

**Internship Report**

**On**

**“Overall Banking Activities” Of Sonali Bank Limited.**





Inspiring Excellence



## "Overall Banking Activities" Of Sonali Bank Limited

**Prepared For**

**Md. Shamim Ahmed**

Lecturer of Bachelor of business school  
BRAC University

**Prepared By**

**Morsalin Hossain Abir**

MBA Department

ID: 14364019

Major in Human Resource Management

Session: Fall- 2018

Date of Submission: 12<sup>th</sup> Dec, 2018

## LETTER OF THE SUBMISSION

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**12<sup>th</sup> Dec, 2018**

To,

**Md. Shamim Ahmed**

Lecturer of BRAC University

School of Business Studies

BRAC University

**Subject: Submission of the Internship Report on “Overall Banking Activities of Sonali Bank Ltd”.**

Dear Sir,

In the following pages, I have presented a research report titled as **“Overall Banking Activities of Sonali Bank Ltd”**. This is the requirement of the MBA internship program. I consider myself very fortunate enough to have the opportunity to undergo the internship program of BRAC under your valuable guidance. It was both a pleasure and a challenge as well for me to work under your supervision and I can never repay my indebtedness to you.

It has been a very positive and uplifting experience, as I have practically learnt a lot that wouldn't have been possible otherwise. I have tried my level best to include all the relevant information to make the internship report informative and comprehensive.

Lastly, I would like to express my sincere appreciation and thanks to your help while preparing the report. I shall be glad to answer any queries that you may have in this regard.

Sincerely yours,

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**Morsalin Hossain Abir**

MBA Department

ID: 14364019

Major in Human Resource Management

## *PREPACE*

This report is an outcome of three months Internship Program prepared as the partial requirement of MBA program of the Department of School of Business Studies, **BRAC University**, Dhaka. The work on this report was carried out as an Internship program at the Sonali Bank Limited, Motijheel Branch, and Dhaka- 1212.

The report assigned by *Md. Shamim Ahmed*, School of Business Studies and MBA Internship Program, **BRAC University**, and approved by *Belayet Hossain*, Deputy General Manager, Dhaka.

The organization attachment started on 20<sup>th</sup> Sep, 2018. The report is entitled as **“Overall Banking Activities of Sonali Bank Ltd”**. Actually this is a feedback which department desires from the students who join in an organization after the completion of theoretical part of the **MBA** program.

## *ACKNOWLEDGEMENT*

It is my pleasure to take this opportunity to acknowledge the guidance, help and patience of informed person to whom we render my gratitude without those would not have been able to accomplish my report.

I would like to express my gratitude to our honorable teacher *Md. Shamim Ahmed* lecturer of BRAC University Bangladesh, for providing detailed feedback and advice on this assignment. She has always given us her valuable suggestions for making this assignment.

We should also express some other names without those we can't get some important information that is Internet, verities books, newspaper, MBA student of Dhaka University. They spared their time generously and took the trouble of answering a detail and helped us to complete our study. We also acknowledge their help and co-operation with thanks.

## **Supervisor's Certificate**

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This is to certify that the internship report on “Overall Activities of Sonali Bank Ltd” is done by Morsalin Hossain Abir, ID No: 14364019, Program: MBA, Major in Human Resource Management, as the partial fulfillment of Bachelor of Business Administration (MBA) degree from BRAC University.

This internship report has been prepared under my guideline and is a report of the authentic work carried out successfully.

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**Md. Shamim Ahmed**

Lecturer

School of Business Studies

BRAC University

## **Declaration**

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I somberly declare that the work in this internship report titled “***Overall Activities of Sonali Bank Ltd***” is an original work done by me under the supervisor of ***Md. Shamim Ahmed***, lecturer, School of Business Studies, BRAC University.

No part of this report has been previously submitted to any other University/ College/ Institution/ Organization for any academic certificate/ degree/ diploma.

This work I have presented does not breach any existing copyright and no portion of this report is copied from any work done earlier for any degree.

I further undertake to identify the department against any lost or damage arising from breach of the forgoing obligation, If any.

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**Morsalin Hossain Abir**

MBA Department

ID: 14364019

Major in Human Resource Management

**BRAC University**

## **TABEL OF CONTANTS**

<b><u>Serial Number</u></b>	<b><u>Contents</u></b>	<b><u>Page Number</u></b>
<b>1</b>	Introduction	1
<b>1.1</b>	Statement of the Research Problem	2
<b>1.2</b>	<i>Objectives of the Report</i>	2
<b>1.3</b>	<i>Scope of the Report</i>	3
<b>1.4</b>	<i>Methodology</i>	3
<b>1.5</b>	<i>Limitation</i>	4
<b>2.1</b>	Background of Sonali Bank Ltd	4
<b>2.1.1</b>	Historical Background	4
<b>2.1.2</b>	Vision & Mission of Sonali Bank Limited	4
<b>2.1.3</b>	Main Objectives	5
<b>2.1.4</b>	Organizational Structure	5
<b>2.1.5</b>	Manpower Structure	5
<b>2.2</b>	Management Structure of Sonali Bank Ltd.	5
<b>2.2.1</b>	<i>Board of Directors (BOD)</i>	6
<b>2.3</b>	Operational Network	7
<b>2.4</b>	Core Business	7
<b>2.5</b>	Ancillary activities	9
<b>2.6</b>	Performance/Activities of Sonali Bank Limited at a Glance:	10
<b>2.6.1</b>	Total Income	11
<b>2.6.2</b>	Total Expenses	11
<b>2.6.3</b>	Total Operating Profit	12
<b>2.6.4</b>	Paid-up Capital	12
<b>2.6.5</b>	Reserves, Deposits & Advances	13
<b>2.6.6</b>	Import & Export	13
<b>2.6.7</b>	Remittance (inward) & Remittance (outward)	14
<b>2.6.8</b>	Provision Required & Provision Maintained	14
<b>2.7</b>	Branch Expansion	15
<b>2.8</b>	SWOT Analysis	15
<b>2.9</b>	Loan Services	16
<b>2.10</b>	SME Banking	19
<b>2.11</b>	Merchant Banking	19
<b>2.12</b>	Islamic Banking	20
<b>2.13</b>	Computerization	20
<b>2.14</b>	Training	21
<b>2.15</b>	Library Facilities	22
<b>2.16</b>	General Banking.	22
<b>3.1</b>	Telegraphic Transfer (TT)	23
<b>3.2</b>	Payment Order (PO)	23



<b>3.3</b>	Account opening & cheque issue section	24
<b>3.4</b>	Demand Draft (DD)	25
<b>3.5</b>	Mail Transfer (MT)	26
<b>3.6</b>	Fixed Deposit Receipt (FDR)	26
<b>3.7</b>	Short Notice Deposit (SND)	26
<b>3.8</b>	Deposit Scheme	27
<b>3.9</b>	Clearing section	27
<b>4.1</b>	Lending Principles Followed By Sonali Bank Limited	28
<b>4.2</b>	Types of Loans and Advances Offered By Sonali Bank Limited	29
<b>4.2.1</b>	Secured Overdraft (SOD):	30
<b>4.2.1.1</b>	Types of Secured Over Draft	30
<b>4.2.2</b>	Cash Credit (CC)	31
<b>4.2.3</b>	Staff Loan	31
<b>4.2.4</b>	House Building Loan	31
<b>4.2.5</b>	Purchase and Discount of Bills	31
<b>4.2.6</b>	Mid-term Loans	32
<b>4.2</b>	Loan Classification	32
	FOREIGN EXCHANGE	33
<b>5.1</b>	Function of foreign exchange	33
<b>5.2</b>	The Product: Letter of Credit (LC)	34
<b>5.3</b>	More types of commercial letter of credit at Sonali bank	35
<b>5.4</b>	Parties to a letter of credit	43
<b>5.5</b>	Procedures of opening the letter of credit (LC)	44
<b>5.6</b>	Foreign Remittance	45
<b>6</b>	Findings and Analysis regarding the objectives of the study including problems identified	45
<b>7.1</b>	Conclusion	46
<b>7.2</b>	Recommendation	47
	Bibliography	50

## 1.0 Introduction

Throughout the last few years Bangladesh has been experiencing a rapid and significant change in the banking sector. Not only in our country, all over the world the dimension of banking has been changing rapidly mainly due to the technological innovation, globalization and deregulation. This change all over the world has significantly affected the banking industry of our country, the result of which is the change in this sector in our country. Now the condition is such that banks must compete in the market place both with local institutions as well as foreign ones. For this reason, I choose the banking sector for successful completion of my internship program.

Internship program is a prerequisite for acquiring MBA degree. Students of MBA program from BRAC University, Dhaka also require undertaking internship program. During this internship program, students are required to prepare a report on respective Organization. As part of the program, I am highly proud to join with Sonali Bank Limited as Internee and selecting topic “Overall Banking Activities of Sonali Bank Limited”. I was placed in Sonali Bank Limited, Motijheel Office, for a period of three months. This internship is an orientation to the entire working activities of Sonali Bank Limited and a study on an overall banking area. At the time of working there, I had to select an area of study in which I can make detail research and present my understanding in the report. From this perspective, on completion of 3 months internship program, I have prepared this report. I highly appreciate this assignment and do hope that it will play a great role in building by future career.



### 1.1 Statement of the Research Problem:

Actually I am going to learn about the procedure of general banking, loans & advance and foreign exchange of Sonali Bank Limited.

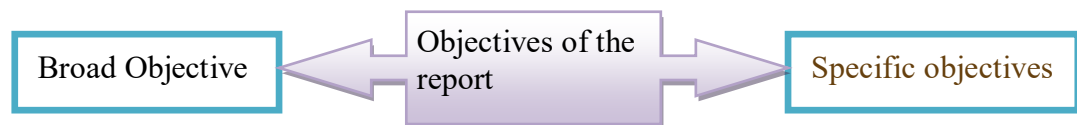
The main business of banking is to provide credit to the borrowers and take deposit from customers. Banks play the most important role for development of a country as well as to provide large scale of employment opportunities.

Sonali Bank Limited is the largest bank which plays that role. It also plays a role in the economic development of a nation through saving and credit. It diverts and allocation of the funds in all over country which are aimed to develop country's economy and adds to national wealth.

The researcher wants to evaluate the performance of the Sonali Bank Limited. The performance of the Sonali Bank Limited is satisfactory level or not. This is the main view of the study.

### 1.2 Objectives of the Report:

There are two objectives of the report; such as:



Broad objective:

- To fulfill the requirement of the internship program under MBA program.
- To gain practical experience in the job field.
- To fulfill academic requirement.

Specific Objectives:

- To get a brief idea about the performance of Sonali Bank Limited.
- Getting a brief idea about operational procedure export & import business.
- Acquiring some idea about its management and organization structure.
- To identify major strengths and weaknesses of Sonali Bank Limited in cheque clearing and inland remittance division in respect to other banks.

### 1.3 Scope of the Report:

While preparing this report, I had a great opportunity to have an in-depth knowledge of Cheque Clearing and Inland Remittance activities of a leading bank in Bangladesh. The report covers some of its general information of Sonali Bank Limited.

### 1.4 Methodology:

The study requires a systematic procedure from selection of the topic to preparation of the final report. To perform the study, the data sources were identified, collected, classified, analyzed, interpreted and presented in a systematic manner and key points were to be found. The overall process of methodology has been given as below.

In current scenario analysis, related data were taken from Head Office, Local Office & Motijheel Office.

Information collected to furnish this report is both from primary and secondary sources.

The primary data sources are:

1. Face to face conversation with the officers
2. Practical desk work
3. Relevant file study as provided by the concerned officers.

Secondary data sources:

1. Different circular issued by the head office and Bangladesh bank.
2. Annual reports of Sonali Bank Limited.
3. Publications obtained from library of Sonali Bank Limited and
4. Official web site of the Sonali Bank Limited.

### **Data Collection:**

Primary data were collected through direct and face to face interview of the different personnel of the Sonali Bank Limited.

### **Classification, Analysis, Interpretations and Presentation of Data:**

Some graphical tools are used in this report for analyzing the collected data and to classifying those to interpret them in a clear and understandable manner.

### **Findings of the Study:**

The collected data were scrutinized and were pointed out and shown as findings. Few recommendations are also made for improvement of the current situation.



### 1.5 Limitation:

Three months time for internship is a pretty short time to acquire in depth knowledge about all the departments of Sonali Bank Limited.

We could not manage the internship on the due time. As we have to submit the report within a stipulated time.

We were confined by a specific topic and should work on the topic related departments and some time we need to work in different departments. So it is impossible to learn hundred percent about the topic.

Sufficient books, publications, facts and figures are not available; these constraints narrowed the scope of accurate analysis. If these limitations were not been there, the report has been more useful and attractive.

It was very difficult to collect data from such a big organization. My internship was at Motijheel office. But for better interpretation I had to collect some information from the head office & Local Office. I could not get enough information, because of some divisional and confidential problems.

## 2.1 Background of Sonali Bank Ltd

### 2.1.1 Historical Background

Sonali Bank Limited, the largest Commercial Bank in Bangladesh, was established in 1972 by combining three banks, The National Bank of Pakistan, The Premier Bank and The Bank of Bhawalpur under Presidential Order no.26 of 1972. The bank is fully owned by the government of the People's Republic of Bangladesh. Now it's paid up capital is Tk. 1200 Crore with the deposit of Tk. 53319.22 Crore and 58599.13 Crore loans and advances.

### 2.1.2 Vision & Mission of Sonali Bank Limited

#### **Vision**

Socially committed leading banking institution with global presence.

#### **Mission**

Dedicated to extend a whole range of quality products that support divergent needs of people aiming at enriching their lives, creating value for the stakeholders and contributing towards socio-economic development of the country.



### 2.1.3 Main Objectives

The main objective of the bank is to provide all types of banking services at the door steps of the clients. The bank also participates in various social and development programs and also takes part in implementation of various policies and promises made by the government.

### 2.1.4 Organizational Structure

The organization structure of Sonali Bank Limited is tall and it starts from the top that is from Board. It has seven levels which are Board, Head Office, GM Office, Regional Office, Branch and Booth. Till now it has 6 GM office, 41 Principal Office, 21 Regional Office, 1200 Branches, and 36 Booths.

### 2.1.5 Manpower Structure

The manpower structure of Sonali Bank is also tall and it starts from the top that is Chairman. It has eleven levels. The levels are Chairman, Managing Director, Directors, Deputy Managing Director, General Manager, Deputy General Manager, Assistant General Manager, Senior Executive Officer, Executive Officer, Senior Officer, and Officer. The position of Chairman and Directors are nominated by the Government as Government is the owner. General Managers are gazetted officer and they can be transferred from one NCB to another NCB. The structure of staff consists of seven levels. It starts from Head Clerk and ends at messenger. The structure of staff is also tall. The total number of employee is 23234 till now.



## 2.2 Management Structure of Sonali Bank Ltd.

The Board of Directors is the top of Management, which is constituted in terms of the Bangladesh Bank's Nationalization Order 1972. Management hierarchy of Sonali Bank is given below:

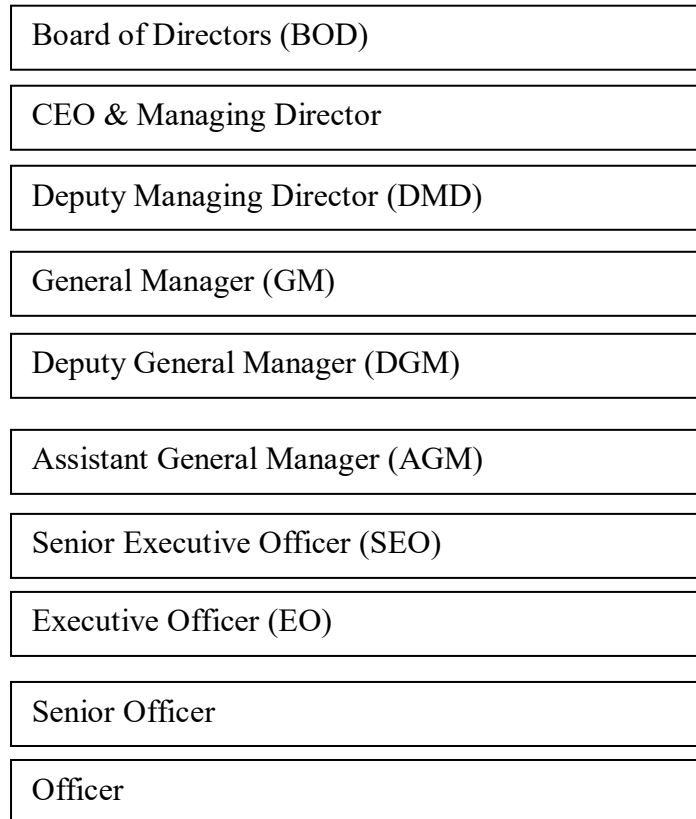


Figure: 2.2 Management structure of Sonali bank

### 2.2.1 Board of Directors (BOD)

Sl No.	Name	Designation
1.	Dr. A.H.M. Habibur Rahman	Chairman
2.	Ranjit Kumar Chakraborty	Director
3.	A.S.M Nayeem	Director
4.	Md. Nazibar Rahman	Director
5.	Shekhar Dutta	Director
6.	Mrs. Salima Ahmad	Director
7.	Md. Mahboob Hossain	Director
8.	Md. Shaheb Ali Mridha	Director
9.	Kazi Tariqul Islam	Director
10.	Md. Enamul Haq Choudhury	Director
11.	Dr. Zaid Bakht	Director
12.	Pradip Kumar Dutta	MD & CEO

Figure: 2.2.1 Board of Director

### 2.3 Operational Network

The Bank through its 1196 branches, 1194 domestic and 2 overseas (Kolkata and Siliguri in India) have been providing banking services to its customers. Out of total 1196 branches 702 are operating in rural areas and 491 in the urban areas. Besides, 25 booths under different branches are performing specialized functions at different locations. The overall functions of the branches are supervised and monitored by 70 administrative offices. This administrative structure comprises of Head Office in Dhaka, 7 General Managers' Offices - 2 in Dhaka and 1 each in Chittagong, Khulna, Rajshahi, Barisal and Sylhet, 30 Principal Offices, and 32 Regional Offices all over the country.

From 10 December 2002, Sonali Bank (UK) Ltd. (a joint venture company of Sonali Bank of Govt. of Bangladesh) has been operating to channelize banking activities covering the whole Europe. Besides, the Bank has established a wholly owned subsidiary company in New York, USA in the name of Sonali Exchange Company Inc. to act as an international money remitter through which Bangladeshi citizens living in USA are conveniently remitting money to Bangladesh. There are three

Overall Banking Activities of Sonali Bank Limited.





representative offices of Sonali Bank Limited in Jeddah and Riyadh of KSA and another in Kuwait of Middle East engaged in motivating Bangladeshi expatriates living there to remit money through banking channel.

## 2.4 Core Business

- ✦ The bank renders commercial banking services to all types of customers core business of the bank includes.
- ✦ Retail banking with personalized service
- ✦ Corporate banking
- ✦ Project finance
- ✦ Consumer credit
- ✦ International banking
- ✦ Rural credit
- ✦ Housing finance
- ✦ Remittance services
- ✦ Trade finance
- ✦ Loan syndication
- ✦ Investment banking
- ✦ Lease finance
- ✦ Micro credit
- ✦ SME lending
- ✦ Special lending program for target groups
- ✦ Treasury operation
- ✦ Main deposit products
- ✦ Current deposit
- ✦ Savings deposit
- ✦ Short term deposit
- ✦ Fixed deposit
- ✦ Special deposit schemes
- ✦ Special deposit and pension scheme
- ✦ Sonali deposit scheme
- ✦ Education deposit scheme
- ✦ Medical deposit scheme
- ✦ Rural deposit scheme
- ✦ Credit facilities



- ✦ Trading loan
- ✦ Agricultural /rural credit
- ✦ Micro credit
- ✦ Small and medium enterprise financing
- ✦ Industrial credit
- ✦ Overdraft
- ✦ Special small loan
- ✦ Loan to NGOS
- ✦ Remittance
- ✦ Inland remittance demand draft and telegraphic transfer are transmitted instantly from one branch to another through instant financial reconciliation and messaging system. This service is available with selected 300 branches of the bank. Gradually the system will be extended to other branches.
- ✦ Foreign remittance remitted by the Bangladeshi expatriates are credited to the beneficiaries account within 8 to 24 hours through remittance management system.

## 2.5 Ancillary activities:

- ✦ Sonali Bank Ltd by arrangement with the providers of utility services.
- ✦ Receipt of utility bills.
- ✦ Electric bills of PDB, REB, DESA, DESCO ETC.
- ✦ Water bill of WASA
- ✦ Gas bill of TITAS
- ✦ Telephone bill of BTTB
- ✦ Payment of salaries to
- ✦ Govt. primary school teachers
- ✦ Teachers and employees of non govt .educational institutions
- ✦ Payment to pension to Govt officers /staff, civil /Army officers /staff
- ✦ Disbursement against benevolent fund of govt. employed
- ✦ Payment of Old age allowance
- ✦ Allowances to widows divorced and distressed women
- ✦ Stipend to primary students



- ✽ Honorarium to freedom fighters
- ✽ Allowance to physically retarded and acid burnt women
- ✽ allowance to disabled persons
- ✽ miscellaneous
- ✽ collection of
- ✽ excise duty
- ✽ value added tax (VAT)
- ✽ tax deducted at source
- ✽ travel tax
- ✽ land development tax
- ✽ passport fees
- ✽ receipt of hajj deposits & Zakat fund
- ✽ Payment of govt. food procurement bills
- ✽ sale / encashment of savings instruments
- ✽ sale /encashment of wage earners development bond

## 2.6 Performance/Activities of Sonali Bank Limited at a Glance:

The performance of Sonali Bank Limited is reflected through the following variables:

Performance/Progress at a Glance

(Tk. in Crore)

Year		2017	2016	2015	2014	2013
Total Income		4603.76	3972.01	3256.59	2662.10	1429.02
Total Expenses		3352.07	3409.41	3025.54	2500.41	1004.32
Total Operating Profit		1251.69	562.60	231.05	161.69	424.70
Paid-up Capital		1125	900.00	900.00	900.00	900.00
Reserve Fund		3204.72	2360.46	1744.04	1246.95	1196.28
Deposits		53319.22	47813.41	40615.15	36438.60	32899.72
Advances		34599.13	28609.81	25402.25	23116.66	20634.76
Import		3747.85	16404.29	9686.42	15146.51	7649.68
Export		8087.75	7414.29	6444.20	7938.98	7804.59
Remittance (inward)		10153.83	10437.82	10260.86	10344.48	9217.83
Remittance (outward)		1264.23	1172.67	927.05	1274.29	1232.28
Employees	Officer	18596	17989	18091	11507	11769
	Staff					
Total		21938	20840	21506	21839	22542
Branches	Urban	343	343	343	563	562
	Rural	853	844	840	619	621
Total		1196	1187	1183	1182	1183
Profit Branch		1130	1096	1002	991	743
Loss Branch		66	91	181	191	440
Classified Loan (C.L.)		5712.14	6831.49	6983.35	6267.68	9201.35
Classified Loan Recovery		2186.99	1348.20	1852.76	1657.40	1007.55
Provision Required		3756.77	4561.17	5008.21	5540.50	5632.41
Provision Maintained		3756.77	4548.17	5600.75	5707.43	5675.92

Source: Annual Report, 2017s, Sonali Bank Ltd.

Figure: 2.6 Performance/Activities of Sonali Bank Limited at a Glance



### 2.6.1 Total Income

Year	2017	2016	2015	2014	2013
<b>Total Income</b>	4603.76	3972.01	3256.59	2662.1	1429.02

Figure: 2.6.1, Total income

The Total Income of SBL is increasing continuously and consistently .In 2013 the income was 1429.02 Crore. But in 2017 the income was 4603.76 Crore. It indicates that income of SBL increasing continuously.

### 2.6.2 Total Expenses

Year	2017	2016	2015	2014	2013
<b>Total Expenses</b>	3352.07	3409.41	3025.54	2500.41	1004.32

Figure: 2.6.2, Total Expense

The Total expense of SBL is increasing continuously and consistently .In 2013 the Total expense was 1004.32 Crore. But in 2017 the Total expense is 3352.07 Crore. It indicates that Total expense of SBL increasing continuously.

### 2.6.3 Total Operating Profit

(Tk in Crore)

Year	2017	2016	2015	2014	2013
<b>Total Operating Profit</b>	1251.69	562.6	231.05	161.69	424.7

Figure: 2.6.3, Total operating profit

The Total operating profit of SBL is increasing continuously and consistently .In 2013 the Total operating profit was 424.07 Crore. But in 2017 the Total operating is 1251.69 Crore. It indicates that Total operating profit of SBL increasing continuously.

### 2.6.4 Paid-up Capital

(Tk in Crore)

Year	2017	2016	2015	2014	2013
<b>Paid-up Capital</b>	1125	900	900	900	900

Figure: 2.6.4, Paid-up capital

The Total paid-up capital of SBL is increasing continuously and consistently. In 2013 the Total paid-up capital was 900 Crore. But in 2017 the Total paid-up capital is 1125 Crore. It indicates that Total paid-up capital of SBL increasing continuously.

### 2.6.5 Reserves, Deposits & Advances

(Tk in Crore)

Year	2017	2016	2015	2014	2013
<b>Reserves</b>	3204.72	2360.46	1744.04	1246.95	1196.28
<b>Deposits</b>	53319.22	47813.41	40615.15	36438.6	32899.72
<b>Advances</b>	34599.13	28609.81	25402.25	23116.66	20634.76



Figure: 2.6.5, Reserves, Deposits & Advances

The reserves, Deposit & Advances of SBL are increasing day by day. In 2013 the Reserve Deposit & Advance was 1196.28 Crore, 32899.72Crore & 206304.76 Crore. On the other hand in 2017 the Reserve Deposit & Advance are 3204.72 Crore, 53319.22 Crore & 34599.13 Crore.

### 2.6.6 Import & Export

(Tk in Crore)

Year	2017	2016	2015	2014	2013
<b>Import</b>	3747.85	16404.29	9686.42	15146.51	7649.68
<b>Export</b>	8087.75	7414.29	6444.2	7938.98	7804.59

Figure: 2.6.6, Import & Export

The Total Export & Import of SBL is increasing continuously and consistently. In 2013 the Total Export & Import was 7649.68 Crore& 7804.59 Crore. But in 2017 the Total Export & Import is 3747.85 Crore & 8087.75 Crore. It indicates that Total Export & Import of SBL increasing continuously.

### 2.6.7 Remittance (inward) & Remittance (outward)

(Tk in Crore)

Year	2017	2016	2015	2014	2013
<b>Remittance (inward)</b>	10153.83	10437.82	10260.86	10344.48	9217.83
<b>Remittance (outward)</b>	1264.23	1172.67	927.05	1274.29	1232.28

Figure: 2.6.7, Remittance (inward) & Remittance (outward)

The Total Remittance (inward) & Remittance (outward) of SBL is increasing continuously and consistently. In 2013 the Total Remittance (inward) & Remittance (outward) was 9217.83 Crore& 1232.28 Crore. But in 2017 the Total Remittance (inward) & Remittance (outward) is 10153.83 Crore & 1264.23 Crore. It indicates that Total Remittance (inward) & Remittance (outward) of SBL increasing continuously.

### 2.6.8 Provision Required & Provision Maintained

Year	2017	2016	2015	2014	2013
<b>Provision Required</b>	3756.77	4561.17	5008.21	5540.5	5632.41
<b>Provision Maintained</b>	3756.77	4548.17	5600.75	5707.43	5675.92

Figure: 2.6.8, Provision Required & Provision Maintained

The Total Provision Required & Provision Maintained of SBL is increasing continuously and consistently. In 2013 the Total Provision Required & Provision Maintained was 5632.41 Crore& 5675.92 Crore. But in 2017 the total Provision Required & Provision Maintained is 3756.77 Crore & 3756.77 Crore. It indicates that Total Provision Required & Provision Maintained of SBL increasing continuously.

## 2.7 Branch Expansion

Sonali Bank Limited expands its branches all over the country. This bank established its branches in those areas where the other bank can't even think about to open any



branch. But Sonali Bank Limited is facing problems in maintaining the branches. Sonali Bank Limited is decreasing its number of branches from 2002 for various problems. It had 1293 branches in 2000, but now it has 1196 branches. The following diagram shows number of branches over the five years from 2013 to 2017.

## 2.8 SWOT Analysis

SWOT Analysis of the Bank on the basis of Financial Picture of the Bank:

Every organization has some internal strengths as well as internal weaknesses. Not only that every company has internal opportunities and threats. If we analyze a company's strengths, weaknesses, opportunities and threats, we shall have a very good idea of that company. In fact SWOT analysis reflects a company. Let's have a look over the SWOT analysis of Sonali bank ltd.

### **Strengths**

Anything that a company can do well or anything that is internally favorable to the company is known as strength of that company. Internal Strengths of Sonali bank ltd are:

1. Sonali bank ltd is the largest commercial bank of the country. The bank has wide network having 1196 branches in urban & rural areas, 2 overseas branches & 13 foreign subsidiary branches.
2. The bank has a well-educated and trained workforce.
3. The bank has sustainability plans as indicated in its approach to diversify its line of banking business.
4. Government bank & Government support.
5. Sound organization showing good relationship. It has foreign correspondence relationship with 346 large of 98 countries.
6. Top management is visionary.



## Weakness

Anything a company does poorly or any resource that a company lacks is called weakness of that company.

Internal weaknesses of the bank are:

1. Excessive Classified Loans.
2. Some of the directors are not professional bankers, thus hindering effective decision-making.
3. Backwardness in using modern banking technology.
4. Higher rate of cost of fund.
5. More dependence to government section & self finance project in export & import.
6. Overall expenditures are high.
7. Insufficiency in commercial export & import
8. .

## Opportunities

Any favorable condition that exists in the external environment is known as opportunity of that company.

1. Expansion of business by using local branches & foreign subsidiary branches network.
2. Expansion of interbank foreign exchange business.
3. Expanding commercial import & export.
4. Financing to export oriented industries.
5. Incentives for export of nontraditional industrial products.

## Threats

1. Tough competition with Govt. Private & Foreign commercial banks.
2. Defaulting culture of the borrowers.
3. Unwillingness to work of some of employees.
4. Undue interference of the Govt.
5. Low interest rate in export financing imposed by the Govt.

## 2.9 Loan Services:

### Microcredit

Poverty alleviation has appeared to be the focal point of all policy formulation and development issues of the nation. As such, it has been globally accepted as an





effective strategy for poverty alleviation in one hand and generating employment opportunities on the other.

In commitment to reduce poverty in urban, semi-urban and rural areas, Sonali Bank Limited has started functioning in Micro Credit through a full pledged micro credit division in its Head Office in the year 2003. Presently, 32 projects/programmers are being run under the control and supervision of this Division. Among all others programmers, Bank-NGO Linkage program and Credit for Urban Women Micro Enterprise Development (CUMED) in Dhaka City, Goat rearing, Lamb rearing, Fruit, Herbal, Medicinal and Nursery Project, Micro- enterprise program- 'Unmesh' in Moulavibazar district. Deserve special mention for channelizing the financial resources into the various potential avenues of microfinance.

Sonali Bank Limited jointly with Swanirvar Bangladesh, Bangladesh Rural Development Board (BRDB) and Asian Development Bank (ADB) has been providing huge investible funds into the different Upazillas within the country. 152 Upazillas have been covered by the Rural Livelihood Program (RLP). Further, this Division has provided taka 179.09 Crore to 68 Non government organization's (NGO) under its widely accepted Bank-NGO Linkage Program on whole sale basis and whose recovery rate is 100%. Specially, for the disable people Disable Loan Program has been undertaken to bring the disable section of the people under the micro credit facilities. The Goat Rearing Program undertaken by this Division has been running with a remarkable impact in reducing the rate of massive- scale rural poverty. Sonali Bank has already disbursed 46.47 Crore up to 31 December, 2013. Further, in order to create employment opportunities and to generate income of the rural people two loan schemes under the name and style " Rural Small Farming Loans scheme " and "Rural Small business loan" scheme have been introduced in- 2004 . In both the programs there is a provision of collateral free loan up to Tk. 50,000/- . In 2006 a new program has been introduced named "Daridra Bimochane Sahayta Karmasuchi" for the extremely 'Monga' affected rural people. Moreover, in 2013 a special program has been introduced for SIDR affected 12 areas in which there is a provision of collateral free loan up to TK.20,000/-. Up to December 2013, Tk. 3299.47 Crore has been disbursed under various project/ programs of this Division where as this disbursement figure was Tk. 3056.63 Crore up to December 2006. The key features of some running projects/Programs of Micro Credits given as follows:



SL	Project/Programs	Target group	Loan size in Tk.	Rate of Interest
1	Swanirvar Credit Program	Poor Landless people	1,000-15,000	9%
2	Crop Godown Credit Project	Small & Medium Farmers	Highest 10,000	9%
3	Sonai Bank -BARD, Comilla Priogik Gabesana Rin Prokalpa	Bittahin rural male & female	Highest 10,000	9%
4	Sonai Bank- RDA, Bogra Priogik Gabesana Rin Prokalpa	Bittahin rural male & female	Highest 10,000	9%
5	Marginal and Small Farms System Crop Intensification program(MSFSCIP)	Marginal, Poor & Small Farmers	Highest 10,000	9%
6	Herbal & Forestry, Medicinal Plant & Nursery Development Credit program	Bittahin, Poor Energetic Youth	5,000-25,000	9%
7	Grameen Khudra Babsa Rin Karmasuchi	Poor People	Highest 50,000	10%
8	Daridra Bimochane Sahayta Rin Karmasuchi	Hard Core Poor People	5,000-10,000	8%
9	Loans to Disable People	Disabled People	25,000-50,000	10%
10	Unmesh Credit Program	Micro Entrepreneurs	50,000-2,00,000	9%
11	Goat Rearing Credit Program	SME	Highest 50,000	8%
12	Credit for Urban Women Micro Enterprise Development (CUMED)	Urban Women Entrepreneurs	Highest 5,00,000	10%
13	Bank-NGO linkage Credit Program	Poor People	Highest 5000-50,000	11%
14	Khudra Khamar Rin Karmasuchi	Small Entrepreneurs	Highest 50,000	9%
15	Salt Production Credit Program	Actual Salt Producer	5,000-12,500	9%
16	Individual Irrigation / Agriculcral Equipment Credit Program	Small, Marginal & Medium Farmers	10,000-16,500	9%
17	BRDB Crop Credit Program	Small, Marginal & Medium Farmers	8,000-15,000	8%
18	BRDB Integrated Rural Development Program	Co operative Poor Male & Female Member	1,500-20,000	8%



<b>19</b>	BRDB Rural Livelihood Program	Small, Marginal & Medium Farmers	5,000-20,000	6.25%
<b>20</b>	BRDB -Shrimp Culture Credit Program	Small, Marginal & Medium Farmers	2,333-28,000	8%
<b>21</b>	Special Loan for SIDR affected Area	SIDR affected People	Highest 20,00	8%

Figure: 2.10 Loan Services

### **2.10 SME Banking:**

Small and Medium Enterprises (SME) remain the engine of growth in almost all the emerging economies worldwide. SME contribution to economic growth, risk mitigation through diversification, employment generation and an effective vehicle for sustainable development made it an indispensable way of business in very economic system. To serve this overwhelmingly promising sector, Sonali Bank Limited has given special focus on SME banking. Numerical data indicating the performance in different areas can give a gist of SME activities in 2015. Presently 52 branch of the Bank are working all over the country where dedicated team members have developed themselves to educate SME people for their development. The Bank is providing working capital and fixed asset financing facilities in service, trading & manufacturing sector under SME.

### **2.11 Merchant Banking:**

Merchant Banking is the most potential wing of a bank now a day. Already the sector is booming and still there is scope to grow even more. At present a number of Merchant Banks are operative in the Capital Market of Bangladesh.

Merchant Banks have a vast area/scope of operations. At present Merchant Banks operative in Bangladesh mainly provide the following three services:

1. Issue Management Services
2. Underwriter Services
3. Portfolio Management Service

Sonali Bank Limited of Bangladesh Limited has a well organized Merchant Banking that provides most efficiently engineered portfolio management plan that minimized risk and maximizes profit to its clients. The MB of Sonali Bank is extremely careful



to its clients. It provides its clients their portfolio report regularly and arranges for investor regarding Capital market and all its factors. The MB of the bank also provides underwriting services to IPO and Right Issue of different companies. It is also making arrangements to provide issue management services.

### **2.12: Islamic Banking:**

Sonali Bank Limited has started Islamic Banking from 29 June, 2016. Five branches are dealing with Islamic Banking. The 5 windows are given below:

1. Fakirapool Branch, Dhaka
2. Agrabad Corporate Branch, Chittagonj
3. Dargagate Corporate Branch, Sylhet
4. Khulna Corporate Branch, Khulna
5. Bogra Corporate Branch, Bogra

### **2.13 Computerization:**

Sonali Bank entered into the world of office automation system in order to keep pace with the rapid changing global market economy and to pave the way for materializing different policies adopted in internal banking activities. With a view to actualization these objectives, Sonali Bank installed an IBM Mini (ES9373 Model 030) computer at its Head Office in December 1989. Subsequently an IBM RISC System was added. Presently Inter Branch reconciliation, Loan classification, Payroll of Head Office employees, Treasury function, maintenance of Provident Fund accounts of bank's staff and officers, maintenance of Personal Profile of all officers of the bank, preparation and submission of CIB information to Bangladesh Bank through diskette, maintenance of data of Special recovery cell, preparation of Foreign exchange rate on Daily basis, maintenance of Credit information of big borrowers, clearing House operation, NOSTRO Accounts, Inventory System of Dead Stock and Stationery Division etc. have been brought under the purview of computerization by our own programmers.

So far 97 branches at home have been brought under computerization and of which 39 branches are rendering one stop service, joining the SWIFT system the bank has been performing financial transaction in the international arena and thus taken a contemporary step. Besides, preparation of launching of Bank's own Website is completed.



Foreign remittance is being sent directly to SEC, Dhaka through Electronic Fund Transfer System (EFT) from 7 booth of Sonali Exchange Company Incorporated (SECI) in the USA. a subsidiary organization of Sonali Bank Ltd. In the same way Sonali Bank (UK) Ltd. is sending remittance for direct credit to the accounts of the beneficiaries of Bangladesh community working there through its five branches in the UK to the wage Earners ‘ Corporate Branch, Dhaka, six branches at Sylhet, two branches at Moulavibazar, two branches at Hobigonj, two branches at Chittagong. Under an agreement with Sonali Bank, Many banks in Malaysia is also sending remittance to our Wage Earners Corporate Branch, Dhaka through EFT system.

In the process of branches computerization 26 branches have been computerized in the year 2005. In the year 2006 under EFT retransmission system has been introduced in the following branches of the Bank Sunamgonj Branch and Kulaura Branch, Moulavibazar Branch of Moulavibazar, Tazpur Branch and Golapgonj Branch of Syahet and Habigonj Branch with Sonali Bank (UK) Ltd. Retransmission system has also been established between Majdee Court Branch, Noakhali and Wage Earners Corporate Branch, Dhaka under SECI network. Besides, Internet connection has been established at about 69 branches/ offices including several department of Head Office, controlling offices (GMO/PO/RO), several corporate branches and other branches. This has facilitated faster communication at home and abroad.

It may be mentioned here that with a view to expediting and consolidating computerization program of the Bank, appointment of IT consultant has been taken into hand in the year 2006.

In the same year, in order to submit statement of Govt. transaction to Bangladesh within 7 (seven) days data transmission system through WAN and E-mail has been established between Head Office and Principle Office/ Regional Offices of the bank at hand.

#### **2.14 Training:**

Sonali bank Staff College, Dhaka along with four Training Institutes / Center(s) at Chittagong, Rajshahi, Khulna and Bogra have been conducting training program covering total Banking activities in order to impart training to all categories of officers and staff of Sonali Bank Ltd.



In the year 2014 as many as 8430 officers and staff received training in 383 batches of different courses, workshops and seminars conducted by the aforesaid training institutions & Staff College.

### **2.15 Library Facilities:**

With the objectives of enriching knowledge and working efficiency of the officers and members of the staff of Sonali Bank Ltd, the Bank has a central library. Library is situated on the 7 floor of its Head Offices Building. It has now been turned into a modern library by extending its facilities. It has been enlarged with the latest books on Banking, Foreign Exchange, Computer, Management, Accounting, Agriculture, Industrial Finance, Economics, Religion, and Literature and on many other disciplines. Moreover, different international journals covering world economy, political and other aspects are also being available here to attract and inspire the readers.

### **2.16. General Banking:**

General Banking is the core of banking activities. It is the introductory department of the bank to its customers. Local Office of Sonali Bank Limited has all the required sections of general banking and these sections are run by manpower with high quality banking knowledge.

GB sections of Local Office are:

- ✽ TT issue section
- ✽ TT payment section
- ✽ PO section
- ✽ Account opening & cheque issue section
- ✽ TT payment section
- ✽ DD issue & payment section
- ✽ MT issue & payment section
- ✽ FDR issue & payment section
- ✽ SND
- ✽ Govt. chalan section
- ✽ TRA section
- ✽ SC-LSC section
- ✽ Clearing section



- ☼ Accounts section
- ☼ Clean Cash, GL section
- ☼ Reconciliation section
- ☼ Locker section

### 3.1 Telegraphic Transfer (TT):

Telegraphic Transfer (TT) is another widely used mode for remittances of funds. Telegraphic Transfer is quicker than a transfer of amount by DD or MT. The customer deposits money with the branch to be sent. The customers obtain a cash memo containing TT serial number.

Procedures for the incoming TT:

After receiving the telex, it is decoded at first. Then the TT serial number, test number are verified. A credit voucher in favor of the beneficiary's a/c is prepared and passed.

### 3.2 Payment Order (PO):

Payment Order (PO) is an instrument that contains an order for payment to the payee only in case of local payment whether on behalf of the bank or its constituents.

Customers can purchase to deposit as security money or earnest money. Payment Order is in the form of receipts and issued by joint signatures of two officials.

Payment of this instrument is made from the branch it has been issued. The payee's banker who should certify that the amount would be credited

### 3.3 Account opening & cheque issue section:

In order to open an account the customer is first of all asked to fill the application form up given by the bank. The requirement by the bank to open an account is:

- 1) Proposal for opening an account
- 2) Name and full address both present and permanent
- 3) Occupation
- 4) Letter of Introduction

This is a letter from the introduction who is a valid customer of the branch or the other branch and maintaining any kind of account. The process of introducing a new





customer can be done on the form itself.

There is a space in the application from where the introducer will write his/her account number, address and he/she will sign as his/her specified signature. A letter of introduction that always protects a banker in the following ways:

1. Protection against fraud.
2. Protection against under charged bankrupt.
3. Protection against inadvertent overdraft.
4. Protection against negligence under sections 131 of NI Act.
5. Protection against giving incorrect information to follow banker.

However, the person who wants to open an account can mention minimum one and maximum three nominees. The application will give a declaration in the space given on the account form starting the name, relation, age and percentage of share (if more than one). The account holder can charge the nomination at any time and it would be only valid after the death of the accountholder.

Moreover, the a applicant will sign on the application and he/she will be provided with a extra paper where he/she will give three signature which he/she has to maintain all through till the time he/she maintains the account. Indeed, it is always a common practice among bankers to allow a new customer to open an account only in cash.

In addition to, the account opening section of Branch can provide the following account to customer:

- ✽ Individual Account.
- ✽ Joint Account.
- ✽ Account for Proprietorship Concern.
- ✽ Account for Partnership Firm.
- ✽ Account for Private Limited Company.
- ✽ Account for Public Limited Company.
- ✽ Account for Club/Association/Society.
- ✽ Accounts of Government.
- ✽ Accounts of Corporation.

### 3.4 Demand Draft (DD):





Demand Draft (DD) is an instruction payable on demand. It is a negotiable instrument issued by the branch of a bank containing an order to another branch of the same bank to pay a fixed sum of money to a certain person or order on demand. This instrument can be purchased by a customer from a particular bank branch for himself or for beneficiary and can be handed over to the purchaser for delivery to the beneficiary. The payee or beneficiary will claim the amount of money in the instrument by producing the same to the concerned paying branch. Demand Draft may be paid in cash to the payee on proper identification or the amount may be credited to his account. Banks issue drafts for a nominal commission. The commission depends upon the amount to be transmitted. The purchaser of the DD needs not to be a customer or account holder of the bank.

### 3.5 Mail Transfer (MT):

The facility of sending money by mail is available to customers having some sort of an account with the bank. The remitter deposits the amount to be transferred with a small commission with the remitting branch. An Advice issued by a branch to another branch for crediting the specified amount to the account of the payee maintained with them. It is a non-negotiable instrument and generally is not handed over to the customer rather sent through Post Office to the concerned branch.

### 3.6 Fixed Deposit Receipt (FDR):

Fixed deposits are the deposits in which an amount of cash is deposited in bank for a fixed period specified in advance. Hence, these deposits are time deposits or time liabilities. Normally, the money on a fixed deposit is not repayable before the expiry of a fixed period. At the time of opening the deposit account, the banker issues a receipt acknowledging the receipt of money on deposit account. It is popularly known as FDR (Fixed Deposit Receipt). Necessary documents for opening a FDR A/C are as follows-

- ✿ FDR Form (F-425)
- ✿ FDR Card
- ✿ Photo of the Nominee(s) attested by the A/C Holder

The Fixed Deposit A/C opening form contains the following headings-

- ✿ Amount in figures
- ✿ Period



- ☼ Rate of interest
- ☼ Beneficiary's name and address
- ☼ Special instruction in case of joint a/c
- ☼ Information about nominee(s)
- ☼ Address of the applicant(s)
- ☼ Specimen signature(s)
- ☼ FDR no.

After opening a FDR a/c, it is usually recorded in the FDR Register. The payment will be made after the completion of a certain period or premature. The interest rates are –

Period	Interest Rate
<b>1 MONTH = &lt; 2 MONTH</b>	<b>7.00%</b>
<b>2 MONTH = &lt; 3 MONTH</b>	<b>7.50%</b>
<b>3 MONTH = &lt; 6 MONTH</b>	<b>9.00%</b>
<b>6 MONTH = &lt; 1 YEAR</b>	<b>9.50%</b>
<b>1 YEAR = &lt; 2 YEAR</b>	<b>10.00%</b>
<b>2 YEAR = &lt; BUT MAX 3 YEARS</b>	<b>10.50%</b>

Figure: 3.6 Fixed Deposit Receipt (FDR)

### 3.7 Short Notice Deposit (SND):

In Short Notice Deposit Account, the deposit should be kept for at least seven days to get interest. Government Departments like PDB and other private organizations and individuals keep money in SND accounts. For this type a/c, frequent withdrawal is discouraged and requires prior notice. The interest rates are –

<b>(In Taka Crore)</b>	
Amount	Interest Rate
<b>&lt; 1</b>	<b>3.50%</b>
<b>1 = &lt; 25</b>	<b>3.60%</b>
<b>25 = &lt; 50</b>	<b>3.70%</b>
<b>50 = &lt; 100</b>	<b>3.80%</b>
<b>100 = &lt;</b>	<b>4.00%</b>

Figure: 3.7 Short Notice Deposit (SND)



### 3.8 Deposit Scheme:

Several types of deposit scheme given below

Srl.#	Name Of Scheme	Duration	Installment Amount	Rate of Interest
01.	Sonali Deposit Scheme (SDS)	5 years	500/- to 10,000/-	8.5% (Compound)
02.	Education Deposit Scheme (EDS)	10 years	500/- to 10,000/-	8.0% (Compound)
03.	Medical Deposit Scheme (MDS)	10 years	500/- to 10,000/-	8.0% (Compound)
04.	Rural Deposit Scheme (RDS)	7 years	100/- to 500/- & 1,000/-	9.0% (Simple)
05.	Marriage Scheme (MSS)	10 years	100/- to 500/- & 1,000/- to 10,000/-	8.5% (Compound)
06.	Monthly Earning Scheme (MES)	3 yrs & 5 yrs	50,000/- or times	9.95% (3yrs) 10.8%(5yrs) (Simple)
07.	Double Benefit Scheme (DBS)	6.6 yrs	50,000/- or times	11.25% (Compound)
08.	School Banking Scheme (SBS)	--	Minimum 100/-	6.0%
09.	Sonali Bank Daily Product (SBDP)	---	Minimum 20,000/-	5.0% (Compound)
10.	Retired Savings Scheme (RSS)	3 years	Minimum 1 Lac	11.0% (Simple)
11.	Sonali Bank Retired Savings Scheme (SBRSS)	3-5 yrs & 6-15 yrs	Minimum 3 Lac	13%(3-5yrs) 14%(6-15yrs) (Simple)

Figure: 3.8 Deposit Scheme

### 3.9 Clearing section:



- ✿ Definition of Clearing House
- ✿ Objectives of BACH
- ✿ Components of BACH
- ✿ Important Aspects of BACPS
- ✿ BACPS Terminologies
- ✿ Cheque Truncation : for Different Types of Banks
- ✿ Processing of In-Clearings
- ✿ What is BEFTN
- ✿ Participants in BEFTN
- ✿ BEFTN Information Flow
- ✿ BEFTN Transaction Type

### **Definition of Clearing House**

- ✿ Clearing means the process of transmitting, reconciling and/or confirming funds or includes the netting of instructions and the establishment of final positions for settlement.
- ✿ Clearing house means any entity that provides clearing or settlement services for a system, including Bangladesh Bank;
- ✿ In Bangladesh, BB performs the role of the Clearing House and Sonali Bank performs this on behalf of BB (where Bangladesh bank branch is not present).

### **Objectives for BACH**

- ✿ Build up a modern payments infrastructure for Banks
- ✿ Ensures promptness,
- ✿ Minimize costs,
- ✿ Reduce clearing related frauds and
- ✿ Adopts efficient reconciliation process.

### **Components of BACH:**

1. Bangladesh Automated Cheque Processing System (BACPS)
2. Bangladesh Electronic Funds Transfer Network (BEFTN)



## **Bangladesh Automated Cheque Processing System (BACPS)**

### **Important Aspects of BACPS**

- ✿ Electronic Cheque Clearing Systems with Cheque Imaging and Truncation System [CITS]
- ✿ New Clearing House Instruments design with MICR code line
- ✿ Image exchange instead of physical movement of instruments
- ✿ Returns: only the data, not the image
- ✿ Physical instruments will be stored at the presenting bank
- ✿ New Clearing Time Frame for prompt (day end) settlements
- ✿ Central Image Archive at Bangladesh Bank

### **3.10Accounts section:**

Account section records day to day transaction of the branch including deposit inflow-outflow, daily expenses and gives focus what are need for establishment of the branch means photocopy paper, ink, shelf, desk etc. This section prepares statement daily, weekly, monthly, semi-yearly and yearly.

This department also is called financial control department. In banking business transaction are done every day is their transaction are to be recorded properly and systematically as the banks deal with the depositors money. Any deviation in proper recording many hamper public confidence and bank has to suffer a lot otherwise. Improver recording of transaction will lead to the mismatch in the debit side and the credit side. To avoid these mishaps the bank provides a separate department whose function is to check the mistake is passing voucher on wrong entries or fraud or forgery.

### **4.1 Lending Principles Followed By Sonali Bank Limited:**

As liquidity and profitability are conflicting considerations, Sonali Bank Limited as a bank, while employing the funds pays due regard to both profitability and liquidity. In order to secure a balance between liquidity, profitability and security, Sonali Bank Limited follows the following principles of sound lending –

- ✿ Liquidity: It means that while lending, adequate care has to be taken so that the liquidity is not compromised. That's why; Sonali Bank Limited chooses such securities which posse's sufficient liquidity.



- ☼ Safety: Sonali Bank Limited exercises the lending function only when it is safe and that the risk factor is adequately mitigated and covered. Safety depends upon-
- ☼ The security offered by the borrower; and the repaying capacity and willingness of the debtor to repay the loan with interest.
- ☼ Diversity: In order to minimize risk, Sonali Bank Limited invests its funds in different types of securities of different industries situated in different regions of the country.
- ☼ Yield: From the commercial point of view, Sonali Bank Limited considers sufficient yield or return while financing a project.
- ☼ Productive Purpose: Sonali Bank Limited exercises its lending function only on productive purpose.

## 4.2 Types of Loans and Advances Offered By Sonali Bank Limited:

Sonali Bank Limited offers following types of loans and advances-

- a) Secured Overdraft (SOD)
- b) Cash Credit (CC)
- c) Staff Loan
- d) House Building Loan
- e) Transport Loan
- f) Industrial Credit
- g) Mid-term Loan
- h) Bills Purchased and Discounted

### 4.2.1 Secured Overdraft (SOD):

It is a continuous advance facility. By this agreement, the banker allows his customer to overdraft his current account up to his credit limits sanctioned by the bank. The interest is charged on the amount, which he withdraws, not on the sanctioned amount. Sonali Bank Limited sanctions SOD against different security.

#### 4.2.1.1 Types of Secured Over Draft

1. SOD (General): Advances allowed to the individuals/firms against financial obligations i.e. lien of F.D.R. or Defense Savings Certificate (P.S.P.), ICB Unit Certificate etc.



2. SOD (Others): Advances allowed against assignment of work order for execution of contractual works falls under this head. The advance is generally allowed for a specific purpose. It is not a continuous loan.
3. SOD (Export): Advances allowed to purchasing foreign currency for payment against L/Cs (Back to Back) where the exporter cannot materialize before the date of import payment.

#### 4.2.2Cash Credit (CC):

Cash Credit (CC) is an arrangement by which a banker allows his customer to borrow money up to a certain limit. CC is a favorite mode of borrowing by traders, industrialists etc. for meeting their working capital requirements. It is operated like overdraft account. Depending on the needs of the business, the borrower can draw on his credit account at different time and when he gets money can adjust the liability. Sonali Bank Limited charges interest on the daily balance in the account. Depending on charging security there are two (02) forms of cash credit-

#### Cash Credit (Pledge):

Pledge is the bailment of goods as security for payment of a debt or performance of a promise. Bailer in this case of called the “Pawnor” and the bailee is called the “Pawnee”. In a contract of pledge, pawnor must deliver the goods pledged to the Pawnee either actually or constructively. Transfer of possession in the judicial sense, is essential in the valid pledge. In case of pledge goods the bank acquire the possession of the goods or a right to hold goods until the repayment for credit with a special right to sell after due notice to the borrower in the event of non-repayment.

After getting the cash credit arrangement, the banker will issue a cheque book for withdrawing cash from the account. Whenever the CC account holder wants to withdraw cash from the account, the cash officer will scrutinize the amount of cheque in order to make sure that the total drawings do not exceed the sanctioned limit.

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)
- ☀ Stock Report
- ☀ Letter of Disclaimer

#### 4.2.3 Staff Loan:

Sonali Bank Limited provides advances to the staffs for buying motorcycles. Bank provides this advance facility under installment system. At the end of each month, when the staffs used to withdraw their salaries, bank takes Tk.2,100/- from the salary of each of the concerned staff that takes this loan.

#### 4.2.4 House Building Loan:

Advances for construction of residential houses against real estate as primary securities as allowed by the banks up to TK. 60 lacs per party (including cost of land). The rate of interest for all such loans is 5% per annum.

#### 4.2.5 Purchase and Discount of Bills:

Purchase and Discount of Bills is also a special form of advances. Sonali Bank Limited normally purchase demand bills of exchange that are called “Drafts” accompanied by documents of title to goods such as Bill of Lading, Railway of Truck receipt. The purchase of bills of exchange drawn at an issuance, i.e., for a certain period maturing on a future date and not payable on demand or sight is termed as discounting a bill and the charge recovered by the bank for this is called “Discount”.

#### 4.2.6 Mid-term Loans:

Sonali Bank Limited or other commercial banks, because of their capital structure, constitution and liquidity consideration, are advancing for short term on principle. But modern banks have stated 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.





## Modes of Charging Securities:

Bank charges the following two types of security-

1. Primary Security
2. Collateral Security

The modes of charging securities usually followed by the branch are as follows-

- a. Pledge
- b. Hypothecation
- c. Lien
- d. Mortgage

### 4.2.7 Loan Classification:

Like other banks, all types of loan of Sonali Bank Limited fall into following four scales-

1. Unclassified: Repayment is regular.
2. Substandard: Repayment is stopped or irregular but has reasonable prospect of improvement.
3. Doubtful Debt: Unlikely to be repaid but special collection efforts may result in partial recovery.
4. Bad/Loss: Very little chance of recovery.

Classification Criteria:

1. Overdue (OD)
2. Require Payment (RP)
3. Limit Overdrawn (LD)
4. Legal Action (LA)
5. Qualitative Judgment (QJ)

## 5. FOREIGN EXCHANGE

Foreign Exchange refers to the process by which the currency of one country is converted into the currency of another country; Foreign Exchange means a method by which rights to wealth in a country's currency are converted into rights to wealth in another country's currency. In banks when we talk foreign exchange, we refer to the general mechanism by which banks convert currency of one country into that of another's. Foreign trade gives rise to foreign exchange. Modern Bank facilitates trade and commerce by rendering valuable service to the business community. Apart from providing appropriate mechanism for making payment arising out of trade transportation the banks gear the machinery of commerce, especially in case of international commerce, by acting as a useful link between the buyer and seller, who are often too far away from and too unfamiliar with each other.

Foreign Exchange of Sonali Bank department plays a vital role through providing different services for the customer. Issuing L/C is one of the important services provided by SBL.

Some national and international laws regulate functions of this department. Among this Foreign Exchange act, 1947 is for dealing in foreign exchange business. Import and Export control act, 1950 is for documentary credits is also an important law of settlement of terms and condition between exporter and importer in international trade. Government export and import policy is another important factor for import and export operation for banks.

### 5.1 Function of foreign exchange:

The SBL works as a media for the system of foreign exchange policy. For this reason, the employee who is related of the bank to foreign exchange, specially that system should have knowledge of these functions:

- ✿ Rate of Exchange
- ✿ The rate of exchange forward and spot rate
- ✿ Method of quoting exchange rate
- ✿ Premium and Discount
- ✿ Risk of exchange rate
- ✿ Exchange control
- ✿ Convertibility
- ✿ Exchange position
- ✿ Intervention money



- ✽ Foreign exchange transaction
- ✽ Foreign exchange trading
- ✽ Export and import letter of credit
- ✽ Non-commercial L/C
- ✽ Financing for foreign trade
- ✽ Nature and function of foreign exchange market
- ✽ Rules and regulation used in foreign trade
- ✽ Exchange arithmetic

## 5.2 The Product: Letter of Credit (LC)

**Letter of Credit (LC):** A letter of credit is defined as an undertaking by an issuing bank to the beneficiary to make payment within a specified time, against the presentation of documents which comply strictly with the terms of the credit

### **Types of letter of credit provided by the Sonali bank**

A letter of credit (L/C) provided by the Sonali Bank are two types. These are as below:

- a. Traveler's letter of credit.
- b. Commercial letter of credit.

#### **Traveler's letter of credit:**

A letter of credit addressed to the issuing bank's correspondents, authorizing them to honor drafts drawn by the bearer up to the authorized credit line, also called a circular letter of credit. Payments are endorsed by the issuer's correspondents on the reverse side of the letter of credit when they negotiate the drafts. This type of credit often is used to cover travel expenses and usually is prepaid by the customer.

#### **Commercial letter of credit:**

An instrument by which a bank substitutes its credit for that of a customer to enable him to finance the purchase of goods or to incur other commitments. The bank issues a letter (or document) on behalf of its client to a supplier and agrees to pay them upon presentation of documentary evidence that the suppliers has performed in accordance with the terms of the letter of credit. An instrument by which a bank substitutes its credit for that of a customer to enable him to finance the purchase of goods or to incur other commitments is known as commercial letter of credit. The bank issues a letter (or document) on behalf of its client to a supplier and agrees to pay them upon



presentation of documentary evidence that the supplier has performed in accordance with the terms of the letter of credit.

### 5.3 More types of commercial letter of credit at Sonali bank

Letter of Credit is classified into various types according to the method of settlement employed. All credits must clearly indicate in major categories.

- ✿ Revocable letter of credit.
- ✿ Irrevocable letter of credit
- ✿ Confirmed and unconfirmed Credits
- ✿ Restricted Letter of Credits.
- ✿ Sight or payment credit.
- ✿ Deferred payment credit.
- ✿ Acceptance credit.
- ✿ Negotiation credit.
- ✿ Red close credit.
- ✿ Green Clause letter of credit
- ✿ Revolving credit.
- ✿ Specific or fixed or Non-revolving credit
- ✿ Stand by or guarantee credit.
- ✿ Transferable credit and Non-transferable credit
- ✿ Back to back credit
- ✿ Omnibus Credits
- ✿ Transit or Reimbursement credit
- ✿ Credit “With” or “Without Recourse”

#### **Revocable L/C:**

If any letter of credit can be amendment or change of any clause or canceled by consent of the exporter and importer is known as revocable letter of credit. A revocable letter of credit can be amended or canceled by the issuing bank at any time without prior notice to the beneficiary. It does not constitute a legally binding undertaking by the bank to make payment. Revocation is possible only until the documents have been honored by the issuing bank or its correspondent. Thus a revocable credit does not usually provide adequate security for the beneficiary.



**Irrevocable L/C:**

If any letter of credit cannot be changed or amendment without the consent of the importer and exporter is known as irrevocable letter of credit. An irrevocable credit constitution a firm undertaking by the issuing bank to make payment. It therefore, gives the beneficiary a high degree of assurance that he will paid to his goods or services provide he complies with terms of the credit.

**Confirmed and unconfirmed Credits:**

A letter of credit which has not been guaranteed or confirmed by any bank other than the bank that opened it. The advising bank merely informs the beneficiary of the letter of credit terms and conditions. An unconfirmed letter of credit is basically when the letter of credit has the guarantee of only the issuing bank. The function of the advising bank in this case is only to provide exporter about the terms and conditions of the Letter of Credit and it does not add its obligation to pay. It can also be defined as following an unconfirmed letter of credit carries the obligation of the issuing bank to honor all drawings, provided that the terms and conditions of the letter of credit have been complied with. A confirmed letter of credit also carries the obligation of another bank which is normally located in the beneficiary's country, thereby giving the beneficiary the comfort of dealing with a bank known to him.

**Sight payment credit:**

The most commonly used credits are sight payment credits. These provide for payment to be made to the beneficiary immodestly after presentation of the stipulated documents on the condition that the terms of the credit have been complied with. The banks are allowed reasonable time to examine the documents.

**Deferred payment credit:**

Under a deferred payment credit the beneficiary does not receive payment when his presents the documents but at a later date specified in the credit. On presenting the required documents, he received the authorized banks written undertaking to make payment of maturity. In this way the importer gains possession of the documents before being debited for the amount involved. In terms of its economic effect a deterred payment credit is equivalent to an acceptance credit, except that there is no bill of exchange and therefore no possibility of obtaining money immediately through



a discount transaction. In certain circumstances, however, the bank's payment undertaking can be used as collateral for an advance, though such an advance will normally only be available from the issuing or confirming bank. A discountable bill offers wider scope.

### **Acceptance Credit:**

With an acceptance credit payment is made in the form of a bill of exchange drawn on the buyer, the issuing bank or the paying bank. Once he has fulfilled the credit requirements, the beneficiary can demand that the bill of exchange be accepted and returned to him. Thus the accepted bill takes the place of a cash payment. The beneficiary can present that accepted bill to his own bank for payment at maturity or for discounting, depending on whether or not he wants cash immediately. For simplicity's sake the beneficiary usually gives an instruction that the accepted bill should be left in the safekeeping of one of the banks involved until it matures. A bill of exchange drawn under acceptance credit usually has a term of 60-180 days. The purpose of an acceptance is to give the importer time to make payment. If he sells the goods before payments fall due, he can use the proceeds to meet the bill of exchange. In this way, he does not have to borrow money to finance the transaction.

### **Negotiation credit:**

A negotiation credit is a commercial letter of credit opened by the issuing bank in the currency of its own country and addressed directly to the beneficiary. The letter is usually delivered to the addressee by a correspondent bank. This credit is sometimes also called a "Hand on credit". The letter of credit empowers the beneficiary to draw a bill of exchange on the issuing bank, on any other named drawer or on the applicant for the credit. The beneficiary can then present this bill to a bank for negotiation, together with the original letter of credit and the documents stipulated therein. Payment of the bill of exchange is guaranteed by the issuing bank on the condition that the documents presented by the beneficiary are in order. The most common form of negotiation credit permits negotiation by any bank. In rare cases the choice is limited to specified banks.



**Red clause credit:**

In the case of a red clauses credit, the seller can obtain an advance for an agreed amount from the correspondent bank, goods that are going to be delivered under the documentary credit. On receiving the advances, the beneficiary must give a receipt and provide a written undertaking to present the required documents before the credit expires. The advance is paid by the correspondent bank, but it is the using bank that assumes liability. If the sellers does not present the required documents in time and fails to refund the advance, the correspondent bank debits the issuing bank with the amount of the advance plus interest. The issuing bank, in turn, has reverses to the applicant, who therefore bears the risk for the advance and the interest accrued. The clause permitting the correspondent bank to make an advance used to be written on red in home the name red clause credit.

**Revolving Credit:**

Revolving credit can be used when goods are to be delivered in installment at specified intervals. The amount available at any one time is equivalent to the value of one partial delivery. A revolving credit can be cumulative or non-cumulative means that amount from unused or incompletely used portions can be carried forward to subsequent period. If a credit is non-cumulative, portions not used in the prescribing period case to be available.

**Green Clause Letter of Credits:**

This is another type of pre-shipment credit and used mainly in Australian wool trade. The “Green Clause” is an improvement over the “Red Clause” credit and permits not only pre-shipment advances but also authorizes negotiating a bank to cover storage of goods at the port in the name of opening bank. Goods any reason, if there is a delay I taking delivery of finished goods due to want of shipping space the exporter will not be saddle with huge storage charges as this funds under a green clause L/C will not be blocked up towards storage charges

**Non-revolving Letter of Credit:**

Non-revolving credit is when credit is extended via a fixed repayment plan. As payments are paid on non-revolving credit plans, further credit is not extended (unlike in a revolving credit plan).An example of non-revolving credit would be a car loan. In



a car loan, credit is extended and repaid through a fixed installment plan. In the case of the majority of car loans, borrowers repay the loan over the course of 5 or 6 years. As the payments are made, additional credit is not extended. Once the payments are finished, then the borrower no longer owes any more money.

**Omnibus Credits:**

In this type of credit the bank takes a general lien over the goods and other movable and immovable properties of the exporter as security against the packing credit allowed in terms of an irrevocable confirmed credit. Omnibus credits are opened with the object of enabling the exporter to obtain funds for further transactions by providing payment as soon as the goods are shipped.

**Transit or Reimbursement credit:**

Where the overseas correspondent of the credit opening banker negotiates bills drawn under a letter of credit on condition of reimbursement, by a draft drawn on the credit opening banker's account elsewhere or by credit of the correspondent's foreign account at some other centre, the letter of credit is referred to as a Transit or Reimbursement credit

**Credit "With" or "Without Recourse":**

In case of a letter of credit with recourse; the beneficiary of the letter of credit holds himself liable to the holder of the bill in the event of dishonor. Where the beneficiary does not hold liable,, such a letter of credit is known as without recourse letter of credit

**Standby credit:**

Standby credit is encountered principally in the US. Under the laws of most US states, banks are prohibited from issuing regular quarantines, so credits are used instead. In Europe, too the use of this type of credit is increasing by virtue of their documentary credit, stand-by credit are governed by the UCP. However, their function is that of a grantee. The types of payment and performance that can be guaranteed by stand-by credits include the following:

- I. Payment of thorium bill of exchange
- II. Repayment of bank advance
- III. Payment of goods delivered.
- IV. Delivery of goods in accordance wets contract
- V. Execution of construction contracts, supply and install contracts.





In order to enforce payment by the bank, the beneficiary merely presents a declaration stating that the applicant for the credit has failed to meet his contractual obligation. This declaration may have to be accompanied by other documents.

### **Transferable credit and non-transferable credits:**

Transferable credit is particularly well adapted to the requirements of international trade. A trader who receives payment from a buyer in the form of a transferable documentary credit can use that credit to pay his own supplier. This enables him to carry out the transaction with only a limited and lay of his own funds. The buyer supplies for an irrecoverable credit issued in the traders favor. The issuing bank must expressly designate the credit as transferable. As soon as the trader receives the confirmation of credit he can request the bank to transfer the credit to his supplier. The bank is under no obligation to affect the transfer except in so far as it has expressly consented to do so. The costs of the transfer are usually charged to the trader and the transferring bank is entitled to delete them in advance. The terms and conditions of the transferred letter of credit must be identical to those of the original letter of credit with the following exceptions:

- The original beneficiary may be shown as the applicant on the transferred credit.
- The amount of the letter of credit, and unit prices if any, may be less than in the original letter of credit (the difference being the original beneficiary's profit margin).
- The latest shipment date, if any and expiry date as shown on the original letter of credit should be shortened.
- The percentage of insurance coverage, if any, should be increased to satisfy the requirements of the original letter of credit.
- When a drawing takes place, the original beneficiary normally substitutes his invoices for those of the second beneficiary for up to the amount and unit prices available under the original letter of credit, and draws the difference as profit.

### **Back to Back Letter of Credits:**

Arrangement in which one irrevocable L/C serves as the collateral for another; the advising bank of the first L/C becomes the issuing bank of the second L/C. In contrast to a 'transferable letter of credit,' permission of the ultimate buyer (the applicant or



account party of the first L/C) or that of the issuing bank, is not required in a back-to-back L/C. It is used mainly by middlemen (intermediaries) to hide the identity of the actual supplier or manufacturer. Also called counter credit or reciprocal letter of credit. Although not recorded on a letter of credit, “back-to-back” is a term used in transactions involving two irrevocable letters of credit. Such transactions originate when a seller receives a letter of credit covering goods which must be obtained from a third party that in turn requires a letter of credit. The “second” issuing bank looks to the first issuing bank for reimbursement after paying under the second letter of credit. The difference between back-to-back letters of credit and transferable letters of credit is such that in a transferable letter of credit, the rights under the existing letter of credit are transferred. In a back-to-back transaction, different letters of credit are actually issued. Because technical problems can arise in back-to-back

#### 5.4 Parties to a letter of credit

A letter of credit is issued by a bank at the request of an importer in favor of an exporter from whom he has contracted to purchase some commodity or commodities. The importer, the exporter and the issuing bank are parties to the letter of credit. There are however, one or more than one banks that are involved in various capacities and at various stages to play an important role in the total operation of the credit.

- (i) The opening Bank or Opening Bank.
- (ii) The Advising or Notifying Bank.
- (iii) The Buyer or Applicant (Importer)
- (iv) Seller or Beneficiary (Exporter)
- (v) The paying Bank.
- (vi) The negotiating Bank.
- (vii) The confirming Bank
- (viii) Accepting Bank
- (ix) Reimbursing Bank

#### **The opening Bank:**

The opening Bank is one that issues the letter of credit at the request of the buyer. By issuing a letter of credit it takes upon itself the liability to pay the bills drawn under the credit. If the drafts are negotiated by another bank, the opening Bank reimburses that Bank. As soon as the opening Bank, issuing a letter of credit (L/C), it expresses its undertaking to pay the bill or bills as and when they are drawn by the beneficiary



under the credit. When the bills are presented to or when antic is received that bills have been presented to a paying or negotiating Banks its liability matures.

**The Advising Bank:**

The letter of credit is often transmitted to the beneficiary through a bank in the latter's country. The bank may be a branch or a correspondent of the opening bank. The credit is sometimes advised to this bank by cable and is then transmitted by it to the beneficiary on its own special form. On the other occasions, the letter is sent to the bank by mail or telex and forwarded by it to the exporter. The bank providing these services is known as the advising bank. The advising bank undertakes the responsibility of prompt advice of credit to the beneficiary and has to be careful in communicating all its details.

**The Buyer and the Beneficiary:**

The importer at whose request a letter of credit is issued is known as the buyer. The exporter in whose favor the credit is opened and to whom the letter of credit is addressed is known as the beneficiary. As the seller of goods he is entitled to receive payment which he does by drawing bills under the letter of credit (L/C). As soon as he has shipped the goods and has collected the required documents, he draws a set of papers and presents it with the documents to the opening bank or some other bank mentioned in the L/C.

**The paying Bank:**

The paying bank only pays the drafts drawn under the credit but under takes no opening bank, by debating the latter's accounts with it if there is such an account or by any other measured up, between the two bankers. As soon as the beneficiary has received payment for the draft, he is out of the picture and the rest of the operation concerns only the paying bank and the opening bank.

**The Negotiating bank:**

The negotiating bank has to be careful in scrutinize that the drafts and the documents attached there to are in conformity with the condition laid down in the L/C. Any discrepancy may result in refused on the part of the opening bank to honor the instruments is such an eventuality the negotiating bank has to look back to the beneficiary for refund of the amounts paid to him.



**The Confirming Bank:**

Sometimes an exporter stipulates that a L/C issued in his favor be confirm by a bank in his own country. The opening this country to add its confirming to the credit the bank confirming the credit is known as the confirming bank and the credit is known as confirmed credit.

**5.5 Procedures of opening the letter of credit (LC)**

The importer after receiving the preformed invoice from the exporter, by applying for the issue of a documentary credit, the importer request his bank to make a promise of payment to the supplier. Obviously, the bank will only agree to this request if it can rely on reimbursement by the applicant. As a rule accepted as the sole security for the credit particularly if they are not the short of commodity that can be traded on an organized market, such an arrangement would involve the bank in excessive risk outside its specialist field. The applicant must therefore have adequate funds in the bank account or a credit line sufficient to cover the required amount. Banks deal in documents and not in goods. Once the bank has issued the credits its obligation to pay is conditional on the presentation of the stipulated documents with in the prescribed time limit. The applicant cannot prevent a bank from honoring the documents on the grounds that the beneficiary has not delivered goods on redder reissues as contracted.

**5.6 Foreign Remittance:**

Remittance means money transfer from one place to another place through bank. SBL is doing that types of transfer both inward and outward remittance are required to be sent to Bangladesh Bank. The Bangladesh Bank is exchange the money.

**Types of Remittance:**

- a) Foreign Inward Remittance
- b) Foreign Outward Remittance

**Foreign Inward Remittance:**

The Remittance is freely converted to foreign currency which is receiving from abroad against which the authorized dealer's payments is total currency to the beneficiaries may be termed as Foreign Inward Remittances.

**Foreign Inward Remittance:**

The Remittance is foreign currency which is being made from our country to abroad be known as Foreign Outward Remittances.



### 5.7 Mode of Inward Remittances and Outward Remittances:

- ✿ Telegraphic Transfer (TT)
- ✿ Mail Transfer (MT)
- ✿ Foreign Drafts (FD)
- ✿ Payment Order (PO)
- ✿ Travelers Check (TC)
- ✿ Foreign Currency notes.

### 6.0 Findings and Analysis regarding the objectives of the study

#### Including problems identified

- ✿ Income of Sonali Bank limited is increasing every year from 2013 to 2012.
- ✿ Net Profit of Sonali Bank limited after Tax is higher than Net Profit before Tax.
- ✿ Classified loan of Sonali Bank limited is decreasing day by day. In 2013 CL is 50%, 2016 CL is 23% and 2012 CL is 18%
- ✿ Performing Asset of Sonali Bank limited is 50% but industries average is 60%.
- ✿ CBA of Sonali Bank limited is affected the overall performance.
- ✿ Main Sources of Income of Sonali Bank limited is Foreign Exchange Business.
- ✿ Maximum branches of Sonali Bank limited are not computerized & not decorated so it affects the efficiency of the employee.
- ✿ Products of Sonali Bank limited are not up dated & the management team never uses promotion about their products.
- ✿ As a commercial bank Sonali bank still follows the traditional banking .this organization still focus on production oriented approach but for the present era of marketing. The large distribution channel & the inefficiency of the employees do not permit the proper marketing organization in banking.
- ✿ There is a training institution and a human resource division of Sonali bank to run the activities of human resource.



- ☼ The communication of Sonali bank is open and free. Sonali bank issue notice board, magazine, newspaper, the suggestion programs etc as a method of communication.
- ☼ It use pay, financial incentives, flexible working hour, work sharing, promotions, giving responsibilities, autonomy and decision as a method of motivating employees.
- ☼ Sonali bank provides compensation according to the government pay scale & it has no any procedure to determine salaries and wages.
- ☼ There is no provision for the overtime in Sonali bank & it uses negotiable procedure to grievance handling.
- ☼ Sonali bank describes the duties and responsibilities of the department & the department describe the duties and responsibilities of the section of the departments.
- ☼ Sometimes inefficient allocation of resources has created a huge amount of bad debt.
- ☼ Sometime pressure groups are involved in sectioning loan & this reason increasing possibility of default.
- ☼ Lack of financial communication on the part of the borrower, the result being the mobilization of equity by them in future means they deliver their equity in other purpose after getting the loan amount.
- ☼ Lack of adequate update & accurate information from the management information system.
- ☼ Inadequate attention is giving to a analyze risk & uncertainties associated with the project.
- ☼ Unstable policy of the government duty to political changes over time.
- ☼ High educated personnel are in the management & tendency to violate regulation.
- ☼ Lack of help of various departments among themselves and lack of eagerness to devote them for bank because of lower benefit is given to them.



☀ Social benefit are high from the bank to the people in various ways such as infrastructure facilities, securities etc.

☀ Due to strike activities are hampered the project function.

### 7.1 Conclusion:

Sonali Bank Limited is the largest commercial bank as well as the largest employer in both the public and private sector in Bangladesh. The bank is playing an important role in the socio-economic development through the development of industrial sector. The bank provides all the conventional banking service as well as some specialized financing activities to the economy.

In fine we can say the profitability of the bank was comparatively satisfactory because the fluctuation is not highly significant. Again some new branches were opened during the study period. So as new bank its performance is quite satisfactory. Finally we can say if the bank controls its expenses and takes proper steps to overcome its little limitation, it will become a first rows bank of Bangladesh.

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

The productivity of the employees can be increased hugely through proper training, motivation, logistic support like computerization, better working environment, and government intervention in the policy formation as well as desk work.

Besides, the bank must take every necessary action to recover non-performing or classified loans to increase its basic profitability. It should also reconcile the government transaction quickly. It should think over to earn at least minimum commission and charges on the charge-free services.

### 7.2Recommendation

#### **Customer's convenience:**

For customer's convenience, Sonali Bank Limited should provide more personnel to deliver faster services to their honorable customer. Relationship and database banking should be initiated immediately.

#### **Development of human resources:**



The team spirit of total work force of the bank must be increased through training, motivational work, internal marketing.

**Ensuring communication:**

Ensure proper communication system and maintenance of files & machinery's like phone, computer, fax, and photocopier.

**Profitable Fund Mobilization:**

It is observed that a huge amount of fund remains without being invested or poorly invested, which hampers the profitability of the bank seriously. So fund mobilization should be done carefully and profitably.

**Loan & Advance:**

In order to get competitive advantage & to deliver quality service, top management should try to modify the services at the loans and advance sector. For the improvement of sound lending and reducing the rate of bankruptcy, the following measures should be taken

**Computerization:**

To ensure error free fast task, bank should be fully computerized. On line banking and electronic services are the prime demand of the time. The management functions (from planning to control) are not clearly present in their various activities. Only the cash section of the branch is computerized. But for reducing bankruptcy Sonali Bank should develop immediately Credit & Project Finance Information System through computer.

**Credit risk management:**

Sonali Bank is the first leading bank in Bangladesh. Its major operations are profit, growth, development and welfare oriented. Management system of this bank is fully democratic. It always maintains the rules declared by Bangladesh Bank. Sonali Bank Staff College provides training facilities to its medium & junior level officers of the





bank and also provides executive development & internship programs. This is my observation that the lecture of credit risk management and negative barriers of sanctioning finance should be discussed widely than before. Because of the management of Sonali Bank has been facing the high involvement of lending risk & procurement of project finance with Bank's growth, profit & future.

Officers who are working on Credit risk management & Project finance procedure, they should give attention on timing of sanctioning finance. Because of demand of any kinds of products is flexible. So if other thing is remaining constant, sanctioning rocedure should not be delayed.

### **Product differentiation and Marketing:**

Keeping the pace with the time, many new products should be developed on the basis of customers' need and wants.

### **Networking:**

Sonali Bank has network manually not computerized. Sonali Bank should networking system by which all branches of Sonali bank can be connected easily as a largest commercial bank in Bangladesh. By using computerized networking system Sonali bank could disbursement of services on ATM, Debit card, Master card, Q-Cash facilities.

### **Decoration of offices:**

Office should be fully decorated to attract people to come into it.

### **Policy:**

Policy should be distinctive and dynamic which has more acceptability to the borrowers. Policy should be made at the consideration of regional, financial, continental, demographical, economical, psycho graphical.

### **Restructuring of salary:**

Salary structure should be increased to motivate the personnel.



**Political power:**

Political power should not be considered to maintain credit management module and project finance procedure. In our Bangladesh most of the cases procedure is too weak for financing so, ultimate result is being bankrupted.

**Others:**

CBA's interference in customer service as well as in administration should be removed.

Sonali Bank Limited needs to reserve internal banking policy.

At last Sonali Bank should develop the proper environment so that borrowers can bargain or negotiate about loan and finance. Because of Sonali Bank must have to think about borrower's needs, wants and demands and beside his profitability.

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