

**Internship Report**  
**On**  
**An Analysis of Loan and Advance System of**  
**Sonali Bank PLC**  
**A Study On Mirpur Shilpa Elaka Branch**

**Submitted To**  
**Controller of Examination**  
National University  
Gazipur-1704

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Daffodil Institute of IT



National University

Date of Submission: 16<sup>th</sup> October, 2023



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# Letter of Transmittal

16<sup>th</sup> October, 2023

Controller of Examinations

National University

Gazipur-1704

Subject: **Submission of Internship Report.**

Dear Sir,

I, Nur-A-Jannat Jhumur, have the pleasure to submit here with the internship report on "An Analysis of Loan and Advance system of Sonali Bank PLC" for your evaluation. It is a matter of great pleasure for me to have the opportunity to analyze the report on an analysis of loan and advance activities of Sonali Bank PLC Mirpur Silpo Alaka, Dhaka. I am grateful to you for allowing me to carry out the report in Sonali Bank PLC. For your kind co-operation for preparing this report. The knowledge and experience I have acquired while conducting the study will help me in future.

Sincerely Yours,

---

Nur-A-Jannat Jhumur

Roll no: 2181838

Registration: 17501002831

Session 2017-18

Program: BBA

Department of Business Administration,

Daffodil Institute of IT



# Acknowledgement

At first, I would to thank almighty Allah who has given me the strength and opportunity to complete this internship report. This report is the outcome of the contributions and sincere cooperation of different persons. For the fear of sounding like vote of thanks speech, I could not possibly thank all of those marvelous people who have contributed something of them directly or indirectly in preparing this report successfully.

First of all, I would like to thanks Almighty Allah and I express heartfelt gratitude to my honorable supervisor Shakia Jahan Nipa, Assistant Professor (BBA Program), Department of Business Administration, Daffodil Institute of IT for her valuable supports & guidelines for preparing this report. Without his inspiration and advice it could be very difficult to prepare this report.

I would like to thanks to Shahadat Hossain, Manager (Senior Principal Officer) for providing me guideline from his valuable time, which is the model of generosity and never minds to provide answer of any questions of our own areas of job responsibility.

I am also thankful to Head of Human Resource Division of (Sonali Bank PLC) for giving me the opportunity to do the internship in their organization & Specially Mohammad Saiful Rahman, Manager ,Sonali Bank PLC ,Mirpur Shilpa Elaka Branch for his sincerely, advice, encouragement and full supporting in my internship .So, I also thankful my beloved collogue at Sonali Bank PLC for gave me support to complete my internship .

Finally I am very grateful to my parents for their respective & in spite of sincere and denoted efforts, there might be some mistakes in the report. I take the entire responsibility for such unintended errors and missions.



# STUDENT'S DECLARATION

My name is Nur-A-Jannat Jhumur, Roll no: 2181838, Registration: 17501002831, student of BBA program Daffodil Institute of IT. I am declaring hereby that, the internship report entitled "An Analysis of Loan and Advance system of Sonali Bank PLC" is an original. The assigned work is by me for partial fulfillment of my BBA degree and as a part of the academic curriculum. It has not been before for any other degree.

Sincerely Yours,

---

Nur-A-Jannat Jhumur

Roll no: 2181838

Registration: 17501002831

Session 2017-18

Program: BBA

Department of Business Administration,

Daffodil Institute of IT



## CERTIFICATE OF SUPERVISOR

This is to certify that Nur-A-Jannat Jhumur, Roll no: 2181838, Registration: 17501002831, has successfully completed an internship with Sonali Bank PLC as a "Cash Study" entitled "An Analysis of Loan and Advance system of Sonali Bank PLC" as a requirement for the award of BBA degree. She has work on the An Analysis of Lone & Advance System An Analysis of Loan and Advance System of Sonali Bank PLCA Study On Mirpur Shilpa Elaka Branch Under the Supervision and guidance of "Shakila Jahan Nipa". During the course of the internship. She has gained several learning such as take away the develop multiple skill including and according to my instruction and guidance.

She has tried her level best to make it a good one. I also certify that I have gone through the draft report thoroughly and it satisfactory to serve the stated purpose. She has also maintained an outstanding professional demeanor and showcased excellent moral character throughout the internship period. She was found sincere, honest, hardworking and energetic during the program. I wish his success and prosperity.

I, hereby certify her over all work excellent to best of my knowledge  
Wishing her the best of luck for his future endeavors.

---

Shakila Jahan Nipa  
Assistant Professor (BBA Program)  
Department of Business Administration  
Daffodil Institute of IT



## Executive Summary

Doing internship in financial institution always gives best chances to the students of business faculty to apply their knowledge on practical field. Financial institutions have very wide range of activities in the economy of a country. Banks are the most important one in the financial sector as they play a very crucial role for the economy. Banking business mainly maintains flow of funds from depositors to investors. In doing so, banks need to collect deposit from the depositors and the distribute those as loan to the investors. Besides, banks provide assistance in international trade, money transfer, collection and payment of utility and other bills etc. all of which are fully customer oriented. Therefore, commercial banks are treated as service organization and their business is largely dependent on the quality of services they provide. Hence, the efficiency and success of commercial banks depend entirely open the satisfaction of their clients. So, the key factor of many commercial banks is the customer service provided by them. This internship report "An Analysis of Loan and Advance system of Sonali Bank PLC" is the picture of quality services provided by one of the well-known Public banks PLC in Bangladesh.

Chapter 1: Describe introduction of the report, Chapter 2 : Focus the organizational profile, Chapter 3 : Explain the Sonali Bank PLC, Chapter 4 : Analysis of data collection, Chapter 5 : Finding, Recommendations and Conclusion.



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# CHAPTER 1

## Introduction



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## **1.1 : Introduction of the Report:**

This report focuses on "Loan & Advances" of Sonali Bank PLC at Mirpur Shilpa Elaka Branch, Dhaka. Now the world is a serious world. In this way, the bank ought to offer different types of assistance. In present day age, people groups need all the more simple approach to gather their cash and covered their duty and enthusiasm from bank. Sonali Bank gives different advance to the individuals like Business advance, Personal advance, Micro credit, provincial advance and so on. During my work, I have confronted different deterrents. By the finesse of Almighty Allah and by the assistance of some related individual, I have beaten those issues effectively. Through temporary position I become mindful of hierarchical culture and figure out how to demonstrate proficient greatness by and large. This learning encourages me when I at long last go into commonsense field. Entry level position program is the deliberate assembling, recording and dissecting of information about the subject that an understudy goes to group on the program. The point of this Internship program is to interface down to earth information with hypothetical information. The Sonali Bank PLC is the biggest state possessed driving business bank in Bangladesh. I have worked in the General Banking (account opening, clearing, signature confirming, move, benefits installment and money) of sonali bank. This association allowed me the chance to know more on various parts of the association. Along these lines, I have arranged my temporary position report on "Loan & advances of Sonali Bank PLC at Mirpur Shilpa Elaka Branch , Dhaka."

## **1.2 : Scope of the Report**

In my internship report of the Sonali Bank PLC, I have highlighted the Loans and Advances. I have also discussed about classification of loans and advances and who to diversify them and who to manage the recovery system, risk management system, general banking all are focus in my report. Total overviews of the Sonali bank. I tried to learning and collected data from this branches manager and other senior officers. Most of all special focus on loans and advances information from the bank.



### 1.3 : The objectives of the report are as follows:

#### ► Primary / Main Objective

- The board objective of the study is to analyze the compensation
- Management System of Sonali Bank PLC

#### ► Secondary objective

- To fulfill the partial requirement of BBA program

#### ► Specific Objective

- To analyze different of loans offer by "Sonali Bank PLC."
- Evaluation the lending performance of the bank (Year 2017-2021)
- To identify problem of the bank regarding landing activities.
- To provide recommendations about the problems of the bank.

### 1.4 : Methodology of the Report:

From my educational background I have learned different methodology in research process. So in this study I had the opportunity to implicate May educational knowledge in practical field. I have collected data from Secondary sources:

#### Primary Sources:

The customers who come to the bank for collecting Loan and Advances. From practical working environment are sample size or full source should be elimineled.

Primary source are as follows

- Conversation with the bank officer
- Conservation with the client
- Exposure on different desk of the bank

#### Secondary sources:

- Annual report of Sonali Bank PLC. (Year 2017-2021)
- Lecture materials from Sonali Bank Staff College.
- Official Records of Sonali Bank PLC.
- Sonali Bank Staff College data.
- Periodical published by Bangladesh bank.



- Internet is also used as theoretical sources of information.
- Website and newsletters are also used as major sources.

### **1.5 : Limitations of the report:**

To prepare a report on the achieved practical experience in a short duration (only three months) is not an easy task. In preparing this report some problems and limitations have encountered which are as follows:

- The main constraints of the study are insufficiently of current information, relevant to the study.
- All required information is not available in any specific branch of the bank and there is also PLC opportunity to visit more than one branch.
- Due to time limitations many of the aspects could not be discussed in the present report.
- Lack of experience in internship report writing.



# CHAPTER 2

## Overview of Sonali Bank PLC



## **2.1: Introduction of Sonali Bank PLC :**

Sonali Bank PLC is the largest state owned commercial bank of the Bangladesh. Sonali Bank PLC (Public Company) is the largest state owned commercial bank of the Bangladesh is the principal state-owned leading public commercial bank in Bangladesh. It is the largest bank in the country. Ziaul Hasan Siddiqui is the chairman of the Bank. Niranjana Chandra Debnath and Sanchia Binte Ali are the deputy managing directors of the bank.

## **2.2 : Banking history of Sonali Bank PLC:**

Sonali Bank Established in 1972 with nationalization order-1972(Presidential Order-26). Before independence Sonali Bank was National bank of Pakistan, Premier Bank and Bank of Bahawalpur. When Sonali Bank turnover the full state owned institution, then they take huge responsibility for socio-economic schemes and grow up the economic sector with different activities in Bangladesh by monitoring government.

In November 15, 2007 Sonali Bank PLC. Covered to a public PLC company with 100% ownership of the government. When sonali bank covered corporatization the management body work effectively for developing banking sector.

Now Sonali Bank has authorized and paid up capital is Tk 10 billion and Tk 9 billion respectively the bank's reserve funds were Tk 60 million in 1979 and Tk 2.050 billion on 30 June 2000. In 2013, \$250,000 was stolen from the bank by Cyber criminals using the Swift International payments network. In 2016 the Bank signed a Memorandum of Understanding with PayPal.

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







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## 2.3 : Corporate Profile

Table 2.1: Corporate Profile

Name of the Company	Sonali Bank PLC
Chairman	Mr. Ziaul Hasan Siddiqui
CEO & Managing Director	Mr. Md. Md. Ataur Rahman
Company Secretary	Mr. Tauhidul Islam
Legal Status	Public PLC Company
Genesis	Emerged as Nationalised Commercial Bank in 1972, following the Bangladesh Bank (Nationalization) Order No.1972 (PO No.26 of 1972)
Date of Incorporation	03 June, 2007
Date of Vendor's Agreement	15 November, 2007
Registered Office	35-42, 44 Motijheel Commercial Area, Dhaka, Bangladesh
Authorised Capital	Taka 6000.00 Crore
Paid-up Capital	Taka 4530.00 Crore
Number of Employee	19609
Number of Branches	1212
Phone-PABX	9550426-31, 33, 34, 9552924
FAX	88-02-9561410, 9552007
SWIFT	BSONBDDH
Website	<a href="http://www.sonalibank.com.bd">www.sonalibank.com.bd</a>
E-mail	itd@sonalibank.com.bd



## 2.4 : Operational Network:

Sonali Bank has a total of 1212 branches. Out of them, 346 are located in urban areas, 862 in rural areas, and 2 are located overseas. It also operates the Sonali Exchange Company Inc. in USA and Sonali Bank (UK) PLC, United Kingdom, to facilitate foreign exchange remittances. Sonali Bank UK remits up to 14 destinations across Bangladesh directly, these include Dhaka, Chittagong, Sylhet, Moulvibazar, Beanibazar, Balaganj, Biswanath, Jagannathpur, Sunamganj, Golapganj, Nabigonj, Habigonj, Kulaura or Tajpur. There are currently three branches in the UK, one located in Osborn Street, London, another in Small Heath; Birmingham and in Manchester. The division is headed by the DGMS and the Departments are by AGMS. There are also many sections under every Department in the Head office. Head office consists of 39 Departments. It is note-worthy that during 2003, 37 branches have been closed/ merge for rationalization of the branches within the country. The overall functions of the branches are supervised and monitored by 70 administrative structure comprises Head office in Dhaka.

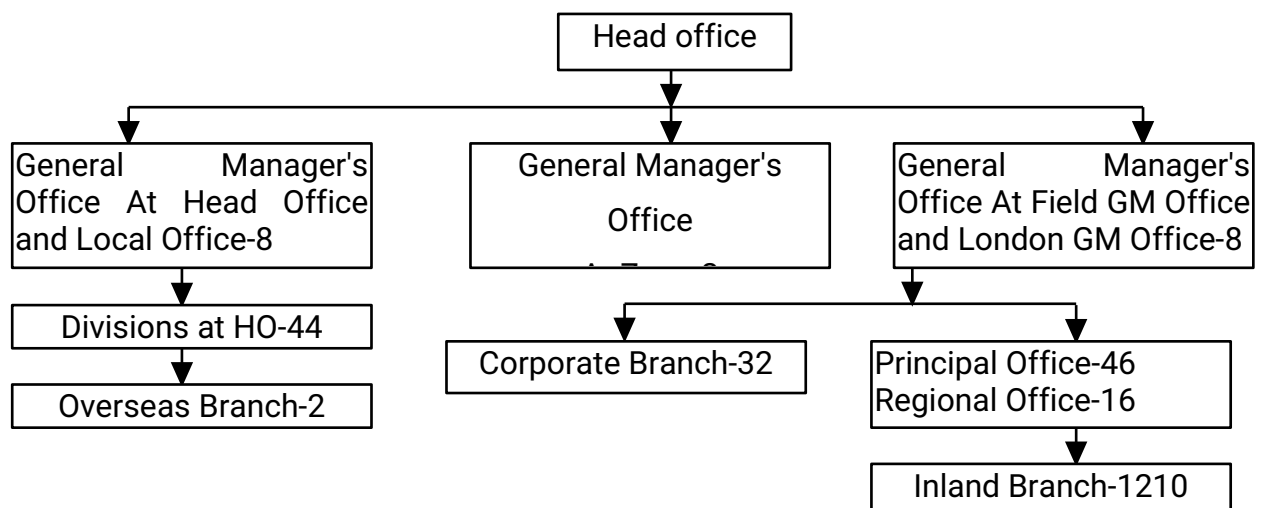


Figure : 2.1: Operational network of SBP



## 2.5 Management

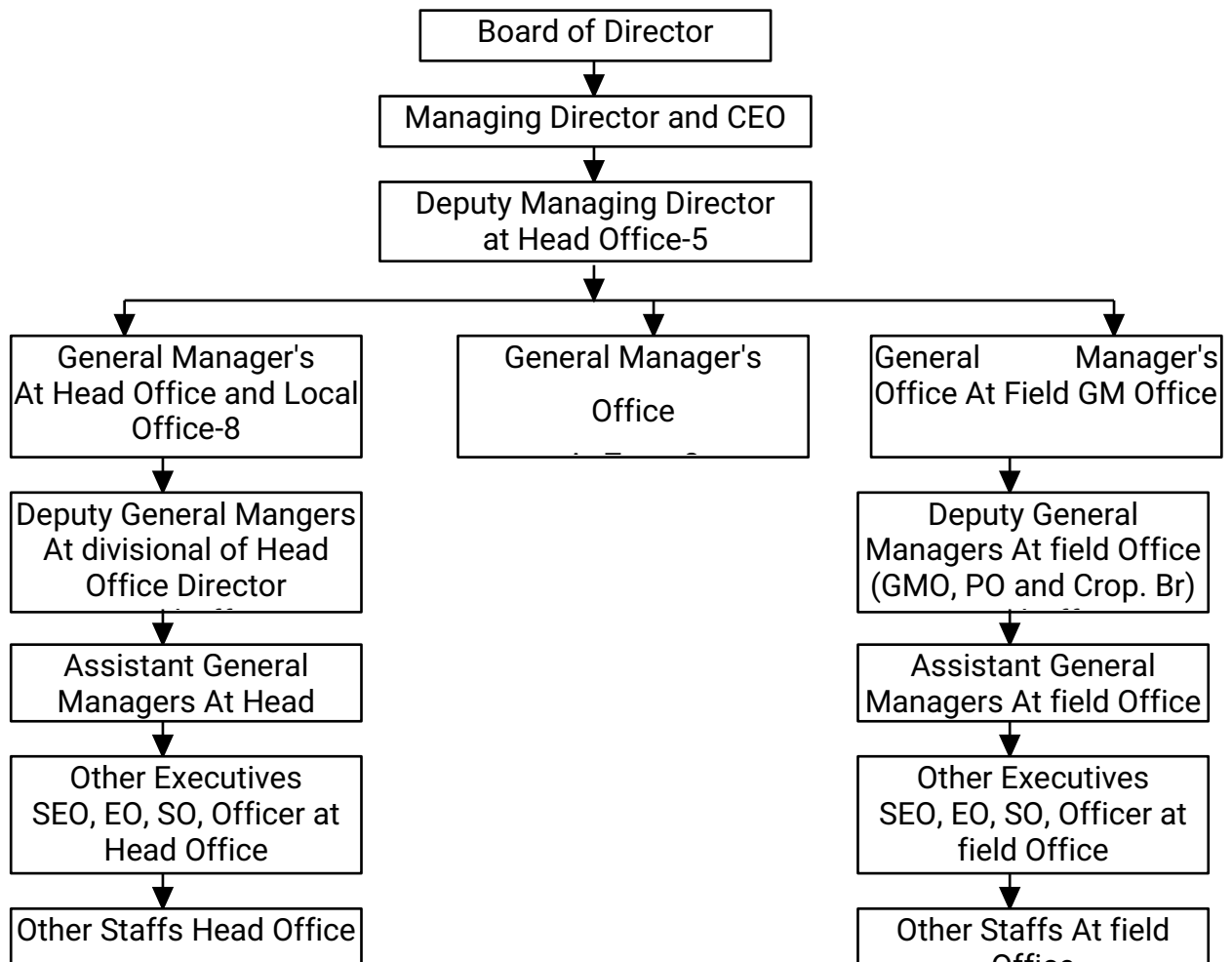


Figure: 2.2: Management of SBP



## **2.6 : Organization:**

Sonali Bank is the largest Nationalized Commercial Bank of the country. It has extended 1212 branches throughout the country and abroad (2 in INDIA to serve the nation). There are two Sonali Exchange Company Incorporated (SECI) in USA and three are in planning stage. Any person should issue their money from USA to BANGLADESH through SECI within twenty- four hours. The Head office of the Bank is located Motijheel Commercial Area, Dhaka which is the controlling Headquarter. It has seven GM offices in six Divisional Headquarters and 46 principal offices and 16 Regional offices. Principal office is headed by D.G.M and Regional office is headed by AGM. The Organizational chart shows the organizational structure and the line and staff management of the Bank. There is 41 Divisions and 59 Departments in the head office. Each Division is headed by D.G.M and each Department is headed by AGM. The branches are headed by different grade officers depending on the size and nature of the branch. The Principal office headquarters has the jurisdiction over the entire area of the district i.e. the Principal office is the local point of the Bank's administrative zone of the district. The Regional offices is situated at the Upazilla level within the District, is under the control and supervision of the Principal office of that District. The Regional office is responsible for their activities to the head of the Principal office.

## **2.7 : Objectives**

The main objectives of the bank are to provide all type of banking services to the door steps of people. The bank participates in various socio-economic development activities and also takes part in implementation of various policies and programs made by government. As the largest state owned commercial bank, Sonali Bank PLC has the responsibility to run it as a service-oriented and professional managed leading bank of the country.

## **2.8 : Vision**

Socially committed leading banking institution with global presence.

## **2.9 : 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.



## **Slogan**

Your trusted partner in innovating banking.

### **2.10 : Social Activates:**

Sonali Bank have many social services, some are below here:

- A. Old age allowances.
- B. Widows, divorcees and destitute women allowances.
- C. Freedom Fighters' allowances.
- D. Rehabilitation allowances for acid survival women.
- E. Maternal allowances for poor women.
- F. Disability allowances.

### **2.11 : Sale and Purchase:**

Sonali Bank has such as a sale and purchases many other things, most of them below here;

- Savings Certificates.
- II. ICB Unit Certificates.
- Prize Bonds.
- Wage Earner's Development Bonds.
- US Dollar Premium & Investment Bond.
- Lottery tickets of different Semi-Govt. and Autonomous Bodies.
- Sanchaypatra. Public Service Commission's application form.
- IX. Judicial Service Commission's application form.
- X. Exchange of soiled / torn notes.

### **2.12 : Misc. Services:**

- Bank a/c information of tax payer client according to demand of NBR.
- Local Governance Support Project.
- Enlist of Non-Government Insurance Company.



## 2.13 : Sonali Bank core Businesses

- Corporate Banking
- Project Finance SME Finance
- Remittance
- Lease Finance
- Consumer Credit
- Trade Finance
- Loan Syndication
- Foreign Exchange Dealing
- International Trade
- NGO-Linkage Loan
- Consumer Credit
- Investment
- Government Treasury Function
- Money Market Operation
- Rural and Micro credit
- Capital Market Operation
- Special Small Loan

## 2.14 : Digitalization status of Sonali Bank PLC

There are many kind of digitalization status of sonali Bank PLC,

A. Branch Computerization

B. Foreign Remittance

C. ATM

D. Online and SMS Banking

(A) Branch Computerization:

Now-a-Days Most of the Branch Sonali Bank are computerization, 1205 branch are fully banking activates within Modern Computer.



### **(B) Foreign Remittance:**

Sonali Bank have a new developing software (RMS+) "Remittance Management System" which are calculating the feature of paying foreign remittance instantly over the counter is being implemented at all branches. This web based software provides digital services to the expatriates through its unique advantage of sending confirmation message to the mobile phone of the remitter/beneficiary.

### **(A) ATM**

Sonali Bank PLC is a member of Q-Cash Consortium, National Payment Switch Bangladesh (NPSB) and VISA. Customers can enjoy round the clock cash withdrawal facility from 75 own ATM(s) and around 6500+ shared ATM booths across the country. Sonali Bank recently launched Credit Card.

### **Q-Cash ATM Network:**

- Sonali Bank PLC has introduced Proprietary Debit & Credit cards.
- Card holder can easily pay utility bills like- Water, Telephone, Gas etc.
- It is easy to remit funds among the participating branches of the Bank.
- 24 hours Transactions is available.
- It is a risk less Cash Carrying facility.
- Cashless purchase can be made from specific Point of Sales (POS).
- Only designed Branches of Bangladesh deal Q-Cash cards.
- Branches of District and Upazilla level will introduce Sonali Bank Q-Cash card within
- shortest possible time.





**(B) Online and SMS Banking:**

- At present 1204 Branches of sonali banks are included in the online Any Branch Banking (ABB) network.
- Now, 818 Branches are under the SMS Banking services. 1203 Branches are now in automation network within 1207 branches at home.
- Total Number of CBS running branch is 818 and all CBS branches support SMS Banking.
- The bank is seriously working on connecting all Braches in the real time online Banking network gradually.
- vi. Branches having ABB facility are also rendering SMS banking services. vii. RTGS enabled branches no is 19.



# CHAPTER 3

## Theoretical Background



### 3.1 : Introduction to Loan & Advance

Numerous individuals feel that credit and Advances is practically same. The two methods when an individual gets the cash from other, both credit and Advance to be reimbursed in regularly scheduled payments of equivalent sums. In any case, in evident sense, it has numerous distinctions. Advance is against security however Advances depends on relationship.

#### Definition of Loans

The amount lent by the lender to the borrower for a specific purpose like the construction of the building, capital requirements, purchase of machinery and so on, for a particular period of time is known as Loan. In general, loans are granted by the banks and financial institutions. It is an obligation which needs to be repaid back after the expiry of the stipulated period.

The loan carries an interest rate on the debt advanced. Before advancing loans, the lending institution checks the credit report of the customer, to know about his credibility, financial position and capacity to pay. Loan is classified in the following categories:

#### (i) On the basis of Security:

Secured Loan: The loan which is backed by securities is Secured Loan.

Unsecured Loan: The loan on which no asset is pledged as security is Unsecured Loan.

#### (ii) On the basis of Repayment:

Demand Loan: The loan which is repaid on demand of the lender is Demand Loan.

Time Loan: Loan, which is repaid in full at a future specified date is Time Loan.

Installment Loan: Loans which are to be repaid in evenly distributed monthly instalments is Installment Loan.

#### (iii) On the basis of Purpose:

- Home Loan
- Car Loan
- Education Loan



- Commercial Loan
- Industrial Loan stipends progresses in huge sum for present moment however credit could before any period.

### ► Definition of Advances

Advances are the source of finance, which is provided by the banks to the companies to meet the short-term financial requirement. It is a credit facility which should be repaid within one year as per the terms, conditions and norms issued by Reserve Bank of India for lending and also by the schemes of the concerned bank. They are granted against securities which are as under:

- Primary Security: Hypothecation of Debtors, Stock Pro-notes, etc.
- Collateral Security: Mortgage of land and buildings, machinery, etc.
- Guarantees: Guarantees given by partners, directors or promoters, etc

**The following are the forms of bank advances:**

- Short term loans: Advance in which the entire amount is provided to the borrower at one time.
- Overdraft: A facility provided by the bank in which the customer can overdraw money from his account up to a specified limit.
- Cash Credit: A facility granted by the bank in which the customer can advance money up to a certain limit against the asset pledged
- Bills Purchased: An advance facility provided by the bank against the security of bills.

Now the question may gradually arise how to the bank will provide interest to client and the simple answer is -advance. Why the bank does provide advance to the borrower.

- (i) to earn interest from the borrower and give the deposit interest bank.
- (ii) To create employment by providing industrial loans.
- (iii) To pay the employees as well as meeting the interest groups

## 3.2 : LOAN VS ADVANCE

Money is an essential element for any business, because it fulfills the short term and long term requirement of funds. It is not possible for the owner to bring all the money himself, so he/she take recourse to loans and advances. Loans refer to a debt provided by a financial institution for a particular period while Advances are the



funds provided by the banks to the business to fulfill working capital requirement which are to be payable within one year.

### **3.3 : Classification of Lone Sonali bank offers following types of loans and advances;**

- (i) Cash – Credit (CC)
- (ii) Mid- term loan
- (iii) Demand loan
- (iv) Small loan
- (v) Personal lone
- (vi) Industrial loan
- (vii) Bills purchase & discountd
- (viii) Staff loan.
- (ix) House building loan
- (x) Transport loan

### **3.4: Secured Overdraft (SOD):**

Secured overdraft is a continuous advanced facility. Under this facility, customers are allowed to overdraw from his current account up to his credit limits sanctioned by the bank. The interest is charged on the amount withdrawn from the account only, not on the sanctioned amount. Sonali bank sanctioned SOD against different security. Based on different types of security, we can divide SOD in the following categories-

- (i) SOD (General): This type of over draft is allowed to the individuals against. Financial obligations i.e. lien of FDR or defense savings certificate, ICB unit certificate etc.
- (ii) SOD (Others): This type of over drafts is allowed against assignment of advance is generally allowed for a specific purpose. It is not a continuous loan.
- (iii) SOD (Export): This type of over draft is allowed to purchasing foreign currency to make payment against L/Cs where the exporter cannot materialize before the



date of import payment.

### **3.5 : Procedure of Sanctioning SOD:**

The party should have a current account with the branch.

In case of a proprietorship firm, trade license must be submitted and in case of a company, all the documents required to open a current A/C should be submitted. The financial statements of the concerned firm should also be submitted.

1. The party will submit application to the concerned officer in the prescribed form.
2. The officer will prepare a "Credit Appraisal", where he writes about the business concern, details of proprietors/ directors of the concern, management structure, the existing credit facilities, the particulars about the facilities that asked for – such as margin limit, date of expiry, details of security, and any other relevant information with a proposal to sent it to the head office, General advances Division for approval. Head office will examine the proposal and if it seems to a viable then the loan will be sanctioned.

### **3.6 : Cash Credit (CC):**

Cash Credit (CC) is an arrangement by which a banker allows his customer to borrow money up to a certain limit for meeting the working capital requirements of existing industries. It is operated like overdraft account. The borrower withdraw cash from his/her CC account and depositing money, he can adjust his loan account Sonali Bank charges interest on the daily balance basis in the account. Depending on charging security there are two forms of cash credit-

- (i) Cash credit (Hypothecation): Hypothecation is a legal transaction whereby goods are made available to the lending banker as security for a debt without transferring possession of goods. Since the goods always remain in the physical possession of the borrower, there is much risk to the bank. So, in sanctioning CC,



additional security (Collateral) is obtained.

- (ii) Cash Credit (pledge): Pledge is the bailment of goods as security for payment of a debt or performance of a promise. In a contract of pledge, the borrower (pledge) must deliver the goods pledged to the pledge (Pawnee) either actually or constructively.

3.7 The processes of opening a CC A/c are shown in the following flow chart-

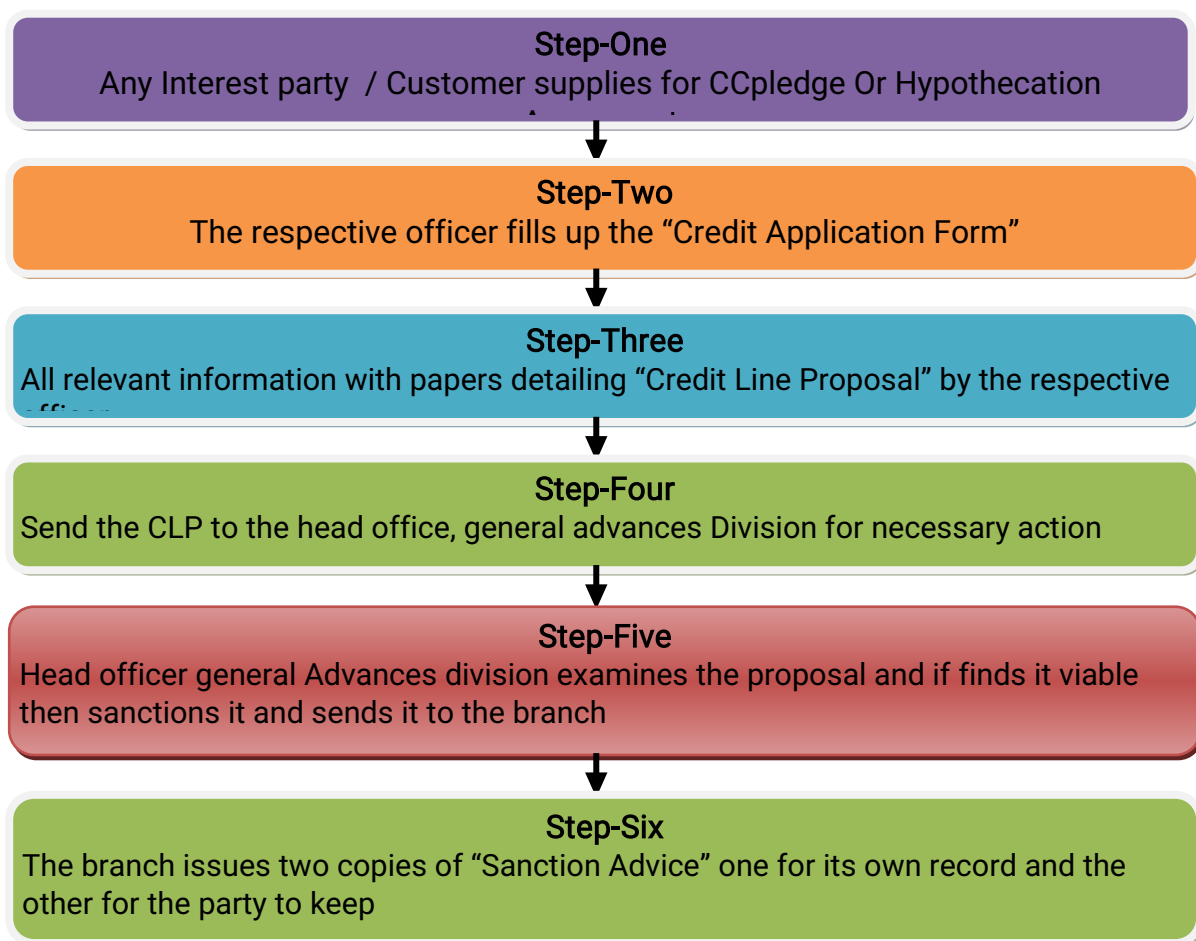


Figure 3.1: Process of Opening CC A/C

After sanctioning cash credit, the customer is to prepared documents required charge documents. Thereafter, the banker issues a cheque-book for withdrawing



cash from the account. The customer can withdraw cash from the account the sanctioned amount.





The charge documents required for opening a CC account are as follows-

- Demand promissory Note (DP note)
- DP note delivery letter
- Letter of agreement
- Revival Letter
- Letter of continuity
- Letter of hypothecation/Pledge
- Letter of Guarantee
- Original deed of the property
- Duplicate carbon recite and mutation
- Clearance of land tax
- Mortgage deed
- Power of attorney
- Balance confirmation
- Agreement of cash credit hypothecation of goods

### **3.8: Mid-term loan:**

Considering the capital structure, constitution and liquidity requirement, sonali bank allows short-term loans. Mid –term loans are sanctioned for the period more than one year and up to five years. Both modern banks have state lending a safe proportion of their demand and time liabilities for fairly long periods to house building, industrial, Agricultural, Transport and many other sectors. Such loans are repayable by installments over a number of years ranging from 2 to 12 (Agricultural loans ranging from 6 to 15 months), as far as, nature and conduct are concerned.

### **3.9: Demand loan:**

This is the fixed type of lending in its original form. The entire amount is paid to the debtor at one time, either in cash or by transfer to his saving account. On subsequent debit is ordinarily allowed except by way of interest, incidental charges, insurance premium, expense incurred for the protection of security etc. A separate ledger id used for the maintenance of this account and as no subsequent withdrawal is allowed, no cheque is issued into this account.



### **3.10: Small loans:**

It refers to the lending allowed to small traders; cottage industries, small-scale industries and self-employed persons. The maximum ceiling for this loan is at present is tk.5000.00 for small traders and self-employed persons, tk.2,00,000.00 for cottage industries and small-scale industries. Such loans are generally productive/development oriented rather than security oriented & this is the way of emphasis in these cases is on the purpose of the advance as well as skill reputation capacity of the borrower. The security requirements are substituted the end-use and frequent supervision of the credit.

### **3.11 :Staff Loan:**

Staffs of Sonali Bank are provided with 'Staff Loans' for buying motorcycles and bicycles, for wedding of their sons or daughter etc. Bank provides this advance facility under installment system. The amount of loan is recovered from their monthly salary.

### **3.12: Staff House Building Lone:**

Staff of Sonali Bank are provided with "Staff Lone" for buying land & flats. Bank provides the advance facility under installment system. The amount of Lone is recovered from their monthly salary.

### **3.13: House building loans:**

Sonali bank provides long term advances for building residential house. Advances for construction of residential houses against real estates as primary securities as allowed by banks up to tk.5.00 lacks per party (including cost of land) minus any loan taken from HBFC for these purpose. The rate of interest for "house Building Loans' is 16% per annum and maximum repayment period is 12 years. In such cases, parties have to pay down payment of 30% of the total amount and rest of the amount should be repaid within 2 years.

### **3.14 :Purchase & discount of bills:**



Sonali bank normally purchase demand bills of exchange that are called "Drafts" accompanied by documents of title to goods such as Bill of Lading, Railway or Truck receipt. It is a special kind of advance. Sonali bank purchases "Bills of Exchange" that would be matured after a certain period and not payable on demand or sight. This is termed as discounting a bill and the charge recovered by Bank for this is called "Discount".

### **3.15 : Consumer loans:**

The main purpose of the scheme is to improve life standard of the consumers 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.

### **3.16: Personal Lone:**

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

### **3.17: Transport loan:**

Genuine transport businessmen are allowed advances for "power-Driven Vehicles" (PDV) including water crafts against hypothecation at 30% margin and suitable guarantee from persons and sufficient collateral. In case of acceptance of mortgage, the minimum margin may be reduced up to 10%. These loans should be repayable within maximum period of two years, which is subject to renewal with approval from head office.

### **3.18 : Bank Guarantee:**

A bank guarantee is an irrevocable undertaking to a third party by a bank on behalf of his customer to pay if the customer fails to meet the certain contractual obligation. Banks get commission from issuing guarantee. The person who gives the guarantee is called the 'surety'. The person in respect of whose default the guarantee is given is



called 'the principal debtor' and the person to whom the guarantee is given is called the 'creditor'. In case of bank guarantee, the bank is 'surety' and customer is 'principal debtor'. and the person in to whom the guarantee is given is called the "creditor".

There are many kinds of liability for the certain event such as-

### 3.19: Formal procedure of guarantee:

1. Name of the customer.
2. Account no.
3. Guarantee no.
4. Issuing date.
5. Date of approval.
6. Beneficiary of the guarantee.
7. Amount of guarantee.
8. Margin (percent and amount).
9. Commission.
10. Date of Expiry.

### 3.20 :Analysis of Loan & Advance:

Table 3.1: Classified Loan and Advances (Tk in Million)

Particulars	2017	2018	2019	2020	2021
Loan	347,994	385,005	385,584	394,798	452,897
Advance	87,597	88,570	107,987	111,584	124,524

Graphical Presentation of Classified Loans

(Tk in Million)



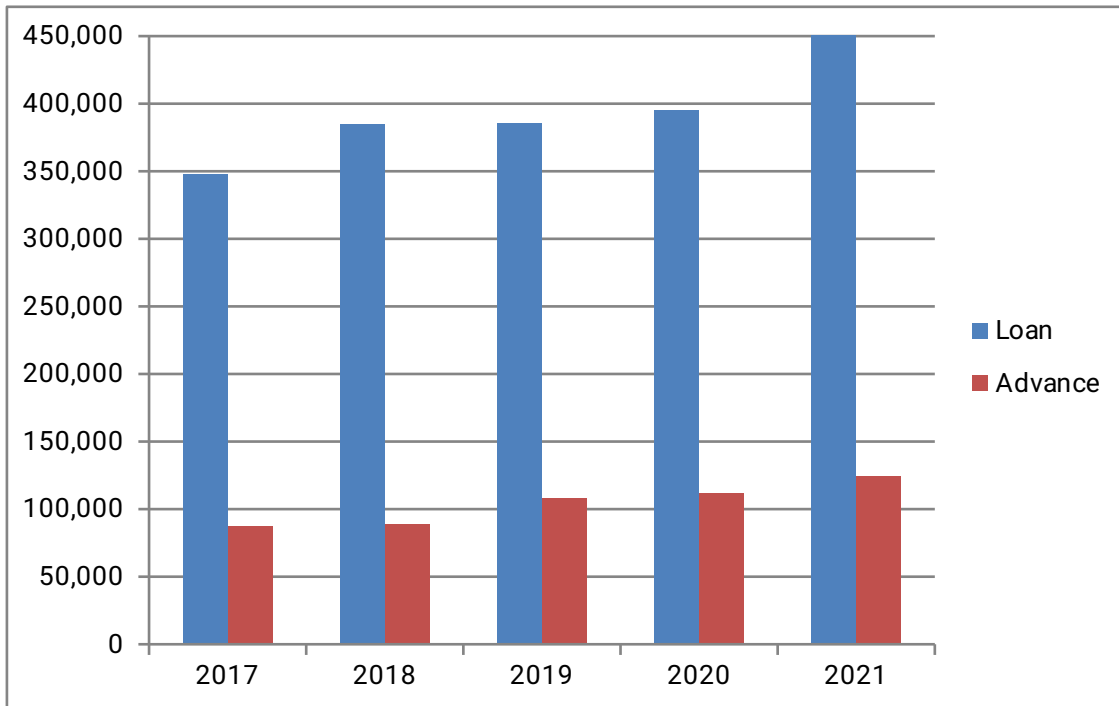


Figure : 3.2 :Classified Loans of Graph

### 3.21: Deposit of Sonali Bank PLC

Table 3.2: Deposit of Sonali Bank PLC

Deposit	2017	2018	2019	2020	2021
Amount	6,79,584	7,85,058	8,58,254	10,97,666	11,58,788

Graphical Presentation of Classified Loans

(Tk in Million)



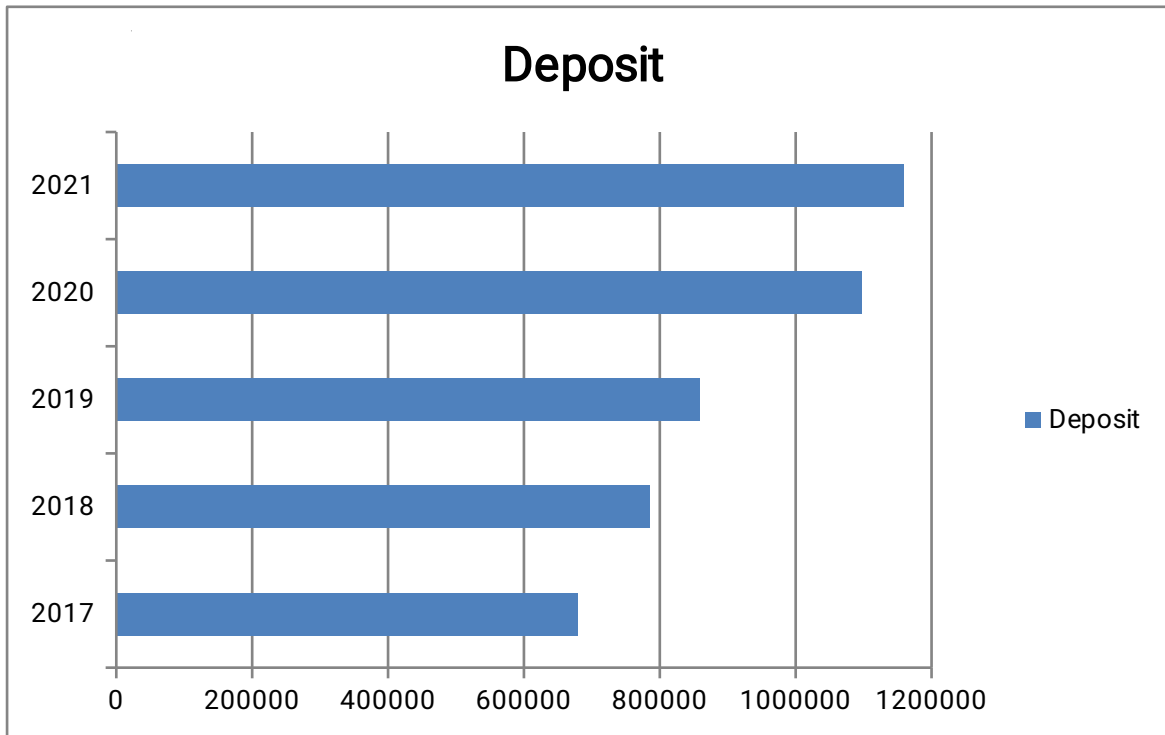


Figure : 3.2: Classified Loans of Graph

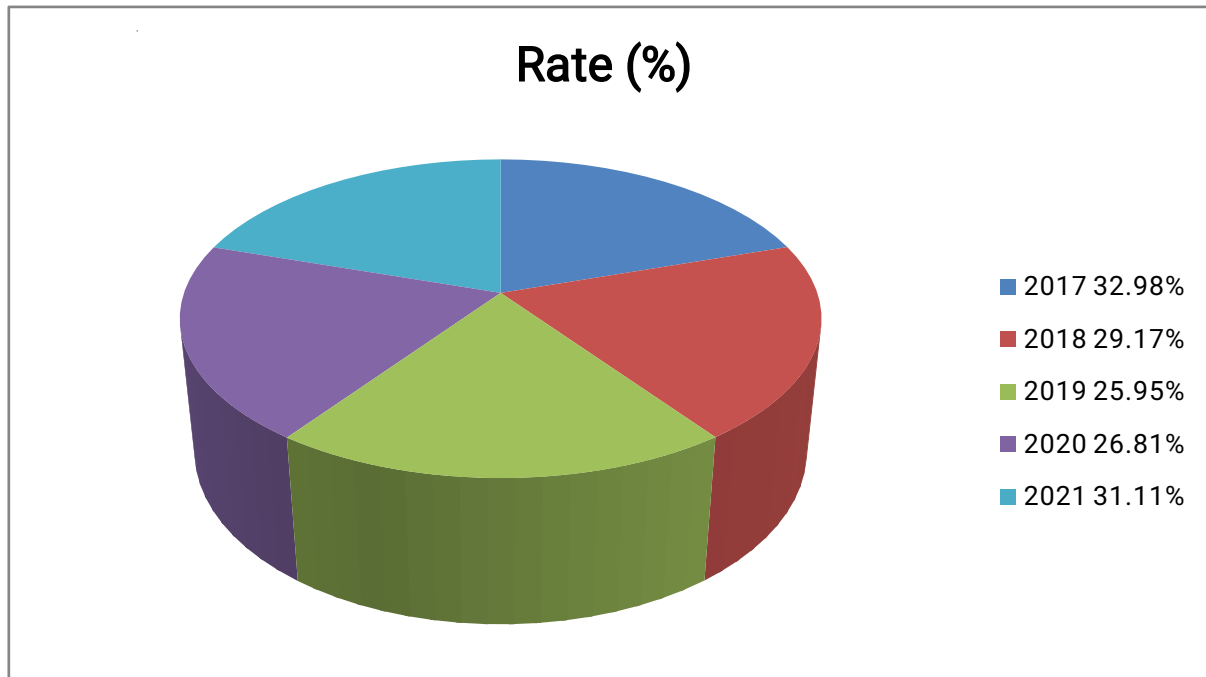
3.22 :Rate of Classified Loan in Sonali Bank PLC



**Table :3.3: Rate of classified loan**

Loan Year	2017	2018	2019	2020	2021
Rate	32.98%	29.17%	25.95%	26.81%	31.11%

Graphical Presentation of Classified Loans



**Figure: 3.3: Rate of Classified Loan**



### **3.23: Loans and advances and its provision**

Loans and advances are stated at gross amount. General Provisions on unclassified loans and Off-Balance sheet Items, specific provisions for classified loans and interest suspense account thereon are shown under other liabilities. Provision in made on the basis of quarter end against classified loans and advances review by the management and instruction contained in BRPD Circular no.14 dated 23 September 2012 BRPD circular no.19 dated 27 December 2012, BRPD circular no 05 dated 29 May 2013, BRPD circular no.08 dated 02 August 2015 and BRPD circular no.01 February 2018.

### **3.24: Interest on loans and advances:**

- (i) Interest is calculated on unclassified loans and advances and recognized as income during the year;
- (ii) Interest calculated on classified loans and advances as per Bangladesh Bank Circulars is kept in interest suspense account and credited to income on realization.
- (iii) Interest is calculated on daily product basis but debited to the party's loan account quarterly. No interest is charged on loans and advances which are classified as bad and loss;
- (iv) Total balance of loans and advances as on 31 December 2021 includes bad/loss loan Taka 121,308.90 million on which the Bank did not accrue any interest because of deterioration of quality of loans and advances determined by the management and on the basis of instructions contained in Bangladesh Bank Circulars as mentioned in Note
- (v) 2.16.03 of this financial statement; and
- (vi) Interest suspense and penal interest, if any, calculated on classified loans and advances are taken into income in the of its receipt from the defaulting borrowers.





### 3.25 : Provision for loans and advances:

Provision for loans and advances are made on quarter basis as well as year-end review management following instructions contained in BRPD circulars issued by Bangladesh Ban General Provision on unclassified loans and advances and specific provision on classify loans and advances are given below;

### 3.26: Rate of Provision

Table:3.4:Rate of Provision

Particular		Short term Agri Credit	Consumer Financing			SMEF	Loan to Bhs/MBs /Sds	All other credit
			Other Than HF and LP	HF	LP			
Unclassified	Standard	1.00%	5%	1%	2%	0.25%	2%	1%
	SMA	0%	5%	1%	2%	0.25%	2%	*1%
Classified	SS	5%	20%	20%	20%	20%	20%	20%
	DF	5%	50%	50%	50%	50%	50%	50%
	BL	100%	100%	100%	100%	100%	100%	100%

\*In line with BRPD circular ni.04 date 29 January 2019, provision for restructured loan is calculated @2%

### Presentation of loans and advances:

Loans and advances are shown at gross amount as assets while interest suspense and loan loss provision against classified advances are shown as liabilities in the statement of financial position.

### Write off loans and advances:

Loans and advances /investments are written off as per guideline of Bangladesh Bank. These written off however will not undermine/ affect the claim amount against the borrower. Detailed memorandum records for all such written off accounts are



meticulously maintained and followed up.



### 3.27: Securities against Loan

**Project loan:** Land and building are taken as security in the form of mortgage and plant and machinery are taken in the form of hypothecation.

**Working capital and trading loan:** Goods are taken as security in the form of pledge and also goods are taken as security in the form of hypothecation along with land and building as mortgage in the form of collateral security.

**House building loan:** Land and building are taken as security in the form of mortgage.

**Overdraft:** FDRs are taken in pledge. The balance in DPS/JBSPS/SDPD A/C"s is taken "lien"

**Public sector Loan:** In most cases Govt. Guarantee is taken and no security is taken for government loan and Groups loans in agriculture sector.

### 3.28 : Loans and advances are repayable:

**Table:3.5 Loans and advances are repayable:**

Particular	2021	2020	2019	2018	2017
Repayable on demand	31,186	16,032	21,182	47,393	19,595
Not more than 3 Months	2,793	11,753	4,691	3,610	28,510
More than 3 Months but not more than 1 year	163,071	153,333	11,392	10,305	71,271
More than 1 year but not more than 5 years	89,917	98,683	143,808	132,207	51,377
More than 5 years	126,886	97,589	166,700	146,248	101,501
Total	413,854	377,392	348,444	339,766	272,565

### 3.29: Loan and Advances (In and outside Bangladesh) Including bills purchased and discounted;

Table:3.6 Loan and Advances (In and outside Bangladesh) including bills purchased and discounted;

Particular	2021	2020	2019	2018	2017
In Bangladesh	423,162	384,777	348,122	337,861	314,565
Outside Bangladesh	2,114	1,875	321	292	155
Total	425,276	386,652	248,444	338,153	314,721



### 3.30: Head-Wise Loans, Cash Credits and Overdrafts;

Table:3.7: Head-wise loans, Cash Credits and Overdrafts

Particular	2021	2020	2019	2018	2017
Demand Loan	335,910	3,184,326	3,258,929	3,060,699	2,253,908
Small Loan	388,983	3,184,326	210,801	418,183	311,152
House Building (General)	583,960	769,746	644,454	685,757	857,499
Staff Loan	61,087,913	57,822,153	51,484,263	48,217,872	40,462,008
Special small Loan Program	175,030	205,336	439,495	635,529	469,860
Loan under S.B Industrial Scheme (Project)	37,568,156	33,328,225	33,632,269	31,176,311	33,813,575
Loan Under external credit program	90,352	201,048	89,945	95,848	690,378
Working capital to industries (Hypo)	30,876,940	29,282,244	26,291,087	22,238,509	24,160,261
Working capital to industries (Pledge)	2,680,461	2,318,270	1,576,573	2,151,164	3,099,489
Sonali Credit	115,330	115,207	40,822	39,020	19,611
Loan Under SBL Argo based industrial CR. Scheme	13,607,188	11,118,091	9,869,763	8,666,908	8,169,874
Working Capital to Argo based Ind (Hypo)	9,635,483	11,695,180	11,021,388	10,697,410	9,543,713
Working Capital to Argo based Ind (Pledge)	7,605,375	6,721,067	6,631,705	6,283,475	6,060,237
Agricultural Loan	44,620,102	41,809,811	39,09,795	34,920,801	33,530,772
Micro Credit (SFL Scheme Plus RSTL Scheme)	12,181,814	12,218,417	11,913,590	11,352,823	10,999,319
Loan Under Imported Merchandise	2,307,322	2,022,337	2,004,801	2,039,690	1,788,824



(LIM)					
Loan Against Trust Receipt	35,536,818	28,250,019	32,288,959	37,570,510	48,530,300
Forced Loan against back to back L/C	24,565,140	24,415,834	24,786,406	23,953,745	21,949,768
Loan for L/C under Wes	136,339	136,339	136	87,349	602
Current account Barter (Debit Balance)	932,606	932,606	932,606	932,606	932,606
Bridge Finance	2,808,525	2,624,494	3,013,486	2,807,331	2,457,248
Small Business Loan	1,460,414	1,152,154	959,176	781,985	--
Lease Finance	94,466	148,918	123,452	117,232	771,750
Personal Loan	36,176,764	22,891,647	23,369	--	113,785
Term Loan to freedom Fighter	10,934,082	9,288,747	9,176,220	6,229,930	5,780,775
Educational Loan	24,260	201,812	74,205	83,039	98,453
Foreign Education Loan Program	932	8,097	18,525	27,025	14,410
SME Finance (Term Loan to Service)	572,526	576,537	2,068	2,858	2,438
SME Finance (Term Loan Industries)	338,909	280,495	711,389	539,151	615,956
SME Finance (Working capital to Inserter)	18,270,066	16,305,651	13,570,714	11,039,632	10,008,512
Special Loan-Advance rent (Interest Bearing)	64,254	--	320,729	409,375	75,710
Term Loan to Bank & NBFIs	1,500,00	89,654	--	--	75,710
Total	357,9049,955	323,602,739	285,849,336	269,073,312	268,833,531

(ii) Outside Bangladesh:64,254

Particular	2021	2020	2019	2018	2017
Demand Loan	40,518	37,933	20,886	18,251	9,944
Small Loan	--	--	--	--	54
House Building Loan	26,388	24,852	17,183	9,628	9,978



<b>Total Loans</b>	<b>66,906</b>	<b>62,786</b>	<b>38,070</b>	<b>29,774</b>	<b>19,977</b>
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During the year 2021, 2020, 2019, 2018 and 2017, there are large amount of outstanding and classified loans, to which loans and advances sanctioned more than 10% of total capital of the bank.



# CHAPTER 4

## Analysis of Lone & Advance



#### 4.1 Table: Classified Loan and Advances Recovery.

Table 4.1: Recovery of Lone & Advance (Taka in Millions)

Particular	2021	2020	2019	2018	2017
Total Amount	423218	384538	346346	337534	321549
Recovery	51765	45063	27263	12880	11912
Advances	86437	86850	102475	109115	111635
Advances Recovery	51862	56452	71732	81836	75913

#### Graphical Presentation of Classified Loans

(Tk in Million)

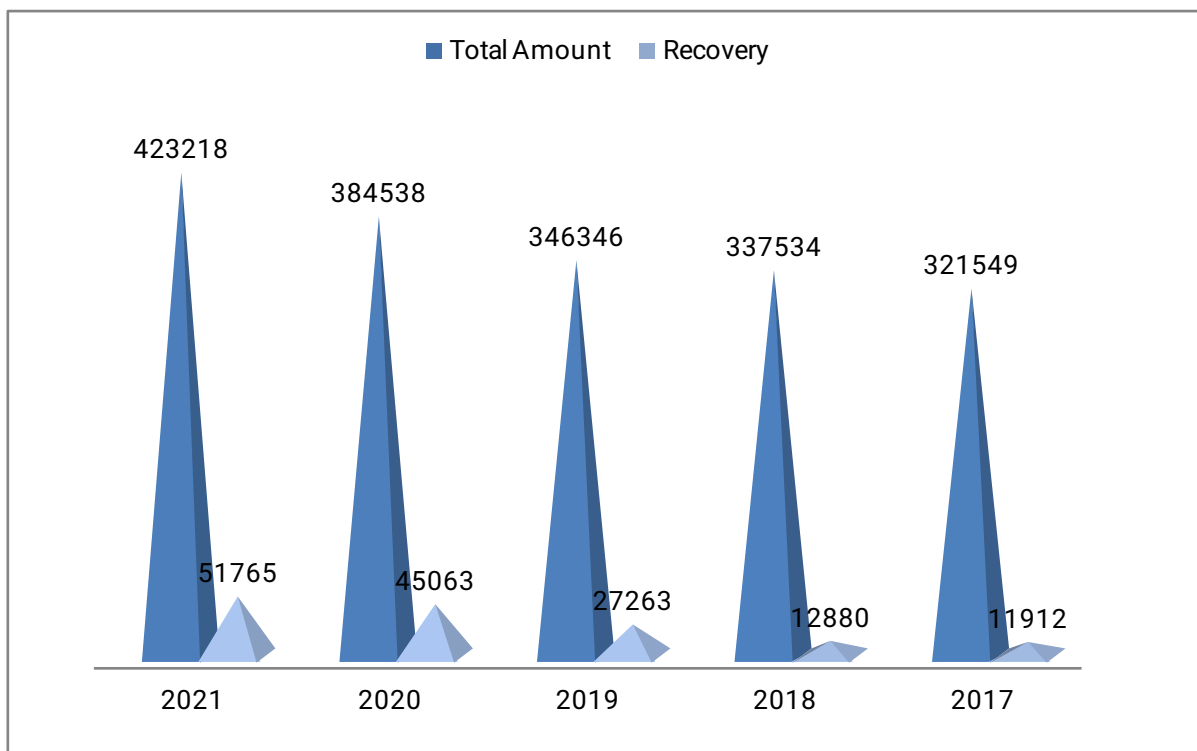


Figure 4.1: Graphical of Classified Loans





## Graphical Presentation of Classified Advance

(Tk in Million)

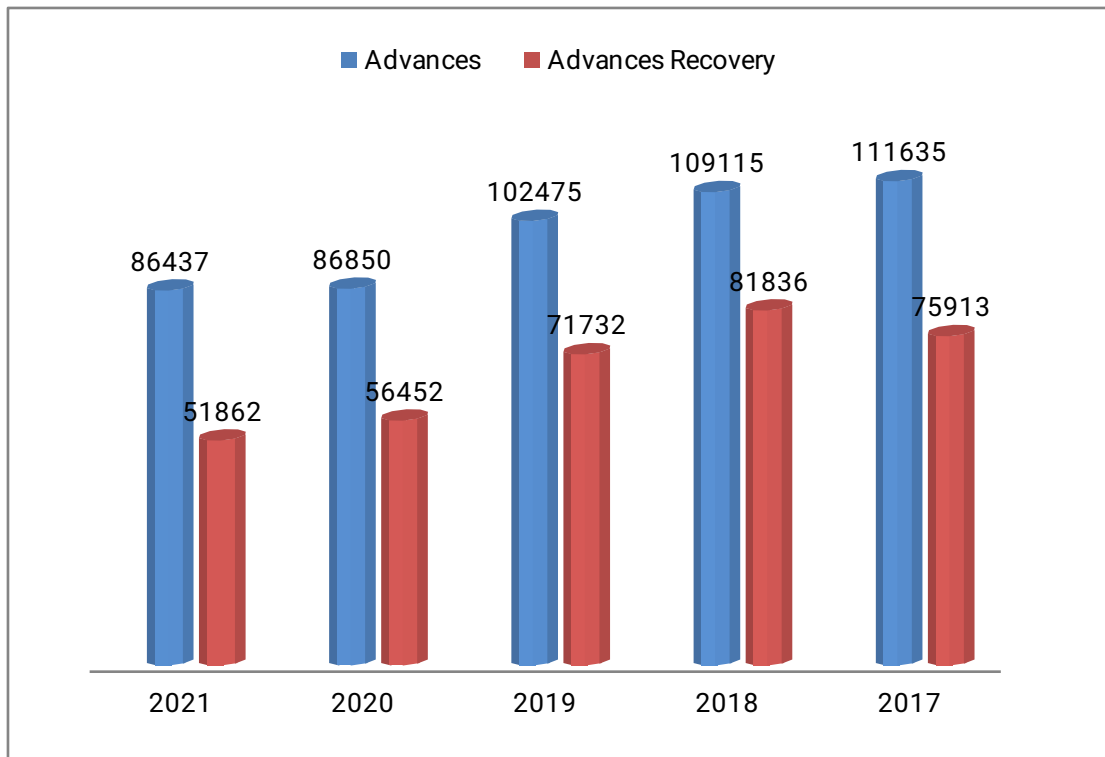


Figure 4.2: Graphical of Classified advance



## 4.2 Recovery of Sector wise Loans and Advances

Table 4.2 : Recovery of Sector wise Loans and Advances (Taka in Millions)

Particular	2021	2020	2019	2018	2017
Total Amount	423218	384538	346346	337534	321549
Recovery Amount	347038	346084	318638	300405	295825

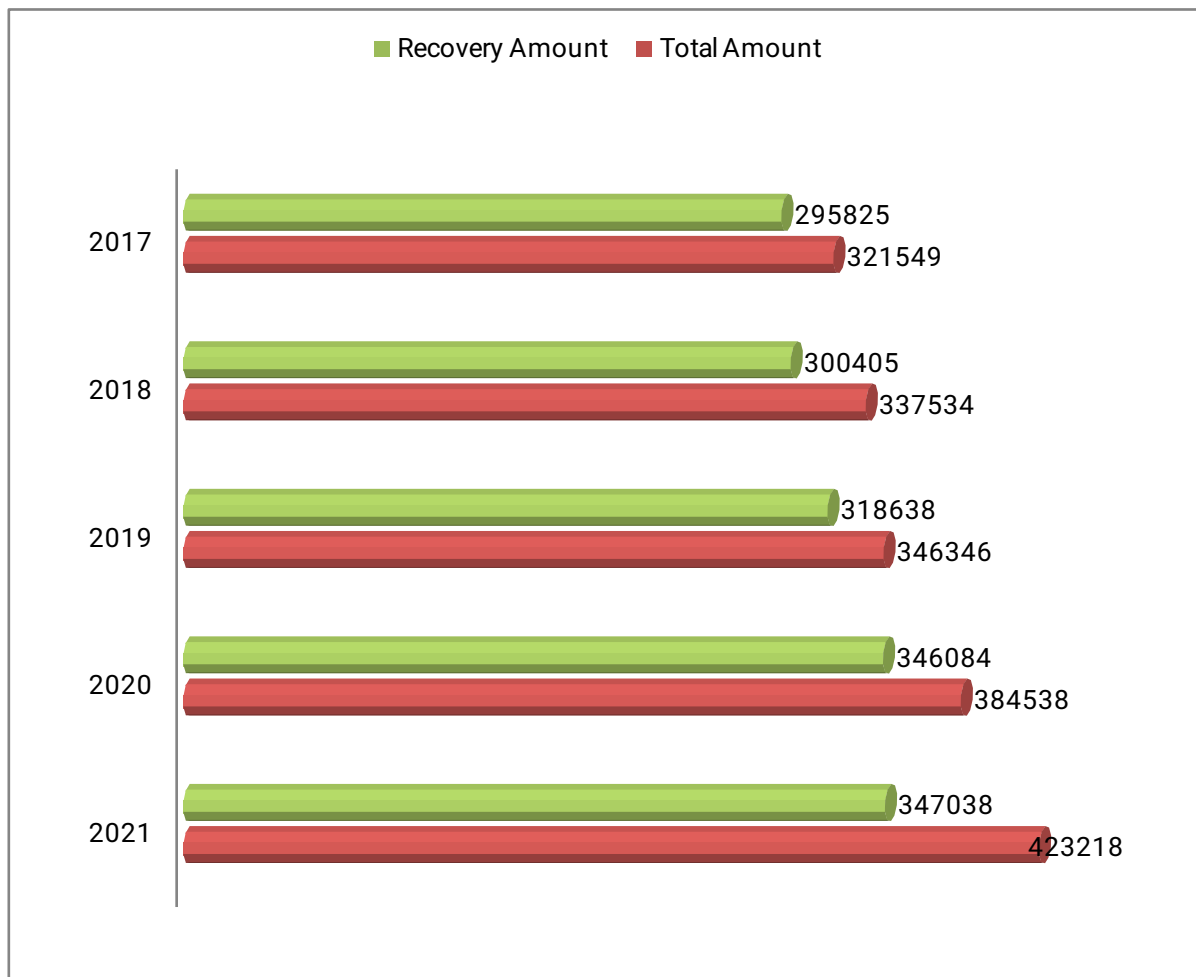


Figure: 4.3:Recovery of Sector wise Loans and Advances, (Taka in Millions)



### 4.3 Industry-Wise Segment of Loans and Advances and Recovery:

Table 4.3 : Recovery of Sector wise Loans and Advances and Recovery (Taka in Millions)

Particular	2021	2020	2019	2018	2017
Loan Amount	423218	384538	348444	339766	301329
Recovery	304716	307630	236941	254824	207917

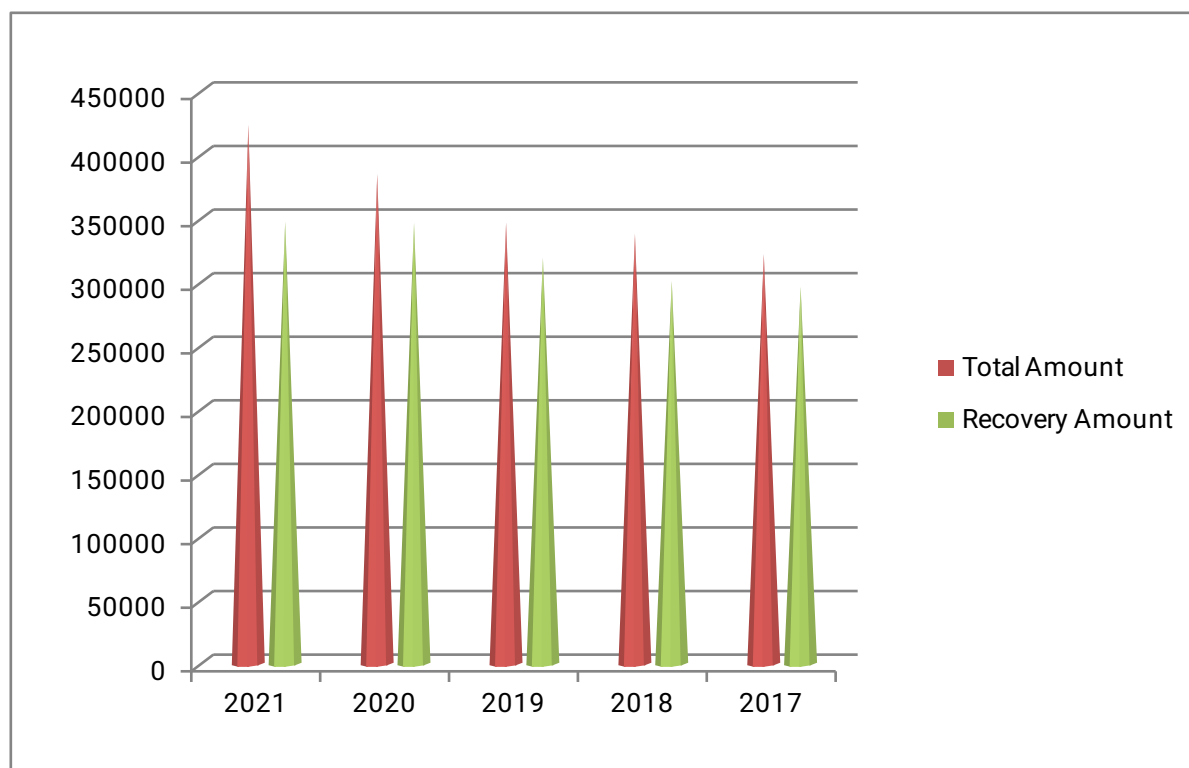


Figure:4.4: Industry-Wise Segment of Loans and Advances and Recovery

In Bangladesh and Outside Bangladesh GM's office and district wise loans and advances Recovery of the 1231 Branches (Dhaka-1, Dhaka-2, Borisal, Chittagong, Comilla, Foridpur, Khulna, Maymensing, Rajshahi, Rangpur, Sylhet, Kolkata and Silgguri)





Edit with WPS Office

#### 4.4 Table: Recovery of District wise Loans and Advances in Bangladesh and Outside Bangladesh.

Table 4.4 : Recovery of Sector wise Loans and Advances and Recovery (Taka in Millions)

Particular	2021	2020	2019	2018	2017
Total Loan and Advances	423218	385538	346025	337262	343450
Recovery Amount	266627	296864	311422	286672	305670

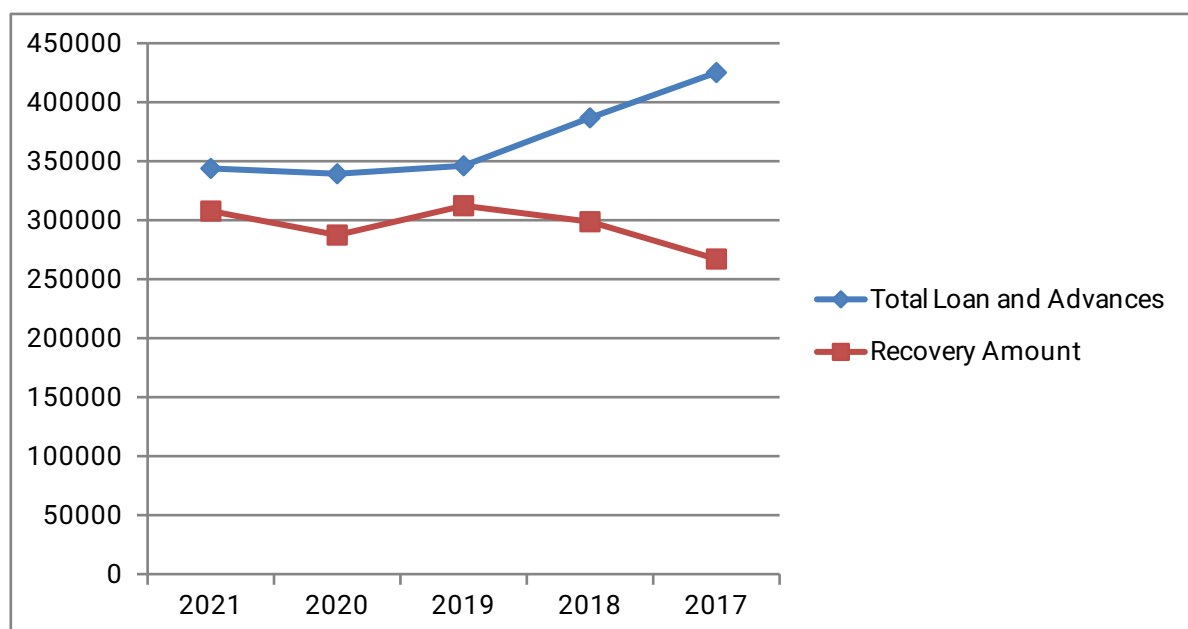


Figure: 4.5: Recovery of District wise Loans and Advances in Bangladesh and Outside Bangladesh.



## 4.5 Recovery of Geographical Area-wise Loans and Advances

Table :4.5: Recovery of Geographical Area-wise Loans and Advances

Particular	No. of Branches	2021	2020	2019	2018	2017
<b>Urban</b>	743	329001	301133	295974	265069	323478
Recovery		322420	286076	254537	235911	304069
<b>Rural</b>	466	93766	83181	50050	72193	53751
Recovery		70324	64049	39039	46925	37088
<b>Overseas</b>	2	450	222	32	292	276
Recovery		306	166	27	160	187

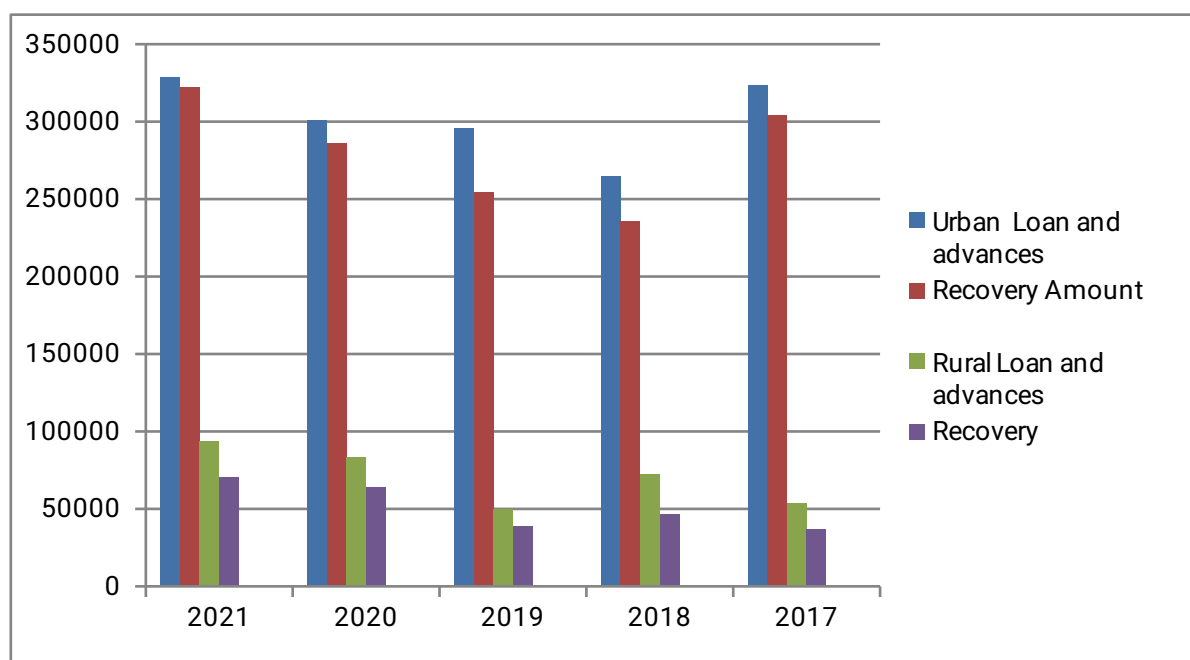


Figure:4.6: Recovery of Geographical Area-Wise Loans and Advances



#### 4.6 Causes of classification/poor recovery:

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

- (i) Lack of mentality of loanee to repay.
- (ii) Illegal practice in loan disbursement.
- (iii) Loanee hampered hardly by natural calamities like flood, earthquake, tornado, etc. or manmade problem like theft by others.
- (iv) 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.
- (v) The death of guarantor. It is very difficult to recover.
- (vi) Suggestion for recovery:
- (vii) Singly or group have to meet with the borrower and inspire him to repay at least two days in a week.
- (viii) If the borrower comes to pay generally then should take the help of local administration.
- (ix) Bank should try to understand the borrower of the rule of law. For this the
- (x) borrower may repay to protect his honor.
- (xi) 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.
- (xii) Different committee is needed for the purpose of recovery.
- (xiii) The loans which have no owner and are classified during long time have to be desolated for balance.
- (xiv) The bank may recover with the help of interest exempting.

#### 4.7 Problems of deposit collection:

1. **Lack of production originated business:** A very few numbers of industrial units is located. 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 any 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:** Most of the 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
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.

#### **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.



# Sonali Bank PLC

## 4.8 Interest Rate Deposit Descriptions

Table:4.6:Interest rate of Deposit

Sl No.	Deposit Description	Existing Rate	Rescheduled Rate
1	Saving Deposit	5.00%	4.00%
2	SND:		
	Less than 25 corer	4.00%	4.00%
	25 Corer To 100 Corer	4.50%	4.00%
	Above 100 Crore	5.00%	4.00%
3	<b>Fixed Deposit</b>		
	a. For 3 Month to 6 Month	7.00%	5.50%
	b. For 6 Months to 1 Year	7.25%	6.00%
	for 1 Year to 3 Years	7.50%	6.25%

## Loan and Advance Existing Rate and Rescheduled Rate/Interest Percent

Table 4.7: Advance Existing rate & Rescheduled Rate

Loan and Advance	Existing Rate	Rescheduled Rate		
		Interest Rate	Rebate	Without Rebate
Rural Loan Department				
Agro Based Loan:				
1.Special agro Loan:	10.00%	10.00%	00.00%	10.00%
(a) Without Dal, Spice, and Maize				
(b) For Dal, Spice, and Maize	4.00%	4.00%	00.00%	4.00%
2. Sugarcane	10.00%	10.00%	00.00%	10.00%
Manufacturing(Ind.Area)				
3.Fisherics	12.00%	11.00%	00.00%	11.00%
4.Special Investment Sector(Animal Husbandry)	12.00%	11.00%	00.00%	11.00%
5.Banana Cultivation	12.00%	11.00%	00.00%	11.00%
6.Agre Farm Loan Sector	12.00%	11.00%	00.00%	11.00%
7.Unagro Investment Sector Based	12.00%	11.00%	00.00%	11.00%
8.Fertilizer Dealer Loan	12.00%	11.00%	00.00%	11.00%
9.Farming Farming and off	12.00%	11.00%	00.00%	11.00%



10.Social Forestation	10.00%	10.00%	00.00%	10.00%
11.Agro Based Loan(Hill Division)	5.00%	5.00%	00.00%	5.00%

Table :4.8: Micro- Credit Division

Micro-Credit Division	Existing Rate	Rescheduled Rate		
		Interest Rate	Rebate	Without Rebate
a. Raising Goats	12.00%	11.00%	00.00%	11.00%
b. Small Farm Loan	12.00%	11.00%	00.00%	11.00%
c. Village Small Business Loan	12.00%	11.00%	00.00%	11.00%
d. Agriculture Tools	12.00%	11.00%	00.00%	11.00%

Table : 4.9:Poverty Alleviation and Economic Activity in Society

Poverty Alleviation and Economic Activity in Society	Existing Rate	Rescheduled Rate		
		Interest Rate	Rebate	Without Rebate
Alleviation and Economic activity in Society	11.00%	11.00%	00.00%	11.00%
a. Dependable	10.00%	10.00%	00.00%	10.00%
b. Bard	10.00%	10.00%	00.00%	10.00%
c.RDA-Bogra	11.00%	11.00%	00.00%	11.00%
d.Seed Storage	11.00%	11.00%	00.00%	11.00%
e.MSFSCIP(Marginal and small Farms Systems Crop Intensification Project)	11.00%	11.00%	00.00%	11.00%
f. Incitement	12.00%	11.00%	00.00%	11.00%
g. CUMED	12.00%	11.00%	00.00%	11.00%
H. jago antirural loan	11.00%	11.00%	00.00%	11.00%
i.Solt Manufacturing loan	12.00%	11.00%	00.00%	11.00%
j. Poverty Alleviation system	11.00%	11.00%	00.00%	11.00%
k.Sedor/ila damaging loan	8.00%	8.00%	00.00%	8.00%
1.NGO Linking (won financing)	12.50%	10.50%	00.00%	10.50%



Table 4.10: General Loan Department

General Loan Department	Existing Rate	Rescheduled Rate		
		Interest Rate	Rebate	Without Rebate
1.CC(Hypo)	14.50%	13.00%	10.00%	11.70%
2.CC(Pledge)	14.00%	13.00%	10.00%	11.70%
3.SOD	14.50%	13.00%	10.00%	11.70%
4.Housebuilding Loan (Residential)	15.00%	13.00%	10.00%	11.70%
5.General House Building Loan(Industrial)	15.50%	13.00%	10.00%	12.15%
6.Real Estate Development Loan	15.50%	13.00%	10.00%	12.15%
7.Food Administrative Loan	14.00%	13.00%	10.00%	11.70%
8.Transpotation Loan	15.00%	13.50%	10.00%	12.15%
9.BADCK Loan	14.00%	13.00%	10.00%	11.70%
10.Owaz Horn's Bond against loan	13.00%	12.00%	10.00%	10.80%
11.Insurance Policy	14.00%	13.00%	10.00%	11.70%
12.Freedom Fighter Loan	7.00%	7.00%	0.00%	7.00%
13.Aginest Oder Loan	15.00%	13.00%	10.00%	11.70%
14.Aginest FDR: a. For won Bank b. For other Bank	Customer Get Interest +3.00% 14.00%	Customer Get Interest +3.00% 11.00%		
15.Aginest DPS Loan	Customer Get Interest +3.00%	Every Schema Deposit Against How much Customer get Interest Which +3%		
16.Aginest SDPS Loan For 5 year For 10 Year	Do			
17.Sonali Deposit Schema(SDS)	Do			
18.Education Deposit Schema(EDS)	Do			



General Loan Department	Existing Rate	Rescheduled Rate		
		Interest Rate	Rebate	Without Rebate
19. Madical Deposit Schema(MDS)	Do			
20. Rural Deposit Schema(RDS)	Do			
Schema(MSS)	Do			
22. Monthly Earn Schema(MES) For 3 Year For 5 Year	Do			Every Schema Deposit Against How much Customer get Interest Which +3%
23. Dabbole Benefit Schema(DBS)	Do			
24. NRDS	Do			
25. Brize Financing	14.00%	13.00%	10.00%	11.70%
26. Personal Loan	15.50%	13.50%	10.00%	12.50%
27. Specal Small Loan	14.00%	13.00%	10.00%	11.70%
28. Small Business	14.00%	13.00%	10.00%	11.70%
29. Education	13.00%	12.00%	10.00%	10.80%
30. Forgain Remittance	13.00%	12.00%	10.00%	10.80%
31. Tram Loan to Non Banking Financial Institution	14.00%	11.00%	10.00%	9.90%
32. Small Loan	14.00%	13.00%	10.00%	11.70%
33. Others(if mention)	15.00%	13.00%	10.00%	11.70%



#### 4.9 :SWOT Analysis:



#### **Strengths:**

- Loan is a type of debt.
- A loan the borrower initially receives or borrows an amount of money.
- Money is paid back in regular installments, or partial repayments in an annuity, each installment is the same amount.

#### **Weaknesses**

- Loans are not very flexible - you could be paying interest on funds you're not using.
- You could have trouble making monthly repayments if your customers don't pay you promptly, causing cash flow problems.

#### **Opportunities:**

- Loans are advanced for a number of reasons, including major purchases, investing, renovations, debt consolidation, and business ventures.
- Loans also help existing companies expand their operations.
- Loans allow for growth in the overall money supply in an economy and open up competition by lending to new businesses.



### Threats:

- Threats is the potential for a lender to lose money when they provide funds to a borrower.
- Consumer credit risk can be measured by the five Cs: credit history, capacity to repay, capital, the loan's conditions, and associated collateral.
- Consumers who are higher credit risks are charged higher interest rates on loans.

# CHAPTER 5

## Finding, Recommendation and Conclusion



## 5.1 Findings of report:

- The loan and advance department takes a long time to process a loan because the process of sanctioning loan is done manually. Since Loan and Advance Activities department is not fully automated there is a high risk of losing documents of disbursed loans.
- In case of advances in different sectors the rate of interest is too high. Because the rate of interest in Small Business Loan is 13%, Loan against Work Order 16.5% and Uttaran House Repairing Loan is 17%, which all the rate of interest is higher than that of other some banks.
- Small entrepreneurs are discouraged because SBP usually do not want to finance small entrepreneurs whose financial standing is not clean to them.
- The Bank has a tendency to give loan only businessman. In 2021 the sector wise loan sanction shows that 55.11% in industrial sector and 28.5% in commercial sector.
- SBP does not grant loans for new entrepreneurs, new businessman and new companies etc, which ultimately create "class banking"
- In terms of law and order sometimes it is very difficult for the bank to liquidate the collateral, which makes the borrowers unable to pay the debt.
- The bank does not provide more loan in the small and cottage industry and the agricultural, Fishing, and Forestry also.
- Installment period and installment time duration is relatively low. Because the installment time duration is monthly or 6th periods in a year for this reason borrower cannot utilize their debt facility properly for profit maximization.
- There are some mortgage problem such as acquisition, proprietorship and





problem of asset.

- The Loan and Advance Activities strategy of the SBP is not appropriate enough to survive in the market.
- Maximum amount of the loans are provided in the long-term industrial loan sector.
- Not enough innovative products.
- Online banking facilities, ATM services and mobile Banking facility are not available.
- Absence of ethical banking or green banking.
- Sonali Bank PLC does not update its Websites regularly, as a result the clients are unable to gather information

## 5.2 Recommendations

The procedure of loan sanctioning should be automated to make sanctioning of loan less time consuming and reducing the risk of losing documents of disbursed loans.

- To create better client the bank should decrease the rate of interest on different sector, especially in Uttaran House Repairing Loan and Small Business Loan.
- The bank should diversify its loans more to finance small entrepreneurs for better growth of the country.
- The bank can provide student loan, doctors loan etc, this may encourage the students to come forward to do something for the economy. And also increase the amount of personal loan and consumer loan.
- Strong promotional activities should be increased to motivate its present potential loans related clients. More loans can be granted for new entrepreneurs, new businessman and new companies etc, which ultimately reduce "class banking"
- The law and order should be easier for the bank to liquidate the collateral, so that the borrower can be able to pay the debt easily.
- Maximum number of the loan is provided in the long-term industrial loans. Bank's clients are also . So, they can't serve the economy of the country that much. So, they should diversify their loans more in agriculture, forestry, fishing and new



industries etc. for better economic growth of the country.

- Installment period and installment time duration should be increased so that the borrower can utilize their debt facility properly for profit maximization.
- In case of some mortgage problem such as acquisition, proprietorship and problem of asset, the bank should try to avoid this type of loan sanction.
- The bank should try to increase its recovery amount since loan amount each year has been increased. The bank should induce quality client and select best project for risk free rate of interest.
- The bank should update its Loan and Advance Activities strategy in sustainable and appropriately enough to survive in the market.
- The bank should provide more loans of small scale in different sectors though it will decrease the profit a little. But it will be very safe.
  
- In a competitive financial market, the bank should innovate its products & services need to be focused more on customers' needs.
- SBP has 1229 branches all over the country. It is very hard to provide full range services with those branches. The bank needs to pay more attention toward the expansion of the branch network. The bank should develop quality service in respect of speedy disposal both at branch head office regarding Loan and Advance Activities operations. A consistent relationship with customers should be improved & maintained.
- For surviving in the market, online banking facilities, ATM services and mobile Banking facilities should be provided.
- The bank should formulate the ethical banking or green banking both internally and externally.



### 5.3 Conclusion

Credit policy is a very convenient banking tool for the business world. The value of this service is immense. It has gathered such a position in the banking sectors that people at developed and also developing countries are very much depended on this service. In Bangladesh credit facilities or loans started to become very attractive in recent periods. But still lots improvements in services and facilities have to be made in this department. From the study it seems that Sonali Bank PLC focuses on the corporate sectors for the credit facility. But in case of consumer loans there are lots of restrictions created by the bank. Credit Division of Sonali Bank PLC, Local Office has a very qualified and dedicated group of officers and staffs who are always trying to provide the best service to the clients. They always monitor the credit in different sectors and their position. Before providing the loan they analyze whether the loan will be profitable and whether the client is good enough to repay the loan within the given period of time. Credit department diversified their loans in different sectors classified by them. Among the sectors they don't provide any loans in the agricultural side. The reason they showed is that this sector is very risky and depends on natural climate and they still didn't expand their service in the rural side. They also didn't provide any loan in the small & cottage industry. The reason is that the return from this sector is not very good and also the sector is very uncertain. They provide most of the credit facility in term loan mainly in long-term loans. Return from short-term loan is very good and also proves to be very safe to finance.

So, from the report and also from my short experience it seems that the credit management Song and performance of Sonali Bank PLC is quite good and acceptable, it is established in 1972. There credit approval and monitoring process and its performance increased very rapidly and still trying their best to improve more and more. So, within a very short period they earned the respect and acceptance from the customers and now it is one of the leading private commercial bank of the country.



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