

INTERNSHIP REPORT
ON
**“Loa Disbursement and Recovery System of Social
Islami Bank Limited”**

SUPERVISED BY

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M.B.A. (Evening), 3rd Batch

Major in Finance

HSTU, Dinajpur

This internship report is submitted to the faculty of Business Studies, Hajee Mohammad Danesh Science and Technology University, Dinajpur, in partial fulfillment of the requirements for the degree of M.B.A. (Evening)



Faculty of Business Studies

**HAJEE MOHAMMAD DANESH SCIENCE AND TECHNOLOGY
UNIVERSITY, DINAJPUR-5200**

OCTOBER, 2016

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HSTU, Dinajpur

Master of Business Administration (Evening)



Faculty of Business Studies

**HAJEE MOHAMMAD DANESH SCIENCE AND TECHNOLOGY
UNIVERSITY, DINAJPUR-5200**

OCTOBER, 2016

*DEDICATED TO
MY
RESPECTABLE
PARENTS
AND
HONOURABLE
TEACHERS*



Dinajpur Branch, Dinajpur, Phone: 0532952008, website: www.siblbd.com.

NO. SIBL/DINJ/HRD/1568

Date: 16/10/2016

TO WHOM IT MAY CONCERN

This is to certify that, Bappy Kuar Saha having Student ID No. E140503069, MBA (Evening), Major in Finance, a student of Hajee Mohammad Danesh Science & Technology University (HSTU), Dinajpur, has successfully completed his 45 days' internship program (From 2 September to 16 October, 2016) at Social Islami Bank Limited, Dinajpur Branch, Dinajpur.

During his internship period Bappy Kuar Saha was found honest, sincere & responsible to his assigned duties.

We wish him every success for the days to come.

MA Hamid
Manage
Social Islami Bank Limited
Dinajpur Branch
Dinajpur

Letter of Transmittal

24 October, 2016

Shahnaz Parvin

Associate Professor

Department of Finance and Banking

Faculty of Business Studies

HSTU, Dinajpur

Subject: Submission of Internship Report of MBA (Evening) Program.

Dear Sir,

It is my great pleasure to submit the internship report on “**Loa Disbursement and Recovery System of Social Islami Bank Limited**” which is a part of MBA (Evening) Program to you for your consideration.

I made sincere efforts to study related materials, documents, observe operations performed in SIBL and examine relevant records for preparation of the report.

Within the time limit, I have tried my best to compile the pertinent information as comprehensively as possible.

Thanking you,

Bappy Kumar Saha

Student ID- E-140503069

M.B.A. (Evening), 3rd Batch

Major in Finance

HSTU, Dinajpur

Student's Declaration—————◆

The discussing report is the terminal formalities of the internship program for the degree of Master of Business Administration (Evening), Faculty of Business Studies at Hajee Mohammad Danesh Science and Technology University, Dinajpur which is compact professional progress rather than specialized. This report has prepared as per academic requirement after successfully completing the 45 days internship Program under the supervision of my honorable supervisor

Shahnaz Parvin, Associate Professor, Department of Fiancé and Banking. It is my pleasure and great privilege to submit my report titled “**Loa Disbursement and Recovery System of Social Islami Bank Limited**”, as the presenter of this report; I have tried my level best to get together as much information as possible to enrich the report. I believe that it was a fascinating experience and it has enriched both my knowledge and experience.

I believe everyone is not beyond of limitation. There might have problems regarding lack and limitation in some aspects and also some minor mistake such as syntax error or typing mistake or lack of information. Please pardon me for that mistake and clarify these of my further information on those matters.

Bappy Kumar Saha

Student ID- E-140503069

M.B.A. (Evening), 3rd Batch

Major in Finance

HSTU, Dinajpur

Declaration of Supervisor—————◆

It's my Pleasure to Certify that Bappy Kumar Saha, Student ID: E-140503069, MBA (Evening) Major in Finance, 3rd Batch has Successfully Completed MBA (Evening), Internship report titled **“Loa Disbursement and Recovery System of Social Islami Bank Limited”** under my Supervision and Guidance. He has not copied from any other Work.

Therefore, He is directed to submit his Report for Evaluation. I wish his Success at every sphere of his Life.

Shahnaz Parvin

Associate Professor

Department of Finance and Banking

HSTU, Dinajpur

Declaration of Co-Supervisor

It's my Pleasure to Certify that Bappy Kumar Saha, Student ID: E-140503069, MBA (Evening) Major in Finance, 3rd Batch has Successfully Completed MBA (Evening), Internship report titled "**Loa Disbursement and Recovery System of Social Islami Bank Limited**" under my Supervision and Guidance. He has not copied from any other Work.

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Rony Kumar Datta
Assistant Professor
Department of Finance and Banking
HSTU, Dinajpur

Acknowledgement

At first I would like to thank my honorable supervisor of internship program, **Shahnaz Parvin**, Associate Professor, Department of Finance and Banking, and co-supervisor **Rony Kumar Datta**, Assistant Professor, Department of Finance and Banking, HSTU, Dinajpur for providing me such an opportunity to prepare an Internship Report on **“Loa Disbursement and Recovery System of Social Islami Bank Limited”**. Without his helpful guidance, the completion of this project was unthinkable.

Very special thanks goes to **MA Hamid**, Manager, Social Islami Bank Limited, Dinajpur Branch, Dinajpur & Other officers and employees of the company, for helping me in all phase of the internship process. Their overwhelming support for my internship gave me the inspiration to do a better report.

During my preparation of the project work I have come to very supportive touch of different individuals & friends who lend their ideas, time & caring guidance to amplify the report's contents. I want to convey my heartiest gratitude to them for their valuable responses.

October, 2016

The Author

ABSTRACT

This report is prepared as a requirement of the internship phase of MBA (Evening) program of Hajee Mohammad Science and Technology University. This report focuses three months working experiences in Social Islami Bank Limited, Dinajpur Branch. This report will give a clear idea about the Loan Disbursement and Recovery System at Social Islami Bank Limited at Dinajpur Branch (SIBL).

Here first chapters basically discuss about the background of the report, objectives, and methodologies used in preparation of the report and limitation faced at preparation. Second chapter is Overview of the Organization. In this part I show compression of 5 years loan disbursement, procedure recovery graphical expression of the SIBL performance. Third chapter is covered the conclusion and Recommendations. For preparing this report the main objective is to concentrate on the activities related with Loan Disbursement and Recovery System of Social Islami Bank Limited in Dinajpur Branch. I learn about the Loan Disbursement and Recovery System of Social Islami Bank Limited and use of these in the organization.

From my practical experience, observation and discussion with the employees I try to find out the Loan Disbursement and Recovery System of Social Islami Bank Limited at Dinajpur Branch in chapter three and chapter four. From 1983 to 2015 it has been 32 long years of journey for SIBL. They have made strong initiatives in banking sector. They can be one of the best private banks in Bangladesh, if they will match the expectation of their clients through their best banking service. I hope that the authority always aware about employees so they can provide excellence service with efficiency, accuracy and proficiency to the clients and meet the ultimate objectives of SIBL.

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CHAPTER I

INTRODUCTION

1.1 Introduction:

In recent days the Small, Medium and Large Organization (SML) Financing has become an important area for Commercial Banks in Bangladesh. To align its corporate policy with the regulation of Central Bank, banks have become more concerned about SML and opened windows to conduct business in this particular area. This study has been conducted to fulfill the requirements of MBA (Evening) program and gain an insight about the present condition loan disbursement and recovery system.

In the internship report I am trying my best to focus on the functions and performance of all Divisions in the assigned branch & work with Loan Disbursement and Recovery System of Social Islami Bank Limited. This report is generated under the supervision of Shahnaz Parvin, Associate Professor, Department of Finance and Banking, Hajee Mohammad Danesh Science and Technology University.

1.2 Background of the Report:

Business world is becoming very much complex day by day. Without sufficient practical experience business becomes difficult and in some cases impossible. The whole world is moving because of business relation. Business plays a very important role in developing economy of a country. So, in the business world, practical experience is regarded as a media through whom we have an acquaintance with the real world. Through this internship an individual can expect to have a good knowledge and understanding on the various methods of operation performed by Social Islami Bank Limited particularly in the area of Financial Institutional Services.

1.3 Objectives:

Without objectives any study cannot be considered as the successful one. There are basically two objective of any study, broad or main and specific. This report is also prepared based on two objectives.

1.3.1 Main Objective:

The main objective of the study is to fulfill the requirement internship and achieving academic and practical knowledge about how organization are managed in real life and also know about Loan disbursement and Recovery system of Social Islami Bank Limited. This report has also some other specific objectives, these are:-

1.3.2 Supporting Objectives:

1. To find out basic appraisal of Approval loan.
2. To know the enterprise selection criteria terms and conditions to provide loan.
3. To know the disbursement and recovery procedures of Approval loans.
4. To know the success factor of approval credit, loan disbursement and recovery system banking at Social Islami Bank Limited.
5. To make some recommendations and conclusion to further the development of loan disbursement and recovery system of the Social Islami Bank Limited.

1.4 Significance of the Study:

This program is held to understand the organizational norms, corporate culture and investment decision and customer satisfaction of an organization. Banking in the new century is even more prosperous than the past owing to revolutionary advancement in technology, as well as, the development of new ideas and systems. I expect that internship experience has assisted me to enhance my career development.

1.5 Methodology:

Research methodology is a way to systematically solve the research problem. After collecting necessary data this report is prepared on the basis of analytical way. Some trend analysis are also used.

1.6 Data Collection:

To prepare the report and find out problem required data is collected from two sources are below:

- ❖ Primary sources.
- ❖ Secondary sources.

The Primary Sources:

- Face-to-face discussion with the relevant officials.
- Practical/ hands-on experience of working at the Credit and Recovery department.
- Study of background material and relevant files provided by the officers concerned.
- Some question answer over telephone from customers.

Secondary Sources:

- Annual report of Social Islami Bank Limited.
- Unpublished data (daily, monthly and yearly statements, ledgers) received from different sections.
- Different text books.
- Official web site of Social Islami Bank Limited and other bank.

Data processing and analysis:

To find out the final result from the collecting data, I am used the following computer programs:

1. Ms word.
2. Ms Excel.
3. SPSS program.

1.7 Scope of the study:

Social Islami Bank Limited is a large Banking organization. It has several departments. It is not possible for an internee to cover the entire departments of Social Islami Bank Limited in his or her study within the short period of time of internship and they do not get access to all departments also. The writer is focused on the small medium enterprise loan scheme of Social Islami Bank Limited and on its present status, problem and prospects in details. It is not discussed about the investment scheme, deposit scheme or other scheme in the report.

The study is provided the scopes of knowing the followings:

- The entire concept of SME, House, Car, Line of credit etc.
- Characteristic of SME loan as a sophisticated area of finance.
- Recent performance level of the Social Islami Bank Limited loan disbursement and Recovery system in the country.
- Problem with Credit approval loan disbursement and Recovery system.

1.8 Limitation of the Study:

- I faced the following obstacles while preparing this report.
- Loan and Advance department of SIBL is highly confidential for the employee.
- Sufficient records, publications or website regarding customer services were not available for Loan and Advance department of SIBL.
- The information of Loan and Advance department of SIBL not found in a structured way.
- There were some restrictions to have access to the information confidential by concerned authority.

CHAPTER II

OVERVIEW OF THE ORGANIZATION

2.1 Introduction

Social Islami Bank Bangladesh Limited is a Joint Venture Public Limited Company engaged in commercial banking business based on Islamic Shariah with 57.36% foreign shareholding having largest branch network (having 204 branches up to 05.10.2015 and 20 SME Service Centers) among the private sector bank in Bangladesh. It has established on the 13th March 1983 as first Islamic Bank in South East Asia. It is listed with Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. The total Equity of the bank stood at Tk.20,431 million as on 30 June, 2015. At present Bank has 11 Zonal Offices.

2.2 Profit and Riba

Profit on loss comes from investment in business activities. Profit is the result of ownership transaction and risk following the four stages:

- Transformation through Bai /Buying Selling of goods.
- Risk of Transformation and Ownership.
- Other Condition of Shariah.
- Result-Profit on loss.

Profit is the difference between the value of production and the cost of production which is Halal according to Islamic Shariah.

Riba/Interest: Interest comes from loan, credit, advance of money. The word used by the Quran concerning "Interest" is Riba. The literal meanings of Riba are money increase, increase of anything or increment of anything from its original amount.

From the Islamic Shariah point of view, Riba is Haram.

2.3 Comparison between Riba and Profit

Riba	Profit
1. One goods-fungible.	1. Two goods.
2. Loan-Ownership retained.	2. Ownership Exchanged.
3. Excess-without exchange value.	3. Equity of Value.
4. No transformation.	4. Transformation.
5. No Risk of Transformation and ownership.	5. Risk home.
6. No relation with result imposed.	6. Is the result.
7. Certain.	7. Uncertain.

2.4 Conventional banking Vs. Islamic banking:

Conventional banking is essentially based on the debtor creditor relationship between the depositors and the bank on the hand and between the borrowers and the bank on the other. Interest is considered to be the price of credit, reflecting the opportunity cost of money.

Islam on the other hand, considers a loan to be given or taken, free or charges, to meet any contingency. Thus in Islamic banking, the creditors should not take advantage of the borrower.

Conventional Banks	Islamic Banks
1. The functions and operating modes of conventional banks are based on manmade principles.	1. The functions and operating modes of Islamic banks are based on the principles of Islamic Shariah.
2. The investor is assured of a pre determined rate of interest.	2. In contrast, it promotes risk sharing between provider of the capital (investor) and the user of the funds (entrepreneur).
3. It aims at maximizing profit without any restrictions.	3. It also aims at maximizing profit but subject to Shariah restrictions.
4. It does not deal with zakat.	4. In the modern Islamic banking system, it has become one of the service oriented functions of the Islamic banks to collect and distribute zakat.
5. Lending money and getting it back with interest is the fundamental function of the conventional banks.	5. Participation in partnership business is the fundamental function of the Islamic banks.

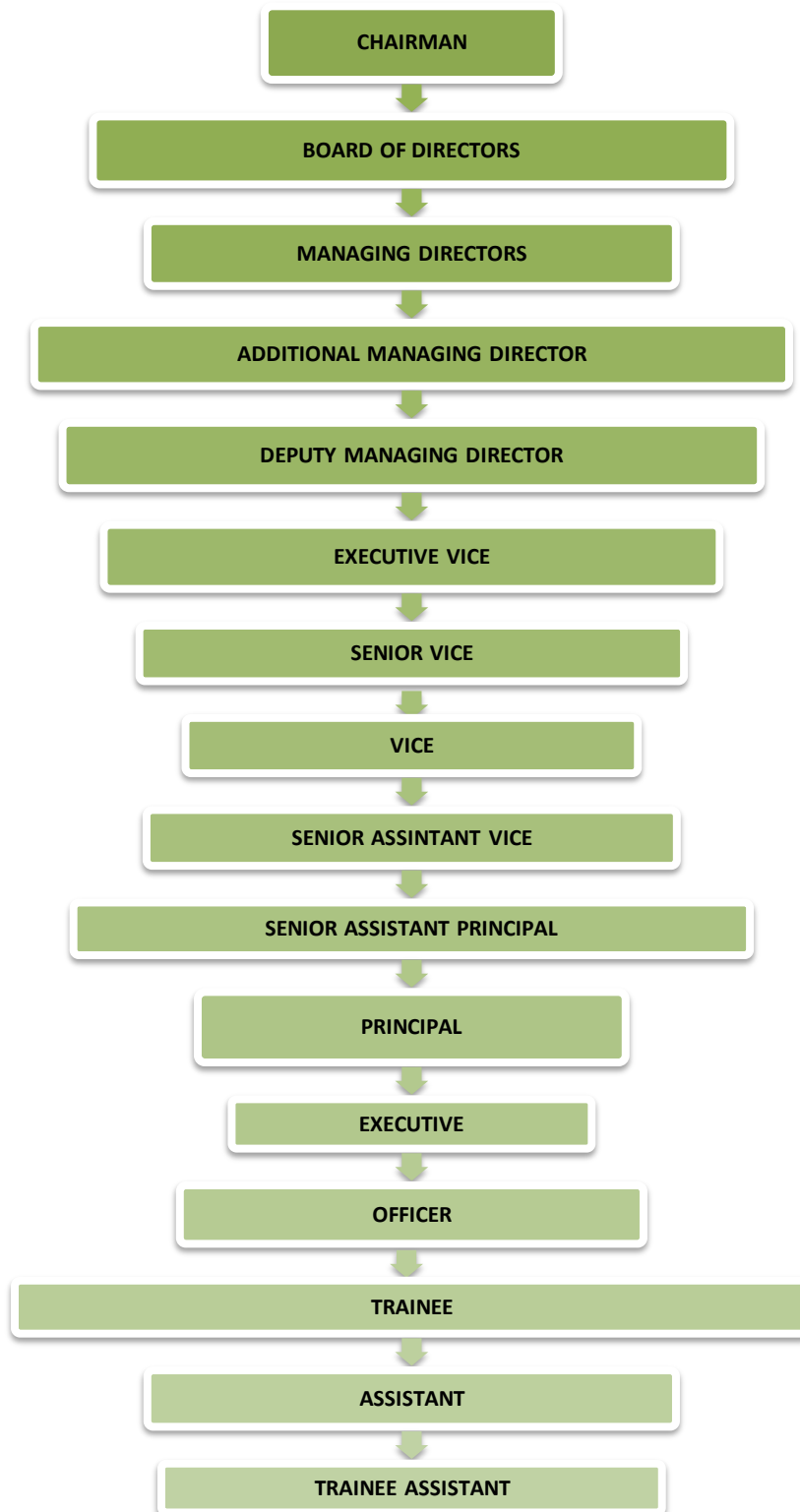
6. Its scope of activities is narrower when compared with Islamic banks.	6. Its scope of activities is wider when compared with a conventional bank. It is in effect a multi purpose institution.
7. It can charge additional money in case of defaulters.	7. The Islamic banks have no provision to charge any extra money from the defaulters.
8. In it very often banks own interest becomes prominent. It makes no effort to ensure growth with equity.	8. It gives due importance to the public interest. Its ultimate aim is to ensure growth with equity.

2.5 Nature of the organization

The bank is carrying out commercial, corporate, investment and retail banking related services to its customers through its 59 branches following the provisions of the bank company act 1991 as follows:

- ✓ Corporate finance.
- ✓ Corresponding banking.
- ✓ Documentary credits.
- ✓ Foreign exchange.
- ✓ Guarantees.
- ✓ Syndicated finance.
- ✓ Other related business.

2.6 Hierarchy of the organization:



2.7 Business/ products of the organization

2.7.1 Deposits Products

Social Islami Bank Ltd gives special importance on savings. The bank mobilizes deposits through the operation of following account:

1. Al Wadiah Current Account (AWCA).
2. Mudaraba Hajj Savings Account (MHSA) (1year to 25 Year).
3. Mudaraba Waqf Cash Deposit (MWCD).
4. Mudaraba Special Savings (MSS) (Pension, 5 years to 10 years).
5. Mudaraba Muhor Savings Account (MMSA).
6. Mudaraba Savings Bond (MSB) (5years and 8 years).
7. Mudaraba Monthly Profit Deposits Scheme (MPDS) 3 years and 5 years.
8. Mudaraba Term Deposits (MTD) 3 months, 6 months, 12 months, 24 months and 36 months.
9. Mudaraba Savings Deposits (MSD).
10. Mudaraba Special Notice Deposits (MSND).
11. Mudaraba Foreign Currency Deposits (MFCD).

Current account is operated on Al-Wadiah principle and all other deposit accounts on mudaraba principle of Islamic Shariah. The bank distributes minimum 65% of its investment income earned through deployment of Mudaraba deposits among the Mudaraba depositors.

2.7.2 Schemes

1. Neighborhood allowance scheme is implemented among the staff of the SIBL during the month of Ramadan 1416H under which each staff will get bonus equivalent to one month's salary: 50 percent to Zakatable relatives and neighbors to internalize the Islamic Socio-Economic values.

2. Rotating Family Savings and Credit Net (RFSCN) and Group Installments Credit Scheme.
3. Group-Lending Scheme (already in operations through Tokai project).
4. Farmer's Social Forum in rural areas.
5. Village exchange program.
6. Caring Village Account/Scheme.
7. Small Enterprise' Social Forum and so on.

2.7.3 Loan and Advances

1. Secured Overdraft (SOD)
2. Loan (General)
3. House Building Loan (Staff)
4. Demand Loan
5. Transport Loan
6. Industrial Credit
7. House Building Loan (General)
8. Transport Loan (Staff)
9. Cash credit (Hypothecation)
10. Past Due Bills
11. Loan against Trust Receipt (LTR)

2.7.4 Services

- Online Banking
- ATM Banking
- Lockers
- Utility Bills

CHAPTER III

LOAN DISBURSEMENT

3.1 Introduction:

It is known to all that the strong base of SIBL Dinajpur Branch is totally dependent on sound investment. As because interest on loan is the main source of income. That is why qualitative loan disbursement is so much important as well as quality to increase total income of the bank.

3.2 Loan Sanction Procedure:

Based on information available in the appraisal report, credit report, leg mate credit, Needs of the farmer client should be carefully analyzed by the sanctioning authority. Before according section analysis of status of application, credit worthiness liabilities, project viability from technical, financial, economic, Marketing and management point of view. As soon and the security is finalized and the sanctioning authority is satisfied he should proceed for sanction of loan advance.

3.4 Features of loanee:

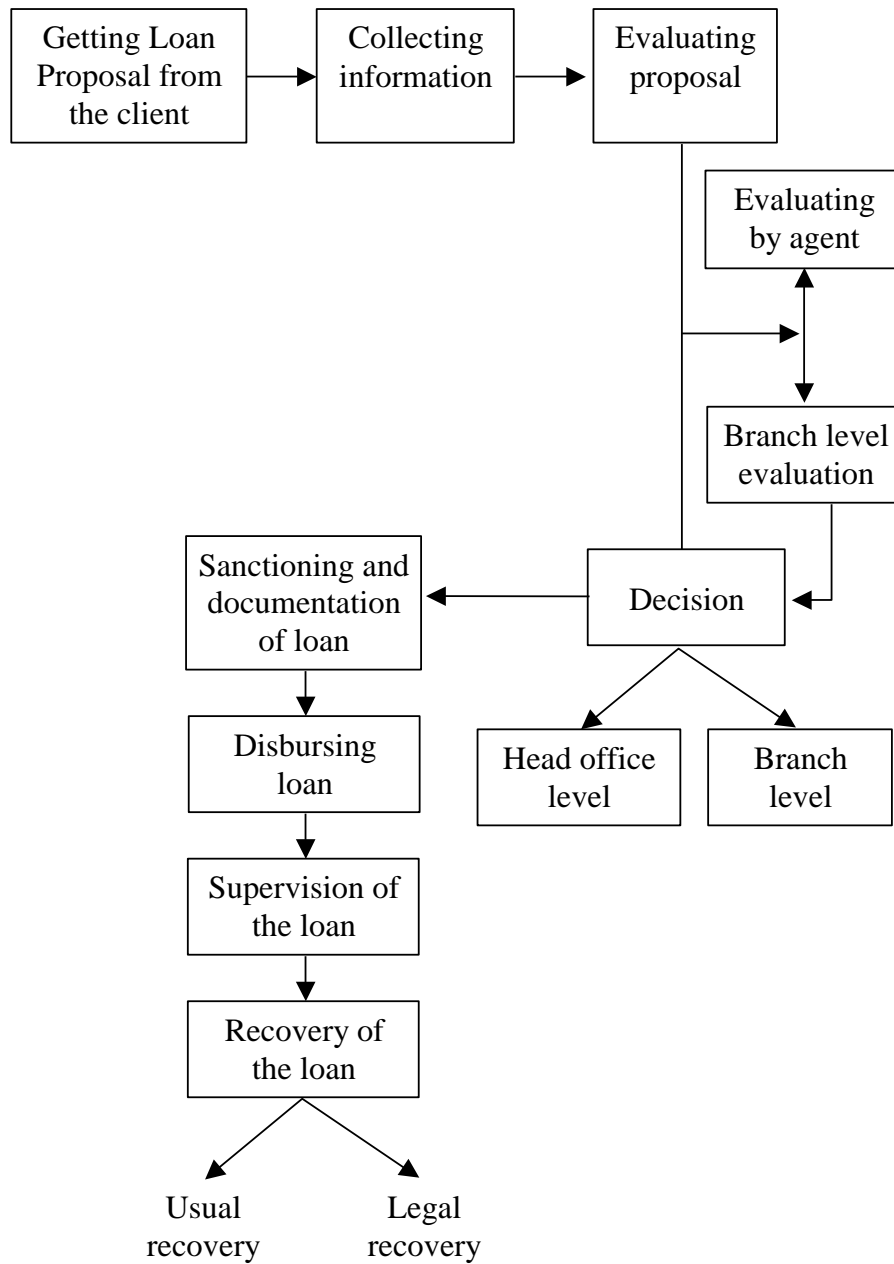
Some important are considered for loan disbursement by the bank. These are as follows:

1. Loanee must be Bangladeshi.
2. They must be matured.
3. They will not loan defaulter.
4. For ltd co. the join stock company register must be needed.
5. For co-operative society it must be registered.
6. They have ability to proper use and payable capacity and goodwill.

7. They will not mad and mental disorder. For the process of selecting loanee, bank considers “4 p’s” :

- a) Purpose
- b) Profitability
- c) Proper or Security

3.5 Loan handling diagram:



3.6 Documentation:

After the loan or advance become effective, the manager should ask the borrowers promptly to comply with the loan covenants stipulations and execute the documents. Correct documentation is essential securing safe repayment of loan and advances.

3.7 Security:

SIBL maintain the security listed below in recovering the loans without risk.

- 1. Lien:** It's a right to retain the property / goods of the borrower as security until the debit is adjusted. In this case the banker can only hold the possession of the goods he cannot sell them. A banker's lien is a general hen. He can sell the securities under lien after giving reasonable notice to the borrower.
- 2. Pledge:** Pledge is created only for movable property like goods document etc. In case of pledge the ownership of the goods remains with pledge but the possession of the goods vests with pledge until the loan is recovered. Pledge does not occur until the goods are transferred. The pledged goods are returned to the owner after the loan is adjusted. If the borrower fails to repay the loan the banker can sell the pledged goods after giving reasonable notice to him.
- 3. Mortgage:** Only the immovable properties are kept under mortgage. It is a method of creating charge on immovable properties.
- 4. Hypothecation:** Hypothecation is nothing but the mortgage of movable property. It is an extended idea of pledge. In this case both possession and ownership remains with the borrower but by the hypothecation agreement he undertaken to transfer possession whenever required. Here the lender possesses the right of a pledge. Hypothecation is very much risky and SIBL does not want utilize this method for creating charges.

3.8 Disbursement of loan:

Before release of sanctioned loan or advance, all terms and conditions as laid down in the sanction letter are to be fully complied with. To that effect, the following basic requirements:

- a) Loan affectivity terms and conditions as to collateral security and equity of the borrower shall be fully met.
- b) Specified documentations as specified in the sanction letter must be completed.
- c) Verification of encumbrances of security properties.
 - i. Non-encumbrances certificate.
 - ii. Execution of Halapnama.
- d) Creation of charge on the collateral security: In case of limited company, the charges on the company assets should be limited.
- e) With in 21 days from the date of creation of charge, by registered post to the register, joint stock company.
- f) Insurance for:
 - i. Security properties, as applicable.
 - ii. Assets creates or to be created out of a loan fund or with two equity.
 - iii. Stock of goods pledged with the bank as collateral shall be taken with appropriate risk cover.
- g) Any other stipulations as per sanction letter.

3.9 Loan Supervision and Monitory:

Under its charter, the bank is required, as for as possible, to ensure that a loan is spent on the purpose for which it is made, and if this requirement is not complied with by the borrower, the bank may require the repayment of the loan forthwith.

1. Primary responsibility of the manager is to supervise and monitor the cash loan/WCL project and term loan stage by stage, ensure project constriction work, acquiring kind items and project goods as per approved arrangement specified in the sanction letter.

2. Bank finance project should be inspected by the regional manager and manager periodically, to assess physical conditions of the projects facilities and the level of the project's capacity utilization.
3. Cash loans are liable to misuse for non-productive process. Special attention must, Therefore, be given on borrowers past antecedents. When releasing cash loans. When substantial cash amount is required to be drawing by a borrower for civil works of a project, WCL for requiring goods the managers must be particularly. Vigilant on the usage of loan. Total responsibility for credit supervision of cash credit/WCL lies with the manager.
4. The manager should deploy a project supervision officer after documentation are release of first loan installment with the assignment of over all project supervision the duties of the PSO has been laid down in Ch: 25.07. The PSO should be stationed in the project site or nearby and see for himself the project developmental work and inform the progress to the manager through progress report predictably.
5. After inspection, the manager/authorized officer should countersign the Borrower's acknowledgement receipt under his signature and seal. Only after such counter-signature in the Borrower's acknowledgment receipt, supplier's bill can be processed for payment the branch should complete the verification of goods supplied by a supplier with a week and process payment of supplier's bill promptly when the same is in order.

(WCL= Working capital loan)

3.10 Loan disbursement Scenario Dinajpur branch of SIBL:

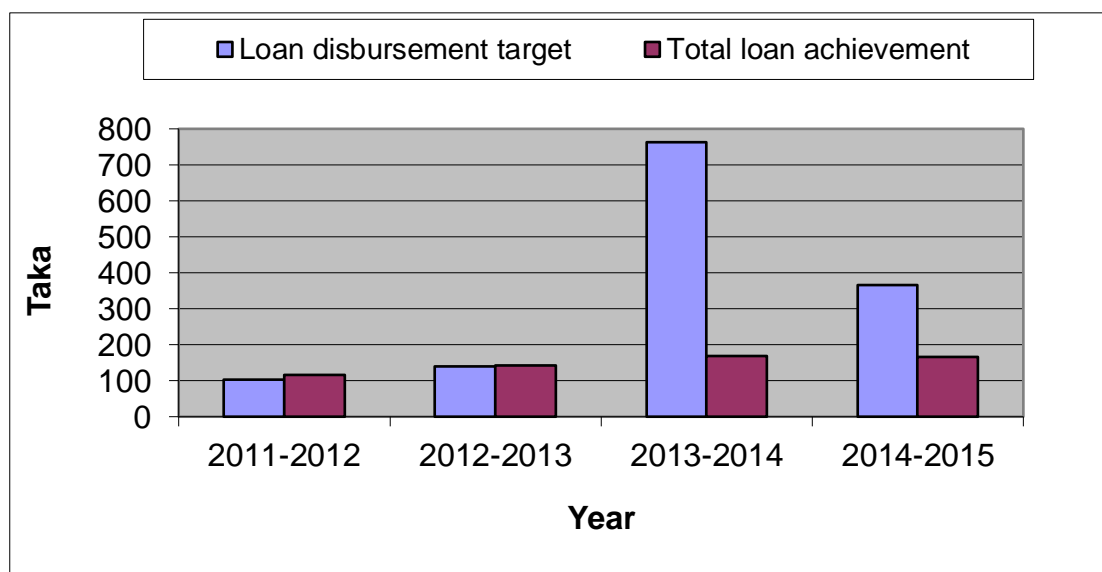
Position of Loan disbursement last four year. (Amount in Lakh TK.)

Financial year	Loan Disbursement target	Total Loan Achievement	Achievement rate
2011-2012	103.50	116.37	112.43%
2012-2013	141.00	141.19	100.13%
2013-2014	761.77	167.39	22%
2014-2015	365.00	167.25	45.82%

Source: SIBL, Dinajpur Branch

$$* \text{ Achievement rate} = \frac{\text{Achievement}}{\text{Target}} \times 100$$

Comment: It is evident, from the Above table that 2011-2012 to 2012-2013 Loan disbursement target are increased gradually on the other hand Loan achievement is also increase gradually. But in the financial year 2013-2014 Loan disbursement target decreased from the previous year but in this year Loan disbursement is not Satisfactory. Here highest achievement rate in the year (2011-2012) is 112.43% and lowest achievement rate in the year (2013-2014) is 22%



Bar Diagram Presentation Last four years disbursement (amount in lakh Tk.)

a) Loan disbursement for 2011-2012.

SIBL, Dinajpur Branch projected lending target of TK 103.50 Lakh. Disbursement of loan during the year amounted to TK 116.37 Lakh (112.43% percent of the target). For a reform expansion of the loan portfolio the following seven sectors were given priority in investment planning.

•Crops •Continuous • Poverty alleviation. •Fishery • Livestock •Irrigation equipment and farm machinery • Agro-based industries

The highest amount of TK 38.52Lakh was disbursed for Poverty alleviation. The next highest amount at TK 36.19 Lakh was disbursed for Crops such as rich, potato, sugarcane etc. Loan disbursement at livestock, Irrigation equipment and farm machinery and Continuous more than the target, there was no Loan disbursement at Agro-based industries sector.

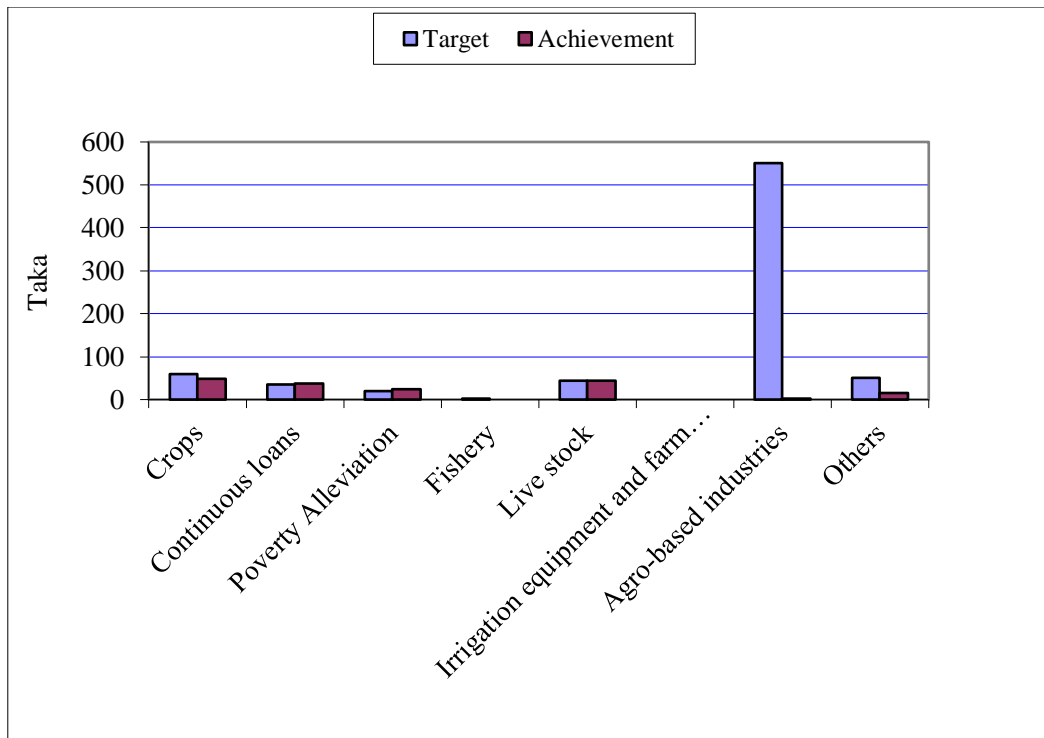
Position of Loan disbursement for the financial year 2011-2012 (Amount in Lakh TK)

Items	2011-2012		
	Target	Achievement	Achievement rate
Crops	35.00	36.19	103.40%
Continuous loans	4.00	4.70	117.50%
Poverty Alleviation	37.00	38.52	103.38%
Fishery	1.00	2.00	200.00%
Live stock	12.00	20.69	172.42%
Irrigation equipment and farm machinery	1.00	2.93	293.00%
Agro-based industries			
Others	13.50	11.34	84.00%
Total	103.50	116.37	112.43%

Source: SIBL, Dinajpur Branch

$$* \text{ Achievement rate} = \frac{\text{Achievement}}{\text{Target}} \times 100$$

Comment: It is evident. From the Above table that irrigation equipment and firm machinery is the highest achievement percentage that is 293% and poverty alleviation is the lowest achievement percentage, which is 103.38%. Others disbursement item is not considered here.



Graph sector wise disbursement: 2011-2012

b) Loan disbursement of 2012-2013

SIBL, Dinajpur Branch projected a lending target of TK 141 Lakh for the financial year 2012-2013. Disbursement of loan during the year amounted to TK 141.19 Lakh (100.13 percent of the target). For a reform expansion of the loan portfolio the following seven sectors were given priority in investment planning.

- Crops •Continuous • Poverty alleviation. •Fishery • Livestock •Irrigation equipment and farm machinery • Agro-based industries

The highest amount of TK 45 Lakh was disbursed for crops as rice, potato Sugarcane etc. The next highest amount of TK 44 Lakh was poverty alleviation. Total disbursement was TK 37.50 Lakh higher than that of the previous year.

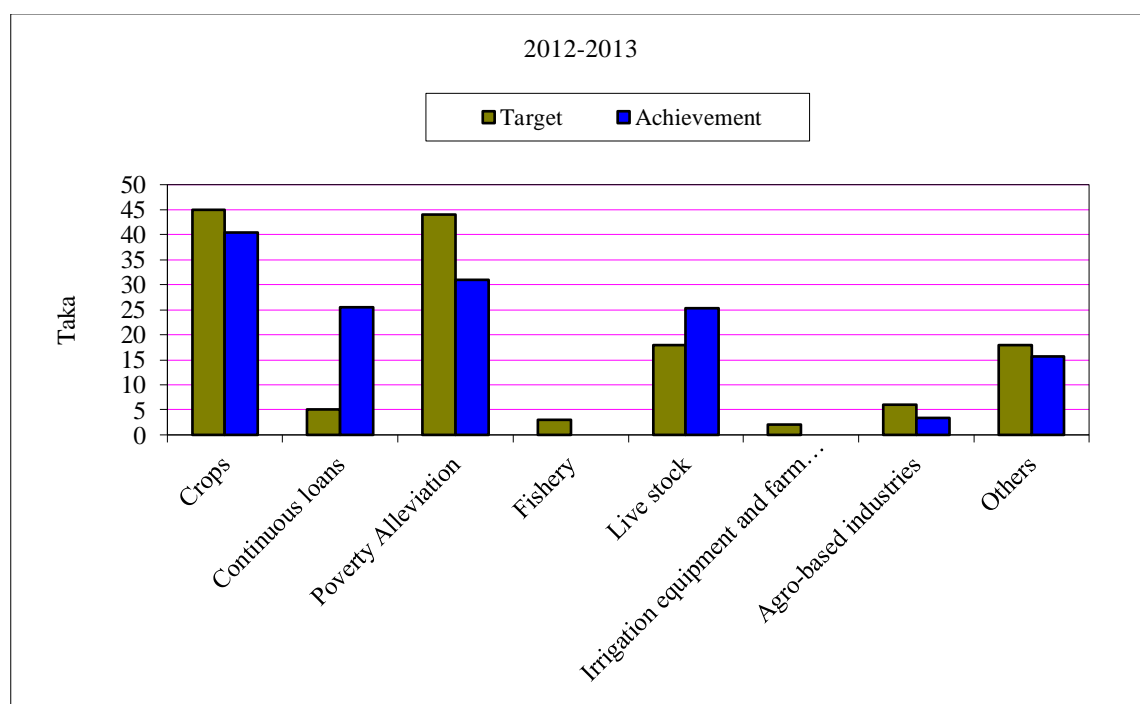
Items	2012-2013		
	Target	Achievement	Achievement rate
Crops	45	40.36	90%
Continuous loans	5	25.55	511%
Poverty Alleviation	44	30.92	70.27%
Fishery	3		
Live stock	18	25.32	140.66%
Irrigation equipment and farm machinery	2		
Agro-based industries	6	3.30	55%
Others	18	15.74	87.44%
Total	141	141.19	100.13%

Position of Loan disbursement for the financial year 2012-2013. (Amount in Lakh TK).

Source: SIBL, Dinajpur Branch

$$* \text{ Achievement rate} = \frac{\text{Achievement}}{\text{Target}} \times 100$$

Comment: It is evident, from the above table that Live stock is the highest achievement percentage which is 140.66% and Agro based industry is the lowest achievement percentage which is 55% Others disbursement items is not considered here



Graph: sector wise disbursement-2012-2013

c) Loan disbursement for 2013-2014

SIBLDinajpur Branch projected a lending target of TK 761.77 Lakh for the financial year 2013-2014. Disbursement of Loan during the year amounted to TK 167.39 Lakh (22 percent of the target). For a Reform expansion the Loan portfolio the following seven sections were given priority in investment planning.

- Crops •Continuous • Poverty alleviation. •Fishery • Livestock •Irrigation equipment and farm machinery • Agro-based industries

The highest amount at TK 47.39 Lakh was disbursed for Crops, the next highest amount of TK 44.95 Live stock. Total Disbursement was TK 26.20 Lakh higher than that of the previous year.

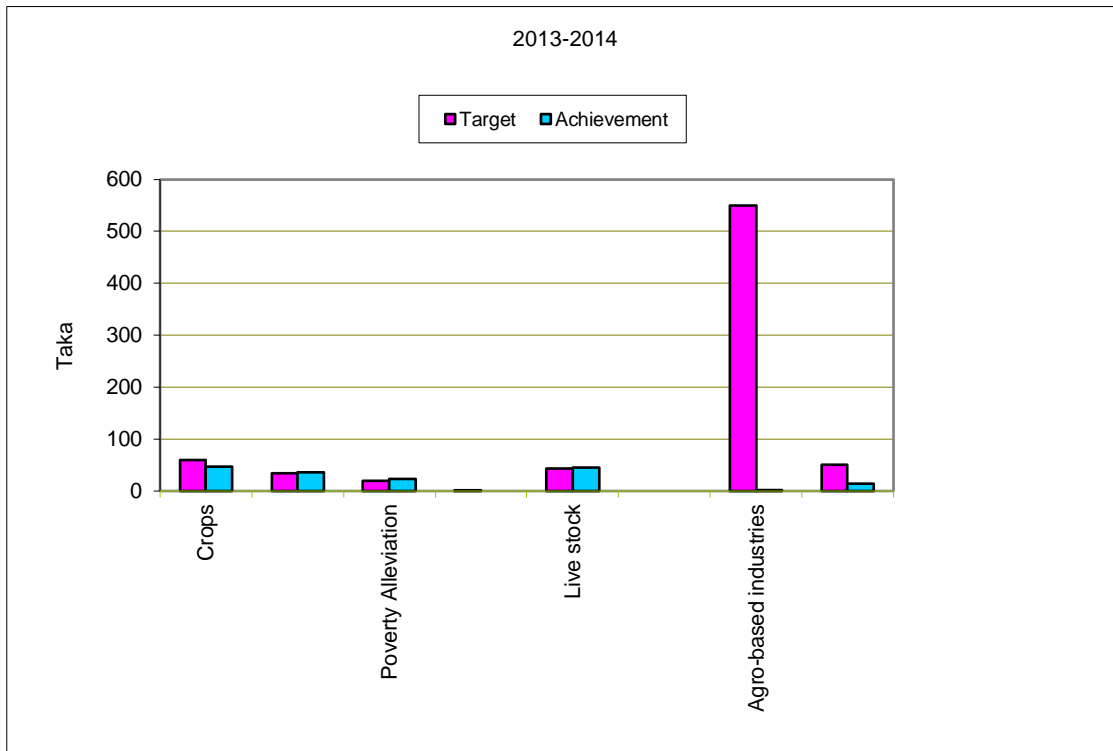
Position of disbursement of the financial year 2013-2014. (Amount in Lakh TK).

Items	2013-2014		
	Target	Achievement	Achievement rate
Crops	60	47.39	79%
Continuous loans	35	36.50	104.28%
Poverty Alleviation	20	23.49	117.45%
Fishery	2	-	-
Live stock	44	44.95	102.15%
Irrigation equipment and farm machinery	-	-	-
Agro-based industries	550	0.42	0.08%
Others	50.77	14.64	28.29%
Total	761.77	167.39	22%

Source: SIBL, Dinajpur Branch

* Achievement rate $\frac{\text{Achievement}}{\text{Target}} \times 100$

Comment: It is evident, from the above table that Poverty alleviation is the highest achievement percentage which is 117.45% and Agro based industry is the lowest achievement percentage which is 0.08% Others disbursement items is not considered here and fishery achievement is Null.



Graph: Sector wise disbursement-2013-2014

d) Loan disbursement for 2014-2015

SIBL, Dinajpur Branch Projected a lending target of TK 365 Lakh for the financial year 2014-2015. Disbursement of Loan during the year amounted to TK 167.25 Lakh (46 percent of the target). For a Reform expansion the Loan portfolio the following seven sections were given priority in investment planning.

- Crops •Continuous • Poverty alleviation. •Fishery • Livestock •Irrigation equipment and farm machinery • Agro-based industries

The highest amount of TK 45.70 Lakh was disbursed for Live stock. The next higher amount of TK 41.65 Lakh as disbursement of cash credit. Total disbursement was TK 0.2 Lakh lower than that of the previous year.

Position of disbursement of the financial year 2014-2015. (Amount in Lakh TK).

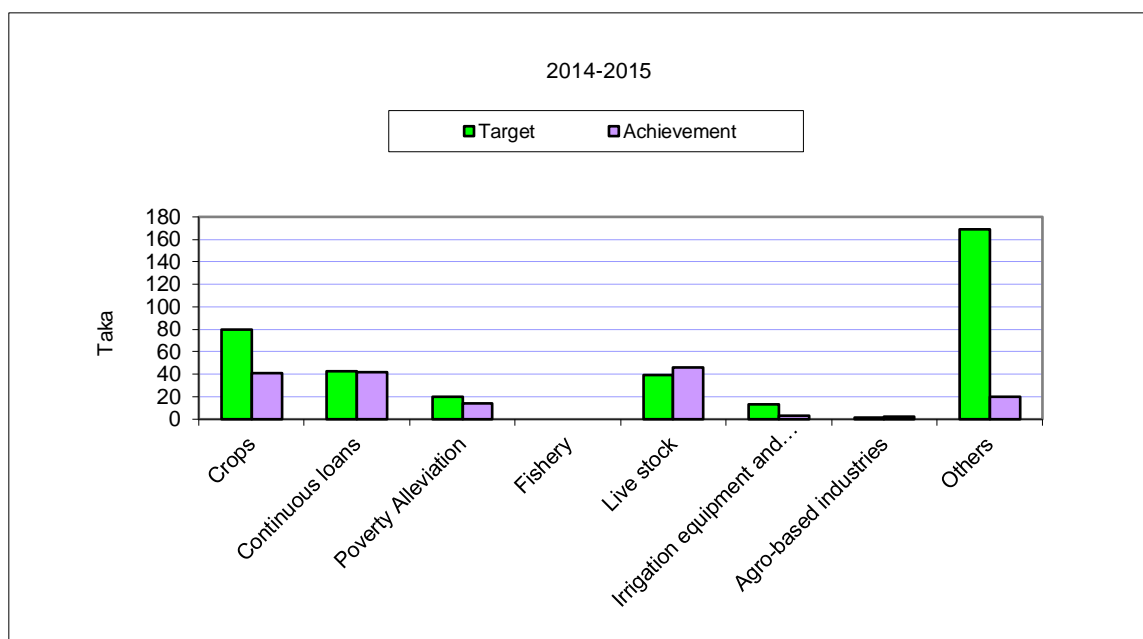
Items	2014-2015		
	Target	Achievement	Achievement rate
Crops	80	40.73	51%
Continuous loans	43	41.65	97%
Poverty Alleviation	19.90	14.40	72.36%
Fishery	-	-	-
Live stock	39	45.70	117.18%
Irrigation equipment and farm machinery	13	3.08	23.69%
Agro-based industries	1.53	2.12	138.56%
Others	168.57	19.57	11.60%
Total	365	167.25	46%

Source: SIBL, Dinajpur Branch

$$* \text{ Achievement rate} = \frac{\text{Achievement}}{\text{Target}} \times 100$$

Comment: It is evident. From the above table that agro based industries Loan in the highest achievement percentage which is 138.56 % and

Irrigation equipment farm machinery is the lowest achievement percentage which 23.69%. Other disbursement item is not considered here.



Graph: Sector wise disbursement-2014-2015

CHAPTER IV

LOAN RECOVERY

4.1 Introduction:

When a bank or other financial institutions distribute a loan to other organization or people, then after regaining from loanee it is called loan recovery, SIBL, Dinajpur Branch, Distributed loan to loanee and recovers this money. SIBL, Dinajpur Branch, recover's loan under two basis-

- a. Unclassified loan, and
- b. Classified loan.

a. Unclassified loan: When half or more than half of the total loan is repaid within the due dates by the borrowers then that is called unclassified loan. The duration of time in which the loan will be treated as unclassified is less than 12 months from sanctioning loan.

b. Classified loan: When more than half of the total loan or total is unpaid / due over the due date then that loan is called classified loan. Classified loans can be sub standard, Doubtful and bad. The criteria of these classification of classified loans are as follows:

1. For short term loan: Short term loan are classified by SIBL, Dinajpur branch in three categories-

i) Crop loan and micro credit:

- Age of over due, 12 months Irregular.
- Age of over due 13-36 months Substandard.
- Age of over due 36-60 months Doubtful.
- Age of over due: Above 60 months Bad.

ii) Cash credit-and working capital:

- From 6 months but less than 9 months- Substandard.
- From 9 months but less than 12 months-Doubtful.
- From 12 months above Bad.

iii) Demand Loan:

- From 6 months but less than 9 months- Substandard.
- From 9 months but less than 12 months- Doubtful.
- From 12 months above- Bad.

2. Medium loan (Up to 5 years):

- From 0 months but less than 6 months- Substandard.
- From 6 months but less than 12 months- Doubtful.
- From 12 months but less than 18 months - Bad.

3. Long term loan (Above 5 years)

- From 0 months but less than 12 months-Substandard.
- From 12 months but less than 18 months - Doubtful.
- From 18 months but less than 24 months-Bad.

4.2 Procedure of loan recovery:

The main responsibility of bank manager and loan officer is to recover the outstanding loan in SIBL, Dinajpur Branch. Two-recovery procedures are-

- a) Usual procedure.
- b) Legal procedure.

a) **Usual procedure:** The usual loan recovery procedure is divided into several steps. They are as follows:

- Issue of demand notice: Demand notice is issue before on month being due of out standing loan or installment. It is sent to the borrower.
- Legal notice: If the borrower does not repay their respective loans and interest after maturity being received the demanded notice under registered with acknowledgement by post to the borrowers the bank should send lower notice to him.
- Special notice: Beside the above to notice a special notice signature by DC, TNO is sent to the respective borrower to keep mental pressure on him for repaying the loan.
- Field recovery: Loan officer recover the recovered loan through I.O. receipt by visiting the spot and source of the borrower.
- Personal Communication: If the borrower fails to repay his loan installment, the loan officer communicates with the respected persons of that area to give mental pressure to the borrower so that he repays his respective loan.
- Loan Recovery Camp: SIBL, Dinajpur branch made camp in various areas for the recovery of his loan, in this issue, the manager and other officer were present in the camp and communicated with borrowers. They gave them moral persuasion and tried to encourage them, so that they could repay their loan.
- Loan recovery with the help of interest exemption the loan amount which becomes more than double in principle and interest and which is not possible to recover with the help of legal action then those loan can be recovered by exempting interest. By this way bad loan can be recovered.

b) **Legal procedure:** When legal action for recovering loan becomes failed a case in filed against the borrowers. The case is generally filed in the following ways:

- i. Unwilling to repay loan although he is financially solvent.
- ii. Every effort of loan recovery becomes failure.

4.3 Rules of Recovery:

SIBL, Dinajpur branch, loan recovery from loanee in installment system are as follows:

- i) Weekly.
- ii) Fortnightly.
- iii) Monthly.

4.4 Causes of defaulter:

The loanee can not loan payment in due time in various causes:

- i) Natural calamity destroy the crops, for this reason the loanee unable to pay loan in due time.
- ii) SIBL, Dinajpur branch cannot take proper step against the loanee for influential man.
- iii) The loanee cannot use the loan in proper.
- iv) The loanee do not pay loan in more time.
- v) Lack of loan supervision.

4.5 Causes of low recovery:

- **Negative attitudes of the local elites to repay loan-** In most of the cases, the influential persons due to their political and social power are not interested to repay the loan. Because to their political influence, credit officers cannot take any effective measure for loan recovery from them. Sometimes, loan received by them for a specific purpose is also diverted to other purposes.
- **Damage of crops due to flood-** Sometimes, the farmers have some valid reasons for non-repayment of loan in spites of their willingness of repayment of loan. In the case of crop failure due to natural disaster like flood, drought, etc., it becomes really difficult for the farmers to repay loan in time.
- **Unproductive use of loan-** The time involved in processing loan is such that the farmers usually receive credit at the end of the specific crop season even after

harvesting of the crop. For that matter, credit does not help in increasing production rather it is actually spent for non-farm expenses.

- **Shortage of credit personnel-** The branch has shortage of manpower to evaluate credit worthiness of the borrowers, identification of real borrowers, and supervision and recovery of loan.
- **Lack of legal action by the banks against defaulters-** Neither the Bank Manager nor the supervisors has any authority and power to take effective measures or administrative action against defaulters. For that reason, the defaulters do not bother for requests of loan repayment by them. Moreover, legal action against defaulters has rarely been taken.
- **Corruption of the bank employees-** In some cases, the bank officers take bribe from the defaulters and avoid responsibilities of realization of loan from the borrowers.
- **Inability of the farmers to repay loan-** Farmers need credit not only for agricultural production but also for consumption for their survival, particularly by marginal farmers. This sometimes compel them to divert agricultural credit to consumption and other unproductive purposes which ultimately lead to their low repayment capacity.
- **'Benami' loan received particularly by U.P. chairman/Member-** Sometimes the rural influential, particularly Union Parishad Chairman and Members receive 'Benami' loan. It happens particularly due to shortage of credit personnel who have to disburse credit in a short notice and do not have enough time to identify genuine borrowers.
- **Accessibility to alternative credit institutions-** There are a number of credit institutions which are working independently. So non-repayment of loan to one institution does not affect in receiving loan from another institution.
- **Evaluation of bankers efficiency-** Performance of a bank personnel is judged on the basis of amount deposited by him, not on the amount of loan recovered. Further, there is practically no incentive for him to increase recovery amount.

- **Inadequate training facilities for credit officers and their qualifications-** The persons involved in agricultural credit operations in rural bank branches have poor educational background with inadequate training. Banking training programme has hardly anything regarding agricultural credit operations which affects loan recovery performances of the Banks.

4.6 Loan Recovery scenario Dinajpur Brach of SIBL:

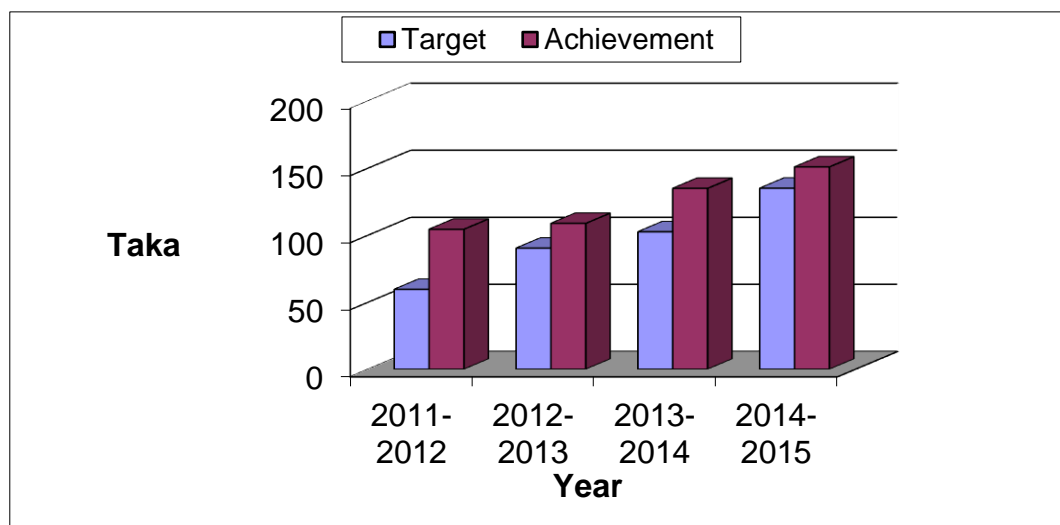
Last four years Loan Recovery. (Amount in Lakh Taka)

Financial year	Target	Achievement	Recovery rate
2011-2012	59.57	104.37	175%
2012-2013	90.28	108.76	120.46%
2013-2014	102.50	134.89	131.60%
2014-2015	135.00	150.88	112%

Source: Dinajpur Brach of SIBL

$$* \text{Recovery rate} = \frac{\text{Achievement}}{\text{Target}} \times 100$$

Comment: It is evident from the above table that 2011-2012 to 2014-2015 Loan Recovery Target and achievement are increased by amount gradually. But its Achievement performance is fluctuated. Highest Achievement in 2011-2012 financial year which is 175% and lowest in 2014-2015 Loan financial year which is 112% .



Graph: Last four years Loan recovery

a) Loan Recovery for 2011-2012

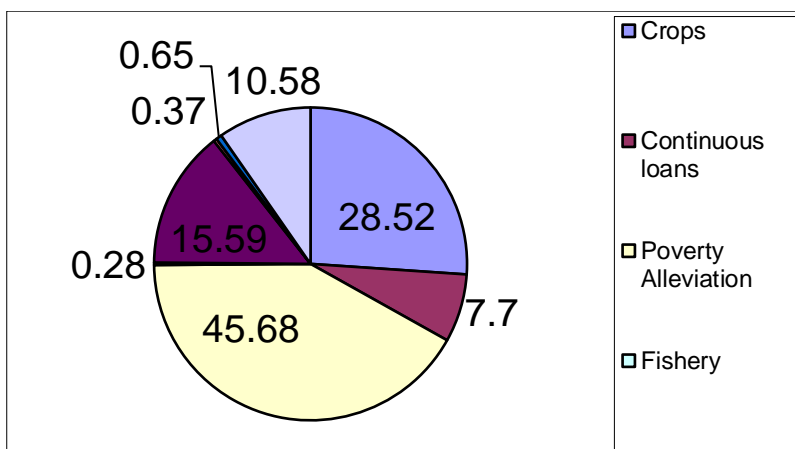
Loan Recovery target was TK 59.57Lakh and Loan recovery achievement was TK 104.37 Lakh (175 percent of target).

Major items wise loan recovery position 01-07-2011 to 30-06-2012

Items	Achievement (Amount in Lakh TK)	Percentage of Total achievement (%)
Crops	28.52	27.32
Continuous loans	7.7	7.38
Poverty Alleviation	45.68	43.76
Fishery	0.28	0.26
Live stock	15.59	14.93
Irrigation equipment and farm machinery	0.37	0.35
Agro-based industries	0.65	0.62
Others	10.58	10.13
Total	104.37	100

Source: SIBL, Dinajpur branch

Comment: From the above table it is shown that Poverty alleviation loans is the highest achievement amount of TK 45.68 lakh which is 43.76% of the total achievement and fishery is the lowest achievement which is 0.26% of the total achievement. Others recovery items is not considered here.



Pie diagram Presentation of loan Recovery 2011-2012 financial year (Sector wise)

b) Loan Recovery for 2012-2013

Loan recovery target was TK 90.28 Lakh and Achievement was 108.76 Lakh (120.46 percent of the target).

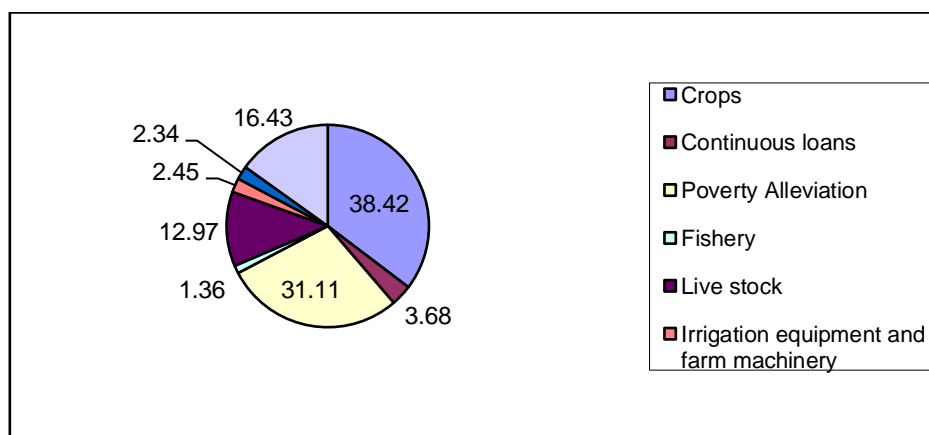
Major items wise position of Loan Recovery 01-07-2012 to 30-6-2013

Items	Achievement (Amount in Lakh TK)	Percentage of Total achievement (%)
Crops	38.42	35.32
Continuous loans	3.68	3.38
Poverty Alleviation	31.11	28.60
Fishery	1.36	1.25
Live stock	12.97	11.92
Irrigation equipment and farm machinery	2.45	2.25
Agro-based industries	2.34	2.15
Others	16.43	15.10
Total	108.76	

Source: SIBL, Dinajpur branch

Comment: From the above table it is shown that Crop loans recovery is the highest achievement amount of TK 38.42 Lakh which 35.52% of total achievement and Fishery is the lowest achievement, which is 1.25% of the total achievement. Others recovery items is not consider here.

Pie diagram Presentation of loan Recovery 2012-2013 financial year (Sector wise)



c) Loan Recovery for 2013-2014

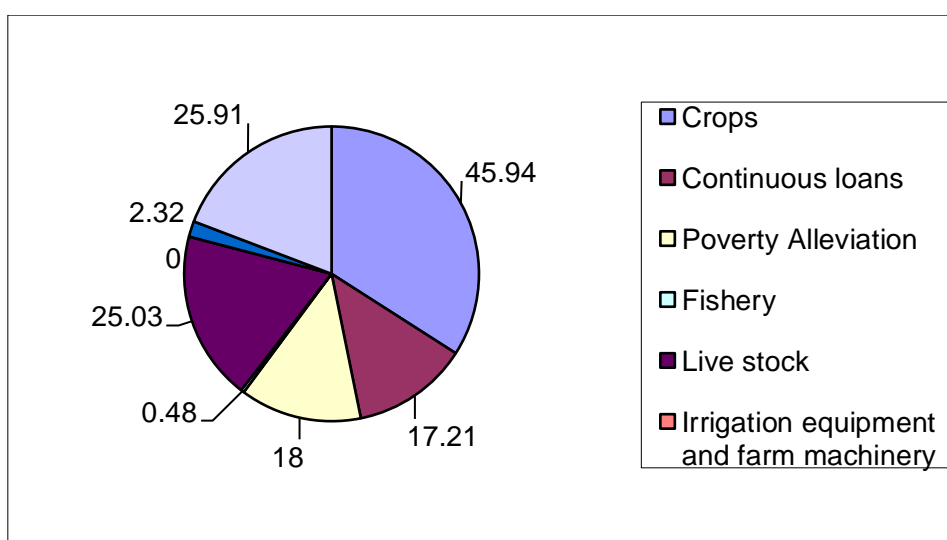
Loan recovery target was TK 102.50 Lakh and Achievement was 134.89 Lakh (131.60 percent of the target).

Major items wise position of Loan Recovery 01-07-2013 to 30-6-2014

Items	Achievement (Amount in Lakh TK)	Percentage of Total achievement (%)
Crops	45.94	34
Continuous loans	17.21	13
Poverty Alleviation	18	13
Fishery	0.48	0.36
Live stock	25.03	18
Irrigation equipment and farm machinery	-	-
Agro-based industries	2.32	1.27
Others	25.91	19.20
Total	134.89	100

Source: SIBL, Dinajpur branch

Comment: From the above table it is shown that Crops loans recovery is the highest achievement amount of TK 45.94 Lakh which 34% of total achievement and Fishery is the lowest achievement which is 0.36% of the total achievement and there is no target and achievement in the irrigation equipment and firm machinery sector. Others recovery items is not consider here.



Pie diagram Presentation of loan Recovery 2013-2014 financial year (Sector wise)

d) Loan Recovery for 2014-2015

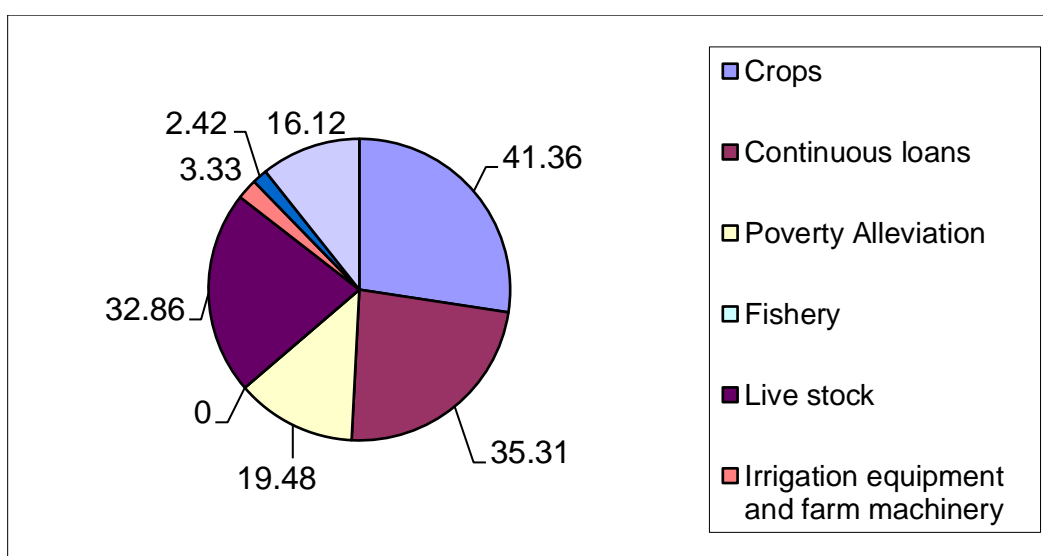
Loan recovery target was TK 135 Lakh and Achievement was 150.88 Lakh (112 percent of the target).

Major items wise position of Loan Recovery 01-07-2014 to 30-6-2015

Items	Achievement (Amount in Lakh TK)	Percentage of Total achievement (%)
Crops	41.36	27.41
Continuous loans	35.31	23.40
Poverty Alleviation	19.48	13
Fishery	-	-
Live stock	32.86	21.78
Irrigation equipment and farm machinery	3.33	2.20
Agro-based industries	2.42	1.60
Others	16.12	10.68
Total	150.88	

Source: SIBL, Dinajpur branch

Comment: From the above table it is shown that Crops loans recovery is the highest achievement amount of TK 41.36 Lakh, which 27.41% of total achievement and Agro based industry is the lowest achievement, which is 1.60% of the total achievement, and there is no target and achievement in the Fishery sector. Others recovery items are not consider here.



Pie diagram Presentation of loan recover 2014-2015 financial year (Sector wise)

CHAPTER V

FINDING, RECOMMENDATION AND CONCLUSION

5.1 Finding:

From the analysis of qualitative and quantitative data I can conclude that Loan Disbursement and recovery of SIBL Dinajpur Branch is satisfactory. Based on the data generated during my study period I will sum up my findings here and I think this will help me to achieve my objectives.

1. The recovery management is quite commendable, systematic and timely monitoring and appropriate documentation are tried to be maintained.
2. Customer satisfaction level is quite good. Informal conversation with some customers reveals that they are quite satisfied with the service in regards to disposals of credit proposals.
3. Bank Follow the overall credit assessment and risk grading process according to Bangladesh bank.
4. Filing procedure is not maintained in a definite and clear manner. It is difficult to locate the documents in a chronological and sequential manner. A definite practice, though mentioned in the credit policy is not always maintained by the credit officials.
5. Though SIBL Bank is a first generation private bank and enjoys highest reputation in the market while profitability is also commendable. It is observed that the bank could not yet fully equipped with all types of online facilities. However, it is found that the bank recently developing in this area.
6. Recovery system and disbursement procedure is comparatively followed by multinational bank.

5.2 Recommendation:

Social Islami Bank Limited has been successful in all of its operation since its inception. It has outperformed all its peer and competitor and peer banks in virtually all area of its activities. Still there is scope for improvement for the bank and the any or all of the following could be which Social Islami Bank Limited can implement to better its performance:

1. The bank may employ an outside company for recovery of its dues because it takes a great amount of time for the bank's employees to recover stuck up loans.
2. The bank can increase its retail credit loan by allowing credit to more customers. This can be possible through relaxation of credit norms like waiver of guarantee from third parties.
3. The bank can attract more lease finance customer through reduction of cost of borrowing on the part of the customer. This will provoke customers to repay the loan timely.
4. The bank can enhance its asset quality through offering rebate on interest rate and hence provocation of timely repayment by the customers. This will be offered only to regular customers.
5. The loan sanction process can be more easier that the clients can feel convenient to take loan from the bank.
6. Consumer loan should be continuing.
7. Decision should be decentralized. Manager should be considering the opinion of the subordinate.

5.3 Conclusion:

Now a day banking organizations are one of most vital parts of an economy. Now banks provide various services for individual, different firms, companies even for cultivation. Banks offer a great accumulation of loans for personal and industrial purposes. SIBL is running successfully and for its good deposit performance the bank occupies 2nd positioning the Islamic Banking Sector. Taken all in all, it can be safely said that SIBL action program is directed towards development of an authentic participatory Economy beyond Market Economy. The family empowerment credit program of Social Islami Bank is gaining ground at the grass root field level in Bangladesh. Family Empowerment microcredit and micro enterprises program must be designed in a manner so as to make a) finance, b) production, c) marketing, d) trading, e) local specific survey and research as well as moral integrity in one package. In SIBL approach, credit conveys the totality in life and clearly linked to social context and cultural setting in conformity with Shariah. There is a better chance in provision for social subsidy. De-secularizing credit may lead to re-writing new economics. It is thus felt that the linking credit to social goals and assignments will have far-reaching theoretical implications for development of an alternative concept of new theories of income, output and employment. This bank expresses its sincere thanks to the government of the People's Republic of Bangladesh and Bangladesh Bank for their co-operation and valuable guidance to the bank. SIBL also takes this opportunity to their valued clients, patrons, well wishers, correspondents and the shareholders for their support and patronization extended during the year under review. SIBL also records its appreciation for the services rendered by the executives and the members of the staff for the stability and growth of the bank. SIB needs further active support and continued cooperation of Bangladesh Bank, ministry of finance and other government agencies, executives and employees of the bank, valued partners, clients and the community at large in accomplishing difficult tasks ahead of it.

I completed my internship program from the Dinajpur Branch of Social Islami Bank Limited. As part of the SIBL this branch is also developed an image of goodwill among its clients by offering its excellent services. As my main objective is to concentrate on the activities related with Loan Disbursement and recovery in the Dinajpur Branch, of SIBL, from my practical experience, observation and discussing with the employees I learn about the loan disbursement and recovery and use of these in the organization.

As message from the Founder Chairman, Human Recourse policy of the Bank is focused on recruitment, training, and development. The human capital of the Bank has continuously been nurtured and properly managed to bring out the best. They are also committed to the performance culture where recognition, promotion, and rewards are based on individual merit and demonstrated performance. So, from the statement of the top authority it is understandable that how much they aware about the proper use of Loan Disbursement in Social Islami Bank Limited. I hope that the authority always aware about employees so they can provide excellence service with efficiency, accuracy and proficiency to the clients and meet the ultimate objectives of SIBL.

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Abbreviation:

SIBL : Social Islami Bank Limited

ALCO : Asset Liability Committee

ATM : Automated Teller Machine

BB : Bangladesh Bank

BCD : Business Credit Division

BDT : Bangladeshi Taka

BIL : Business Installment Loan

CDA : Call Deposit Account

CC : Credit Card

CIB : Credit Information Bureau

DD : Demand Draft

FDR : Fixed Deposit Receipt

GB : General Banking

IBP : Inland Bill Purchase

IPO : Initial Public Offering

KYC : Know Your Customer.

LC : Letter of Credit

LTV : Loan of Total Value

NGO : Non – Government Organization

NPL : Non Performing Loan.

OD : Opening Date /Over Draft

OSA : Operating Savings Account

PIN : Personal Identification Number

PL : Personal Loan

PO : Pay Order

R&D : Research & Development

SME : Small & Medium Enterprise

SOD : Secured Over Draft

STD : Short Term Deposit

TIN : Telephone Identification Number, Tax Identification Number

VAT : Value Added Tax

A/C : Account

CIB : Credit Information Bureau

OBC : Outward Bills for Collection