General Banking Activities of Sonali Bank Limited A Study on Green Road Branch, Dhaka.

Hasan Chowdhury, Adnan Ibna
Daffodil International University

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Internship Report

On

General Banking Activities of Sonali Bank Limited

A Study on Green Road Branch, Dhaka.

Submitted By
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ID: 111-11-1858
Department of Business Administration
Daffodil International University, Dhaka

DATE OF SUBMISSION:
INTERNSHIP REPORT

On
"General Banking Activities of Sonali Bank Limited"

SUBMITTED TO:
Dr. Muhammad Mahboob Ali
Professor
Department of Business Administration
Faculty of Business & Economies
Daffodil International University

SUBMITTED BY:
Adnan Ibna Hasan Chowdhury
ID: 111-11-1858
Batch: 28
BBA Program
Major in Finance
Daffodil International University

Date of Submission:……….
Letter of Transmittal

Date:

To
Dr. Muhammad Mahboob Ali
Professor
Department of Business Administration
Faculty of Business & Economics
Daffodil International University

Subject: Submission of Internship Report.

Dear Sir,

I am glad to submit my Internship Report on “General Banking Activities of Sonali Bank Limited.” for the partial fulfillment of the degree of BBA in Department from Daffodil International University. This report is a result of my practical work that I have conducted during specified time of my internship program. All the works presented here is done with utmost sincerely and honesty.

The entire report is based on my practical experience in the Sonali Bank. I have tried my level best to provide what I have learned during the internship program at Sonali Bank. I would like to thank you and the University for giving me the opportunity to do project and for helping me to prepare the report.

Thank you

Sincerely yours,

…………………………
Adnan Ibna Hasan Chowdhury
ID: 111-11-1858
BBA Program
CERTIFICATE OF SUPERVISOR

The report titled “General Banking Activities of Sonali Bank Limited” is submitted as partial requirement of BBA program. This report has been prepared by Adnan Ibna Hasan Chowdhury, ID: 111-11-1858, major in Finance, BBA program at Daffodil International University, under my supervision and guidance. This report is approved and accepted.

I am pleased to state that Adnan Ibna Hasan Chowdhury worked hard in preparing this report and he has been able to present a good report. The data and findings presented in the report seem to be authentic.

I wish him every success in life.

Best regards,

__________________
Dr. Muhammad Mahboob Ali
Professor
Department of Business Administration
Faculty of Business & Economies
Daffodil International University
Acknowledgement

All praise to be Allah to whom all Dignity, Honor and Glory are due, the lord of the world, The Almighty Omnipotent for his favor to me in completing this internship report.

For most it gives me immense pleasure to express my sincerest gratitude and sense of my most honorable Advisor Professor Muhammad Mahboob Ali, Daffodil International University. For his kind approval of my work on the project along with his important direction.

Sincere thanks and appreciation are acknowledged to my organizational project supervisor Abul Basar, AGM, of Sonali Bank Limited. Who have provide me Annual report of this bank and whose professionalism made me strive to be the best under the most trying circumstances and who has provided his encouragement and guidance throughout.

I express my personal grateful to all of my friends and colleagues of Sonali Bank Limited, who help me to prepare this report.

Also, I would like to express my best regards to my beloved friends, teachers, brothers for their unlimited love and encouragement.
Preface

Actually knowledge is not fruitful one unless it is a combination of both theoretical and practical knowledge. In other words practical and theoretical knowledge are equally important. Considering the above viewpoint Department of Business Administration of Daffodil International University, arranged internship program in various organization under the supervision of various course teachers after completing final examination of Business Administration course to increase the practical knowledge of each and every student. As a practical fulfillment of Business Administration course research prepare an internship report, the topics of which was “General Banking Activities of Sonali Bank Limited.”

I tried my level best to conduct effective study by collecting current data. Even though if mistake appears, it is undesirable. So, I would request to look at the matter with merciful eyes.

Adnan Ibna Hasan Chowdhury
Executive Summary

Internship program is the prerequisite for the graduation in BBA. Classroom discussion alone cannot make a student perfect in handling the real business situation, therefore, it is an opportunity for the students to know about the real life situation through this program. A report has to be built for the university and organization requirement. The topic of the report is “General Banking Activities of Sonali Bank Limited.” The main purpose of the report becomes very clear from the topic of the report.

Generally, being an individual firm, company or corporation generally dealing in the business of money and credit is called a bank. In our country any institution that accept for the purpose of lending or investment deposits of money from public, repays on demand or transfers by checks, draft orders & other means is called a bank. Banking is the backbone of national economy. All sorts of economic and financial activities revolve round the axis of the bank. As industries produce goods and commodities, the bank create and control money market and promote formation of capital. From this point of view, banking-a technical profession- can be termed as industry. Services to its customer are the products of banking industry besides being a pivotal factor in promoting capital formation in the country. As all economic and fiscal activities revolve round the important Industry, the role of banking can hardly be over emphasized.

The Sonali Bank Limited emerges as a fast growing, leading and prominent bank in the public sector to operate on the commercial arena of Bangladesh. The Sonali Bank Limited has already occupied a challenging position among its competitors after achieving success in all areas business operation. Sonali Bank Limited is serving the market with almost full range of services. As the number of branches implies, still bank has limited operation in our country, but it should also be noted that within the next few years from its establishment, no bank could make as good standing as Sonali Bank Limited.
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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

Sonali Bank Limited is always ready to maintain the highest quality services by upgrading banking technology prudence in manage and applying high standard business ethics through its established commitment and heritage. Objectives of a Government financial institution like SBL are to maximize profit through optimum utilization of resources by providing best customer’s service. Bank provides various sorts of facilities to its customer. A credit facility is one of them. SBL mainly grants credit to the following heads. a) General advance: Loan General, Staff loan Car, house building (Residential), Festival loan, Small business scheme, House Repairing and renovation, SOD General, Cash Credit (Pledge), Cash Credit (HYPO) b) Foreign advance: packing credit, Security over Draft (SOD), Loan against FDR, Loan against Trust Receipt (L.T.R), Foreign Dollar bill purchase (FDBP), Payment against Document (PAD), FDBP (clean). Through such kind of credit facility, customer of the bank fulfills their needs. These loans product has been generating huge profit for the Bank. But the recovery rate is not up to the mark as SBL try to recover. If the management of this bank becomes successful increase the recovery rate of this scheme, it can be the highest profitable sector for it. This research reveals SBL can decrease the defaulting rate. Foreign remittance is an important influential economic factor of Bangladeshi economy. It has a great impact in our national economy more specifically in our GDP (Gross domestic production). The Bangladeshi workers and migrants in different parts of the world are source of a substantial inflow of foreign currencies (Known as remittance) in Bangladesh. This inflow helps Bangladesh to face the recent economic crisis worldwide. Different studies showed that when developed nation’s economy was falling down from mid of 2008 and stock markets crashed worldwide, but Bangladesh is still continuing its stable GDP growth and the economy is in a good situation. It becomes possible because of huge remittance inflow in Bangladesh.

Sonali Bank Limited turned into one of the largest and key players of Bangladesh into remittance sector. In present, SBL is dealing with more than 15 foreign banks and exchanges (Known as Money Transfer Organizations) by which a remitter can send money in possible fastest time.
1.2 BACKGROUND OF THE STUDY

1.2.1 Internship:

Internship program is a part of our academic structure and it implies practical knowledge about some things. I have tried my best to be oriented with the practice of banking in real life.

1.2.2 Rational of Internship:

Today’s business world is dynamic and competitive. Organizations are looking for talent, extrovert graduates who belong to high degree of adaptability quality. Today’s business graduates will be the core part of business organization. So business graduates need to have both theoretical and practical knowledge to manage the business activity properly.

1.2.3 Rational of selecting Sonali Bank Limited (SBL):

In our country, there are different types of schedule commercial banks are in operation. They are nationalized commercial Banks, Local Private commercial Banks and foreign Private Banks. Sonali Bank Limited has discovered a new horizon in the field of banking area, which offers different General Banking, Investments and Foreign Exchange banking system. So I have decided to study on the topic “General Banking Activities of Sonali Bank Limited”

1.2.4 Details of Branch:

This branch which I have completed my internship is situated in Green Road. It’s a corporate branch. It has near about 50 (fifty) employees. It is one of the oldest branches of Sonali Bank Limited. It serves almost 200 clients every single day. It is also responsible for providing pension, gratuity, senior citizen allowance and stipend.

1.3 ORIGIN OF REPORT

The BBA program conducted at Daffodil International University, Daffodil University has been introduced to provide a number of fresh graduates in business sector; this program has designed to facilitate the students and the executive to provide basic theoretical knowledge and practical in the job activities in the context of Bangladesh.
1.4 NECESSITY

Banks are important financial institutions in the economy. They play an important role in the development of a country. So the present economic state of Bangladesh demands immediate development of the financial institutions. To build up potential future of a banker, practical orientation program on banks is necessary. This report is a requisite of the practical orientation program. The report helps to build up a perception about day-to-day affairs of the bank.

1.5 SCOPE OF THE STUDY

I have been assigned in the Green Road Branch of Sonali Bank Limited and thus covered me the way to get myself familiarized with the banking environment for the first time. Indeed, I have had an opportunity to gather experience by working in the different departments of the Branch. The area of concentration of this report is confined to investigating different aspects of the banking transactions as well as problems and prospects and the activities of bank by this way an endeavor is made to give recommendations for removing the problems.

1.6 OBJECTIVES OF THE STUDY

This study is intended for providing me valuable practical knowledge about banking operation system in Bangladesh. However, the specific objective is the following:

(A) Broad Objective:

- Give an overview of Sonali Bank Ltd (SBL).
- To explore General Banking activities of Sonali Bank Ltd.
- To be accustomed with the management policy or process of Sonali Bank Ltd (SBL).
- To explore Foreign Exchange activities of Sonali Bank Ltd.
- To observe the working environment in Sonali Bank Ltd.
- To apply theoretical knowledge in the practical field.
- To study the existing overall banker customer relationship.
➢ To conduct research and provide consultancy services in future relating to banking.

(B) Specific Objective:

➢ To fulfill the partial requirement of the internship program as a full credit subject of the BBA program.

1.7 IMPORTANCE OF THE TOPIC

The topic that has been assigned by the supervisor is “General Banking Activities of Sonali Bank Ltd”. The importance of this topic is given below-

➢ To describe the customer service process of Sonali Bank Limited.

➢ To know how the branches are efficiently controlled.

➢ To know the operation of Sonali Bank Limited in Bangladesh.

➢ To be accustomed with the management policy or process of Sonali Bank Ltd in Bangladesh.

➢ Give an idea regarding general banking system in SBL.
CHAPTER TWO

METHODOLOGY AND SOURCES OF DATA

2.1 METHODOLOGY

This report is based on qualitative measurement, observation and descriptive method has been followed in order to make the report more viable. Both primary and secondary source of data were used to prepare this report more. This report has been prepared on the basis of experience gathered during the period of internship. In addition, I have also taken interview to collect relevant information from the officials in some instance through consultation.

2.2 RESEARCH METHODOLOGY

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically.

2.3 RESEARCH DESIGN

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. In fact, the research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data.

2.4 SOURCE OF DATA

In order to make the report more meaningful and presentable, two sources of data and information have been used widely.

The “Primary Sources” of data are as follows:

- Face to face conversation with the bank officers & staffs.
- Informal conversation with the clients
- Practical work exposures from the different desks of the departments of the Branch covered.
The “Secondary Sources” of data and information are:

- Monthly reports.
- Bangladesh bank publication.
- Different textbooks.
- Different papers of Sonali Bank Ltd.
- Instruction circular and Information circular.
- Through internet.

2.5 LIMITATIONS OF THE STUDY

- Learning all the banking functions within just 45 days was really tough.
- Another limitation of this report is bank’s policy of not disclosing some data and information for obvious reason, which could be very much useful.
- The bank authority was very busy, so they could not give me enough time for discussion about various problems.
- In case of performance analysis secondary data are used.
- These studies completely depend on official record and annual reports.
- To prepare an analytical report need financial assistance. The financial assistance provided by the department is insufficient. In perspective of lack sufficient money, various types of analysis did not become possible.

This is my first experience on job, so there may arise some faults though I have tried my level best.
CHAPTER THREE

OVERVIEW OF SONALI BANK LIMITED

3.1 ESTABLISHMENT

Sonali Bank, the largest commercial bank in the country, was established under Bangladesh Bank (Nationalization) Order 1972 (presidency Order No.26 of 1972). By taking over branches of former National Bank of Pakistan, Bank of Bahawalpur limited and Premier Bank Ltd. Were two private banks performing class banking over the century in that period and National bank of Pakistan was government supported bank which was established to finance the jute sector in East Pakistan in the early period of Pakistan. After the birth of Bangladesh on 16th December 1971, newly formed Sonali Bank for mass banking got special facilities from the government to work on behalf of Bangladesh Bank in those areas where Bangladesh Bank is not available. With the increase of commercial and by virtue of performance within a few years, it becomes the largest commercial bank of the country with 1204 branches and about 21,839 up to now.

Soon after independence of the country Sonali Bank Limited emerged as the largest and leading Nationalized Commercial Bank by proclamation of the Banks' Nationalization Order 1972 (Presidential Order-26) liquidating the then National Bank of Pakistan, Premier Bank and Bank of Bahawalpur. As a fully state owned institution, the bank had been discharging its nation-building responsibilities by undertaking government entrusted different socio-economic schemes as well as money market activities of its own volition, covering all spheres of the economy.

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

Sonali Bank Limited is governed by a Board of Directors consisting of 11(Eleven) members. The Bank is headed by the Chief Executive Officer & Managing Director, who is a well-known Banker and a reputed professional. The corporate head quarter of the
General Banking Activities of Sonali Bank Limited: 
A study on Green Road Branch, Dhaka

bank is located at Motijheel, Dhaka, Bangladesh, the main commercial center of the capital.

3.2 CORPORATE PROFILE OF SLB

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<td>Dr. A.H.M. HabiburRahman</td>
</tr>
<tr>
<td>CEO and Managing Director</td>
<td>Pradip Kumar Dutta</td>
</tr>
<tr>
<td>Company Secretary</td>
<td>A.K.M SajedurRahman Khan</td>
</tr>
<tr>
<td>Legal Status</td>
<td>Public Limited Company</td>
</tr>
<tr>
<td>Genesis</td>
<td>Emarged as Nationalised Commercial Bank in 1972, following the Bangladesh Bank (Nationlisation) Order No. 1972(PO No.26 of 1972)</td>
</tr>
<tr>
<td>Date of Incorporation</td>
<td>03 June, 2007</td>
</tr>
<tr>
<td>Date of Vendor's Agreement</td>
<td>15 November, 2007</td>
</tr>
<tr>
<td>Registered Office</td>
<td>35-42, 44 Motijheel Commercial Area, Dhaka, Bangladesh</td>
</tr>
<tr>
<td>Authorised Capital</td>
<td>Taka 2000.00 core</td>
</tr>
<tr>
<td>Paid-up Capital</td>
<td>Taka 1125.00 core</td>
</tr>
<tr>
<td>Number of Employee</td>
<td>21,839</td>
</tr>
<tr>
<td>Number of Branches</td>
<td>1204</td>
</tr>
<tr>
<td>Phone-PABX</td>
<td>9550426-31, 33, 34, 9552924</td>
</tr>
<tr>
<td>FAX</td>
<td>88-02-9561410, 9552007</td>
</tr>
<tr>
<td>SWIFT</td>
<td>BSONBDDH</td>
</tr>
<tr>
<td>Website</td>
<td><a href="http://www.sonalibank.com.bd">www.sonalibank.com.bd</a></td>
</tr>
<tr>
<td>E-mail</td>
<td><a href="mailto:itd@sonalibank.com.bd">itd@sonalibank.com.bd</a></td>
</tr>
</tbody>
</table>

3.3 VISION OF SBL

Socially committed leading banking institution with global presence.

In our journey towards continuous excellence we are striving to become county’s leading commercial bank offering one-step service of a wide range of value added products and services meeting the need of our customer; conducting our business ethically in
accordance with the laws of banking while optimizing the best utilization of the most modern state-of-the-art technological solution through creation of a proactive organizational culture based on sound team sprit, fairness, mutual understanding and pragmatic leadership always remaining open to new ideas and adaptable to the best practice in the market insuring recognition and quality banking experience to our customers and deliver best value to all our stake holders as well.

3.4 MISSION OF SBL

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.

Apart from there are some missions of SBL as follows:

- Transformation into a service-oriented technology-driven profit earning bank.
- Ensure fast, accurate and best-in-class customer service.
- Balanced and suitable growth strategy.
- Introducing innovative banking products.
- Attract and retain high quality human resource.
- Empowering real poor families and create local income opportunities.
- Providing support for social benefit organizations-by way of mobilizing funds and social services.

3.5 SLOGAN OF SBL

“Your trusted partner in innovating banking.”

3.6 FUNCTION OF SONALI BANK

Main functions of Sonali Bank are:-

i. Receiving of money on deposits
ii. Conducting cash transaction of customers who have current accounts
iii. Attending bills of exchange and drafts of customers.
iv. Sanction of loan
v. Providing other services to the customers
vi. Transfer of money  
vii. Collection of receipts  
viii. Collecting interest, dividends, rents, pensions, etc.  
ix. Act as an advisor

3.7 CORE BUSINESS OF BANK

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

3.8 VALUES OF SBL

- Honesty
- Transparency
- Efficiency
- Accountability
- Reliability
- Flexibility
- Security
- Technology
- Innovation
3.9 Some notable features of the Bank

**Capital Structure:**

<table>
<thead>
<tr>
<th>Authorized Capital</th>
<th>Tk. 2000.00 Core.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid up Capital</td>
<td>Tk. 1125.00 Core</td>
</tr>
</tbody>
</table>

**Branches & Subsidiaries:**

<table>
<thead>
<tr>
<th></th>
<th>Total No of Branches</th>
<th>1204</th>
</tr>
</thead>
<tbody>
<tr>
<td>a.</td>
<td>No of Foreign branches</td>
<td>2</td>
</tr>
<tr>
<td>b.</td>
<td>No of Local branches</td>
<td>1202</td>
</tr>
<tr>
<td>i)</td>
<td>No of Rural Branches</td>
<td>857</td>
</tr>
<tr>
<td>ii)</td>
<td>No of Urban Branches</td>
<td>345</td>
</tr>
<tr>
<td>2</td>
<td>No of Regional Offices</td>
<td>19</td>
</tr>
<tr>
<td>3</td>
<td>No of Principal Offices</td>
<td>42</td>
</tr>
<tr>
<td>4</td>
<td>No of G.M. Offices</td>
<td>10</td>
</tr>
</tbody>
</table>

**Subsidiaries**

1. Sonali Bank (UK) Limited having 6 (six) branches in UK.
2. Sonali Exchange Company Incorporated (SECI) having 09 (nine) branches in USA.
3. Sonali Investment Limited (Merchant Banking) having 4 (four) branches at Motijheel, Paltan, Uttara, Mirpur in Dhaka, Bangladesh.

**Representative Office**

1. Sonali Bank (UK) Limited having 6 (six) branches in Jeddah, KSA; 1 (one) in Riyadh, KSA and 1 (one) in Kuwait.

**Correspondent**

631
3.10 MANAGEMENT

The management of the bank is vested on a board of directors, subject to overall supervision and directions on policy matters by the board which is constituted in terms of Bangladesh bank (Nationalization) Order 1972. Board of directors, constituted by seven members has authority to organize, operate and manage its affairs on commercial consideration within the board policy of government. There are directors appointed by the government. Other members of the board including MD are also government appointed out of that at least three have the experience in the field of Finance, Banking, Trade, Commerce, Industry and Agriculture. The managing director is the Chief Executive of bank. He executes all the activities under the direction of board. All line and staff personnel of bank’s are own recruitment except member of board of Direction.
3.11 ORGANIZATION

Sonali Bank is the largest nationalized commercial bank of the country. It has extended 1204 branches throughout the country and abroad to serve the nation. There are two; Sonali Exchange Company incorporations (SECI) in UAS and others are in planning stage. The head office of the bank is located at motijheel commercial Area, Dhaka that is the controlling Headquarter. It has eight GM officers in six Divisional Headquarters and twenty six principle Officers and thirty two headed by Regional Officers. Principle Officers is headed by DGM and each Department is headed by AGM. Different grade officers depending on the size and nature of branch head the branches.

Principal office Headquarter has jurisdiction over the entire area of a district. The principle office is the local point of the bank’s administrative zone of the District. The regional officer is situated in the Thana level within the district, is under control and supervision of the principle office of the district. Regional officer are responsible for their activities to the principle office.

Regional heads exercise control and supervision overall the branches within their jurisdiction and keep the head of principle office informed the progress of their respective areas from time to time.

[Figure-2.2: Functional Hierarchy]
3.12 GOVERNMENT INTERVENTION

Financial services have traditionally been the subject of close government scrutiny and it is to be expected that exchange rates, interest rates and terms of credit should be closely monitored in the public interest. In the recent years, however, governments have tried to use interest rates, credit regulations and informal controls on banks as a means of managing the supply of money in the economy in an effort to increase or reduce consumer spending and to hold back or promote investment by business. During the 1976 to now, the effect of these policies has been to add a new dimension of risk and uncertainty to financial markets which were already fluctuation wildly because of the oil crisis, the commodity boom, increasing inflation and controlled exchange rates.

Besides government is a big problem for the nationalized bank in Bangladesh. Government forces to the nationalized bank to insider lending, lend to government’s priority sector, state-owned enterprises, sick industries, borrowers with political influence as well as provide exemption schemes to fulfill its pre-election commitment. The loan exemption program of 1986-87 and 1991-92 exempted 11.37 percent and 25.56 percent respectively of total bank loan outstanding. As a result, nationalized commercial banks are burdened with very large classified loans (32 percent of total loans) against which very large provisions had to be made which affected profit position adversely. Classified loans in the country’s banking sectors on June 30, 1996 amount to 33.0 percent of total loans. It was 34.9 percent as on December 31, 1993. However, net income of local banks is drastically reduced, as the required to maintain very large provisions for bad debts and interest suspense accounts.
CHAPTER FOUR
GENERAL BANKING ACTIVITIES OF
SONALI BANK LIMITED

4.1 GENERAL BANKING ACTIVITIES

General banking is the side where banking offer different alternatives to the clients to deposit and remit their money. To encourage the clients, bank offers different options in front of their clients. Most of these options are very much similar between the banks, but the customer services and facilities may not be the same. Every branch of every bank has to maintain the General Banking department. It takes care of lot of important banking activities mainly collecting the deposit from customers. General Banking department is mostly expected to maximize the number of customers. It is the introductory department of the Bank to its customers. Sonali bank, principal branch has all the required sections of General Banking.

Such as-

i. Accounts Opening Section
ii. Cash Section
iii. Deposit Section
iv. Bills and Clearing Section
v. Remittance Section
vi. Accounts Section
vii. Loan and Advance Section
viii. Foreign Exchange Section

4.2 ACCOUNTS OPENING SECTION

Account Opening is the gateway for clients to enter into transaction with the bank. It is the foundation of banker-customer relationship. A customer can open different types of accounts through this department. Such as-

- Current account.
- Savings account.
- Short Term Deposit Account (STD).
- Fixed Deposit Receipts (FDR).
- Special Deposit Pension Scheme (SDPS).
- Sonali Deposit Scheme (SDS).
- Education Deposit Scheme (EDS).
- Medical Deposit Scheme (MDS).

4.2.1 Current Account:

Current account is an account where the account holders can make numerous transactions within a working day. There is no transaction on the number of deposit and withdrawals from the current account within availability of funds. As the bank is under the obligation to repay this deposit on demand, no interest is paid in this account. Generally, current account is opened for businessmen and trades for easy transaction.

4.2.2 Requirements of Opening an Account:

There are some requirements that have to be completed for opening an account-

4.2.3 Proprietorship Firm:

There is account opening form for proprietorship firm provided by Sonali Bank Limited. For this account, a customer must need to submit the following papers with the form:

- Introduction of the account.
- Two photographs of the signatories’ duty attested by the introducer.
- Copy of trade license.
- Seal of concern.

4.2.4 Partnership Firm:

There is account opening form for partnership firm provided by Sonali Bank Limited. Introduction for running an account is given in this form.

Enclose Documents for partnership account:

- Introduction of the account.
- Two photographs of the signatories’ duty attested by the introducer Partnership letter duty signed by all partners.
- Partnership Deed duty certified by Notary Public.
- Copy of Registration (if any).
- Seal of the concern.
- Update Trade License.

4.2.5 Limited Company:

There is an account opening form used for limited company. There are two kinds of limited company. The bank always takes precautions for opening this type of accounts. Several documents submitted by the clients should be checked carefully by bank to be legally in safe position.

- Enclosed Document for Limited Co. Account:
  - Introduction of the account.
  - Two photographs of the signatories duty attested by the introducer.
  - Signature and seal of the client.
  - Trade license.
  - Certified copy of memorandum and articles of association.
  - Certificate of incorporation.
  - Broad resolution for opening account duty certified by the chairman/ managing director.
  - List of directors along with designation and specimen signature.
  - Certificate from the registrar of joint stock company is entitled to commence business (in case of public Ltd. Company.)
  - Certificate from broad of investment (in case of joint venture or foreign Co), Work permit order from ministry of industry (In case of foreign nation), Join venture agreement (in case of joint venture).

4.2.6 Savings Account (Individual/Join):

Savings account (SB) is means for the people of the people lower and middle classes, who wish to save part of their incomes to meet their future needs and intended to earn an
income from their savings. From savings account the account holder can deposit money so many times the holder wishes. But the holder cannot withdraw money more than two times in a week. Also the holder cannot withdraw money more than TK 20,000 at a time without any permission of the bank. The holder is given an interest on their deposited amount after a certain period at a certain rate. The holders of this type of account are mainly students, teachers, employees, householders. For opening of this type of accounts, the following requirements are necessary:

- Photograph attested by the introducer. An introducer of Sonali Bank.
- For joint accounts, signatures of all the account holders are necessary.

### 4.2.7 Short Term Deposit (STD):

Short Term Deposit (STD) account is same as current account. Here money is kept for a very short time. A notice is needed prior for withdrawal of money. Sonali Bank offers short time deposit to its valued customers. Short-term deposit is the deposit where the interest is paid on monthly basis.

### 4.2.8 Fixed Deposit Account:

There are deposits which are made with the bank for a fixed period of specified in advance. The bank does not maintain cash reserves against this cash deposit. And therefore, the bank offers higher interest rate on such deposits. These deposits generally constitute 50% or more of the total deposits. Usually, customers are allowed to open this account for a certain period of time and the rate of interest varies in accordance with the terms of the specified time. If any holder wishes to draw money before expire of time, he/ she is not given the entitled interest rate.

### 4.2.9 Issuing Cheque Book:

The following procedures are maintained to provide a cheque book. At first the customer will fill up a requisition form.

- The pages of the cheque book under issue shall be counted to ensure that all the pages and bank requisition slip are intact. The name and account number shall be written on the cover page of the cheque book and its requisition slip.
- The name and account number of the customer shall be entered in the cheque
book register against the particular cheque book series.

➢ Then the officer in charge signs the register, cheque book and the requisition slip. The cheque book is handed over to the customer after taking acknowledgement on the requisition slip and the register book.

A cover file containing the requisition slip shall be effectively preserve as vouchers. If the ledger keeper notices any defect, he/she will make a remarked to that on the requisition slip and forwarding it to the cancellation officer to decide whether a new cheque book should be issued or not.

4.2.10 Procedure of Closing an Account:

A customer may close his/her account any time by submitting an application to the branch. The customer should be asked to draw the final check for the amounts standing to the credit of his/her account less the amount of closing and other incidental charge and surrender the unused cheque leaves. The account should be debited for the amount of closing charge etc. And the authorized officer of the bank should destroy unused cheque leaves. In case of joint account the application for the account should be signed by the joint account holder.

4.3. CASH SECTION

Bank as a financial institution, accept surplus money from the people as deposit and give them opportunity to withdrawn the same by cheque or by any other instrument. Among the banking activities, cash department plays a vital role. It does the main function of a commercial bank. Receiving the deposit and paying the cash on demand.

4.3.1 Cash Receiving Procedures:

The work of cash receiving counter is to examine the deposit slip. Depositor uses the prescribed deposit slip supplying by the bank for depositing cash, cheque, draft; pay order etc. in all types of deposit the teller must cheque the following things:

➢ The slip has been properly filled up. The title of the account and its number.
➢ The amount in figure and in words is same.
➢ Instrument signed by the depositor.
Data of the instrument.

After checking all these things the teller will accept cash, cheque, draft, pay order etc. against deposit slip. The teller will place the cash in cash drawer according to denominations. The teller will place signature and affix “cash received” and record in the cash received register book against the account number. At the end of this procedure, the cash officer passes the deposit slip to the computer section for posting purpose and returns the customer’s copy.

Accounting Treatment:

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>Dr. (Tk.)</th>
<th>Cr. (Tk.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash A/C</td>
<td>Dr.</td>
<td>...........</td>
</tr>
<tr>
<td></td>
<td>Customer’s A/C</td>
<td>Cr.</td>
<td>...........</td>
</tr>
</tbody>
</table>

4.3.2 Cash Payment Procedures:

In order to safeguard the position the banker has to observe the following precaution before honoring a cheque:

- A cheque must be locked whether it is an incomplete cheque.
- The playing officer should see whether the cheque is drawn on his/her branch.
- He must see whether the cheque is postdated or pre dated. A teller must not pay any post-dated cheque.
- The officer must carefully see the apparent tenor of the cheque. If it is mutilated or materially altered then the officer must not honor it.
- The officer must compare the signature of the cheque with the signature on the specimen card.
- The officer must verify the regularity of the endorsement.
- The officer may allow overdue against a cheque if prior arrangement is done with the bank.

4.3.3 Passing the Cheque:

After verifying the above-mentioned things the officer passes it to computer section for more verification. After that it is passed to the cash to make payment. By putting “pay
“Cash” seal the cash officer make it clean to pay. The cash officer gives the cash amount to the holder and record in the paid register.

Accounting Treatment:

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>Dr. (Tk.)</th>
<th>Cr. (Tk.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash A/C</td>
<td>Dr.</td>
<td>...........</td>
</tr>
<tr>
<td></td>
<td>Customer’s A/C</td>
<td>Cr.</td>
<td>...........</td>
</tr>
</tbody>
</table>

### 4.3.4 Dishonor of Cheque:

A banker can dishonor a cheque in the following situation:

- Insufficient fund.
- Payment stopped by drawer.
- Alternation require in drawer signature.
- Effect not clear in the cheque.
- Exceed arrangement in cheque.
- Fill cover note received.
- Payee’s endorsement irregular/illegible/required.
- Drawer signature different and required.
- Cheque is postdate/mutilated/out of date.
- Clearing stamp required cancellation.
- Cheque crossed “accounts payee only”.
- Collecting bank’s discharge irregular/required.

### 4.4 DEPOSIT SECTION

Deposit is the lifeblood of the bank. From the history and origin of the banking system, we know that deposit collection is the main function of a bank. The officer of the deposit section maintains account number of all the customers of the bank. They use different code number for different account. The officer makes position three types of transactions such as cash, clearing and transfer section. This section performs the following tasks:

- Post kind of transactions.
- Provide on demand report.
Cheque maintenance.
Preparation of day transaction position.
Preparation of closing monthly transaction position

4.4.1 Types of Deposit by Sonali Bank

Deposit is considered as lifeblood of a bank. No bank can run without deposit. A bank has to collect deposits from various sources in order to operate its activities successfully as well as to satisfy the national objectives. As a nationalized commercial bank, Sonali Bank tries to satisfy the above mentioned objectives. The Bank has deposits of the following types:

i. Fixed Deposits
ii. Short Term Deposits (STD)
iii. Deposit Pension Scheme (DPS)
iv. Sonali Bank Special Deposits & Pension Scheme (SDPS)
v. Saving Deposits
vi. Currents Deposits
vii. Call Deposits
viii. Sundry Deposits

A brief Discussion on Various Types of Deposit by the Bank is given below:

4.4.2 Fixed Deposit:

Fixed deposit is very popular to fixed income earners. A depositor has to deposit money with bank at a time. The deposited amount is drawn at the end of maturity of the contract. But in case of emergency a depositor can withdraw money before maturity. The interest rate on fixed deposit varies according to the duration of deposits.

4.4.3 Characteristics of Fixed Deposit:

- Fixed deposit may be of different terms.
- The bank issues a receipt rather than check to the depositor. The receipt is called fixed deposit receipt (FDR).
- FDR is the most transferable.
- FDR can be used as security against loan.
- Interest rate on fixed deposit is usually higher than other deposit.
Bank can invest fixed deposits for the long term.

Fixed deposit is the suitable for retired person, Insurance holder.

The amount of interest at different time interval of the principal amount which are applied from 09 Feb 2012 onwards is as follow-

<table>
<thead>
<tr>
<th>No</th>
<th>Particulars of Fixed Deposit</th>
<th>Present interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Fixed Deposit:</strong> Below tk.25 lac</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1 month</td>
<td>&lt; 2 months</td>
</tr>
<tr>
<td></td>
<td>2 months</td>
<td>&lt; 3 months</td>
</tr>
<tr>
<td></td>
<td>3 months</td>
<td>&lt; 6 months</td>
</tr>
<tr>
<td></td>
<td>6 months</td>
<td>&lt; 1 year</td>
</tr>
<tr>
<td></td>
<td>1 year</td>
<td>&lt; 2 years</td>
</tr>
<tr>
<td></td>
<td>2 year</td>
<td>&lt; 3 years</td>
</tr>
<tr>
<td>2</td>
<td><strong>Tk.25 lac or more</strong></td>
<td></td>
</tr>
</tbody>
</table>

**4.4.4 Short Term Deposit:**
This item includes the deposits which are deposited for a period 7 days to 89 days. These types of liabilities are payable by a special notice or after specified period. Some of these types of deposits are the nature of time deposits. Its interest rate is 3%.

**4.4.5 Deposit Pension Scheme (DPS):**
It is a government program. Government of Bangladesh started the program in 1983. DPS was fully stopped in 1994 by the Bangladesh bank circular. Here the deposit limit is tk.100 to tk.500 for a period of 10yrs and 20yrs. Interest on the invested amount will be compound at the rate 15% and calculated on yearly basis.

**4.4.6 Sonali Bank Special Deposit and pension Scheme (SDPS):**
Now the days Sonali Bank offer a Deposit pension scheme named Sonali Bank Deposit and pension scheme (SDPS) started from 1996. Generally service holder operates this account. Interest rate of SDPS is: 5 years10%, 10 years12%. It also have been stopped in the year 2000.
4.4.7 Savings Deposit:
Generally individuals or service oriented organization use savings deposit. This type of depositor can deposit money as much time as he or she wants in a working day. But he cannot withdraw his or her deposited amount frequently.

4.4.8 Characteristics of Saving Deposit:

- Banks pays 3.5% interest on savings deposit
- Minimum Tk. 100/- is required for initial deposit.
- Savings deposit is suitable for service holder person of middle level income, students, Teachers, Laborers etc.

4.4.9 Current Deposit:
The persons or institutions which need frequently to deposit or withdraw money are the users of current deposit. Generally businessmen use current deposit. This type of depositor can deposit or withdraw money as much time as he needs in a working day without giving any notice to the bank.

4.4.10 Characteristics of Current Deposit:

- No interest is paid on current deposit
- Initial amount of current deposit has to be deposited in bank tk.1000.
- Bank cannot invest current deposit. Because bank has to pay the deposited amount on demand.
- This type of deposit is suitable for businessmen, industrialists, government, non-government and autonomous body.

4.4.11 Call Deposit:

Bank mobilizes tender or earnest money as call deposit. Bank pays no interest on call deposit.

4.4.12 Sundry Deposit:
Sundry deposit is also called special purpose deposit. Sundry deposit includes the followings:-
Margin on Letter of Credit
Margin on Letters of Guarantee
Hajj Deposits
Employee’s Contributory Provident Fund
Employee’s General Provident Fund
Sonali Bank Employee’s Pension Fund
Sonali Bank Employee’s Pension and Death Cum-Retirement Benefit Fund.
Miscellaneous.
Sundry deposit remains in Bank for a short period.

4.5 BILLS AND CLEARING SECTION

For safety and security in financial transaction people use financial instrument like DD, PO, and cheque etc. commercial banks collect these financial instruments on behalf of their customers. This process that the bank use to collect and clear on behalf their of their customer’s account, is known as clearing and collection. At Dhaka Bangladesh Bank plays the role of Clearing House for all banks. The area where Bangladesh bank is not available sonali bank plays the role of clearing house on behalf of Bangladesh bank. The main function of this section is to collection instrument on behalf of the customers through Bangladesh bank clearing house, outside bank clearing (OBC), Inter branch clearing (IBC). Upon receipt of the instruments this section examines the following things:

- Whether the paying bank within the Dhaka city.
- Whether the paying bank outside of Dhaka city.
- Whether the paying bank is its own branch.

4.5.1 Outward Clearing:

Outward clearing held if the instruments are to collect by specified branch within the Dhaka city and not for their own branch. Here the following procedures are followed:

- Receive of the client duty signed instruments.
- Checking for any apparent discrepancy.
- Clearing stamps are affixed on the instrument and on the deposit slip.
- Branch code number also affixed on the instruments.
The authorized signature endorses instruments.

- Particulars of the instruments and vouchers are recorded in the “outward cleaning” register.

4.6 REMITTANCE THROUGH A FOREIGN BANK

The system of transmitting or sending money from one branch to another branch of the same bank or from one bank to another bank within a country or outside the country is known as remittance. It is one of the important functional areas of a bank. A bank can earn handsome fees as commission from the dealings of money remittance. During my internship program I have gathered practical experience about how money is remitted from one branch to another branch of a bank or from one bank to another bank.

The remitter can send money through any financial institution which branches in both countries. In this case, the bank in Bangladesh receives the amount from its foreign branches and then transfers it to the bank where the client wishes to draw the money. Here the bank needs to fill up a C’ from if the amount of money is $2,000 or more. It is done for the declaration for remittance received from foreign country in the amount of $2,000 or more.

4.6.1 Types of Remittance:

Remittance can be of two types, A) local Remittance B) Foreign Remittance.

4.6.2 Local Remittance:

When money is transferred through one place to another place within the country, it is called local remittance. Sonali Bank has highest number of branches all over the country and offers various kinds of remittance facilities to the public. The main instruments issued by sonali bank for remitting funds are:

- Pay-Order (PO).
- Demand Draft (DD).
- Telegraphic Transfer (TT).
- Mail Transfer (MT).
4.6.2.1 Pay-Order (PO):

Payment order is an instrument that is used to remit fund within a local area i.e. within the same clearing house area. For example, if we want to remit fund from one place of Dhaka to another place, we generally use payment order.

Accounting treatment: PO by Cash:

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>Dr.(Tk)</th>
<th>Cr.(Tk)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash A/C Dr.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bill payable (PO) Cr.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>PO commission Cr.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Accounting treatment: PO by Cheque:

<table>
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<tr>
<th>Date</th>
<th>Particulars</th>
<th>Dr.(Tk)</th>
<th>Cr.(Tk)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cheque (A/C No.) A/C Dr.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bill payable (PO) Cr.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>PO commission Cr.</td>
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</tbody>
</table>

The commission that the bank gets as per Bangladesh bank rule is given below:

<table>
<thead>
<tr>
<th>Amount</th>
<th>Commission</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tk. 1 upto Tk.1000</td>
<td>Tk.23(Tk.20 commision+Tk.3 VAT)</td>
</tr>
<tr>
<td>Tk. 1001 upto Tk.100,000</td>
<td>Tk.35(Tk.30 commision+Tk.5 VAT)</td>
</tr>
<tr>
<td>Tk.100,001 above</td>
<td>Tk.115(Tk.100 commision+Tk.15 VAT)</td>
</tr>
</tbody>
</table>

4.6.2.2 Demand Draft (DD):

It is an instrument that is drawn on one banker office to another or other banker’s branch to pay certain sum of money to the named person. It is generally used to remit fund from one corner of the country to another. For example, if we want to remit fund from Dhaka to Khulna we use DD. DD is very popular instrument for remitting money from one corner of the country to another.
4.6.2.3 Difference between Pay-Order and Demand Draft:

There are some differences between pay order and demand draft. These are given below:

In case of demand draft both the payer and payee need to have accounts. But there is no certain rule for pay order.

- PO is used in the same clearing areas; DD is used for all kinds. DD can not be done in the same clearing area.
- DD is drawn on a certain bank office. But there is no certain rule for pay order (PO).

4.6.2.4 Telegraphic Transfer (TT):

Sometimes the remitter of the fund wants the money to be available to the receiver’s account immediately. In that case bankers arrange to remit fund telegraphically. Here the remitter bears the additional charge for telex/telephone.

Accounting treatment for (TT):

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>Dr.(Tk)</th>
<th>Cr.(Tk)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash A/C</td>
<td>Dr.</td>
<td>…………</td>
</tr>
<tr>
<td></td>
<td>TT A/C</td>
<td>Cr.</td>
<td>…………</td>
</tr>
<tr>
<td></td>
<td>TT Commission A/C</td>
<td>Cr.</td>
<td>…………</td>
</tr>
<tr>
<td></td>
<td>TT Charge A/C</td>
<td>Cr.</td>
<td>…………</td>
</tr>
</tbody>
</table>

The commissions are as follow:

<table>
<thead>
<tr>
<th>Amount</th>
<th>Commission</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tk. 1 upto Tk.30000</td>
<td>Tk.65(Tk.30 commision+Tk.30 Telephonic Charge+Tk5 VAT)</td>
</tr>
<tr>
<td>Tk. 30001 +Above</td>
<td>Per thousand costs Tk.1.+15% VAT on Commission Charge amount</td>
</tr>
</tbody>
</table>

4.6.2.5 Mail Transfer (MT):

It is an instrument that is drawn by one banker office on another or other banker’s branch to pay certain sum of money to the named person. This instrument is not given to the holder but the bank carries it and a message is sent to the particular branch. It is generally
used to remit fund from one corner of the country to another.

4.6.3 Foreign Remittance:
When money is transferred from one country to another country, it is called foreign remittance

- In case of MT, the sender of money is not provided with the MT paper but a receipt. The branch sends the MT paper under its own responsibility by mail to the MT receiving branch.
- The commission for MT up to Tk. 10 for per 1000 and Tk 1 for every thousand above Tk 10,000.
- The postal charge is Tk 10 for every MT issue and any amount of money.
- The MT issuing branch has to send a secret message i.e. Test to the MT receiving branch. It is must for any amount of money. Here the amount of money, issuing date and other particulars are mentioned.
- To maintain the secrecy of the message sent, the issuing branch codes the message by a particular number consisting of different digits. After receiving the message, the paying branch decodes it by using the predetermined techniques. This process is called test. If everything is Okayed, the paying branch makes payment to the payee.

4.7 ACCOUNT SECTION
This is a very much crucial section for each business concern. As such this is a crucial department for a commercial bank. Records of all the transactions of every department are maintained here. Accounts section verifies all financial amounts and contents of transactions. Every working day all the account is balanced and reconciled to remove any discrepancy.

The overall activities of account section are as follows:

- Record all transaction in the cash book.
- Record all transaction in general and subsidiary ledger.
- Prepare daily fund function, weekly position, periodic statement of affairs etc.
- Prepare necessary statement for reporting purpose.
General Banking Activities of Sonali Bank Limited: A study on Green Road Branch, Dhaka

- Make salary statement and pay salary.
- Pay all expenditures on behalf of the branch.
- Branch to branch fund remittance and support for account treatment budgeting for branch.
- Make charge for different type of duties.

4.8 CUSTOMER SERVICE

To ensure qualified customer service Sonali bank has started in addition to computerization corporate client service and one stop service. To facilitate the foreign exchange activities Sonali bank has launched SWIFT (Society for Worldwide interbank Finance and Telecommunication) system in its 12 branches. The bank has launched website, Reuter service, Internet service, and Ready cash service. The bank has also launch ATM system in various important places.

4.9 COMPUTERIZATION

Sonali Bank starts its computerization process at December, 1989. After that it expands its computerization process by establishing RISE system (RS 16000) OS/2, LAN etc. up to this time 1175 branches are on live operation. Out of 1198 branches at home, 1181 branches have already been entered in the automation network.

Beside this “one stop” is begin given in its 56 branches. Moreover,

- Foreign exchange business and standard of customer services is begin increased and speed up of information flow by using the computerization system LAN (Local Area Network) and WAN (Wide Area Network).
- It has established 7 subsidiary companies in United States named Sonali Exchange Company Incorporated (SECI) and 5 officers of Sonali Bank, UK Ltd. Establish with 49% share with govt. in UK so that Non-Resident Bangladesh can send their money to Bangladesh through a vital channel as fast as possible.
- Recently SECI established a web based Remittance Software in United States.
Sonali Bank Wage Earners Corporate Branch established electronic link with its branch in Middle East Branch through which remittance is to be sent. Besides this 5 electronic link is in implementation process in Oman, Qatar and Bahrain.

- IFRMS (Instant Financial Reconciliation and Messaging System) has enabled the bank to remit fund by DD, TT, Inter branch Debit/ Credit advice. This has been started as an experimental but this system will be started among 300 branches soon.

4.9.1 Digitalization status of Sonali Bank Limited

**Branch Computerization:** 1175 branches are on live operation. Out of 1198 branches at home, 1181 branches have already been entered in the automation network.

**Foreign Remittance** : Bank’s own in-house software “Remittance Management System” (RMS+), having, among others, 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.

**ATM:** Sonali Bank Limited is a member of Q-Cash ATM network. At present the bank has 53 ATM booths. Sonali Bank’s ATM cardholders enjoy the access to the ATMs and POS of Dutch Bangla Bank Ltd. and Brac Bank Ltd. besides those of Q-Cash consortium. Sonali Bank recently launched Credit Card.

**Q-Cash ATM Network:**

- Sonali Bank Limited 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.

**Online and SMS Banking:**

At present 109 branches of Sonali Banks are included in the Online Any Branch Banking (ABB) network. SMS Banking service is running in 73 branches. The bank is seriously working on connecting all branches in the Real-time Online Banking network gradually. Branches having ABB facility are also rendering SMS banking services.

### 4.10 LOAN AND ADVANCE SECTION

For any commercial bank deposit and loan are two important sections. To service in the market banks have deal with the deposited money. They have to use the deposit efficiently in profitable sector. So dealing with the loan is very crucial for the bank.

#### 4.10.1 General Advance:

This is the survival unit of the bank because until and unless the success of this section the survival is a question to every bank. This is important because this is the earning unit of the bank. Bank credit is an important catalyst for bringing about economic development in a country. If this section is not properly works the bank may become bankrupt. No growth of maintenance of a stable economy is possible without adequate financial supporting banks are accepting deposits from the depositors in condition of providing interest to them as well as safe keeping their interest. Now the question may gradually arise how the bank will provide interest to the clients and the simple answer is – advance. Why the bank does provides advances to the borrowers-

1. To earn interest from the borrowers and give the deposits interest back.
2. To accelerate economic development by providing different industrial as well as agricultural advances.
3. To create employment by providing industrial loans.
4. To pay the employees as well as meeting the interest groups.
Credit is continuous process. Recovery of one credit gives rise to another credit. In this process of revolving of funds, bank earns income in the form of interest. A bank can invest its funds in many ways. Bank makes loans and advances to traders, businessmen, and industrialists. Moreover nature of credit may differ in terms of security requirement, disbursement provision, terms and conditions etc.

4.10.2 Loan Proposal and Sanction Process:

The total process of proposal and sanction is a continuous process. In a particular stage the describe loan is sanctioned or rejected by the authority. The total process consist maximum of 6 steps:

**Step 1** - the client apply for a certain amount of loan in a prescribed form which is available in the branch office. He has to mention the amount; the purpose, the mortgage property that he can assure and the time when he wish to enjoy the amount.

**Step 2** - The branch manager and the cashier then take the responsibility to visit and evaluate the concern. They have to prepare a credit report mentioning the present condition, assets and liabilities ratio, and reputation along with the origin of the concern. He should be some recommendation about the dependency of the firm.

**Step 3** - Then the credit report is forwarded to the original office for approval. In the regional office two dealing officer under the direct supervision of AGM made some other recommendations by considering the credit report and direct investigation. Then they will justify the net worth of the concern and its economic position.

Here if the amount is with the ability of the regional head (AGM) he can sanction the loan. Otherwise the proposal file will be forwarded to the principal office. If the dealing officers found something dissatisfied they can reject the proposal.

**Step 4** - The head of the corporate branch (DGM) can sanction a certain level of amount greater than the regional office. Here the file is strictly observed by the dealing officers under the direct supervision of DGM. He may sanction the mentioned amount or reject for the logical cause or send to the GM office or Head office for the further consideration.
Step 5- After reviewing every aspect of the loan proposal the GM can approve the proposal up to certain level. He may reject or send the file to the managing director for the director’s approval. Here it may be sanctioned or rejected.

Step 6- after the approval of the proposal in any of the stage region to the board of directors. Bank send the proposal file along with the necessary papers of the mortgage and to verify the validity of the ownership of the property for a little dissatisfaction of the solicitor the proposal may be rejected. Otherwise he will request the bank to disburse the amount.

4.10.3 Lending Principles:

In order to secure a balance between liquidity, profitability and security, sonali bank follows the following principles of sound lending-

Liquidity: Liquidity means enchasing ability of security i.e. securities that are more easily cashable are more liquid. So while lending money to any project or industry, adequate care has to be taken so that the liquidity is not compromised. That’s why Sonali bank chooses such securities which possess sufficient liquidity.

Safety: While lending depositor’s money, there should be guarantee of returning the funds. Sonali Bank exercises the lending function only when it is safe and that the risk factor is adequately mitigated and covered. Safety depends upon

a) The security offered by the borrower and

b) The repaying capacity and willingness of the debtor to repay the loan with interest.

Diversity: There is a proverb “Don’t put all the eggs in a basket”. Keeping the proverb in mind, Sonali bank invests its funds in different types of securities of different industries situated in different regions of the country.
**Yield:** In order to survive and develop, each bank has to make profit. From the commercial point of view, Sonali bank considers sufficient yield or return while financing a project.

We often use loans and advances as an alternative to each other. But academically this concept is incorrect. Academically advances is the combination such items where loans is a part only. For this credit section of the bank is known as advance section. Academically advance is the combined from of the following items

This section has been analyzed in this report in the following manner:

a. Types of advances provide by the branch
b. Types of security charged and their valuation
c. Procedures of loan appraisal
d. Documentation
e. Classification of loan
f. Analysis of secondary data.
g. Follow up and reporting

**4.10.4 Classification of Loans & advances:**

Sonali bank offers following types of loans and advances;

i. Secured Overdraft (SOD)
ii. Cash – Credit (CC)
iii. Mid- term loan
iv. Demand loan
v. Small loan
vi. Customer loan
vii. Industrial loan
viii. Bills purchased & discounted
ix. Staff loan.
x. House building loan
xi. Transport loan
4.10.4.1 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-

4.10.4.2 SOD (General):

This type of over draft is allowed to the individuals against. Financial obligations lien of FDR or defense savings certificate, ICB unit certificate etc.

4.10.4.3 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.

4.10.4.4 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.

4.10.4.5 Procedure of Sanctioning SOD:

i. The party should have a current account with the branch.

ii. In case of a proprietorship firm, trade license must be submitted and in case of a limited 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.

iii. The party will submit application to the concerned officer in the prescribed form.

iv. 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.

v. Head office will examine the proposal and if it seems to a viable then the loan will be sanctioned.

4.10.4.6 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 withdraws 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-

4.10.4.7 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.

4.10.4.8 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.

4.10.4.9 Cash Credit:

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)
- Letter of agreement
- Revival Letter
- Letter of continuity
- Letter of hypothecation/Pledge
- Letter of Guarantee
- Memorandum of deposit of Title Deed (in case of CC hypothecation arrangement)

4.10.5 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.

4.10.6 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.

4.10.7 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 case 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.

This type of loan treated as a latest loan of the bank. A grantor works as a security in this type of loan. For some purpose any one can take these types of loan. Such as-

- Pharmacy.
- Garments products.
- Glossary shop.
- Tailoring.
- Phone, fax, Photostat.
- Restaurant, hotel.
- Jew alary.
- Hardware.
- Cosmetics.
- Any kind of department store.
- Various types of trading business.
- Beauty parlor.
- Market of agricultural product.

In this above cases, bank provides 0.50 lack to 50 lack taka as a loan. Again, the bank provide 5 lack to 10 lack taka for the following purpose-

- Shall industry of bread, biscuit etc.
- Juice, jam, jelly, souse, etc. products produced industry.
- Printing press.
- Garments accessories industry.
- Embroidery industry.
- Packaging industry.
- Kutirshilpo (home based).
- Various handicrafts.
- Light engineering industry.
- Dairy firm.
- Furniture industry.
Diagnostic center.
Shoe industry.
Internet service.
Produced based any types of industry.
Service based any types work.

4.10.8 Staff Loan:

Staffs of Somali 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.

Staff of sonali bank can take this type of loan. Sonali bank provide staff loan in various purpose among the sonali bank staff.

These are given below:

- Sonali bank house building loan. Sonali bank also provide loan for flat.
- Motor cycle loan.
- Computer loan.

Here, interest rate of loan is very small. Interest rate is 5 percent. Bangladesh bank set up the interest rate. Security of house building or flat is land. The amount of computer loan is 75 thousand taka.

In any staff is disable to pay his loan then the bank taking it from his provident fund.

4.10.9 House building loans:

Somali bank provides long term advances for building residential house. Advances for construction of residential houses against real estate’s 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.
4.10.10 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”.

4.10.11 Consumer loans:

The main purpose of the scheme is to improve life standard of the consumers by providing them loans for purchasing household items, for example, computer, television, freezer, 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.

4.10.12 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.

4.10.13 BANK GRANTEE

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’. It is a contingent liability i.e. depends on the happening of a certain event.

Different types of guarantee of Sonali Bank Limited as stated below:

1. **Tender or bid bond guarantee**: the bank issues bid bond guarantee on behalf of the customer favoring the beneficiary (third party which has requested the bid) to submit the tender schedule by the customer.

2. **Performance or Earnest money Guarantee**: In case of a performance guarantee the banker commits that it will pay a certain sum of money if the bidder fails to perform the contractual job. A performance guarantee expires on completion of the delivery or performance.

3. **Repayment or advanced payment guarantee (APG)**: This type of guarantee is given against work order. Here we can cite an example. Before the beginning of jamuna bridge construction, the government collected money from different sources to pay the contractors in advance. But there was a risk for the government that the contractors might not do there construction work even they were paid in advance. So the government asked bank guarantee from them. Then the contractors submitted bank guarantee to the government. This type of guarantee is called advanced payment Guarantee (APG). This type of guarantee is given against work order.

4. **Counter Guarantee**: counter guarantee is issued against another bank’s guarantee.

5. **Security guarantee**: this type of guarantee is given when security is required.
4.10.13.1 Issuance procedure of guarantee:

Bank guarantee is a contractual relationship between the account (Client) and the beneficiary. For issuing bank Guarantee, a customer has to apply to Sonali Bank in his or her own pad. Normally the bank prepares the format of the guarantee. A guarantee issue Register is maintained to record following information about Guarantee:

i. Name of the customer.
ii. Account no.
iii. Guarantee no.
iv. Issuing date.
v. Date of approval.
vi. Beneficiary of the guarantee.
vii. Amount of guarantee.
viii. Margin (percent and amount).
ix. Commission.
x. Date of Expiry.

4.10.14 Discussion

a) This branch is located in large populated areas, so banks can get customers easily to collect deposit and also can get borrowers to sanction loans.

b) This branch permitted loan for small industries and short credit. There are a large number of small business holders are in this branch, which gives opportunities to sanction loan easily, and the small loan holder are not a great number of loan defaulter.

c) The loan and advance department takes a long term to process a loan because the process of sanctioning loan is done manually. Since loan and advance department is not fully automated there is a high risk of losing document of disbursed loans.

d) In terms of law and order sometime it is very difficult for the bank to liquidate the collateral, which makes the borrowers unable to pay the debt.

e) The loan and advance strategy of Sonali Bank Limited is not appropriate enough to survive in the market.
f) Maximum amount of the loan are provide in the long-term industrial loan sector

4.11 Different Loans & Advances of Somali Bank Limited

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Taka (In core)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On demand</td>
<td>4819.87</td>
</tr>
<tr>
<td>Not more than 3 months</td>
<td>121.00</td>
</tr>
<tr>
<td>More than 3 months but not more than 1 year</td>
<td>1259.55</td>
</tr>
<tr>
<td>More than 1 year but not more than 5 years</td>
<td>12244.06</td>
</tr>
<tr>
<td>More than 5 years</td>
<td>13027.64</td>
</tr>
</tbody>
</table>

**Bills purchased and discounted**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Taka (In core)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not more than 1 month</td>
<td>2335.62</td>
</tr>
<tr>
<td>More than 1 month but not more than 3 months</td>
<td>151.11</td>
</tr>
<tr>
<td>More than 3 months but not more than 6 months</td>
<td>385.67</td>
</tr>
<tr>
<td>More than 6 months</td>
<td>0.53</td>
</tr>
</tbody>
</table>
4.12 Head-wise Loans, Cash Credits and Overdrafts: Inside Bangladesh:

**A) Loans:**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2013 (Taka)</th>
<th>2012 (Taka)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand Loan</td>
<td>2,253,908,344</td>
<td>2,903,491,924</td>
</tr>
<tr>
<td>Small Loan</td>
<td>311,152,329</td>
<td>386,028,048</td>
</tr>
<tr>
<td>House Building Loan (General)</td>
<td>857,499,557</td>
<td>675,128,377</td>
</tr>
<tr>
<td>Staff House Building Loan</td>
<td>40,462,008,154</td>
<td>35,865,712,667</td>
</tr>
<tr>
<td>Staff Loan</td>
<td>2,469,860,679</td>
<td>2,358,849,593</td>
</tr>
<tr>
<td>Special Small Loan Program</td>
<td>1,523,781,357</td>
<td>785,835,824</td>
</tr>
<tr>
<td>Loan Under S.B Industrial Credit Scheme(Project)</td>
<td>33,813,575,082</td>
<td>37,593,637,987</td>
</tr>
<tr>
<td>Loan under External Credit Program</td>
<td>690,378,270</td>
<td>115,108,327</td>
</tr>
<tr>
<td>Working Capital to Industries. (Hypo)</td>
<td>24,160,261,777</td>
<td>41,294,322,353</td>
</tr>
<tr>
<td>Working Capital to Industries. (Pledge)</td>
<td>3,099,489,569</td>
<td>3,212,188,686</td>
</tr>
<tr>
<td>Sonali credit</td>
<td>19,611,617</td>
<td>9,477,465</td>
</tr>
<tr>
<td>Loan under’s Agro Based Industrial Cr.Scheme</td>
<td>8,169,874,054</td>
<td>7,671,940,491</td>
</tr>
<tr>
<td>Working Capital to Agrobased Ind. (Hypo)</td>
<td>9,543,713,522</td>
<td>9,889,494,235</td>
</tr>
<tr>
<td>Working Capital to Agro based Ind. (Pledge)</td>
<td>6,060,237,121</td>
<td>5,885,481,024</td>
</tr>
<tr>
<td>Agricultural Loan</td>
<td>33,530,772,907</td>
<td>29,278,985,402</td>
</tr>
<tr>
<td>Micro Credit (SFL Scheme plus RSTL Scheme)</td>
<td>10,999,319,917</td>
<td>9,820,387,785</td>
</tr>
<tr>
<td>Loan under Imported Merchandise(LIM)</td>
<td>1,788,824,020</td>
<td>2,461,845,544</td>
</tr>
<tr>
<td>Loan against Trust Receipt</td>
<td>48,530,300,167</td>
<td>54,415,410,102</td>
</tr>
<tr>
<td>Forced Loan against Back to Back L/C</td>
<td>21,949,768,178</td>
<td>36,261,155,227</td>
</tr>
<tr>
<td>Loan for L/C under WES.</td>
<td>602,981</td>
<td>136,339</td>
</tr>
<tr>
<td>Loan against Inland Bills</td>
<td>2,026,770,836</td>
<td>-</td>
</tr>
<tr>
<td>Current Account Barter (Debit Balance)</td>
<td>932,606,463</td>
<td>932,606,463</td>
</tr>
<tr>
<td>Bridge Finance</td>
<td>2,457,248,287</td>
<td>255,938,597</td>
</tr>
<tr>
<td>Portfolio Loan Account</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Small Trading Loan</td>
<td>771,750,706</td>
<td>749,584,170</td>
</tr>
<tr>
<td>Lease Finance</td>
<td>113,785,684</td>
<td>202,320,452</td>
</tr>
<tr>
<td>Rural Small Trading Loan Scheme</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Category</td>
<td>Amount 1</td>
<td>Amount 2</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------</td>
<td>----------</td>
<td>----------</td>
</tr>
<tr>
<td>ProbasiKarmoSangsthanProkalpa</td>
<td>1,410,565</td>
<td>4,819,277</td>
</tr>
<tr>
<td>Consumer Loan</td>
<td>2,768,668,304</td>
<td>1,724,116,113</td>
</tr>
<tr>
<td>Term Loan to Freedom Fighter</td>
<td>40,540,608</td>
<td>36,970,048</td>
</tr>
<tr>
<td>Education Loan</td>
<td>485,040</td>
<td>5,548,323</td>
</tr>
<tr>
<td>Foreign Education Loan Program</td>
<td>20,042,043</td>
<td>2,894,460</td>
</tr>
<tr>
<td>SME Finance(Term Loan to Service)</td>
<td>641,639,941</td>
<td>536,172,906</td>
</tr>
<tr>
<td>SME Finance(Term Loan Industries)</td>
<td>319,489,887</td>
<td>192,772,140</td>
</tr>
<tr>
<td>SME Finance (Working Capital to Ind.Ser.Tre.)</td>
<td>8,428,443,673</td>
<td>2,201,859,652</td>
</tr>
<tr>
<td>Term Loan to Banks &amp; NBFIs</td>
<td>75,710,000</td>
<td>409,912,052</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>268,833,531,639</td>
<td>288,140,132,053</td>
</tr>
</tbody>
</table>

(B) Cash Credits:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount 1</th>
<th>Amount 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Credit General (Hypo)</td>
<td>16,031,978,407</td>
<td>21,970,499,669</td>
</tr>
<tr>
<td>Cash Credit General (Pledge)</td>
<td>9,317,344,962</td>
<td>9,119,364,248</td>
</tr>
<tr>
<td>Packing Cash Credit</td>
<td>6,200,841,982</td>
<td>6,158,677,273</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>31,550,165,351</td>
<td>37,248,541,190</td>
</tr>
</tbody>
</table>

Overdrafts etc.:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount 1</th>
<th>Amount 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overdraft Loan</td>
<td>14,182,071,863</td>
<td>12,780,495,114</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14,182,071,863</td>
<td>12,780,495,114</td>
</tr>
</tbody>
</table>

Outside Bangladesh

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount 1</th>
<th>Amount 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan</td>
<td>19,977,729</td>
<td>21,066,223</td>
</tr>
<tr>
<td>Cash Credit</td>
<td>1,889,672</td>
<td>5,752,721</td>
</tr>
<tr>
<td>Overdraft</td>
<td>133,570,437</td>
<td>137,256,773</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>155,437,838</td>
<td>164,075,717</td>
</tr>
</tbody>
</table>

[Sources: Annual Report of SBL 2013]
CHAPTER FIVE

GENERAL BANKING ACTIVITIES OF SONALI BANK LIMITED
AT GREEN ROAD BRANCH, DHAKA

As I have worked Sonali bank Ltd. at Green Road Branch, Dhaka for forty five (45) days in general Banking Department, I have worked the following sections. I have taken help in making report from the following sections’ officers with whom I work and from my knowledge I gathered during Internship period. The sections are given below:

i. Account Opening Section

ii. Cash Section

iii. Clearing Section

iv. Pay Order Section

v. Deposit Section

The activities of each section are bellows:

5.1 ACTIVITIES OF ACCOUNT OPENING SECTION

Account opening is the gateway for client to enter into transaction with the bank. It is the foundation of banker-customer relationship. A customer can open different type of account through the department. The following types of account are opened here:

- Current Account
- Savings Account
- Short Term Deposit Account(STD)
- Fixed Deposit Receipt(FDR)
- Special Deposit Pension Scheme(SDPS)
- Sonali Deposit Scheme(SDS)
- Education Deposit Scheme(EDS)
- Medical Deposit Scheme(MDS)
- Double Deposit Scheme(DBS)
Requirements for opening current Account:

- Firstly fill up current account form.
- For private limited company, Update trade license is a must.
- In case of joint holders certificate from joint stock company.
- For Public Limited Company Certificate from joint stock company is a must and other papers mentioned above.
- The client will be provided a cheque book of 25 upto 50 pages. Bank charge is Tk. 500 half yearly.

Requirements for opening Savings Account:

- Fill up Savings Account form and Specimen signature.
- Photocopy voter ID card attested by account opening officer after verifying original voter ID of Account holder.
- If he/she is an employee, Photocopy of Employee’s ID card.
- If he/she is a business man, Visiting Card, Address, copy of trade License.
- Two copies of Passport size photography of account holder dully attested by the introducer.
- Two copies of Passport size photography of nominee dully attested by account holder.
- Minimum Tk.500 to be deposited.
- The account holder will be provided a cheque book of 10 pages. Bank charge is Tk.300 maintenance charge+ Tk45 VAT is deducted half yearly i.e. January1 up to Jun30.

5.2 ACTIVITIES OF CASH SECTION

It is an important part of General Banking Department. Here cash of Current and Savings accounts receives and also payments are made either in Cash or transfer to respective Account but Govt. Chalan only receive or transfer to Govt. account. No commission is given to the bank in case of Govt. Chalan as per Govt. rules but in case of Electricity and Wasa bills, Cash is received and paid to respective accounts such as DESCO account for Electricity bills and 2% commissions are deducted. Govt. prize bonds are also purchased and sold. In all types of vouchers, signature of a cashier and an officer is required.
5.3 ACTIVITIES OF CLEARING SECTION

Clearing section is complex section of bank. Cheque of other banks or same bank is received and payments are deposited to Sonali Bank’s Customer accounts. When cheques are deposited at clearing section and a slip of account details of the account holder is attached with the cheque, then that cheques are sent to Clearing House in Bangladesh bank for clearance where all banks’ delegators present there and cheque of other banks are presented to respective delegators. If the cheques are in favor of Sonali Bank’s other branches, then the cheques are given to other branch’s delegator. The delegators scan the cheque (MICR Cheque) through computerized scanning system to further verify at their own branches for settlement. After one day when they meet again if all information such as cheque number, Signature of the account holder and amount payable etc. are correct, then the respective delegators credited the amount to name of account holder of Sonali Bank. Some cheques may be dishonored under 29 criteria. Some important of them are:

Amended Return Reason Codes for BACH (Bangladesh Clearing House):

i. Insufficient Fund.

ii. Amount in figure and word differs.

iii. Postdated/ undated cheque.

iv. Drawers signature differs/ missing.

v. Material alteration-payee name/amount/date/account No.

vi. Account closed/dormant/blocked.

vii. MICR (Magnetic Ink Character Recognition) data and Image miss-matched.

viii. Cheque and advice data mismatch.

ix. Credit limit exceeded

x. Cheque not activated/intimation not received.

xi. All clearing seals required are not well completed.
5.4 ACTIVITIES OF PAY ORDER SECTION

In any type of pay order, at first vouchers are filled up and amount is deposited in cash section, then pay order is written in the Section to respective branch account of Sonali Bank of respective person. The person who sent Pay Order must sign the back part of the Pay Order Paper. The payment is instantly made to drawer’s account.

The commission that the bank gets as per Bangladesh bank rule is given below:

<table>
<thead>
<tr>
<th>Amount</th>
<th>Commission</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tk. 1 upto Tk.1000</td>
<td>Tk.23(Tk.20 commision+Tk.3 VAT)</td>
</tr>
<tr>
<td>Tk. 1001 upto Tk.100,000</td>
<td>Tk.35(Tk.30 commision+Tk.5 VAT)</td>
</tr>
<tr>
<td>Tk.100,001 above</td>
<td>Tk.115(Tk.100 commision+Tk.15 VAT)</td>
</tr>
</tbody>
</table>

In Case of Demand Draft (DD) and Telegraphic Transfer (TT), same vouchers are filled up and amounts are received at cash section. In case of DD the bank write DD and DD paper is provided to the respective customer. DD Advice is provided against DD. In case of TT The bank write an entry in the registered book and give a test number to the respective customer to the respective branch account. Some TTs are maintained computerized system where online facilities are available in the respective branch and some are Telephonic System by manager.

The commissions are as follow:

<table>
<thead>
<tr>
<th>Amount</th>
<th>Commission</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tk. 1 upto Tk.30000</td>
<td>Tk.65(Tk.30 commision+Tk.30 Telephonic Charge+Tk5 VAT)</td>
</tr>
<tr>
<td>Tk. 30001 +Above</td>
<td>Per thousand costs Tk.1.+15% VAT on Commission Charge amount</td>
</tr>
</tbody>
</table>

5.5 ACTIVITIES OF DEPOSIT SECTION

Sonali bank deposits against many accounts. They are Fixed Deposit Receipts(FDR), Sonali Deposit Account(SDS), Residential Deposit Scheme(RDS), Education Deposit Scheme(EDS), Medical Deposit Scheme(MDS), Double Benefit Scheme(DBS). The
Principal and interest payables of different Deposit Schemes are outlined below:

**Fixed Deposit Receipts (FDR):**

The amount of interest at different time interval of the principal amount which are applied from 09 Feb 2012 onwards is as follow

<table>
<thead>
<tr>
<th>No</th>
<th>Particulars of Fixed Deposit</th>
<th>Present Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Fixed Deposit</strong>: Below tk.25 lac</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1 month &lt; 2 months</td>
<td>Postponed</td>
</tr>
<tr>
<td></td>
<td>2 months &lt; 3 months</td>
<td>Postponed</td>
</tr>
<tr>
<td></td>
<td>3 months &lt; 6 months</td>
<td>8.00%</td>
</tr>
<tr>
<td></td>
<td>6 months &lt; 1 year</td>
<td>8.50%</td>
</tr>
<tr>
<td></td>
<td>1 year &lt; 2 years</td>
<td>9.00%</td>
</tr>
<tr>
<td></td>
<td>2 year &lt; 3 years</td>
<td>9.50%</td>
</tr>
<tr>
<td>2</td>
<td><strong>Tk.25 lac or more</strong></td>
<td>12.50%</td>
</tr>
</tbody>
</table>

**Residential Deposit Scheme (RDS):** 8% interest is paid on taka 500 up to tk10,000 deposited at 10 years maturity.

**Education Deposit Scheme (EDS):** 8% interest is paid on taka 500 up to tk10,000 deposited at 10 years maturity.
CHAPTER SIX

6.1 SWOT ANALYSIS

Appraising a company’s resource strengths and weakness and its external opportunities and threats, commonly known as SWOT analysis, provides a good overview of whether the company’s overall situation is fundamentally healthy or unhealthy. SWOT analysis is a simple but powerful tool for sizing a company’s resource capabilities and deficiencies, its market opportunities, and the external threats to its future well-being.

It is a technique used by the credit officers to evaluate credit proposal submitted by the company especially by the production concern. Here,

S  stands for Strength
W  stands for Weakness
O  stands for Opportunity
T  stands for Threat

6.1.1 Strength:

It analyzes the inherent of the company, resilience, and brand loyalty, endowment etc.

➢ More funds for Investment: For adequate financial ability they can provide loan to the more investment clients.
➢ Honest and Reliable Employees: All of the employees of SBL are honest and reliable. They are always devoted themselves to the works for better customer service.
➢ It has vast years of experience since its establishment.
➢ At SBL, the top management is the driving force and the think tank of the organization where policies are crafted and often cascaded down.
➢ SBL provides its customer excellent and consistent quality in every service.
➢ SBL is a financially sound company.
➢ SBL utilizes state-of-the art technology to ensure consistent quality and operation.
➢ SBL provides its works force an excellent place to work.
➢ SBL has already achieved a good will among the clients.
➢ SBL has a research division.
6.1.2 Weakness:
This analyzes the inherent weakness of a company, such as management, supply risk etc.
- SBL lacks well-trained human resource in some area.
- SBL lacks aggressive advertising
- The procedure of credit facility is too long compared to other banks.
- Employees are not motivated in some areas.
- Absence of structured marketing and credit policy
- Lack of coordination among the branches and Head Office.

6.1.3 Opportunity:
This analyzes the opportunity, which will be available to a company in the near future, such as tax, incentives, export credit facilities etc.
- Emergence of E-banking will open more scope for SBL.
- SBL can introduce more innovative and modern customer service.
- Many branches can be opened in remote locations.
- SBL can recruit experienced, efficient and knowledgeable work force as it offers a good working environment.
- The successful launching and needs to a Commercial Money Market in the country.

6.1.4 Threat:
It analyzes the threats, which the company may face such as legal barriers, withdrawals of tax, exemption and international law; withdraw of most favorable nation (MFN) and GSP facilities etc.
- The worldwide trend of mergers and acquisition in financial institutions is causing problem.
- Frequent taka devaluation and foreign exchange rate fluctuation is causing problem.
- Lots of new banks are coming into the scenario with new service.
- Local competitors can capture huge market share by offering similar products.
- Lack of skilled personnel because of poor salary structure rather than other private banks.
CHAPTER SEVEN
SUMMARY OF FINDINGS

7.1 FINDINGS

I have found out some points by screening the whole study, which is expressed as major findings. The findings are given below:

- As a commercial bank, Sonali Bank still follows the traditional banking. This organization still concentrates on production oriented approach.
- There is a training institution and a human resource division of Sonali Bank to run the activities of human resources.
- It provides compensation according to the government pay scale.
- Sometimes inefficient allocations of resources have created a huge amount of Bad debt.
- Lack of adequate, update, and accurate information from the management information system.
- There is lack of modern technological advances to provide better service to respective customers.
- There is a limitation of trained personnel.
- There is limitation of technological support such as available ATM booths at different places

7.2 RECOMMENDATIONS:

- SBL should provide more computers for each branch.
- SBL also take proper step to improve their online banking services and provide best services to customer.
- SBL Credit Policy mainly focuses on Macro Economic Development which is blessing for middle and large scale business house and industry. They should provide more loans to small and lower scale business with easy conditions.
➢ SBL Should use Data Base Networking in Information Technology (IT) Department.

➢ In foreign exchange department it is required to communicate with foreign banks frequently and quickly. To make the process easy modem communication media for example e-mail, Fax and win fax, Internet etc. Should be used.

➢ Only SWOT analysis cannot be a helpful technique for evaluating credit proposal. SBL should aware of performance, financial stability, Competitive advantage etc. of applicant borrower.

➢ SBL not providing the credit cards in market which now a day’s one of the most important part of banking. So they are losing too many customers. They should provide Credit Card to Customers.

➢ SBL also should provide more CCS to outsides customers. As a result customers of CCS can fulfill their dream and SBL can increase their interest income.

7.3 CONCLUSION

Sonali Bank is the largest bank as well as the largest employer in both the public and private sectors in Bangladesh. The bank is playing an important role in the socio-economic development through the development of industrial sectors by providing all the conventional banking services as well as some specialized financing activities to the economy. So in conclusion it can be said that every organization has its positive as well as negative consequences and in case of sonali bank existence of the later one is less than the earlier one and as the management is determined to reach the pick of success it seems that in near future the negative will be eliminated.
REFERENCES

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➢ Several Newsletters from Sonali Bank Ltd.

BOOK:

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➢ Book(Crafting and Executing Strategy) Seventeenth Edition-Thompson, Strickland & Gamble

➢ D. Muraleedharan PHI Learning Pvt, 2009- Banks and banking


Internet Links:

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• www.wikipidea.com

• www.bangladesh-bank.org

• http://www.assignmentpoint.com/business/modern-banking-system-basic-sbl-babk-limited.html

• Search Engines:

  ➢ www.google.com

  ➢ www.yahoo.com

  ➢ www.msn.com
APPENDIX-A

SONALI BANK LIMITED
Highlights on the overall activities
For the year ended 31 December 2013

Appendix A
(Amount in Thousand)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Particulars</th>
<th>2013 Taka</th>
<th>2012 Taka</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Paid-up Capital</td>
<td>11,250,000</td>
<td>11,250,000</td>
</tr>
<tr>
<td>2.</td>
<td>Total Capital (as per Capital Adequacy)</td>
<td>28,281,665</td>
<td>(3,345,090)</td>
</tr>
<tr>
<td>3.</td>
<td>Capital surplus/(deficit)</td>
<td>(8,957,424)</td>
<td>(38,751,670)</td>
</tr>
<tr>
<td>4.</td>
<td>Total Assets</td>
<td>852,223,550</td>
<td>753,949,686</td>
</tr>
<tr>
<td>5.</td>
<td>Total Deposits</td>
<td>685,894,589</td>
<td>599,293,702</td>
</tr>
<tr>
<td>6.</td>
<td>Total Loans and Advances</td>
<td>343,450,526</td>
<td>378,147,056</td>
</tr>
<tr>
<td>7.</td>
<td>Total Contingent Liabilities and Commitments</td>
<td>175,802,795</td>
<td>198,936,405</td>
</tr>
<tr>
<td>8.</td>
<td>Credit Deposit Ratio</td>
<td>50.07%</td>
<td>63.10%</td>
</tr>
<tr>
<td>9.</td>
<td>Percentage of classified loans against total loans and advances</td>
<td>30.21%</td>
<td>33.31%</td>
</tr>
<tr>
<td>10.</td>
<td>Profit after tax and provision</td>
<td>3,580,184</td>
<td>(31,533,546)</td>
</tr>
<tr>
<td>11.</td>
<td>Amount of classified loans</td>
<td>103,768,700</td>
<td>125,975,303</td>
</tr>
<tr>
<td>12.</td>
<td>Provisions kept against classified loans</td>
<td>70,054,500</td>
<td>73,675,200</td>
</tr>
<tr>
<td>13.</td>
<td>Provision surplus/(deficit)</td>
<td>(0)</td>
<td>628,978</td>
</tr>
<tr>
<td>14.</td>
<td>Cost of fund</td>
<td>8.26%</td>
<td>8.22%</td>
</tr>
<tr>
<td>15.</td>
<td>Interest earning Assets</td>
<td>537,666,423</td>
<td>422,566,563</td>
</tr>
<tr>
<td>16.</td>
<td>Non-interest earning Assets</td>
<td>314,557,128</td>
<td>331,383,123</td>
</tr>
<tr>
<td>17.</td>
<td>Return on investment (ROI)</td>
<td>7.38%</td>
<td>5.02%</td>
</tr>
<tr>
<td>18.</td>
<td>Return of Asset (ROA)</td>
<td>0.45%</td>
<td>-2.86%</td>
</tr>
<tr>
<td>19.</td>
<td>Income from investment</td>
<td>15,536,434</td>
<td>10,841,516</td>
</tr>
<tr>
<td>20.</td>
<td>Earnings per Share</td>
<td>31.82</td>
<td>(280.30)</td>
</tr>
<tr>
<td>21.</td>
<td>Net income per Share</td>
<td>31.82</td>
<td>(280.30)</td>
</tr>
<tr>
<td>22.</td>
<td>Price Earning Ratio</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>