of the head office will analyze the documents and place for approval.
- f) If the loan is approved, the branch will issue a sanction letter.
- g) Documentation: the borrower will fill and sign all internal documents of the bank as-
- ◆ Demand promissory note.
  - ◆ Demand promissory note delivery letter.
  - ◆ Original title deed.
  - ◆ Registered Mortgage Deed.
  - ◆ Insurance Policy.

- ◆ **Certificate from WASA, DESA, City Corporation, Gas Supply Authority.**

**All the documents should be listed in the document execution register and signed by the borrower.**

**. Overdrafts:**

**Over Drafts are temporary overdrafts from current accounts, which are extended only to bank's most creditworthy and reliable customer, who required money for a short period. This type overdraft is maintained as debit balance in the current account of the borrower. Overdrafts against FDR, DPS, SanchayPatra, Insurance Policy, Share certificate, and work order are treated as secured overdraft because they are sanctioned only against the respective document by certain lien. These documents are kept in the safe custody of the bank and returned only after full repayment of the dues. These advances are for one year and in case of renewal, all the procedures of the first sanctioned should be followed. A minimum margin is kept for these types of advances.**

**Procedure**

- ◆ **Application by the borrower with the instrument against their intersected to credit. Intersect may be their Deposits & schemes.**
- ◆ **Bankers will verify the documents from the issuing authority and get clearances.**
- ◆ **The credit officer will recommend for sanction.**
- ◆ **Credit officer can sanction up to 80% of their balance.**
- ◆ **The sanctioning authority will sanction the advance.**
- ◆ **After documentation the bank will open an overdraft account and issue a checkbook.**

**Staff Loan:**

**Staff loans are LAPF, MCL, and BCL**

**LAPF is loan against provident fund and extended to the bank employees for the purpose of repair of house, marriage of son or daughter and for medical treatment of family members. MCL is for purchase of motorcycle and BCL is for bicycle. Though these loans are fully secured, credit officer should be careful in documentation and inspection of whether the money serves the purpose.**

**These loans are term and medium term loans. Interest rate of such loan is only 5% per annum.**

**Staff house building loans (SHBL):**

- 1) 20 times of the basic salary is provided as SHBL.**
- 2) Bank rate is changed %, time to time.**
- 3) Repayment is adjusted from their monthly salary.**
- 4) Repayment is made at equal monthly installment.**

**Staff loan against provident fund:**

- a. Time limit is 10 years or rime of retirement whichever is lower.**
- b. Interest rate is 5% (Changes time to time).**
- c. Security :**
  - i. Demand promissory note.**
  - ii. Band lien against future fund.**
- d. Repayment is made at equal monthly installment.**
- e. Repayment is adjusted from their monthly salary.**

**Consumer Loans:**

**The main purpose of the scheme is to improve life standard of the customers by providing them loans for purchasing house hold items, for example, computer, television, freeze, motor car & cycle, air-condition & cooler, furniture etc.**

**Various commercial banks offering various types of loans to the consumer so that they can enjoy these innovations and fixed a very easy installment process to repay that money.**

**Sonali bank is offering loan calling Consumer credit scheme in various types of goods.**

**The features of this scheme are:**

- Interest charged in this scheme is 15%.**
- The maximum amount to be sanctioned is Tk.100000.**
- Margin is 25%.**
- Security:**
  - a) Purchased goods/products are hypothecated.**
  - b) A third party guarantor.**
- Time limit is up to 3 years.**

## Micro Credit:

One of the major obstacles facing the poor is access to credit. The Grameen Bank of Bangladesh is an excellent illustration of how credit can be provided to the poor. Pursuant to the objectives of the bank and recognizing the need for helping him destitute low – income group of the population, the Board of Directors of BASIC Bank in 1994 formulated a micro-credit scheme for the poor. The Bank since then has been providing funds to destitute individual and NGOs for onward lending to their poor members. Although according to the commission of the European communities, a micro –enterprise has to satisfy the criteria for the number of employees, which is maximum 10, Sonali bank do not have any official definition in this respect. However, it perceives that micro – enterprises are generally of cottage industry nature.

### Criteria

- a) The borrower will apply for sanctioning credit in white paper.
- b) Application for credit by the borrower with following documents.
  - ❖ Borrower monthly income statement
  - ❖ Few fixed assets
  - ❖ Little or no reinvestment
  - ❖ Low skill requirement
  - ❖ No or few written business records.
  - ❖ Not taxable
  - ❖ Very few grow into larger scale businesses.
  - ❖ Highly risky, frequent business failures.

### SME(Small & Medium Enterprise):

<b>Time limit</b>	<b>-1 Year</b>
<b>Interest rate</b>	<b>-15.5%</b>

### In case of New Proposal:

**Receiving customer Application (RFCL) along with required documents:**

- Receiving CIB Undertaking for the Applicant & owners along with fee
- Forward the CIB Undertaking to Head Office
- Scrutinize the attached documents carefully



- Visit client's business places (office, factory, go down etc.) and proposed mortgage property & prepares visit report
- Valuation of proposed mortgage property by enlisted surveyors
- Prepare & forward the Proposal to Head Office (if you are satisfied)
- Follow-up the progress of the file in SME Unit
- Preparation of Sanction Advice & get it accepted by the client after getting approval from Head Office.
- Obtain land related documents from the client and forward to Lawyer for vetting
- Complete the Mortgage formalities in the concerned Sub-Registry office
- Obtain Notarized IGPA to sell Hypothecated Stock& Machinery (where applicable)
- Obtain signature on the charge documents from the client
- Obtain undated Cheques from the clients as per sanction
- Obtain Insurance Policy from the clients as per sanction
- Obtain Undertaking in 150 Taka stamp paper as per sanction
- Collect certified copy of Mortgage Deed
- Stamping the charge documents
- Insert Signboard on the mortgage property/factory and preserve a photograph of that in the file
- Send all the Documents to lawyer for obtaining Letter of Satisfaction
- Safekeeping of Security Documents in the Safety Vault.
- Send Compliance Certificate to Credit Admin, Head Office with copy of LS
- Mail limit request form to Credit Admin, Head Office for limit insertion/ Disbursement

**In case of Renewal & Enhancement:**

- a) **Receiving customer Application (RFCL) along with required documents  
(Stock Report, Renewed Trade License)**
- b) **Receiving CIB Undertaking for the Applicant & owners along with fee**
- c) **Forward the CIB Undertaking to Head Office**
- d) **Scrutinize the attached documents carefully**
- e) **Visit client's business places (office, factory, go down etc.) and proposed mortgage property & prepares visit report**

- f) Prepare & forward the Proposal to Head Office (along with security compliance certificate & LS)**
  - h) Follow-up the progress of the file in SME Unit**
  - i) Preparation of Sanction Advice & get it accepted by the client after getting approval from Head Office**
  - o) Obtain signature on the fresh set of charge documents from the client**
  - p) Obtain Insurance Policy (renewal) from the clients as per sanction**
  - r) Stamping the charge documents**
  - u) Entry of Security Documents in the SISO Register**
  - v) Safekeeping of Security Documents in the Safety Vault.**
  - x) Send Compliance Certificate to Credit Admin, Head Office**
  - y) Mail limit request form to Credit Admin, Head Office for limit insertion/ Disbursement**
- Follow-up:**
- a) Issue Letters to the clients for renewal before one month of the expiry date.**
  - b) Issue Letters to the clients for payment of Interest within one week of each quarter end.**
  - c) Call the clients for payment of Interest on regular basis.**
  - d) Regular visit of the clients as per sanction letter prescribed frequency**
  - e) Collect Stock Report on regular basis from the clients as per sanction letter prescribed frequency**
  - f) Collect yearly financials from the clients**
  - g) Regular follow up of the Expired OD Accounts & Term Loans/Leases with overdue installments so that it does not become classified.**

### **Credit Structuring**

**Credit structuring means determination of loan tenure, its pricing, repayment mode, covenants, security and others. There are various types of credit in this banking. Each type of credit requires unique credit structuring. Short term credit structuring is different from term loan structuring. In case of short term loan, repayment is generally made on the expiry of its tenure. On the other hand, term loans are related with the earning power of the borrowers. Hence, in this case repayments are generally made on the installment basis. Pricing of loan also**

**differ from loan to loan in case of short term loan, inventory or working assets and for long term loan immovable assets are generally taken as collateral. In credit structuring, credit officer have to be careful because logically un-sound credit structuring might results the non-performing loans. Some factors that credit officers have to keep in mind those are:**

- How many year borrowers want to use the loan money?
- When they want to repay it?
- Ability of the borrower
- Security are belongs to the borrower
- Interest rate of loan

### **Credit Investigation**

**A credit officer confirms after interviewing that the amount and the purpose of the loan falls within the bounds of the bank's lending policy and the loan meets the bank's most basic lending criteria, the next step of credit is credit investigation. Credit investigation is the process of enough information from different source to determine the loan applicant's willingness and capacity to service the proposed loan. Upon completion of credit investigation, the loan officer have a sufficient idea of the client's reputation character and experience; the company's past and present record and probable future performance. Credit officer has done most credit investigation activities.**

**Sources of information: The sources from where information can be obtained may be classified into four general groups:**

a) Information supplied by the credit applicant

**Information can be obtained from applicant by asking 1) Types and amount of loan 2) Source of repayment 3) Plan of repayment 4)name of collateral 5) personal and business history 6)three or more years financial statement 7) personal income tax returns 8) insurance and continuing guarantees.**

b) Landing officer query

**The lending officer may inquire information relating to 1) Characteristics of borrower market 2) sales Channels 3) production process 4) labor relation**

**Strength and weakness of the firm 5) personal liability of applicants and guarantor.**

c) Internal sources of information

**1) Credit files of present or previous borrower 2) Income from investment and employment 3) income tax return 4) depreciation and other information**

d) External sources

**1) Credit information bureau (CIB) 2) commercial publications 3) stock exchange publications 4) article on published trade publications**

### **Credit Approval**

**Commercial banks usually follow either committee or sequential process of credit approval. Under credit committee system, the credit officer of the branch where borrowers applied makes necessary appraisal and sent it to the committee for the sanction. Credit committee examines the credit officer proposal and makes decisions whether approve it or not. On the other hand, sequential process involves an approval chain of individual credit officers with ascending levels of authority. There are debates about superiority of the system. Proponents of the committee system argue that it provides the maximum level of decision-making capability because it combines experience of the committee members. The sequential process proponents claim that the committee customarily formed by the senior members of management and head of the lending areas. It also suffers from the lack of responsibility and accountability. In most cases committee decision are made without allowing sufficient time to analyze applications. On the other hand, sequential process gives the every loan officer an opportunity to examine the loan application, ask pertinent questions, and make independent) end decisions. In committee system the responsibility of committee members cannot be assigned. Decisions are made by voice vote or raising hands. In sequential process accountability can be attributed more easily which compel them to be more responsible in decision making. Banks in Bangladesh follow the committee system for loan approval.**

**Disbursement of Credit:**

**Loan disbursement has to be made after completion documentation and observance of the sanctioning terms against rising of equity by sponsors as lay down. Each phase of loan disbursement to be supersede to be supervised by bank official so that borrower is not given scope of diversion funds to anywhere tends to purpose other than the project and the phase of implementation of the project to be effectively supervised and borrowers persuaded for completion of project in time. There are main three important factors in the loan disbursement, such as;**

- Completion of documentation.
- Verification of stocks.
- All import documentation.

#### **Supervision:**

**Branch manager are expected are expected to exercise common sense and proper case in handing advances by them or any other appropriate authority. The branch manager is the corner stone of the bank and on him the success of a bank depends to large extent. In the first place he represents his bank and its management to the local public. The way in which he discharges the two functions makes him either a successful or an unsuccessful branch manager. He can to control advances judiciously to save the bank from failing into losses.**

- A. The customer is legally competent to borrow**
- B. The entire necessary document have been duly filled in, stamped and correctly executed by the borrower.**
- C. A proper authority covering operation and conferring power to overdraw is held in respect of accounts of permeated upon by persons other than the borrowers themselves.**
- D. It should be seen that the advance does not contravene and law directed by Bangladesh bank or the lending policy of the bank.**
- E. Security is correctly valued and is easily saleable.**
- F. Proper storage and custody are made.**
- G. Stipulated margin is maintained.**
- H. Adequate insurance, where necessary, has been taken**
- I. There is quick turnover of stocks.**

- J. Operations of customers account.**
- K. The balance in the account remains very near or goes beyond the drawing limit or there is no good turnover.**
- L. The balance is stagnant.**
- M. Cheques drawn by the party are returned for storage of fund.**
- N. Post-date Cheques are issued by the party.**
- O. Cheques drawn by the party are frequently countermanded financial position.**

### **Credit risk and handling the risk**

**Credit risk refers to the risk that a borrower will default on any type of debt by failing to make payments which it is obligated to do. The risks are primarily that of the lender and include lost principal and interest, disruption to cash flows, and increased collection costs. The loss may be complete or partial and can arise in a number of circumstances. For**

#### **example:**

- A consumer may fail to make a payment due on a mortgage loan, credit card, line of credit, or other loan
- A company is unable to repay amounts secured by a fixed or floating charge over the assets of the company
- A business or consumer does not pay a trade invoice when due
- A business does not pay an employee's earned wages when due
- A business or government bond issuer does not make a payment on a coupon or principal payment when due
- An insolvent insurance company does not pay a policy obligation
- An insolvent bank won't return funds to a depositor
- A government grants bankruptcy protection to an insolvent consumer or business.
- To reduce the lender's credit risk, the lender may perform a credit check on the prospective borrower, may require the borrower to take out appropriate insurance, such as mortgage insurance or seek security or guarantees of third

parties, besides other possible strategies. In general, the higher the risk, the higher will be the interest rate that the debtor will be asked to pay on the debt.

### **Handling the Risk**

- Collateral offered against a credit facility is properly valued and verified by the concerned relationship officer and revalued and re-verified annually in the subsequent period. In addition, the same collateral is valued and verified by an enlisted survey of the bank which is now applicable for all customers irrespective of any amount.
- Risk grading of the accounts have been done as per Bangladesh Bank's guidelines. Any credit approval/sanction shall be subject to the banking regulations in force or to be imposed by the regulatory body from time to time and to the changes in the bank's policy. This is to be specifically mentioned in the sanction letter issued to the customer. Compliance Report o CRG at the each end of the quarter to be given to CRM at Head office. Data collection check list and limit utilization format have been prepared for regular assessment. Internal audit division independently reviews the risk grading at the time of auditing the branches.
- The bank has established overall credit limit at the level of individual borrowers and counterparties and groups of connected counterparties that aggregate in comparable and meaningful manner for different types of exposures, both in the banking and trading book and on and off the balance sheet.

- Executive committee of the board approves the proposals beyond the authority limit of the credit committee. The board of directors reviews the proposals approved by the executive committee.
- Sonali Bank Limited has a system in place for managing problem credits and various other workout situations. All NPLs are assigned to account manager within the recovery department, which is responsible for coordination and administering the action plan, or recover of the account and serve as the primary customer contact after the account is downgraded to substandard.
- Sonali Bank Limited ensures that the credit granting function is being properly managed and that credit exposures are within levels consistent with prudential standards and internal limits. The bank has established and enforced internal controls and other practices to ensure that exceptions to policies, procedures and limits are reported in a timely manner to the appropriate level of management.
- Sonali Bank Limited has established a system of independent, ongoing credit risk review and the results of such reviews are communicated directly to the board of directors and senior management.

#### **Recovery:**

**Loans and advances in whatever from granted by the bank to its clients are repayable either on demand or at the expired of fixed period or as per payment schedule agreed upon while granting the facilities. If a loan is repayable on installment is not repaid on due date. Overdraft and credit are legally repayable on demand, although the bank seldom excises the right but in certain customers. In case loan is repayable in installments and default causes in the payment of any installment, entire loan usually become immediately recoverable of at the option of the bank.**

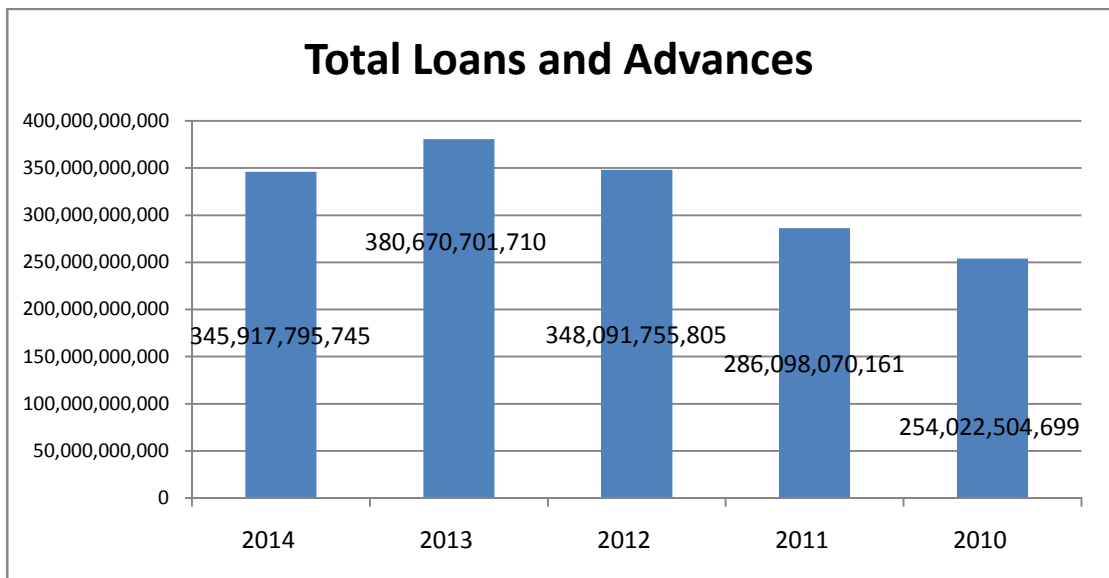
- If death occurs either of the borrower or of the guarantor.
- If the borrower is reported to have committed as act of insolvency or has filed an application for his insolvency.
- Dissolution the partnership.



- Liquidation the borrowing company.
- Failure to renew the documents sufficient before the expired of the limitation.
- If there is any serious deterioration in the security charged to the bank and want of satisfactory in the account.
- There has been deterioration in the financial position of the party.
- If the borrower fails to maintain the stipulated margin and does not restore the shortfall inspire of repeated reminders.
- Change in the bank's policy of lending.
- The policy of selective credit control by Bangladesh bank.
- Detection of any other undesirable feature in the account.
- There may also be other reasons for withdrawing the facility, i.e. the law and order situation at ascertain place is such that it may be risky to the advance.

**If credit officer fail to recover credit then bank have no alternative rather than taking legal action against borrower to recover loan. Now bank can take action against borrower by the law of ArthaRinAdalat Act 2003.**

### Loans and advances from Year 2010 to 2014



**Figure 1: Total Loans and Advances, Source: Annual report of Sonali Bank Limited from 2010 to 2014.**

**The graph represents the loans and advances of SBL rise slowly from 2010 to 2011. But the loan and advance dramatically rise from 2011**

to 2012 and incrementally increase in 2013. However, in 2014, it fallen down.

### Analysis of Recovery Scenario:

Particulars	outstanding Loans and advances Tk. in Million				
Years	2010	2011	2012	2013	2014
Amounts	124467	138493	121200	144678	166359

Table 1: The total outstanding Loans and advances, Source: Annual report of Sonali Bank Limited from 2010 to 2014.

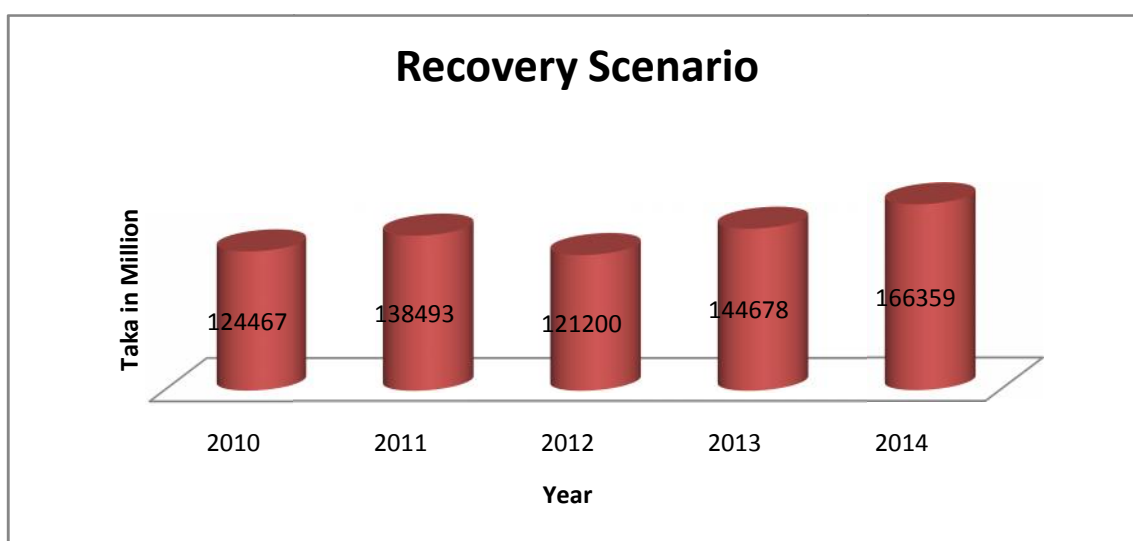


Figure 2: Recovery Scenario, Source: Annual report of Sonali Bank Limited from 2010 to 2014.

In the above figure we see that the total Loan & advances of Sonali Bank from 2011 to 2014 is increasing trend that indicates better performance in providing Loan & advances. In the total Loan & advances of Sonali 25% to 30% Loan is Industrial sector Loan. Industrial sector of Sonali Bank consists of Jute industries, Tannery Industries, Textile Industries, Agro Industries and Industrial credit etc

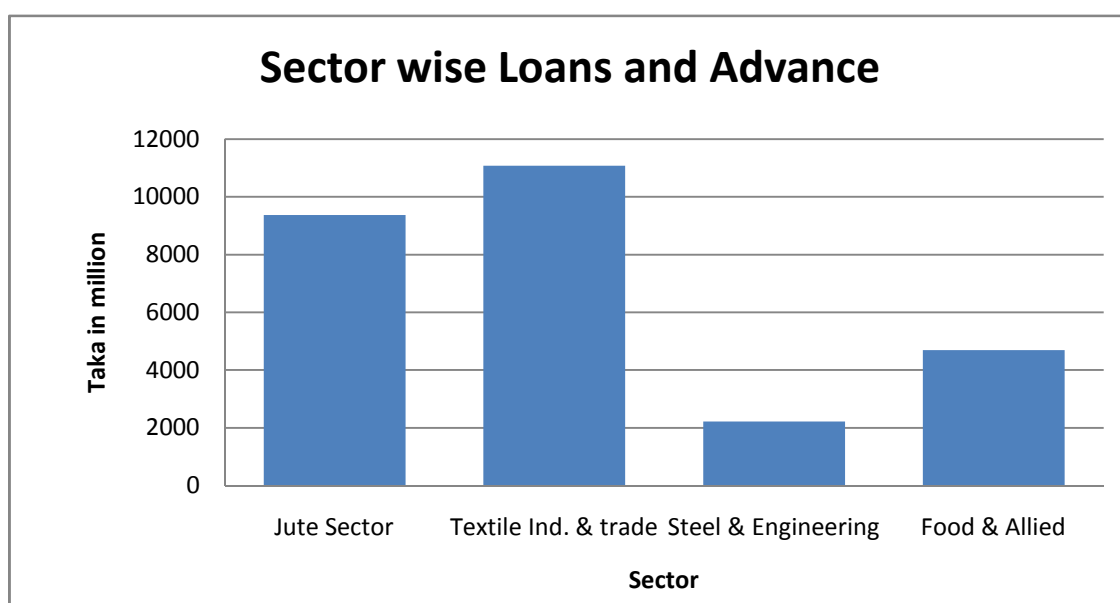
### Sector wise Loans and Advance:

SI	Name of Sector	2014	2013	+ / (-)	+ (-) TK. %
1	Jute Sector	9368	8909	459	5.51
2	Textile Ind. & trade	11076	11325	(249)	2.20
3	Steel & Engineering	2218	1515	703	46.40

4	Food & Allied	4692	3903	789	20.22
5	Export Credit	19083	1555	3533	22.72
6	Import Credit	32704	32510	194	.60
7	Industrial Credit	22372	17160	5212	30.37
8	Rural, ME & SP. Financing	12855	11496	1359	11.82

Table 2: Sector wise Loans and Advance, Source: Annual report of Sonali Bank Limited from 2010 to 2014.

Figure 3: Sector wise Loans and Advance, Source: Annual report of Sonali Bank Limited from



2010 to 2014.

In the above figure and graph we see that the percentage of Loans in the *Textile Ind.* has decreased from 2%. Because of the high Interest rate. On the other hand Sonali bank ltd loans process need long time. On the other hand, the flow of Loans and advances increased in case of import credit, Industrial Credit and Rural, ME&SP Financing sectors.

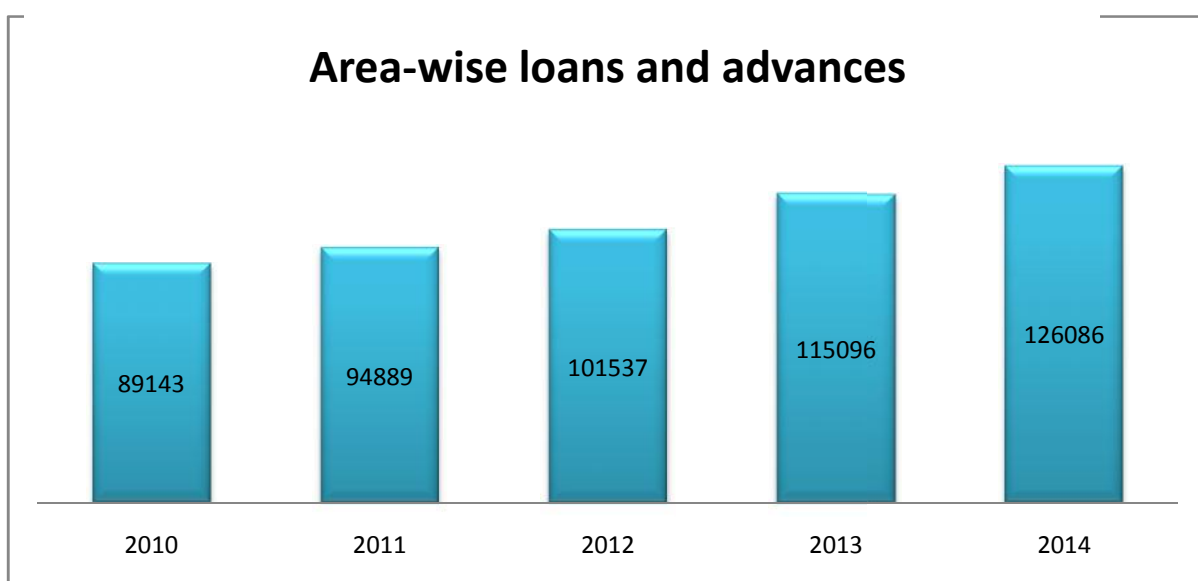
#### Geographical area-wise Loans and Advances:

The overview of geographical area-wise Loans of Sonali Bank is given bellow:

Region	2011	2012	2013	2014
Dhaka	89143	94889	101537	115096

<b>Chittagong</b>	<b>15005</b>	<b>16629</b>	<b>17750</b>	<b>21772</b>
<b>Khulna</b>	<b>8533</b>	<b>8577</b>	<b>10516</b>	<b>12720</b>
<b>Rajshahi</b>	<b>8789</b>	<b>9830</b>	<b>11531</b>	<b>12984</b>
<b>Sylhet</b>	<b>838</b>	<b>888</b>	<b>944</b>	<b>1092</b>
<b>Barishal</b>	<b>1136</b>	<b>1158</b>	<b>1290</b>	<b>1433</b>
<b>Overseas Branches</b>	<b>750</b>	<b>990</b>	<b>1110</b>	<b>1262</b>

**Table 3: Geographical area-wise Loans and Advances, Source: Annual report of Sonali Bank Limited from 2010 to 2014.**



**Figure 4: Geographical area-wise Loans and Advances, Source: Annual report of Sonali Bank Limited from 2010 to 2014.**

**From the table and graph, we see that the flow of Loans and advances of Sonali Bank is showing an increasing trend from 2011 to 2014. It indicates a better performance in extending credit facilities. Bank disburses Loans more in Dhaka region than other regions. And loans Recovered in avg.35%.**

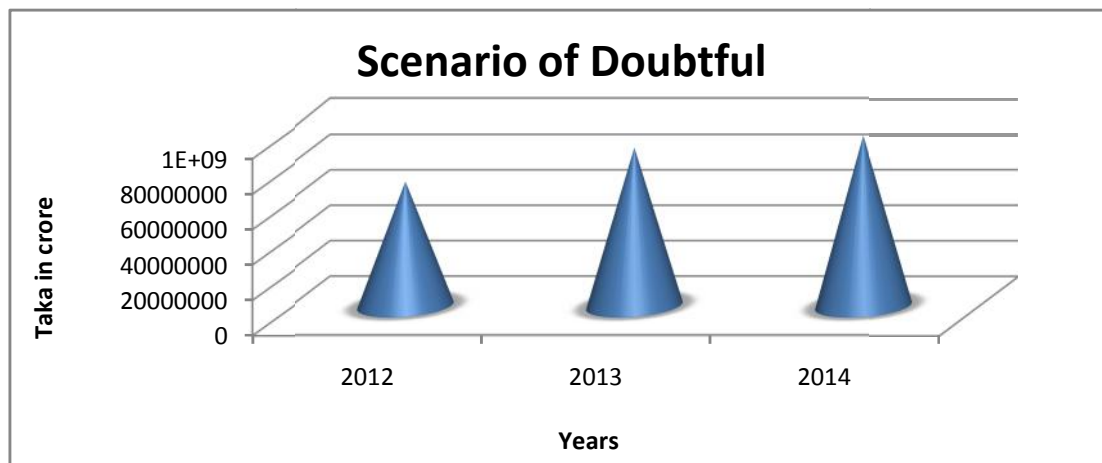
#### **Scenario of Doubtful & bad Loan of Sonali Bank Ltd:**

**Debt which is considered doubtful & bad of Sonali Bank from 2012 to 2014 is given below:(Figure in crore)**

<b>Year</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
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<b>Total Amount</b>	<b>962300000</b>	<b>893500000</b>	<b>702500000</b>
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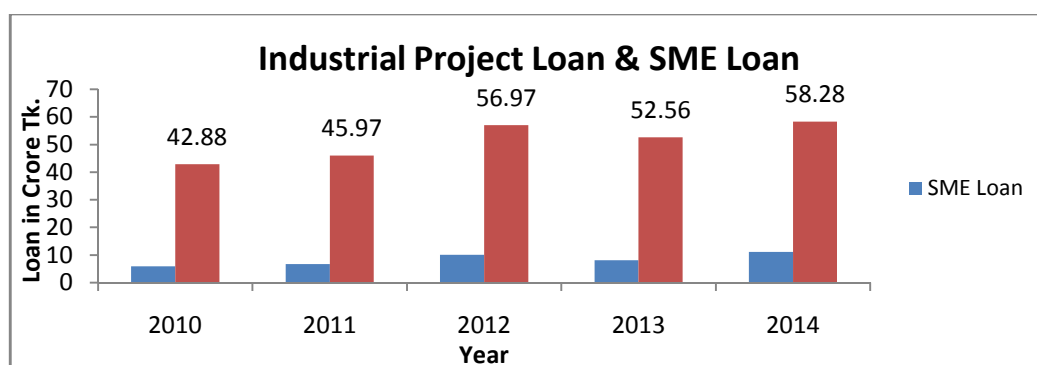
**Table 4: Scenario of Doubtful & bad Loan, Source: Annual report of Sonali Bank Limited from 2010 to 2014.**



**Figure 5: Scenario of Doubtful & bad Loan, Source: Annual report of Sonali Bank Limited from 2010 to 2014.**

**In the above figure we see that the Debt that is considered doubtful & bad of Sonali Bank on total Loan disbursement from 2011 to 2014. There is no doubtful & bad loan in 2014,. So, it is clear to us due to use of LRA format in industrial credit default risk is less and recovery rate is well but in the other sector's recovery is**

### **Industrial Project Loan & SME Loan.**



**Figure 6: Industrial Project Loan & SME Loan, Source: Annual report of Sonali Bank Limited from 2010 to 2014.**

**Above the figure shows that the consequences of Industrial loan and SME loan from 2010 to 2014.**



## CHAPTER FIVE

### *EVALUATION OF THE BRANCH PERFORMANCE*

#### **EVALUATION OF THE BRANCH PERFORMANCE**

##### **Introduction**

**Here I try to evaluate the performance of this branch with the help of previous data of deposits, loan & advances, recovery of loans & advances and profit.**

**Table-5: Growth rate of total deposits during 2010-2014.**

<b>Year</b>	<b>Total deposit (Tk. in lakh)</b>	<b>Amount change (Tk. in lakh)</b>	<b>% of change</b>
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2010	5097.66	-	-
2011	5940.31	842.65	16.53
2012	7231.41	1291.10	21.73
2013	7344.96	113.55	1.57
2014	6926.19	-418.77	-5.70

#### Discussion

Table-5 indicates an increasing trend of total deposits collection for the year 2010-2014. From the above Table and Figure we see that in 2010, 2012 and 2013 percentage change of deposits collection is upward but in 2014 it is decreased whenever the total deposits increases than the preceding year.

#### Loans and Advance

Since establishment whenever the branch was established different types of advances such as demand loan, over drafts, cash credit etc. The amount that is pay out by this branch in different forms is mentioned in the following table:

**Table-6: Year wise loan disbursement of Sonali Bank, Agargaon Branch, Dhaka, during 2010-2014 (Tk. in lakh)**

Types of loans	Years				
	2010	2011	2012	2013	2014
Cash credit	45.99	42.02	29.28	20.72	24.99
Small loan	9.35	8.43	4.95	3.62	1.79
Over draft	65.93	72.33	79.13	76.34	58.99
RCD	19.88	17.68	16.91	33	22.56
NORAD	0.20	0.20	0.20	0.20	0.20
SBICS	6.80	6.83	.34	.31	0.48



<b>House building loan general (HBLG)</b>	<b>4.27</b>	<b>3.24</b>	<b>2.95</b>	<b>1.94</b>	<b>1.28</b>
<b>HBL staff</b>	<b>122.15</b>	<b>150.08</b>	<b>172.88</b>	<b>242.35</b>	<b>247.81</b>
<b>Other staff loan</b>	<b>116.62</b>	<b>121.63</b>	<b>111.65</b>	<b>110.23</b>	<b>34.28</b>
<b>Consumer loan</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.35</b>	<b>18.60</b>
<b>Small farming</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5.44</b>
<b>Vill. small farming</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.42</b>
<b>Total</b>	<b>391.19</b>	<b>422.44</b>	<b>418.29</b>	<b>471.39</b>	<b>457.84</b>

**Table-7: Growth rate of total loans and advance during 2010-2014(Tk. in lakh)**

<b>Year</b>	<b>Total</b>	<b>Amount change</b>	<b>% of change</b>
<b>2010</b>	<b>391.19</b>	<b>-</b>	<b>-</b>
<b>2011</b>	<b>422.44</b>	<b>31.25</b>	<b>7.99</b>
<b>2012</b>	<b>418.29</b>	<b>-4.22</b>	<b>-0.98</b>
<b>2013</b>	<b>471.39</b>	<b>53.10</b>	<b>12.69</b>
<b>2014</b>	<b>457.84</b>	<b>-13.55</b>	<b>-2.87</b>

### **Discussion**

**Table-6 and Table-7 shows an upward trend in disbursement of loans and advances for the year 2010-2014. In the year 2012 and 2013 had a little bit**

decrease in the percentage change of loans and advances than the previous year.

Here we see that in the year 2014 other staff loans were decreased by 68.90%.

### Recovery of loans and advances

Appropriate employment of loan is the precondition of recovery of loan. But there is no specific target for loan recovery of this branch. But always there is a big gap between the amount of total classified loan and recovery of loans. Now this becomes a normal situation for them.

**Table-8: Sector wise recovery position from 2010-2014 (Tk. in lakh)**

Types loan	Years				
	2010	2011	2012	2013	2014
Consumer credit	-	-	-	-	4.38
RCD	5.67	3.41	7.35	5.70	3.93
House building loan general (HBLG)	1.51	0.70	0.84	0.84	0.84
House building loan staff	9.38	10.88	14.51	14.95	15.31
SBICS	0.20	9.20	0.03	7.20	0.02
Small farming loan	-	-	-	-	0.56
Vill. Small farming loan	-	-	-	-	0.27
<b>Total</b>	<b>16.58</b>	<b>24.19</b>	<b>22.73</b>	<b>28.69</b>	<b>25.31</b>

**Table-9: Year wise recovery position from 2010-2014 (Tk. in lakh)**

Year	Amount of classified loan (Tk. in lakh)	Recovery (Tk. in lakh)	% of Recovery against total classified loan
2009	24.65	-	-
2010	41.07	16.58	67.26
2011	39.84	24.19	58.90
2012	37.00	22.73	57.05
2013	32.00	28.69	77.54
2014	28.25	25.31	79.09

#### Discussion

In the year 2010 bank recovery an amount of Tk. 16.58 lakh which was the 67.26% of total classified loan. In 2011 and 2012 bank recovered Tk. 24.19 lakh & Tk. 22.73 lakh which were the 58.90% and 57.05% of total classified loan (Table-05). It shows that the loan recovery was not satisfactory. In the year 2013 and 2014 the recovery rate was 77.54% and 79.09%. Here the recovery rate was not bad. We hope that bank will recover more loans in future.

#### Profitability

The notion of profitability analysis is related to the management of an organization performance. In general profitability can be defined as the ratio of output per unit of input.

**Table-10: Changes of profit over the years 2010-2014 (Tk. in lakh)**

**Sonali Bank, Agargaon Branch, Dhaka.**

Year	Net profit/(loss)	Percentage of change
2010	(148.80)	-
2011	(13.87)	91.16
2012	(123.26)	788.68
2013	(69.96)	43.46
2014	(5.11)	92.19

#### Discussion

**From the above Table, it is shows that there was net loss during 2010-2014. In the year 2013 there was a lowest amount of loss and the loss is decrease by 43.46%. After the time of 2012 the amount of loss was decline and in 2014 it was decrease by 92.19%.According to the bank official this adverse-profitability is due to the high administrative cost & classification program specially.**

### **5.1 Causes of classification/poor recovery**

**The bank official mentioned the following causes for classified loan/poor recovery of loans:**

- Lack of mentality of loanee to repay.
- Illegal practice in loan disbursement.
- Loanee hampered hardly by natural calamities like flood, earthquake, tornado, etc. or man-made problem like theft by others.
- In various times Government exempt loan. For this the loanee becomes very reluctant to repay in this sense that in future he will set loan exempt. Resulting loan classification and poor recovery.
- The death of guarantor, it is very difficult to recover.
- Suggestion for recovery:
- Singly or group have to meet with the borrower and inspire him to repay at least two days in a week.
- If the borrower comes to pay generally then should take the help of local administration.
- Bank should try to understand the borrower of the rule of law. For this the borrower may repay to protect his honor.
- It should be described to the borrower about the rule of loans interest. By this the borrower will know that if we do not repay then it will increased geometrically. For this he will inspire to repay as early as possible.
- Different committee is needed for the purpose of recovery.

- The loans which have no owner and are classified during long time have to be desolated for balance.
- The bank may recover with the help of interest exempting.

## **5.2. Problems of deposit collection:**

**In deposit mobilization Sonali Bank, Agargaon Branch, Dhaka, faces various problems which are discussed below:**

- 1. Lack of production originated business:** A very few numbers of industrial units is located in Dhaka city. Most of the businessman deals with the trading. So, this branch cannot collect the deposits of industrial collection.
- 2. Target setting policy:** There is no special target setting policy of this branch. Resulting reluctant mentality of the employee for deposit collection.
- 3. Fixed rate of interest:** Bangladesh Bank determines a range of interest rate, which is paid on deposit and the head office of Sonali Bank follows top down allocation policy in setting of target, which is unrealistic. For example adding 20% more with the current year's deposit, the expected deposit of following years is determined. If the branch enjoys the autonomy of determining the rate of interest, it is possible for the branch to attract the special depositor giving higher rate of interest.
- 4. Absence of Islamic banking:** Most of the people of Bangladesh are Muslim. So, most of the people of our country bear ethics of Islam in mind. Interest is prohibited in Islam. Consequently many of us put money in Islamic Bank.
- 5. Provide mass banking:** This branch dose not functions of mass banking. As a result it is to be involved in various non-remunerative activities (like payments of teacher's salary).
- 6. Provision for the govt. institution:** There is a provision for the govt. institution to put 80% of its deposits in NCBs. But this rule is not followed strictly. In this respects govt. has not taken any step yet consequently, those institutions go to Private Banks in search of better benefit.
- 7. Illegal expenses:** Private Banks is habituated with illegal expenses. Sometimes, they send precious presentation (VIZ, TV, Freeze etc.) to

high-level govt. of official and businessman, which is unthinkable for NCBs.

8. **Special benefit:** Private Banks can provide special benefit to attract the depositors. But it is not possible for this branch as a wing of Sonali Bank.
9. **Rules and regulation:** Since it is a branch of state owned commercial bank it follows rigid rules and regulations. On the other hand the flexible rules and regulation maintain Private Banks.

### **5.3 Problems of loan disbursement:**

The following problems are mentioned by bank officials related this area:

**Lack of proper security.**

**Lack of proper supervision of disbursed loan.**

**Illegal activities of CBA to sanction a loan.**

- **Influence of political leader to sanction a loan.**

## **CHAPTER SIX**

### ***SWOT ANALYSIS***

## ➤ **SWOT Analysis**

### **6.1 SWOT analysis:**

#### **Strengths:**

**There are 1204 branches it is a great opportunity to serve the customer.**

- ✚ Very strong relation with Bangladesh bank.
- ✚ Corresponded relation with other bank: They have corresponded relationship with other bank so the bank can provide the services of their customer.
- ✚ Strong remittance bank office support.
- ✚ Interlink relationship between every team: They have strong relation between every team.

#### **Weakness:**

- ✚ The services are very slow.
- ✚ The bank is so slow modernization.

#### **Opportunities:**

- ✚ Since the Somali bank has many branches so it is great opportunities to capture the banking sector
- ✚ The bank offers the different type of loan then other bank in Bangladesh.
- ✚ Product based on need of NBR people live in abroad can avail the quick and safe remittance service Somali bank limited under the NBR services so the bank increase these type of service.

#### **Threats:**

- ✚ Increase the competition of the banking sector.
- ✚ Increasing the on line banking.
- ✚ More number of banks of other banks has commenced business as outlets for western union.

✚ About remittance business these days many bank are showing greater interest in the remittance business HSBC bank standard chartered bank.

## **CHAPTER SEVEN**

*“Findings, Recommendations and Conclusion”*



## 7.1 Findings

**While working at Sonali Bank Limited, Agargaon Branch, I have attained to the newer kind of experience. After the collecting and analyzing of data I have got some findings. Those findings are completely from my personal point of view.**

**Those are:**

- **Overdraft disbursement volumes are rising.**
- **Sanctioning process of loan is very lengthy to obtain.**
- **Facing difficulties to recover the default loans for.**
- **This branch doesn't provide large amount of loan.**
- **The loans and deposits of this bank are rising at an impressive rate.**
- **Special schemes like consumer deposit scheme, monthly saving scheme etc. are very popular.**
- Paper-based works are still existed in branch that takes longer times in case of processing loan application.
- Decrease in loan disbursement may lower the income of the bank.
- SBL current ratio is higher in 2010 and 2011 and lower in 2013 and 2014. The company's current ratio of different years has indicated that it has sufficient current assets to repay current liabilities but quick ratio of different years has indicated that its' cash and cash equivalents are not satisfactory against current liabilities.
- SBL quick ratio is also very high. That mean they can easily handle their creditors.
- SBL inventory turnover is very bad in all year comparing with standard time (7 times). That means they hold more inventory than their standard requirement. In 2014 it was only 1.31 times.

## **7.2 Recommendations:**

Three months working experience in SBL Agargaon Branch at different department lead to recommendation on the following issues:

- The branch's technology should be increased because the customers are changing.
- The online service should be started for quick service.
- The Bank should Decrease the loan sanction time.
- The bank's rules and condition are very strong, so the customer pays their loan for facing lots of problem.
- They should open ATM booths to meet customer needs and to meet the competitions.
- For customer's convenience in Sonali Bank Ltd. should provide more credit officer to investigate the client financial position.
- SBL inventory turnover is very low over the five years. For increasing inventory turnover they should go for sales force distribution.
- Total asset turnover of the company increased in recent years. Management should try to maintain this performance.

## **7.3 Conclusion:**

**Sonali Bank Limited, the largest & leading commercial Bank of the country, came in to being in 1972 immediately after the emergence of Bangladesh as an independent state. A fully state owned enterprise, the bank has been discharging its nation-building responsibility by under taking government entrusted different socio - economic schemes as well as money market activities of its own volition, covering all spheres of the economy. Sonali Bank Limited singularly enjoys the prestige of being the agent of the Central Bank Bangladesh in such place where the guardian of the money marker has chosen not to act by itself.**

**All the branches of SBL are providing Small Enterprise & consumer financing. Under the small enterprise & consumer financing the provided the different type of credit facility, this are: Diagnostic Center loan, Micro Credit, Term Loan, SME loan, Sonali Bank Deposit scheme, Rural credit facility, Micro Credit, Industrial Financing Trade Financing etc. under the consumer financing it**

provided by the following services: Education Loan, Medical Loan, Monthly Earning Scheme, Any purpose loan, consumer credit, Marriage Saving Scheme, Special Small Credit Scheme etc. The Rural credit and Micro credit are offered by the Bank to the customer, these two loan type are offered only by the Sonali Bank Limited.

Bank provides the most number of loans in Cash Credit (Hypothecation) is 11% Demand loan (consumer) is 20% small loan 6% staff scheme and RSD 8% most of the loan provided by the overdraft is 76%.

By providing the several type of loan of the Bank is playing the vital role for the development of the Bangladesh Economy. It provides their service in the every class of people. The branch of the SBL in all over the country, so people can get their service easily.

During the course of my practical orientation I have tried to learn the practical banking activities to realize it with my theoretical knowledge, which I have greathearted and going to acquire from various course of my MBA (Agribusiness) program.

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