



INTERNSHIP REPORT

ON

**“IMPACT ON *SANCHAYAPATRA* AFTER BUDGET
DECLARATION”**

Submitted By

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Subject: Submission of the internship report entitled on Impact on *Sanchayapatra* after Budget declaration

Dear Sir,

I am pleased to present the final internship report on “Impact on *Sanchayapatra* after Budget declaration”. This report is extremely valuable to me as it has helped me to gain practical experience regarding saving certificate and banking activities. My internship with IFIC Bank Limited has been a worthwhile experience and the exposure to such organization is definite value to me.

I sincerely hope that this report will meet your expectations. If you have any queries regarding this report, please let me informed.

Sincerely Yours,

.....

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Acknowledgement

At first, I would like to express my gratitude to almighty Allah for enabling me the strength and opportunity to complete the report in the schedule time successfully. I am taking this privilege to deliver my gratefulness to each and every people who are involved with me in every phase of our lives. I am grateful to my parents without whom I cannot be here.

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Executive Summary

International Finance Investment and Commerce Bank Limited (IFIC Bank) is a full-fledged commercial bank in the banking industry. Government is holding its shares and some of the control to make sure legal journey in this industry. IFIC Bank provides its own schemes along with government's instrument like *Sanchayapatra*. In this report, a brief company profile and basic information of *Sanchayapatra* are given to enlighten the audience of the report.

To know the impact on *Sanchayapatra*, I conduct four objectives. Sequentially, the report contains those objectives by using proper methodologies. At first, the role of *Sanchayapatra* has been described in light of current condition of economy. This instrument becomes one of the important contrivances among the economy. However, excess demand and excess borrowing are two factors that become mandatory challenges for *Sanchayapatra* in current economy.

The report explores the selling of *Sanchayapatra* of IFIC. The constant selling of *Sanchayapatra* is showed that people are getting it with major reasons. Before budget the selling was so rapid that showed the affect of declaration of cutting down the rates. Thus, IFIC faced high sale during the month of June. The report shows how some other attributes are influencing the selling of *Sanchayapatra*. Both perspectives customers and experts have shared significant opinion about controlling sales of *Sanchayapatra*. External factors those are making it unique, should have maintained carefully to sustain in a limit. The report is also suggesting improving rules against buying this instrument. In addition, challenges that IFIC bank currently facing are described from the practical experience of the experts. The struggle could be lessening for IFIC if government handles the matter strictly.

To conclude the report, it shows the ultimate results of the impact of *Sanchayapatra* after budget declaration. Also, some recommendations are included at the last with a hope that necessary changes could be made to build a strong economy for the people of Bangladesh.

Chapter One:

Company Profile

International Finance Investment and Commerce Bank Limited (IFIC Bank) is banking company incorporated in the People's Republic of Bangladesh with limited liability. It was set up at the instance of the Government in 1976 as a joint venture between the Government of Bangladesh and sponsors in the private sector with the objective of working as a finance company within the country and setting up joint venture banks/financial institutions abroad. In 1983 when the Government allowed banks in the private sector, IFIC was converted into a full-fledged commercial bank. The Government of the People's Republic of Bangladesh now holds 32.75% of the share capital of the Bank. Directors and Sponsors having vast experience in the field of trade and commerce own 11.31% of the share capital and the rest is held by the general public.

IFIC's Mission

IFIC Bank's mission is to serve the institution and the individuals with the help of a skilled and dedicated, creative, innovative workforce and make its position unique in this competitive edge. Besides that, IFIC Bank is committed to the welfare and economy prosperity of the people and the community.

IFIC's Vision

At IFIC, they want to be the preferred financial service provider through innovative, sustainable and inclusive growth and deliver the best in class value to all stakeholders.

Core Values

Integrity: Upholding integrity in all that we do, always, everywhere

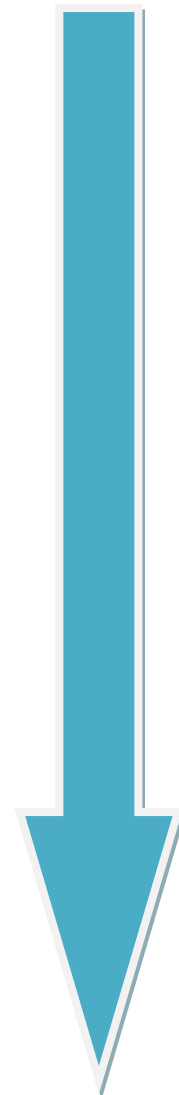
Fairness: Striving to offer the best to our customers equitably with transparency

Innovation: Encouraging and nurturing creativity

Commitment: Committed to excellence in customer service and maximization of stakeholders' value through teamwork

Management Hierarchy:

Chairman
Vice Chairman
Director
Managing Director (MD)
Deputy Managing Director (DMD)
Senior Executive Vice President (SEVP)
Executive Vice President (EVP)
Senior Vice President (SVP)
First Vice President(FVP)
Vice President (VP)
Senior Assistant Vice President (SAVP)
First Assistant Vice President(FSAVP)
Assistant Vice President (AVP)
Senior Staff Officer (SSO)
Staff Officer (SO)
Grade One Officer (GR -1)
Grade Two Officer (GR -2)
Cash Officer
Computer Officer



Ownership Structure:

Previously IFIC Bank LTD was Government owned bank. Government holds 33% of shares of the bank. Different institute of the country holds 33.91% of the shares, foreign holds 0%, sponsor/directors holds 11.31% and the rest of the 21.75% is held by the general public. The founder of IFIC Bank LTD was the first Chairman and A.S.F Rahman was first Vice Chairman.

Board of Directors of the Bank is a unique combination of both private and government sector experience. They are responsible for the strategic planning and overall policy guidelines of the bank. Further, there is an executive committee of the board to dispose of urgent business proposals. Other than that, there is an Audit Committee in the board to oversee compliance of major regulatory and operational issues. The CEO and Managing Director, Deputy Managing Directors and Head of Divisions are responsible for achieving business goals and overseeing the day to day operation.

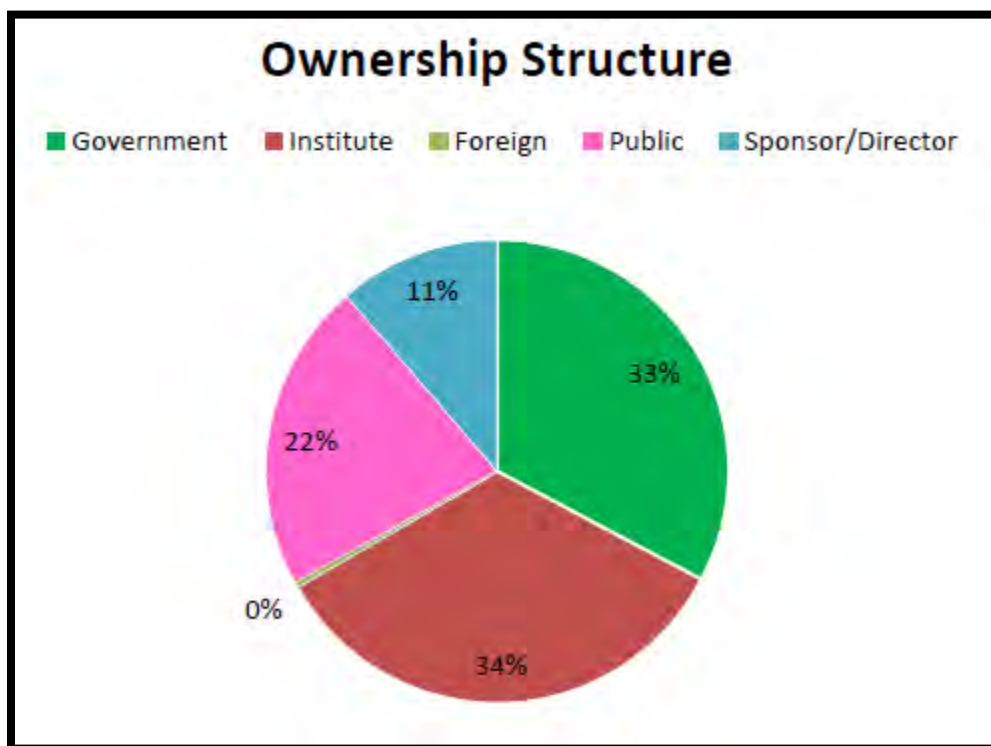


Figure 1: Ownership Structure

The CEO and Managing Director is assisted by a senior management Group consisting of Deputy Managing Directors and Head of Divisions who supervise operation of various divisions centrally and co-ordinates operation of branches.

Major issues are managed by a management committee headed by the CEO and managing Director. There is an Asset Liability Committee comprising member of the Senior Executives headed by CEO and Managing Director to look into all operational functions and Risk Management of the bank.

Major Banking Sector:

IFIC Bank is processing 3 types of banking products or services

1. Corporate Banking
2. Retail Banking
3. SME Banking

Major Deposit Schemes

Major Deposit schemes are included in the retail banking. A huge portion of the bank is engaged in the retail banking. Therefore, the schemes are important to create an effective market for the customer of IFIC.

- Aamr Account
- Saving Account
- Smart Saving account
- Super Saving Plus
- Current Account
- Special Notice Deposit – SND Account
- Fixed Deposit Receipt
- Pension Saving Scheme
- School Saving Plan

- Monthly Income Scheme- protimash
- Three years Deposit Plus(3YDP)
- Double Return Deposit Scheme (DRDS)
- Millionaire Dream Plan (MDP)
- Sanchita – Female Saving Account

Chapter Two: Introduction

In definition, *Sanchayapatra* or saving certificate is a receipt provided by the saving institution to the eligible customer based on a denomination that has a fixed maturity, specified fixed interest rate. *Sanchayapatra* is purely a government tool that banks take as non income generating assets. The instrument bears all necessary information along with the applicable interest rate, amount deposited and maturity date.

Four types of *Sanchayapatra* are found in IFIC Bank to sell. Meanwhile, budget of 2017 has been declared with the issue of reducing the rate of it. At the first glance, it can be thought that a threat is coming towards this instrument. However, going through many of the aspects it has been noticed that *Sanchayapatra* being as a government's reliable tool it has been created a strong image in the financial market. Therefore, it is too little to create any impact just by only reducing the rate. Moreover, the rate is same as before because of some important reasoning declared by our Finance Minister. This report not only contains the reason showed by the authority also mentions other factor of being a strong instrument in the economy. Side by side, with the expert opinion there are some recommendation has been added to stand out a strong economy for Bangladesh.

The report has been started with a statement, the statement of Finance Minister AMA Muhith said to cut down the percentage of *Sanchayapatra* as it was higher than the banks' rate as well the investment was also higher. During the internship I got the chance to work on the desk of *Sanchayapatra* and directly went through the effect after such statement. The sale got higher and people broke down other deposits of bank to do *Sanchayapatra*. In addition, from my observation, during the month of June, people came to invest on *Sanchayapatra* for several reasons. I collected all the necessary information but on July the final budget said that no changes would be applied in the rate of *Sanchayapatra* as government imposes VAT most of important issues. In this situation, while working on this topic, it has been realized that general people are doing *Sanchayapatra* not only for higher rate. Therefore, impact of *Sanchayapatra* is the sale got higher in the month of June. Even if the rate reduces, *Sanchayapatra* continues its selling because of its strong attribution. This image sometimes leads our economy to a damaging one. In this case, surely *Sanchayapatra* is impacting negatively. In this report, it also shows that so far the challenges IFIC Bank is facing because of this instrument along with experts' opinion.

According to the public debt act 1944 and *Sanchayapatra* Rules 1977, Government organizes 5(Five) types of *Sanchayapatra*.

1. 5 years Bangladesh *Sanchayapatra*
2. 3-month profit basis *Sanchayapatra*
3. Pensioner *Sanchayapatra*
4. Poribar *Sanchayapatra*
5. Post Office *Sanchayapatra*.

As it is an obvious tool to put in the branch of bank, IFIC Bank also organizes these schemes of government to its big and selective branches. I have worked in Dhanmondi Branch of IFIC Bank. This branch almost serves all the necessary facilities. According to (Bangladesh Post Office Online, 2017) 4 schemes and its key features that are provided by the IFIC Dhanmondi too are following:

Types of *Sanchayapatra* IFIC serve:

1. **5 years Bangladesh *Sanchayapatra*:** The saving certificate was introduced in 1977.

Value: Tk.10,Tk.50,Tk.100,Tk-500,Tk.1000,Tk.5000,Tk.10,000,Tk.25,000,Tk.50,000, Tk.1,00,000, Tk.5,00,000 and Tk.10,00,000

Who can purchase: Single adult, minor, Two adults in their joint names, an adult on behalf of- a single minor, two minor jointly, himself/herself and a minor jointly and any lunatic of whom he is the guardian or manager appointed by a court of law are legally allowed to buy this instrument.

Challenges:

- a) Maximum Taka 30 lac for single individual and Taka 60 lac for joint individuals.
- b) No limit for recognized provident fund in described as above.

c) No limit for institutions.

2. 3 years profit based saving certificate: The saving Certificate was introduced in 1998.

Value: Tk.1, 00,000, Tk.2, 00,000 and Tk.5, 00,000.

Duration: 3 Years

Other Attributes:

- After every three month profit may be drawn.
- This savings certificate can be purchased by all classes of Bangladeshi People.
- The maximum limit is Tk.30 lac for single or Tk.60 lac for joint investment.
- Nominee can be appointed.
- Duplicate *Sanchayapatra* may be issued in case of theft, missing or damaged.
- In case of death of the holder, Nominee can en-cash the *Sanchayapatra* at any time before maturity or on maturity as per his/her wish.
- No profit is payable if it is en-cashed before one year. If excess profit is drawn it will be adjusted from the principal amount.
- *Sanchayapatra* can be transferred from one issuing office to another of the similar type.
- At the time of purchase it is compulsory to show and entry the National Identity Card number/passport number/birth certificate number in the purchase form. Source tax may impose on profit by government.
- Social Security Premium (SSP) will be applicable only for mature redemption.

3. Pensioners Savings Scheme: It scheme was introduced in 2004.

Value: Tk 50000, Tk 100000, Tk 200000, Tk 500000 and Tk 1000000.

Eligibility to purchase: Retired officials of government, Semi government, Autonomous, semi-autonomous bodies, Retired Honorable Judges of Supreme Court, Retired officials of Arm Forces.

Duration: 5 years

Allowable Limit: 50 Lac earned from Gratuity and Provident Fund

Other Attributes:

- After every three month profit may be drawn.
- Nominee can be appointed.
- Duplicate *Sanchayapatra* may be issued in case of lost, damaged, destroyed.
- No profit is payable if it is en-cashed before one year. Excess profit drawn it will be adjusted from the principal amount.
- *Sanchayapatra* may be transferred from one issuing office to another of the similar type of institution.
- Source tax may be imposed by government.
- At the time of purchase it will be compulsory to show and entry the National Identity Card number/passport number/birth certificate number in the purchase form.
- Social Security Premium (SSP) will be applicable only for mature redemption

4. Family Savings Certificate:

Values: Tk.10,000, Tk.20,000 , Tk.50,000, Tk.1,00,000, Tk.2,00,000, Tk.5,00,000 and Tk.10,00,000.

Duration: 5 Years

Other Attributes:

- This savings certificate can be purchased only adult Bangladeshi female.
- The maximum limit is Tk.45 lac only
- Nominee can be appointed.
- Duplicate *Sanchayapatra* may be issued in case of theft, missing or damaged.
- In case of death of the holder, Nominee can en-cash the *Sanchayapatra* at any time before maturity or on maturity as per his/her agreeable statement.
- No profit is payable if it is en-cashed before one year. If excess profit is drawn it will be adjusted from the principal amount.

- *Sanchayapatra* can be transferred from one issuing office to another of the similar type.
- At the time of purchase it will be compulsory to show and entry the National Identity Card number passport no/registration no of birth certificate in the purchase form.
- Social Security Premium (SSP) will be applicable only for mature redemption

Problem Statement

Our honorable finance minister AMA Muhith stated on 21 May 2017 at a pre-budget discussion on Sunday with Dhaka Chamber of Commerce and Industry and Bangladesh Insurance Association that as saving certificate or *Sanchayapatra* exceeded the targeted amount in lieu of higher rates. He also mentioned that investment in this sector was getting higher because of the high rates. Moreover, other important personalities also shared their views about the rates of *Sanchayapatra*. There was high chance to reduce the rates of *Sanchayapatra*. Thus I selected this subject to know the challenges *Sanchayapatra* will face after budget declaration theoretically and practically.

Purposes of the study:

The primary purpose of the study is to complete the procedure of my under-graduation program. However, the report's objective is broader. The principal intent is to analyze the challenges for *Sanchayapatra* after budget declaration. Under this intent, objectives are summarized in the following manner:

- Role of *Sanchayapatra* over the economy
- Sale of *Sanchayapatra* before budget
- Views on changing rates of *Sanchayapatra*
- Challenges that IFIC faces because of changing rates of *Sanchayapatra*

Challenges:

- This report is based on the three month observation that I supposed to have as internship. Because of time constraint, valuable data can be missing.
- The report is prepared on the experience of IFIC Dhanmondi Branch only.
- The demand of Paribar *Sanchayapatra* started after 2014. This report is also counted selling amount of paribar *Sanchayapatra* from 2014.
- The policy of selling, reserving instrument is constructed by the bank. Thus this report contains only the policy that specifically IFIC Dhanmondi Branch follows.
- This has been seen that the rates changes after some years. As it has been declared to change the rates of *Sanchayapatra* at the very first of the budget declaration of 2017-2018, it has not been changed. However, this report only includes two different rates of *Sanchayapatra*. One is the current rate that has been effective from May 23, 2016. Other one is from 01 March 2012 to 22rd may 2016.

Overall Methodology

This report contains four objectives to reach to its desired outcome. Each follows suitable methodologies to find out the information of the objectives.

- First objective is to find out the role of *Sanchayapatra* over the economy. Secondary data (published papers) has been collected to know the essence of *Sanchayapatra* over the economy.
- To reach to the 2nd object that is Sale of *Sanchayapatra*, the only authentic way was to go through the primary data. Registers those are regularly maintained to preserve the information, to prepare this report I have to collect those on monthly basis. I have chosen to collect those data on monthly basis because to know how it fluctuates in each month.
- Gradually, to reach to the outcome, it was necessary to take the views on changing rates of *Sanchayapatra*. It takes interviewing around 30 customers of *Sanchayapatra*. The views of customers are used to find out more answers of some sort of questions by using SPSS analysis. Later on, 15 views also are taken from the experts. Those are considered as experts who are closely worked on *Sanchayapatra*. Among them, senior vice Principal (Branch Manager), senior officer, Officer of the *Sanchayapatra* desk, Principal Officer, Assistant vice Principal are taken as experts.
- Last object is said about the challenges that IFIC is facing because of the changing rates of *Sanchayapatra*. Again, 15 experts holding same designation that mentioned above shared their experience along with solution they did in this situation. Therefore, the last two objectives demand to take primary data.

Chapter Three:
**Impact on *Sanchayapatra* after Budget
declaration**

Role of *Sanchayapatra* over the economy: Analyze the economic condition to know the effectiveness of *Sanchayapatra* through some published paper

National Saving Scheme is a saving tool provided by the government for the general people. Besides that, government is using this tool to recover the budget deficit taken NSS as borrowing. In the primary stage, such tool is beneficiary for both general people and the government. The role of *Sanchayapatra* over economy is important. However, what will happen if a scheme of saving creates an excess demand and creates excess borrowing for both beneficiaries?

Excess demand:

At first, the definition comes in a way that *Sanchayapatra* is welfare instrument that is regarded as risk free investment backed by government. Welfare instrument is most importantly introduced for the people, who are really in need of the support of the government, e.g.: retired people. Therefore, any changes in the *Sanchayapatra* directly effects on these group in a good or bad way. In stead of that the situation is not that it is supposed to be. The demand is quite high whatever the rate is. This instrument always remains quite same amount sales because

- Attractive and high rates
- safety for the money invested,
- income tax benefits and also the chance to increase the amount invested

(CPD, 2017) added that the rates between commercial bank and *Sanchayapatra* differs 5-6%. This is taken as a reason of buying *Sanchayapatra* at this extent. Gradually this excess demand of *Sanchayapatra* is hitting the private investment.

Most interesting thing is that FDR rates of IFIC Bank were high as like *Sanchayapatra*'s rates in 2014. Still the sale of *Sanchayapatra* was high. This is the reason that *Sanchayapatra* experts said at the first place "There is nothing that can compare with *Sanchayapatra*"

Net sales of saving certificates was higher than the fiscal year 2013. The rates were higher with the percentage of SSP (Social Security Premium). Because of some of the significant incidents of 2013 and future establishment, Government made the percentage higher. If Government itself wants to sell its product in a large scale, the other banks could not have the ability to deny the decision.

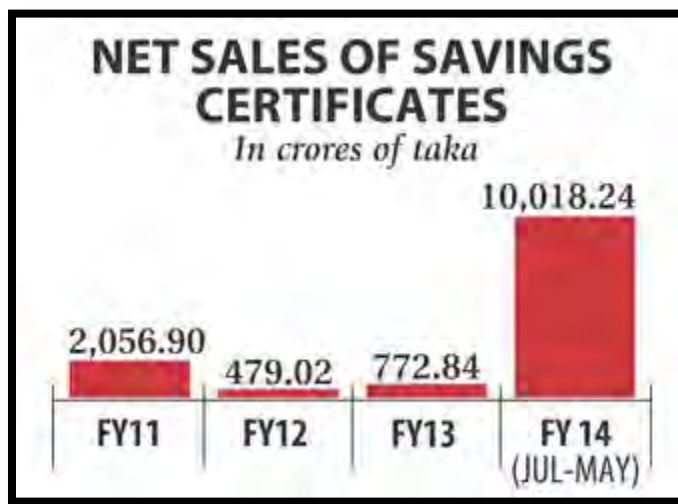


Figure 2: Net Sales of Saving Certificate

Therefore, everyday huge demands are coming and increase/debit the *suspense* of IFIC Bank. They can not take or impose any policy towards the customers. Somehow, the interests of the customer is influenced side by side *Sanchayapatra* is affecting to the economy or more specifically affecting to the sell on the bank's own product.

Excess Borrowing:

Sanchayapatra is the tool that the government sells mainly to finance deficit in the national budget (*Saha, 2015*). This is a domestic financing process that helps government to cope with up deficit financing.

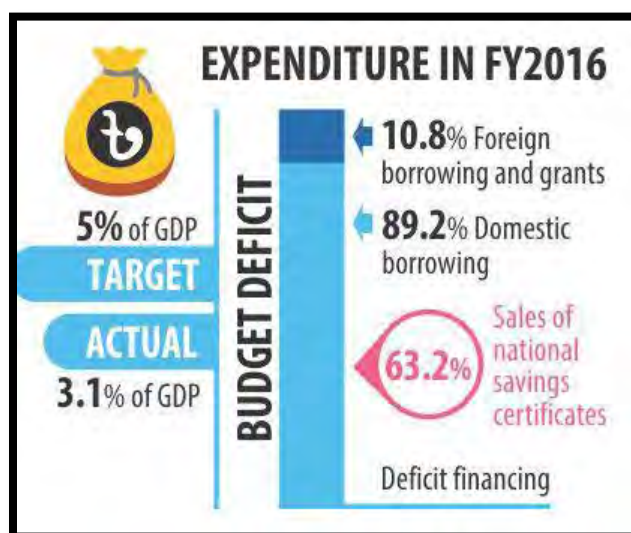


Figure 3: Usage of Saving Certificate to finance budget

Government has some reasons behind using *Sanchayapatra* for the improvement of the economy because of

- To finance budget deficit.
- Not rely on banking borrowings.
- Help people of Bangladesh through a safe instrument to invest.
- Make the borrowing from domestic sources specifically from *Sanchayapatra*

Such tool like *Sanchayapatra* is necessary to build a strong economy. However, the growing percentage is leading towards excess dependency on *Sanchayapatra*. According to the report of (*Money and Banking Division, Research Department, Bangladesh Bank, 2017*), it is noticeable that government borrowed 29981.4 core where, only through NSD 28894.1 core. During July-January 2017, government fell to raise more from banking sector.



Figure 4: Non-banking Investment

Similarly, (Md. Akhtaruzzaman, 2017) identified that non-bank budget financing shifted from market-based tools (bank loans and government securities) to non-market instruments, e.g., National Savings Certificates (NSCs). It may be noted that, during July-November, 2016, net NSC sales, at Taka 203 billion, has already exceeded the full-year target of Taka 196 billion

in FY17. Such large scale recourse to non-market borrowing is creating an environment stifling development of bond market, pension funds market and so forth.

In Consequence, both perspectives are coming as a threat to the economy. People are becoming lazy and risk avert saving society. Besides that they are dampening the private investment. Moreover, it is demolishing opportunity of entrepreneurship. Government also is supporting by not adding strict rules and by going for *Sanchayapatra* rather than other instruments. Development is hampering in the sector of bank as well as foreign borrowing and grants have been given less importance. Other instruments are not being used in proper amount. Economy is affected badly because of the excess activities of both parties. Higher the borrowing is creating higher the debt.

The effectiveness of the *Sanchayapatra* has already seen by the amount used to fill up the gap of the budget. However, excess of anything brings trouble to anything. Similar incidents are happening in this case. Therefore, not only adjusting the rate will make a good difference now, some more effective steps need to be taken to settle up the indifference in the economy.

Sale of *Sanchayapatra* before budget

To reach to the title of the report, first object is to know fluctuation of the sale of *Sanchayapatra* before the budget. The sale of *Sanchayapatra* shows the amount people are investing on the government instruments. Practically, the sale goes high before the budget if there is a chance to change the rate or more specifically, the change is to reduce the rate in the next budget.

Budget affects on the *Sanchayapatra* directly and indirectly. After initial declaration of the budget, the scenario was not so favorable to *Sanchayapatra*. Therefore, sale went up on June as people were thought the rate could go down according to the recent budget 2017.

IFIC Bank introduces 4 (four) types of *Sanchayapatra* to its customer. Every Branch is not selling this tool. Only few and big branches are allowed to sell *Sanchayapatra*. IFIC Bank Dhanmondi Branch is selling all four categories to their customer.

Paribarand Pensioner *Sanchayapatra*: Based on the stock of the *Sanchayapatra*, this branch arranges Paribarand Pensioner *Sanchayapatra*. Another object that IFIC follows that how much important the customer is. Both schemes come with big denomination and branches try to sell these types of *Sanchayapatra*

Paribar*Sanchayapatra*:

According to the Paribar*Sanchayapatra* Policy of 2009,

(1) The existing rates Paribar*Sanchayapatra* (PSP) are set below:

Encashment	Profit (%)
At the end of 1 st year	9.50%
At the end of 2 nd year	10.00%
At the end of 3 rd year	10.50%
At the end of 4 th year	11.00%
At the end of 5 th year	11.52%

Table 1: Rates of Paribar *Sanchayapatra*

(2) Following the above mentioned policy, different denomination bears different profit amount based on the principal amount and the profit percentage.

Investment	Profit Per Month
50000	480/-
100000	960/-
200000	1920/-
500000	4800/-
1000000	9600/-

Table 2: Per Month Profit in Paribar Sanchayapatra

As IFIC is only going for denomination BDT 50000, 100000, 200000, 500000, 1000000 in the most of the year. Therefore, selling in each year is given:

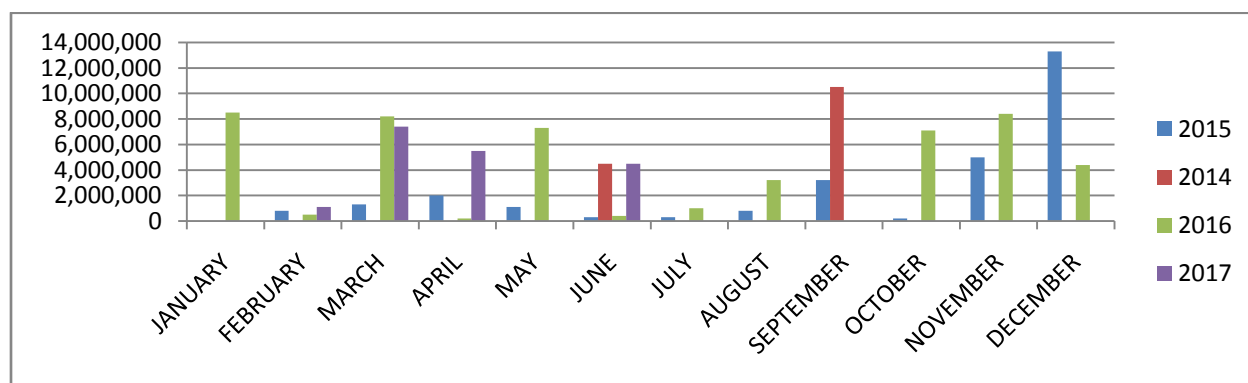


Figure 5: Sale of Sanchayapatra (Month)

- In 2014, sale of *Sanchayapatra* only happened in June and September. Highest sell is in September with high denomination.
- After the sale of Paribar *Sanchayapatra* in 2014, the amount of selling started growing in 2015. Small but each month contained some of the investment.

- A similar amount of *Sanchayapatra* had been sold to the customers in 2016.
- On the other hand, till June 2017, the sale of Paribar *Sanchayapatra* is not significant.

Pensioner *Sanchayapatra*:

According to the *Pensioner Sanchayapatra 2004*,

- (1) At the end of the period, the percentage of the profit will be 11.76%. The profit percentage is like below:

Encashment	Profit (%)
At the end of 1 st year	9.70%
At the end of 2 nd year	10.15%
At the end of 3 rd year	10.65%
At the end of 4 th year	11.20%
At the end of 5 th year	11.76%

Table 3: Rates of Pensioner *Sanchayapatra*

Note: If someone withdraws the money before the period of one year, the extra money that already has been paid should cut down from the principle amount. Moreover, 5% is cut down as tax.

- (2) Following the above mentioned policy, different denomination bears different profit amount based on the principal amount and the profit percentage.

Investment	Profit after 3(Three) Month
100000	2940/-
200000	5880/-
500000	14700/-
1000000	29400/-

Table 4: Profit after three month

After encashment of the three month profit, *Sanchayapatra* holder will get the principle amount too.

Now, the pensioner *Sanchayapatra* has been sold very significantly. Through my research, I have found that *Bangladesh Sanchayapatra Bureau* is popular for Pensioner *Sanchayapatra*. *Bangladesh Sanchayapatra Bureau* gives more priority to the pensioner *Sanchayapatra* as *Sanchayapatra* schemes are mostly introduced for the income of the pensioner.

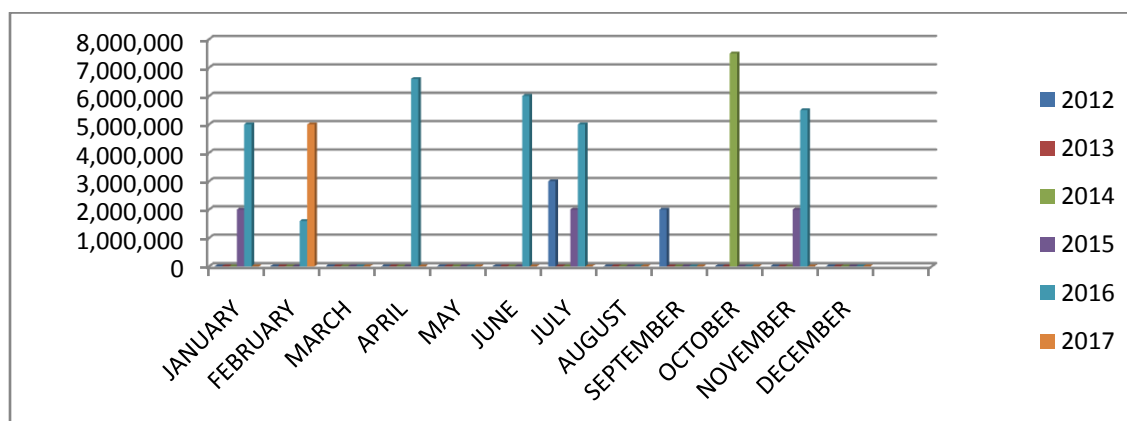


Figure 6: Sale of Pensioner Sanchayapatra

- There was constant selling in the 2012 but in contrast, 2013 was showing no selling. The reason behind is similar. The demand for pension scheme was not raised in 2013. Therefore, in 2013 there was zero(0) selling. As IFIC did not get any significant buyer, they did not go for the sale of this scheme.

- Only one denomination 500000 was sold for 15 quantities in 2014. Beximco basically did pensioner scheme for their employees. The total amount stood 7500000 BDT then.
- 2015 and 2016 were the year when the sell for pensioner was done frequently. The quantities were high as well with high denomination.
- Till June 2017, only in February a big amount 5000000 was sold.

Specific Contention:

The selling in each year is not that significant for Paribar and Pensioner *Sanchayapatra*. Each year at one point of the year they sell the scheme of government only to the *valuable customer*. Therefore, each high bar of each year contains the reason that the demand for that year was high or low. As IFIC bank's concern is to satisfy the customer at any cost, they always find ways to bring the customer's requirements as soon as possible.

Another reason of high amount of any month of the year is Management arranges the stock immediately by requesting to the principal branch. Management counts huge amount of interest-loss for this instrument in each year. Therefore, to pursue the opportunity of their own bank, they try to sell this instrument to the valued customer.

05 Years BSP (Bangladesh *Sanchayapatra*):

05 years BSP is the most selling scheme in this branch. They try to sell this tool to the customers. Any denomination is sold to the customers.

According to the *Sanchayapatra rules 1977 (Amendment up to February 2012)*

The profit will be given on each denomination of specific period from the date of issue will be given at the rate shown in the following table with effective from May 23rd, 2015.

Period	Profit (%)
1 st year	9.35%
2 nd year	9.80%
3 rd year	10.25%
4 th year	10.75%
5 th year	11.28%

Table 5: Rates of 05 years BSP (current)

On the other hand,

previous circular that was maintained from the date of March 03, 2012 to May 22, 2015, SSP (Social Security Premium) had been added. After that, the rates under the similar policy were akin to:

Period	05 years Bangladesh Sanchaya Patra		
	Rate of Profit (%)	Rate of SSP (%)	Total Rate of Profit(%)
1 st year	9.20	0.00	9.20
2 nd year	9.95	0.00	9.95
3 rd year	10.70	0.00	10.70
4 th year	11.45	0.00	11.45
5 th year	12.20	0.99	13.19

Table 6: Rates of BSP (01.03.2012 to 22.05.2015)

The profit was higher than the existing rate of *Sanchayapatra*. The rate was higher and people could enjoy SSP rate. Besides that there are some other factors too that affects the selling of *Sanchayapatra*.

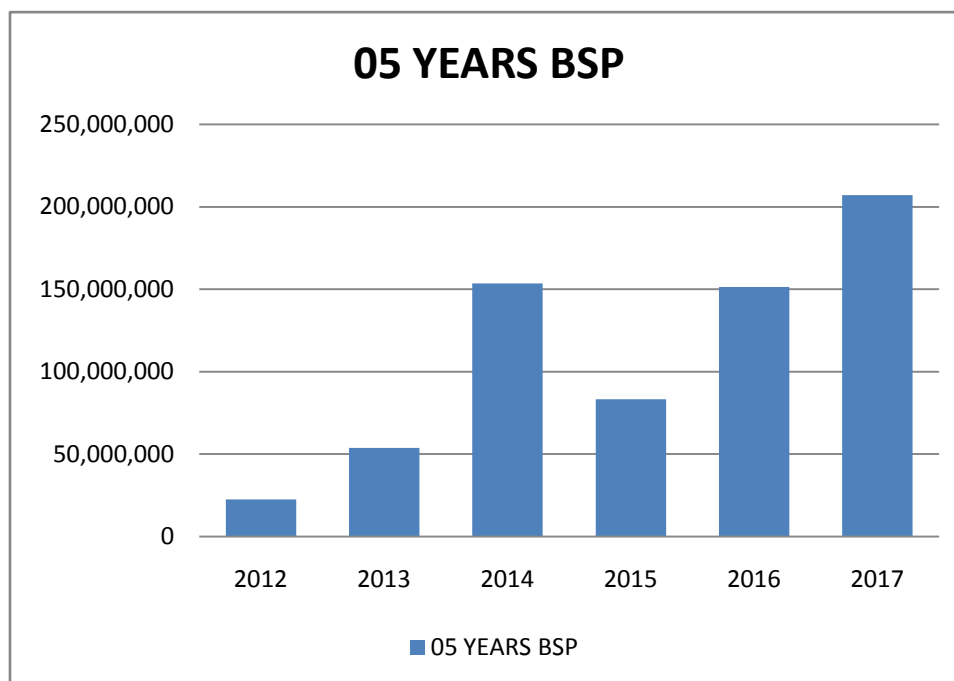


Figure 7: 05 Years BSP (year)

As the rate was higher than the existing rate, then the sale should be higher in 2012, 2013, and 2014. However, in the graph the sale is higher in 2017 (Here, the data collection of 2017 is until June). The reason behind high in 2017 is, after the budget announcement, government wants to cut down the rate of interest as it differs 5 to 6 from the corporate bank's rate. People were on the rush to buy *Sanchayapatra* in June as everyone thought the rates will be changed. Till now, *Sanchayapatra* has been sold in the remaining rates.

Moreover, the sale of 2012, 2013 and 2014 are not higher than 2017. The rate of FDR was close to *Sanchayapatra* rate in those consecutive years. Therefore, the sale of *Sanchayapatra* and FDR went side by side. General people not only gave importance to the government tool but also had invested on the Fixed Deposit. If only *Sanchayapatra* poses high rates, the affect will definitely be showed up in the bank's own deposit.

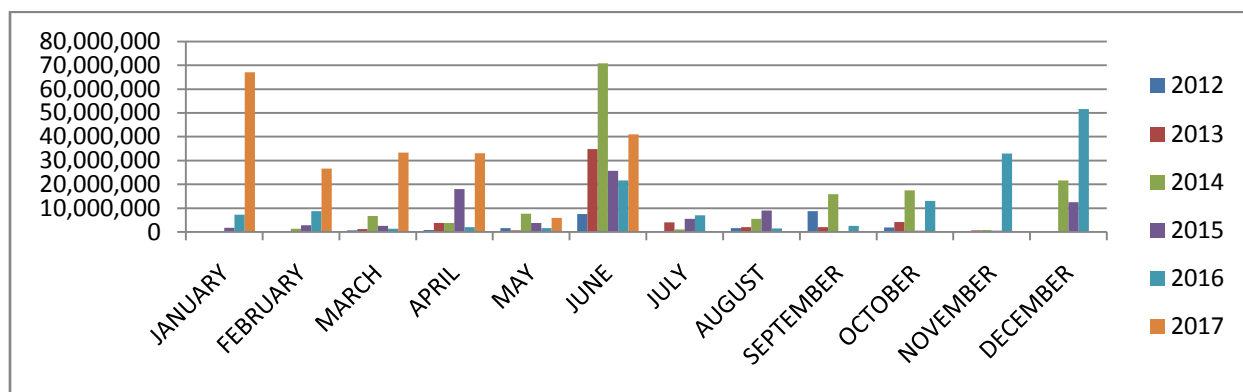


Figure 8: Sale of 05 years BSP (Month)

In this graph, it is shown that 05 years BSP is sold in a good amount though the denomination is not that big. It also depends on the stocks that Dhanmondi branch is holding for their customer.

The significant change that is shown in the graph is the month June sold the most. There are several reasons. As it is budgetary month, general people always thought there must a change coming to the rates because of the budget. This notion sometimes brings them to the bank to buy these instruments before the final budget. Moreover, customers have different reasons behind buying this instrument. Because of the significant change in the budget with high ambitious projects in 2014, there could be any changes in the rates. This reason pushed the customer to buy drastically in the month of June. In 2017, Finance Minister AMA Muhith had announced a cut in interest rates on savings certificates, therefore, insightful change in the selling has been come to see. However the rates are remained same till now.

03 years Interest Bearing *Sanchayapatra*:

This is another type of *Sanchayapatra* that is sold to the customer the most by the IFIC Dhanmondi Branch.

According to the *Sanchayapatra Rules 1977 (Amendment up to February)*

- (1) The effective period has been started from May 23, 2015 to now.

Period	Profit (%)
1 st year	10.00%
2 nd year	10.50%
3 rd year	11.04%

Table 7: Rates of 03 years Interest Bearing *Sanchayapatra*

Installments at 3 months interval against every investment in Tin Mash Antar Munafa Vittik *Sanchayapatra* will be paid at the highest rate of 11.04%, deducting income tax/levy if any against taka 1 (one) lakh investment. But in case of withdrawal of principle invested amount profit will be payable at the rate shown in the table and excess amount paid if any as 3 monthly installment shall be adjusted deducting from the principle amount.

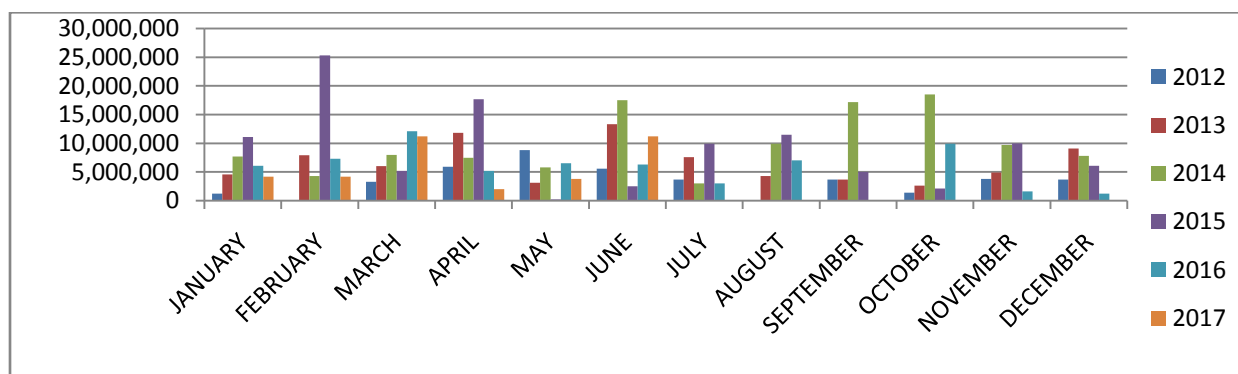


Figure 9: Sale of 03 years Interest bearing *Sanchayapatra*

Each year is also showing similar sale like 05 years BSP. While selling 05 years BSP, IFIC Bank Dhanmondi Branch holds some of the control as it is difficult to sell a huge to the customer. Moreover, as the demand is high for *Sanchayapatra*, the stock of it ends up very quickly. Customers for 3 years IBSP comes very often to en-cash their token amount. This facility is not given to the 05 years BSP. Therefore, customers for 03 month IBSP seems to be high. Other factor that has been come to light in last two month that, 03 years IBSP was not available because of printing mistake was done by Bangladesh Bank. Interest rates on savings certificates were slashed by 2 percentage points for the last time in 2015. It were done to discourage investment in the sector, because more sales of certificates mean more government borrowing.

In general,

IFIC Bank Dhanmondi is selling its instrument very carefully according to the Government's policy. As it is a domestic way of borrowing for the Government, Government also sends back the claim to the principle branch in a significant manner. The sale indicates how the bank is collecting for the government. Sale of *Sanchayapatra* is always occurring whether the other bank rates are higher or not.

Views on changing rates of *Sanchayapatra*: customer and experts

There are some specific views comes from the both perspectives customer and expert after the budget. Changing rate is the one declaration that had been made by Finance Minister. Major perspectives of the society are also suggesting changing the rates. More specifically they suggest keeping lower rates.

Some of the factors those are closely related to changing rates are being analyzed in this part of the report.

- what factors are leading customers towards *Sanchayapatra*
- other than changing rates what other factors can be taken as initiative

Through SPSS analysis, it is showed up some interesting factors that make it more acceptable to the customers. These are the most important quality that makes it different from the other deposits of the bank.

For this part, I have taken 40 customers perspective on which I have done SPSS analysis. Along with that I have taken 15 views of designated experts which sometimes differ from the customer perspective. Also I have taken 10.4 confidence interval as my sample size is 40 and 72 is population to get 95% confidence level. Details are given below:

Purpose of having *Sanchayapatra*:

People come to buy sanchaypatra with a purpose. Most of the cases, they come to buy it with the purpose of tax benefit. Purpose may be varied on the need of the customers. July- June is taken as fiscal year used by the government for accounting. At this point, every citizen has to show the tax statement. Therefore, in the month of June, the sale of *Sanchayapatra* went high because people buy it in purpose of tax benefit.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid tax benefit	24	60.0	60.0	60.0
Pension	2	5.0	5.0	65.0
family savings	14	35.0	35.0	100.0
Total	40	100.0	100.0	

Table 8: Purpose of having *Sanchayapatra*

In the graph, most of the customers in IFIC Dhanmondi Branch possess 3 types of purpose. Amongst those, 24 customers are more likely to do *Sanchayapatra* in purpose of tax benefit. 49.6%- 70.4% buys *Sanchayapatra* with the purpose of tax benefit. At 95% confidence level it can be said that people will buy it with this reason. As the demand for pension scheme is not high in this branch, pension *Sanchayapatra* is sold less. Another scheme that creates demand for *Sanchayapatra* is family savings. This factor leads to high buying of *Sanchayapatra* before showing tax statements. As a solution, the rate can be lower than the existing rates.

- Purpose and Intension of buying *Sanchayapatra*:**

purpose * intension Crosstabulation

Count

	Intension			Total
	<i>Sanchayapatra</i> is safe	attractive/high rates	Schemes of banks cannot create attractive position	
tax benefit	15	5	4	24
purpose pension	1	1	0	2
family savings	4	5	5	14
Total	20	11	9	40

Table 9: Purpose and Intension of buying *Sanchayapatra*

Customers had been asked what the purpose of buying *Sanchayapatra* was and which intension the customers were having while buying this instrument. Most of the cases they have mentioned that they bought this instrument in purpose of tax as well as they thought it to be the safe tool. This image brings more selling for *Sanchayapatra*. On the other side, those who are buying in the purpose of family saving also contain the same thoughts. Besides that, attractive and high rates become another reason to buy it. Some are also thinking schemes of banks cannot create the position of *Sanchayapatra*.

- **Difference between the corporate bank's and *Sanchayapatra*'s rate:**

In this part, customers and experts both had been asked what difference the rate should pose in between *Sanchayapatra* and corporate bank's rate. At confidence level 95%, 52.1%-72.9% said the difference should not go beyond 2%. Some also thinks to have 3% could be the difference. Almost all interviewed experts said to have 1% or 2% difference. In reality, *Sanchayapatra* is 5-6% higher than the bank's deposit rate.

Difference

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 2%	25	62.5	62.5	62.5
3%	11	27.5	27.5	90.0
4%	4	10.0	10.0	100.0
Total	40	100.0	100.0	

Table 10: Difference between the corporate bank's and *Sanchayapatra*'s rate

- **Gender and rate change:**

Similar analysis is done; both customers and experts both have answered this question. I have found that, after budget 2017 male customer's expectation is low rate whereas, females are thinking in a different ways. They are thinking government can bring changes in the rules. Specific rules can be added on buying this instrument. In this point, Officers of *Sanchayapatra* have notion that low rates or same rates can be hold on by the government. However they want some of the new rules should be added to limit its selling.

There is reminder that, the rates of *Sanchayapatra* is still not changed though there are some vibes to change after the initial declaration.

gender * ratechangeCrosstabulation

Count

		Ratechange			Total
		low	high	specific changes in rules	
gender	male	12	0	8	20
	female	7	3	10	20
Total		19	3	18	40

Table 11: Gender and rate change

- Gender and Source of fund:**

Both male and female customers appreciate if the government wants to know the source of the funding. From my experience, many people had a positive attitude towards this question. However, the question was seemed too awkward to some people and they answered that why they had to let the government know about the source in everywhere. However, experts want eagerly to see changes in the rules like this Senior Vice President directly uttered that they preferred to have restriction on buying this instrument. This is how; Economy can enjoy a balanced condition in the upcoming years.

gender * source fund Cross-tabulation

Count

		Source fund		Total
		Good	bad	
gender	male	15	5	20
	female	15	5	20
Total		30	10	40

Table 12: Gender and Source of fund

Most Affected Groups:

Most of the people (customer and expert) said that if any changes happen in the *Sanchayapatra* , directly it affect those who uses it as the only income of the family. 18 years above or women who have bought this instrument will be affected less than the retired person.

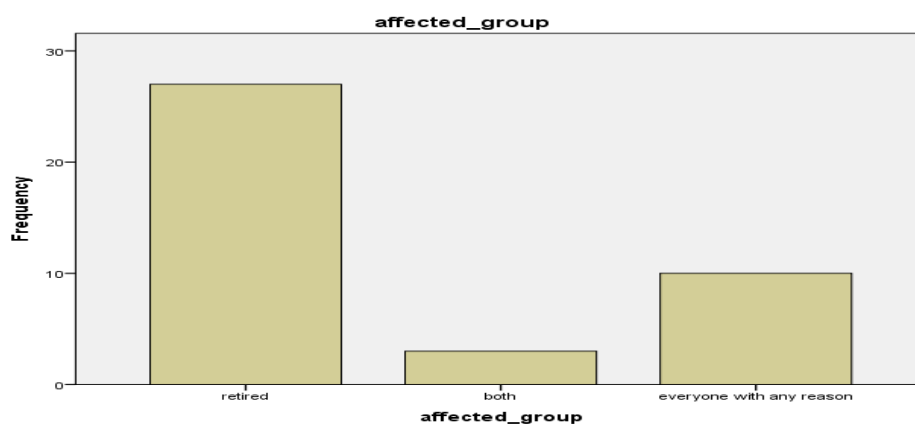


Figure 10: Affected Group

All experts (Senior Vice President, Officer of *Sanchayapatra*, Assistant Vice President, and Senior Officer) said the most affected group will be the retired group if the rates go down. They suggested that government can take other ways too. 25 of the 40 people said the most affected group will be the retired group that takes percentage of 57.1 – 77.9. *Sanchayapatra* is only one



source of retired people. Somehow, any kind of changes make a little change in the income of the other people where a huge change can occur in the income of the retired people.

Challenges that IFIC faces because of changing rates of *Sanchayapatra*:

Because of *Sanchayapatra*, IFIC bank has to experience challenges in terms of own profit scale. Through my survey, Experience not only comes because of changing rates but also for the high demand for *Sanchayapatra*. This part of the report contains expert's opinion and the scenario that IFIC till now experienced in terms of dealing with the fact.

Sanchayapatra is offered by the government therefore, it has its own attraction to create its own market. In addition, the rates might change the number of the customer for a certain time, but it actually never can lessen the demand of the customer. As customer thinks *Sanchayapatra* as the most reliable tool among other tools in the market, till then the demand will remain same. Thus, there are some challenges that IFIC will always have to face and plan according to that.

Challenges that IFIC faces because of *Sanchayapatra* are:

General Challenges

- ✓ Customers for *Sanchayapatra* are always higher compared to the schemes for IFIC banks.
- ✓ Deposits go down because general people issue *Sanchayapatra* by breaking other deposits of the bank.
- ✓ Only by initial declaration of cutting down the rates, the sale went up that really hampered to the existing deposits.
- ✓ Government can change the rates at its own comfort level but IFIC or any bank cannot easily change the rate of their deposits.

According to the expert's opinion, *Sanchayapatra* is the ancillary service provided by the government. They take this product by realizing that it is *not a banking product*. As it is a very significant tool, IFIC bank tries to provide it to the valued customer. Experts mentioned above

factors as a general setbacks. Along with the setbacks, there are some *major setbacks* they have to deal with every sale of *Sanchayapatra*.

Specified Challenges (from the perspective of experts)

Interest bearing

Each branch is bearing interest against the holding suspense amount. In detail, each branch has to send claims for the amount they have sold to the customer. Later on, Bangladesh Bank sends back the claims (money) to the main branch. Main branch again sends the claims to the branches.

Now, Main branch gets an interest amount against the holdings in suspense account. This is a cost for one branch. On the other hand, it takes as penalty for the branches. Against this suspense amount, branches have to bear 9.50% interest that should have given to their mother branch. Bangladesh Bank sends those claims after three months by close inspections. Obviously, each branch will show a suspense balance in each month. In case of getting profit, branches are counting an interest against this government. Higher the amount of the suspense the higher the interest will be. This is one of the main reasons that banks reluctant to having this tool.

Suspense Debit:

Practically I experienced high suspense debit throughout my internship period. According to the Manager of IFIC Dhanmondi Branch (Senior Vice President), this problem occurs when Bangladesh bank enable to send back the claims to the bank's pool account within the proper time. Therefore, suspense accounts shows high amount that leads as a threat for each branch. It also comes over the reputation of the branch.

It has been noticed that whenever the customers come to en-cash the amount of *Sanchayapatra*, IFIC bank has to send the claims in a certain format to the Bangladesh bank by debiting the suspense account. Meanwhile, Bangladesh Bank after scrutiny sends back the money as per the claim. However, while my internship period; I witnessed a high suspense because of not sending the money properly to the IFIC Bank's account by Bangladesh bank.

In this case, Management interrupted into the matter. They carefully checked all the necessary elements of the *Sanchayapatra*. Elements were for example; records of selling claim for Bangladesh bank, balancing etc. When they checked the balancing of the pool account that showed how much they were paid up by the Bangladesh Bank, they found that a huge amount was not paid up yet. This kind of case happened,

- when the borrowings cross the target
- no regulation has been made while selling

Officer, Assistant Vice President, senior Vice President agreed on a statement that along with going with reducing the rate of *Sanchayapatra*, Government should impose more regulation. Such regulation is suggested by the experts.

- Government can impose “Source of fund” in the form of *Sanchayapatra*.
- Government comes up with more schemes like *Sanchayapatra*.
- They can make it more profitable to some selected groups only like pension group.
- They can enforce it in a way that it never exceeds the targeted amount.

Miscalculation/Error:

Officer of *Sanchayapatra* desk stated that there are huge numbers of customers for the instruments. Therefore, changes in the rates can be 2nd factor of buying the instrument. *Sanchayapatra* is always attractive because of being a government tool. Being the *Safest Tool*, it is creating huge buyer every day. Like a daily transaction, the desk of *Sanchayapatra* serves for their customers.

Besides that, it has to send the statement of selling to the principal branch. Then instruments get to be ready for its customer; there are too many arrangements to be full filled before reaching to the hand of customers. After that, for each category, in different dates it is en-cashed. The formatted list containing too many information has to be sent to the principal bank and principal bank has sent it to Bangladesh Bank.

Obviously, the workload is too high for one person to finish it daily. Miscalculation, error making is happened because of huge work-load.

Break down FDR:

In 2012 to 2014, the rate of Fixed Deposit was higher, closed to *Sanchayapatra* rate. The change has been experienced by the management of IFIC Bank. The sale of FDR and *Sanchayapatra* went side by side. Bank and government both were actively done for the economy, served equally. After that, FDR never went that high. As a result, customers were leaning on the *Sanchayapatra* that cost banks losing customer for FDR. When this distant came to the market, customers had broke bank's FDR most of time.

Through my survey, I get to know from the Senior Officer as an expert of *sanchayapatra* about fixing the rates for bank. *ALCO (Asset-Liability Committee)* decides the rates for IFIC Bank. Based on the position of the deposit, they set the rate on which the bank has no control. Therefore, Bank cannot change the rates of their schemes by their own. IFIC bank cannot compete to the changing rates of *Sanchayapatra* by arranging competitive rates.

Actions

As IFIC is facing continuous challenges, they are always on the process of analysis to overcome the situation. Principal Officer stated that *Sanchayapatra* is a government tool not a banking tool, all the controls hold by the government. In such case, IFIC actually cannot create rules over the selling of this instrument. However, strategy can be worked out. According to the Assistant Vice President and M.D of Dhanmondi Branch's experience and suggestion, they can come up with the following actions:

- High management only can create some of the strategies to being on the profit.
- They can convince their existing customer to have their products too.
- Directly or indirectly management can handle the situation.



Chapter Four:

Results and Conclusion

Results:

The results are clear of this research, after budget declaration no change is happened yet in the rates, therefore, there seems to be no changes in the selling. However, *Sanchayapatra* stands on the surface in the economy as one savior instrument for the government and safest one for the buyer. Therefore, no other offers can change the position of *Sanchayapatra* until the bank's rates are higher or closed to it. Challenges is quietly not been seen by the *Sanchayapatra* after the recent budget declaration as the rates are not changed yet. The estimation of the experts is the same rates will remain. Besides that, they suggest to adjoin some rules so that a good balanced amount takes place in the borrowing part.

Conclusion:

To conclude the report, all my researches says that *Sanchayapatra* is the tool that is creating impact on the bank's health not creating any effect on the sale of *Sanchayapatra*. Therefore, I found out, that *Sanchayapatra* has unique quality that helps to protect it from other odds. When I have started working on my internship report, change in *Sanchayapatra*'s rate was a burning issue. While working, the final budget was declared that did not change the rates. According to the (Chowdhury, 2017), the reason behind not changing rate is imposing vat on the other sector. However, this reason does not come broadly in the newspaper or other journals. Throughout my internship, it has been seen that Management took control over selling *Sanchayapatra*. They put conditions in front of valued customer before selling a large amount. Also, strategies applied while selling this government tool.

Sanchayapatra is a tool for the betterment of the people. This instrument made up in a way that not only work for the general people but also brings government an effective helping hand. Therefore, it is important to be in a balance position while managing such kind of tools. Government should build a strong image towards the buyer of *Sanchayapatra*. In reverse, Buyers should have notion to exercise this tool in an organized manner, never use it illegally. That's how; economy's instrument should be used up with all regulations. .



Chapter Five:

Recommendation

Recommendation:

- The tendency of buying *Sanchayapatra* is not only coming from the rate. People are buying it with some purpose. Government comes up with rules that control these purposes.
- As mentioned above, Government can impose “Source of fund” to know the funding against buying *Sanchayapatra*.
- Being a government tool, *Sanchayapatra* will be always famous. Here, Government can launch schemes like sanchapatra.
- Controlling the buyer’s number is important. In that case, increasing the banking schemes’ rates can be a strategy so that customer could move interest to the banking schemes.
- Because of high rates the rich is going for *Sanchayapatra* avoiding the stock/capital market, government takes initiatives about that.
- Government could add long term pension fund only that includes long maturity. Also to help the elderly and women, it can address pension fund by devising with new plans.
- There are other sectors from which government complete its borrowings demand. Specifically, a precise percentage can be maintained to limit the borrowing from the *Sanchayapatra* only. The percentage can be taken from the foreign, banking borrowing. One of the experts designated senior vice president recommended to borrow from the agencies in minimum percentage.



- In general, government can reduce the rates of *Sanchayapatra*. Classification has been done already in *Sanchayapatra*. Now, along with the changing rates, they can include beneficial options only for the retired people.

Appendix:

Appendix 1: Questionnaire of Views on changing rates of *Sanchayapatra* after budget declaration

Gender: Male/Female

1. What is the purpose of doing *Sanchayapatra*?
 - a. In purpose of tax benefits
 - b. In purpose of pension
 - c. In purpose of family savings
 - d. Others
2. As you have the intension of saving why you don't chose IFIC schemes?
 - a. Because *Sanchayapatra* is a government instrument or safe for investment
 - b. Attractive and high rates
 - c. Schemes of banks cannot create attractive position like *Sanchayapatra*.
 - d. Other
3. Do you think, the budget will create change in the rates of *Sanchayapatra*?
 - a. Yes
 - b. No
4. What kind of change in the rates of *Sanchayapatra* do you expect after budget 2017-2018?
 - a. Low rates
 - b. High rates
 - c. Specific changes in the rules
5. If the rates go down, would you go for other schemes of IFIC bank?
 - a. Yes
 - b. No
6. If the rates go down, who will be the most affected groups?
 - a. Retired
 - b. Adult
 - c. Both
 - d. Everyone with any reason
7. Rather than decreasing the rate would you prefer to build strict rules for opening *Sanchayapatra*?
 - a. Yes
 - b. No
8. How do you take the decision of putting option "Source of Fund" on the *Sanchayapatra* form?
 - a. Good
 - b. Bad
9. How much difference will you suggest in between the bank's rate and the *Sanchayapatra* rate?
 - a. 1%

- b. 2%
 - c. 3%
 - d. 4%
10. How much will the economy be affected if the rates go down?
- a. In a good way
 - b. Bad way
 - c. Other
11. Do you think government should decrease the dependency over *Sanchayapatra*?
- a. Yes
 - b. A little bit
 - c. No
12. If yes, what other ways can government take to improve the economy?
- Answer:

Appendix 2: Questionnaire of Views on changing rates of Sanchayapatra after budget declaration

1. Do you think the rates of Sanchayapatra get affected because of the the recent budget?
2. How will it affect the Sanchayapatra?
3. Is the fluctuation in the rate of Sanchayapatra co- related to the banking services?
4. How will it be affected to the banking industry?
5. If the rates go down, how are you considering it in regards of banks profit?
6. What are the actions you suggest if the rates of Sanchayapatra become a reason of falling down your own profit?
7. From your suggestion, do you think the rates of Sanchayapatra need to be adjusted for the improvement of the economy?
8. How will the adjusted rates bring improvements in the economy?
9. Who will be affected the most if the rates go down? From your perspective
10. How much difference you suggest in between the bank's rate and Sanchayapatra rate?
11. Suggestion for new rules for Sanchayapatra.

Appendix 3: Questionnaire of challenges that IFIC faces because of the changing rates of Sanchayapatra

1. Are there any rules to set up the rates of your own schemes according to the rates of *Sanchayapatra*?
2. What kind of rules are the banks following while setting the rates of the own schemes?
3. Challenges that IFIC are facing because of changing rates.
4. If the rates of *Sanchayapatra* go high, how are you going to take decisions for your bank's profit?

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