# “Credit Operation Management of Social Islami Bank PLC.”


**Prepared By:**

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Major: Finance, Batch 57th

Program: BBA

Department of Business Administration

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**Date of Submission: 14-08-2024**

# <u>Letter of transmittal</u>

**Date:14-08-2024**

Sabrina Akter
Assistant Professor
Department of Business Administration
Faculty of Business and Entrepreneurship
Daffodil International University

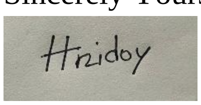
**Subject: Submission of Internship Report**

Dear Mam,

As required by my Bachelor of Business Administration (BBA) Program, I respectfully present my internship report on **"Credit operation Management of Social Islami Bank PLC," A Study on the Maona Branch.** I have finished my internship at the Maona Branch of Social Islami Bank PLC. This report is based on the insights and knowledge I gained during my internship.

Within the limitations of time and resources, I have done my best to describe my thoughts and findings.
Hopefully, the concepts in this report will give a clear picture of the situation I've been exposed to.
It is my sincere hope that it will meet your standards.

Sincerely Yours,

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MD: Shohel Rana Hridoy
ID:203-11-1196
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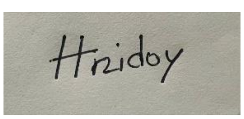
# <u>Student's Declaration</u>

I, MD: Shohel Rana Hridoy student of B.B.A 57* Batch bearing ID #203-11-1196, hereby declare that the presented report of internship namely "Loan Operation Management of SIBPLC, A study on Maona Branch " .I prepared this after completing my three-month internship.

I hereby sincerely declare that I am the creator of the work included in this report and that it was not previously submitted to any university in search of a degree or academic certification.

There are no copyright violations in the content I have submitted.

I further promise to hold the university responsible for any losses or damages brought on by my failure to fulfill these obligations.

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MD: Shohel Rana Hridoy
ID:203-11-1196
Major in Finance
Program BBA
Department of Business Administrative
Faculty of Business and Entrepreneurship
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# Certificate of Approval

This is to certify that MD Shohel Rana Hridoy, Student of B.B.A 57th Batch bearing the ID # 203-11-1196, Major in Finance is a regular student of Department of Business Administration, Faculty of Business Entrepreneurship, Daffodil International University. He has successfully completed her internship in Social Islami Bank PlC, Maona Branch and has prepared this internship report under my supervision. Her assigned internship topic is "Credit Operation Management of SIBPLC Bank Ltd. A study on Maona Branch" I think that the report is worthy of fulfilling the partial requirements of the B.B.A program.

…………………………………………

Sabrina Akter
Assistant Professor
Department of Business Administration
Faculty of Business and Entrepreneurship
Daffodil International University

# Acknowledgement

In the beginning, I want to express my sincere gratitude to the Almighty Allah for providing me with the chance to complete the internship process and successfully produce a report in this regard.

Finally, I would like to express my gratitude to Sabrina Akhter, assistant professor in the department of business administration at Daffodil International University, who supervised my internship and helped me write my report greatly with her invaluable time, supervision, advice, and direction.

Next, I would like to thank the Maona branch of Social Islami Bank PLC. for providing me with the opportunity to complete my internship program there. My sincere gratitude go out to Md. Hafizur Rahman Chowdhury sir, SPO & Manager Operation of the Maona Branch of SIBPLC, for his outstanding guidance throughout my internship. Finally, I would like to express my gratitude to MD. Rifat Ahmed Sir, the Loan Performance Manager (LPM), for his assistance with all work and for giving me the information I needed to understand the subject of the report. i also want to express my gratitude to Md. Sahidur Rahman Sir, the Assistant Officer for teaching me about the overall operations of the bank. Finally, I would want to express my gratitude to all of my bank colleagues who helped me greatly during my internship. Without all of their support, I think that I could have completed my report as efficiently.

Last but not least, I would like to express my gratitude to Daffodil International University for making this internship program required in order to fulfill credit requirements. It has been a huge assistance to me to gain experience with the actual corporate world and workplace culture.

# Executive Summary

The report, which provides a description of all the tasks done by Social Islami Bank PLC, Maona Branch, was written as part of the BBA program's practical position.

On June 24, 1983, Social Islami Bank PLC (SIBPLC) opened for business. It was established as a joint venture financial business earlier in 1976 at the request of the People's Republic of Bangladesh government.

Daffodil International University's Bachelor of Business Administration (BBA) program responds to the requirements of students who wish to advance into executive roles in many business sectors as well as positions in teaching and research at various establishments. My internship report, **"Credit Operation Management of Social Islami Bank PLC. A Study on Maona Branch"** is ready for this. There are 5 parts to the report.

The report's background is presented in the first section, which serves as an introduction. This section highlights the report's goal and presents the methodology, which includes details on the data sources and sampling strategy.

An overview of the organization is given in the second portion of the report, which also includes many significant facts regarding Social Islami Bank PLC. This chapter includes background, vision, and mission statements as well as information about the organization and the features of its goods and services.

The learning section of this report is its main body. "Credit Operation Management of IFIC Bank Limited" is covered in the third section.

Then in the Financial Analysis of Social Islami Bank PLC section that follows. This chapter contains information on total capital, total deposit, loans and advances, and equity capital.

A summary of the report's findings is presented in the final section

# Table Of Content

# Chapter One

# Introduction of the Report

## 1.1 Introduction

Banks play a vital role in the economy by providing credit to individuals, families, and government entities, essential for modern industrialization, trade, and investment. Globalization has introduced both opportunities and challenges, requiring banks to adapt to increased competition. They act as intermediaries between lenders and borrowers, facing significant risks in their operations.

In this dynamic environment, practical knowledge and experience, such as through internships, are crucial for aspiring banking professionals. While lending is risky, it is also profitable, and banks' income heavily depends on their loan and investment activities. However, Bangladesh's banking sector struggles with a default culture due to poor performance. Despite this, institutions like Social Islami Bank PLC (SIBPLC) are pivotal in the country's financial development, operating on Islamic Shariah principles and profit-sharing with entrepreneurs, which has garnered them a positive reputation.

My internship at SIBPLC's Maona Branch provided valuable practical insights into banking operations, especially in investment management. This experience highlighted the gap between theoretical knowledge and real-world application, enhancing my understanding of banking activities and organizational dynamics.

## 1.2 Purpose of the Report

Upon successfully completing all courses within the BBA program at Daffodil International University, I am now embarking on a practical and professional journey through an internship opportunity. The main objective of this internship is to gain firsthand experience in the service industry and to apply the theoretical knowledge acquired throughout my Bachelor of Business Administration (BBA) studies. Throughout the internship period, the primary aims are:

- Acquiring practical experience in the business and banking sectors.
- Understanding the organization and its corporate environment.
- Applying theoretical concepts learned during the BBA program to real-world scenarios.
- Recognizing and understanding the key characteristics of the organization.

### 1.3.2 Report Objectives

The report aims to achieve the following specific objectives:

- Understand Social Islami Bank PLC.
- Familiarize with its operational system.
- Comprehend Islamic banking's conceptual framework.
- Investigate SIBPLC's investment practices.
- Gather information on various bank departments' activities and transactions.
- Gain insights into General Banking operations.
- Understand the Foreign Trade Department's functioning.
- Explore the Investment Department's operations.
- Evaluate the financial performance of the bank.
- Distinguish between Islamic and conventional banking practices.
- Offer recommendations for addressing issues.

#### 1 1.4 Study Scope

As a participant in the Finance Department's BBA program, I embarked on an internship journey at the renowned Social Islami Bank PLC, marking the final phase of my BBA curriculum. The purpose of this research is to examine Social Islami Bank PLC's investing operations. It will especially look into the various investment modalities and activities that the bank engages in.
, consolidating essential information regarding SIBPLC and its investment operations.

## 1.5 Methodology of this report

### 1.5.1 Data Collection

The methodology employed in this study encompasses.

#### 1.5.1.1 Main Information Sources

Data was collected through the following methods:

- Direct interviews
- Interaction with others
- Observations

- Review of files
- Conversations with SIBPLC executives
- Practical desk work

#### 1.5.1.2 Supplementary Information Sources

information was obtained from:

- Various textbooks and reference materials
- Documents provided by SIBPLC
- Annual reports of SIBPLC
- Previous internship reports
- Online sources
- SIBPLC's official website: www.SIBPLC-bd.com

## 1.6 Limitations of the Study

Despite the efforts invested, several limitations were encountered throughout the study period:

- The internship program spanned a brief duration of three months, which proved insufficient for gathering comprehensive information and compiling the report.
- Limited access to relevant academic resources such as books, papers, and journals hindered the depth of research.
- Employees' busy schedules posed challenges in obtaining sufficient information, as they were often preoccupied with their duties and hesitant to share personal insights into SIBPLC.
- The scarcity of information on the SIBPLC website further restricted the available data.
- Updates on various aspects may not have been readily available.
- Executives at the bank faced time constraints due to their workload, limiting their availability for in-depth discussions and interviews.

# Chapter 2

# An Overview of Social Islami Bank PLC

## 2.1 Overview of SIBPLC

Established on July 5, 1995, Social Islami Bank PLC commenced operations on November 22, 1995, as a second-generation Islamic bank with significant support from prominent figures in the Islamic world Distinguished figures, including H.E. Hamid Al Gabid , former Secretary General of the OCI and Prime Minister of Niger, H.E. Ahmed M. Salah Jamjoom, former Commerce Minister of Saudi Arabia, and H.E. Prof. Dr. Ahmed El-Naggar from Egypt, contributed as supporting investors in this prestigious initiative.. Social Islami Bank PLC., with a focus on poverty alleviation, embodies the concept of a 21st-century participatory three-sector financial model.

In addition to its banking operations, SIBPLC has two subsidiary companies in Bangladesh:

- **SIBPLC Securities Limited**
- **SIBPLC Investment Limited**

Within its formal banking division, Social Islami Bank PLC (SIBPLC) Functions as an Islamic Commercial Bank, emphasizing a customer-centric, profit-loss sharing approach to credit. In the corporate segment, SIBPLC offers a variety of services, including:

- Deposit and investment accounts
- Trade financing
- Issuance of guarantee letters and letters of credit
- Handling bills for domestic and international trade
- Leasing equipment and consumer durables
- Hire purchase and installment sales for capital goods
- Investment in affordable housing
- Real estate management

Additionally, SIBPLC engages in projects across industrial, agricultural, transport, educational, and health sectors. In the non-formal sector, the bank issues and manages cash Waqf Certificates, and oversees WAQF and Mosque properties and Trust funds.

SIBPLC is expanding into SME banking and agricultural finance and exploring alternative delivery channels like SMS banking and mobile payment systems. The bank has also introduced internet banking and new products to enhance its service offerings.

## 2.2 About SIBPLC

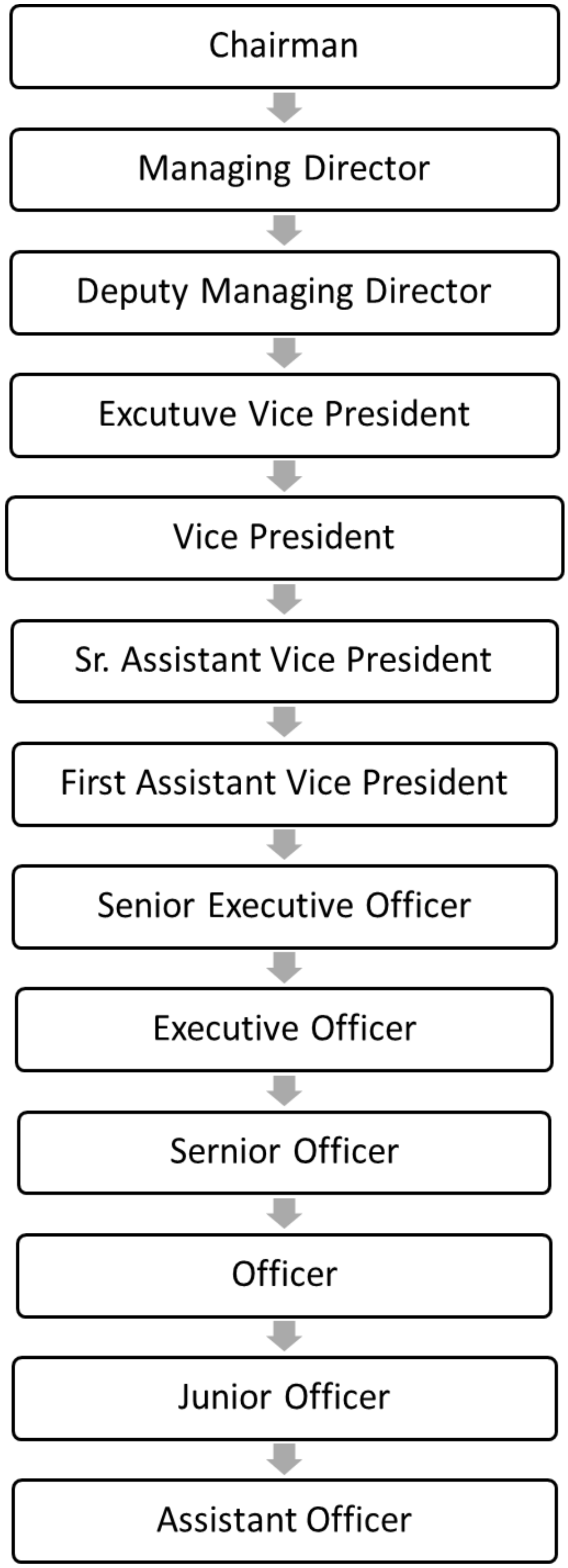
Founded in 1995, Social Islami Bank PLC (SIBPLC) is Bangladesh's leading Shariah-based financial institution. SIBPLC includes subsidiaries such as SIBPLC Securities Ltd, SIBPLC Investment Ltd, and SIBPLC Foundation Hospital. It employs a unique three-tier banking model (Formal, Non-formal, and Voluntary), aiming to eradicate poverty with the motto "Working Together for a Caring Society." By collaborating closely with clients and stakeholders, SIBPLC provides one-stop services and the latest products using advanced technology, earning a reputation for unparalleled customer service and building long-term, profitable partnerships with clients.

SIBPLC operates with 4,000 employees across 179 branches and 236 sub-branches, plus 375 Agent Banking Outlets, ensuring financial services reach the remotest areas. The bank's commitment to creating a caring society underpins all its activities. SIBPLC feels a strong connection to people's emotions and believes that banking alone cannot achieve a just and equitable society. Therefore, it actively engages in CSR activities, from poverty eradication to family empowerment. For SIBPLC, success means not only achieving profitability but also becoming the country's most humanitarian and comprehensive bank.

**Company At a Glance:**

| | |
|---|---|
| Name of the Company: | Social Islami Bank PLC |
| Industry: | Financial Service |
| Legal Form: | Public Company Ltd. |
| Chairman: | Mr. Belal Ahmed |
| Managing Director and CEO: | Mr. Zafar Alam |
| Head Office: | City Center, Floors: 19-23, 28, and 29 90/1, Motijheel Commercial Area Dhaka-1000 |
| Registration Number: | C-28763 (44)/95 |
| Authorized Capital: | Taka 30,000,000,000 |
| Number of Branches: | 179 Branches |
| Website: | www.SIBPLCbd.com |
| EMAIL: | info@SIBPLC-bd.com |

## 2.3 Management Structure Of SIBPLC



## 2.4 Vision

**"Working together for a caring society"**

## 2.5 Mission

- Establishing a Three-Sector Banking Model
- Transforming into a service-oriented, technology-driven, profitable bank
- Delivering fast, accurate, and appropriate customer service
- Implementing a balanced and sustainable development strategy
- Ensuring optimum return on equity for shareholders
- Introducing innovative Islamic banking products
- Attracting and retaining high-quality human resources
- Empowering underprivileged families and creating local income opportunities
- Providing support for social benefit organizations by mobilizing funds and offering social services

## 2.6 Values of SIBPLC

**Honesty**

- We adhere to honesty as ordained by scripture, reflecting this value in all our services.

**Transparency**

- Transparency builds trust, and we uphold this virtue in all our actions.

**Efficiency**

- We strive for perfection in every task, aiming to provide full satisfaction through efficiency.

**Accountability**

- Accountability means being responsible and above suspicion, a duty we faithfully uphold.

**Religiousness**

- SIBPLC promotes economic well-being with a foundation in religious ethics.

**Innovation**

- We embrace innovation to enhance the quality of life and offer greater benefits to our clients.

**Flexibility**

- Flexibility promotes improved comprehension and higher satisfaction, qualities that we consistently strive for.

**Security**

- Ensuring our customers' trust in our products and services is our top priority.

**Technology**

- In a technology-driven era, we strive to adopt the latest advancements to provide the highest level of convenience to our clients.

## 2.7 Strategic Goals

- Transform into a service-focused, technologically advanced, and profitable bank.
- Provide swift, accurate, and exceptional customer service.
- Implement eco-friendly banking practices.
- Maintain high standards of Corporate Social Responsibility (CSR).
- Aim for balanced and sustainable growth.
- Maximize returns on equity for shareholders.
- Attract and retain top-tier talent.
- Invest in strategic sectors for economic growth.
- Achieve global standards in Islamic banking.
- Empower disadvantaged families and support local revenue generation.
- Provide funding and services to socially beneficial organizations.

## 2.8 Functions of SIBPLC

- Mobilize idle resources by accepting public deposits.
- To promote commerce and industrial expansion, give loans and advances to people, businesses, and corporations.
- Provide systematic services to clients and shareholders.
- Support savings.
- Increase investment.
- Simplify foreign currency conversion.
- Identify and satisfy customer financial needs.
- Offer borrowing facilities to improve the economy.

### 2.9 Products and Services

**Deposit Product**

- Al-Wasiyah Bil Waqf (Cash) Account
- Mudaraba Scheme Deposits
- Al Wadiah Current Account
- Mudaraba Savings Deposit
- Mudaraba Term Deposit
- Mudaraba Notice Deposit
- Cash Waqf. Deposit
- SIBPLC Super Savings Account
- RFCD Account

**Investment Products**

- SIBPLC Islamic Auto Finance
- SIBPLC Islamic Home Finance
- Islamic Consumer Finance
- SIBPLC Retail Investment for Students
- Bai-Muazzal
- HPSM
- HPSM- IJARA
- Murabaha
- Musharaka
- Bill Purchase
- Bai-Salam (PC)
- Quard

**Card Products**

- VISA Islami Credit Card
- VISA Islami Prepaid Card
- VISA Islami Debit Card

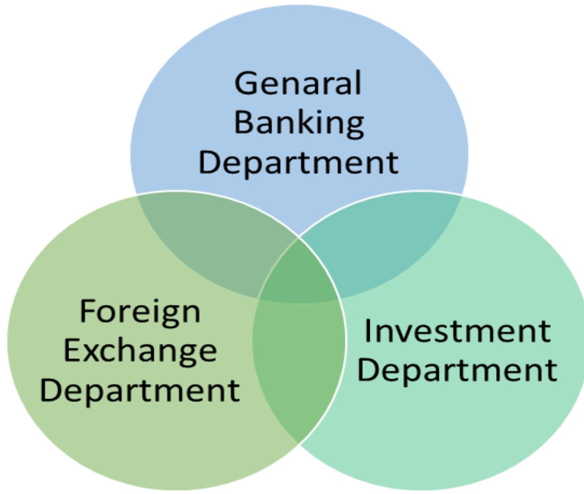
**Service Products**

- Online Banking
- 24/7 ATM Services
- Automated Clearing
- Electronic Fund Transfer
- Internet Banking (SIBPLC NOW)
- Offshore Banking
- Centralized Trade Processing Services
- Remittance
- Capital Market Services via SIBPLC Subsidiaries
- Locker Services
- Student File Services
- SWIFT
- Alternate Delivery Channel
- School Banking
- Agent Banking
- Real Time Gross Settlement

## 2.10 Different Departments

Social Islami Bank PLC is organized into three major departments:

- General Banking Department,
- Foreign Exchange Department,
- Investment Department




### 2.10.1 General Banking Department

The General Banking Department is central to the operations of Social Islami Bank PLC and interacts with all other departments. It is crucial to have an efficient and well-managed system in banking operations. This department is divided into five sections:

- Account Opening and Other Services Section
- Cash Section
- Remittance Section
- Bills and Clearing Section
- Accounts Section

### 2.10.2 Foreign Exchange Department

The Foreign Exchange Department is a vital part of the bank, serving as a link between importers and exporters. This department handles transactions involving foreign currencies, hence its name (FOREX). Its functions include:

- Maintaining Foreign Currency Accounts
- Managing Exchange Rates
- Monitoring Exchange Positions
- Facilitating Imports
- Facilitating Exports

### 2.10.3 Investment Division

The bank's Investment Department is dedicated to an investment strategy that aligns with Islamic banking principles, emphasizing buying, selling, and profit-loss sharing. The department aims to achieve social good and create employment opportunities. It manages various investment activities, including:

- Employment Schemes
- Apartment Project Investment Schemes
- Household Durable Investment Schemes

# Chapter 3

# “Credit Operation Management of Social Islami Bank PLC.”

## 3.1 Introduction

Social Islami Bank PLC (SIBPLC) is a second-generation commercial bank operating under Islamic Shariah principles. It offers a wide range of banking services, including a comprehensive Collection of deposit and investment products, international trade facilitation, remittance services, and other supplementary offerings, supported by advanced information technology and skilled management. The bank's investments cover various sectors through local business markets, prioritizing superior resources and maintaining good customer relationships.

**3.2 Investment Operation Goals and Guidelines**:

- Finance is strictly aligned with Islamic Shariah principles.
- Diversification of investments by amount, sector, security, financial purpose, and region.
- Ensuring mutual benefits for both the bank and the customer through expert evaluation, prudent authorization, and close supervision of investments.
- Undertaking investments based on national economic needs.
- Increasing the number of potential financial experts through participatory and profitable investments.
- Funding various development plans to eradicate poverty and unemployment, aiming for sustainable socio-economic development.
- Supporting social organizations.
- Investing in products and items rather than just disbursing cash to customers.
- Avoiding investments in sectors prohibited under Islamic Shariah and those harmful to society.

**3.3 Distinctions Between Conventional and Islamic Banking:**

| **Islamic Banking** | **Conventional Banking** |
|---|---|
| Islamic banking operates under ethical principles prescribed by Islamic Shariah Law. | In contrast, conventional banking is considered unethical as it operates based on man-made laws. |

| | |
|---|---|
| Islamic banks operate according to Islamic Shariah ethics. | Conversely, conventional bank function based on man-made principles. |
| Balanced budgets result from effective resource allocation. | However, extending cash in the currency marketplace without backing by real assets leads to deficit financing. |
| If the organization incurs a loss, it will be shared among stakeholders. | In contrast, conventional banking charges interest even if the organization suffers a loss, so there is no loss-sharing mechanism |
| It also strives to maximize profit but within the confines of Shariah principles. | Its goal is to optimize profit without limitations. |
| Cash is not expanded through the production of goods and services, thus preventing the generation of inflation. | However, the absence of goods and services backing the cash during its distribution leads to an increase in cash, resulting in inflation. |
| In the modern Islamic financial System, the collection and distribution of Zakat have become integral elements of Islamic banking administration. | However, it does not directly handle Zakat management. |
| Islamic banks are not obligated to impose additional charges on defaulters. Conversely, | conventional banks may apply extra fees, such as compound interest rates, for defaulters |
| It is challenging for Islamic banks to obtain funds from the currency market. | In contrast, interest-based commercial banks typically find it easier to acquire funds from this market |

**3.4 Investment Status:**

The status of investments can be divided into two main categories:

- Categorized Investment
- Uncategorized Investment

### 3.4.1 Categorized Investment

These investments are identified by the bank as overdue after their specified due dates. Once an investment reaches this stage, the bank applies its established rules and procedures.

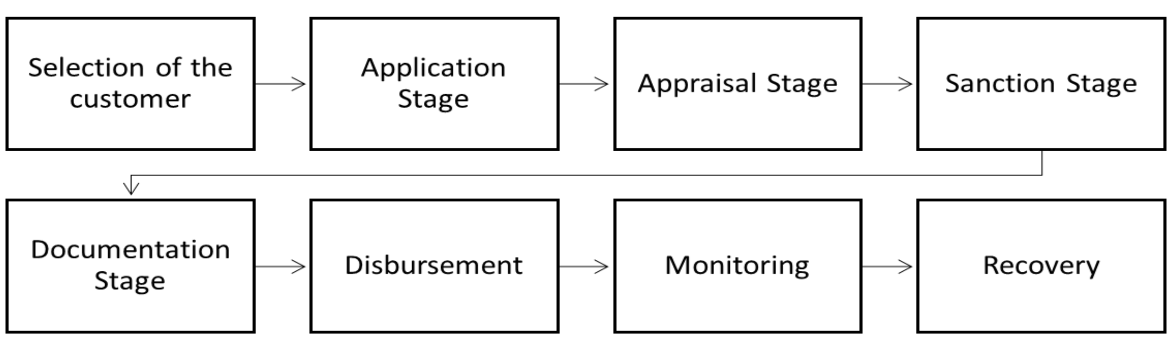
**Substandard:** Repayment is either stopped or inconsistent, but there remains a reasonable possibility for improvement. If an investment is not repaid within the Special Mention Account stage, it becomes classified as Substandard. At this stage, the investment is treated as non-performing. Interest is managed in the same way as in the Special Mention Account. An investment is considered substandard if it remains unpaid for six months.

**Doubtful Debt:** Repayment is unlikely, but special collection efforts might lead to partial recovery. If an investment is not repaid or restructured during the substandard period, it becomes classified as doubtful. Interest is treated as in the previous stage. An investment is considered doubtful if it remains unpaid for nine months.

**Bad/Loss:** There's not much hope for recuperation. In the event that an investment is not repaid or restructured during the doubtful stage, it becomes classified as bad or loss. There is serious doubt about the recovery of these investments. An investment is considered bad or loss if it remains unpaid for one year.

**3.4.2 Uncategorized Investment** These investments are considered secure by the bank, with a high certainty of repayment.

**3.5 Investment Procedure Steps** The bank adheres to several crucial stages in approving loans for customers. This approach is typically employed for sanctioning and disbursing general loans, with other systems following a similar procedure.



**01.Client Selection:** Prior to making an investment, clients must adhere to the bank's principles and guidelines. The bank typically assesses clients based on the following 5Cs:

- Character
- Capacity
- Capital
- Collateral
- Condition

**02. Application Process**: During this phase, the bank collects significant information, data, and documents from the client. The bank requests essential information for the investment proposal, including:

- A photocopy of the trade license
- Abbreviated statement of income pro-forma
- Authenticated duplicate of the partnership agreement
- Attested replica of the Memorandum of Association (MOA)
- Attested E-TIN copy
- Tenders of the proposed assets

**03. Evaluation Process:** At this stage, the bank evaluates the client's business. This critical assessment forms the basis for the bank's decision to approve the investment. The appraisal report includes:

- Information about the client
- Data on the proprietors
- Listing of the partners
- Purpose of the investment
- Other liabilities of the customer
- Previous bankers' information
- Business type

**04. Approval Process:** Here, the bank formally approves the client's investment proposal. The client receives a sanction letter from SIBPLC detailing:

- Investment limits
- Mode and quantity of investment
- Principles of investment
- Rate of return
- Securities
- Cash/Goods
- Collateral

**05. Documentation Requirements:** The bank ensures all necessary documentation is complete. SIBPLC verifies client records such as:

- Certificates of tax payment
- Stock report
- Trade license
- VAT certificate
- Declaration of liability from various parties
- Receivables from various clients

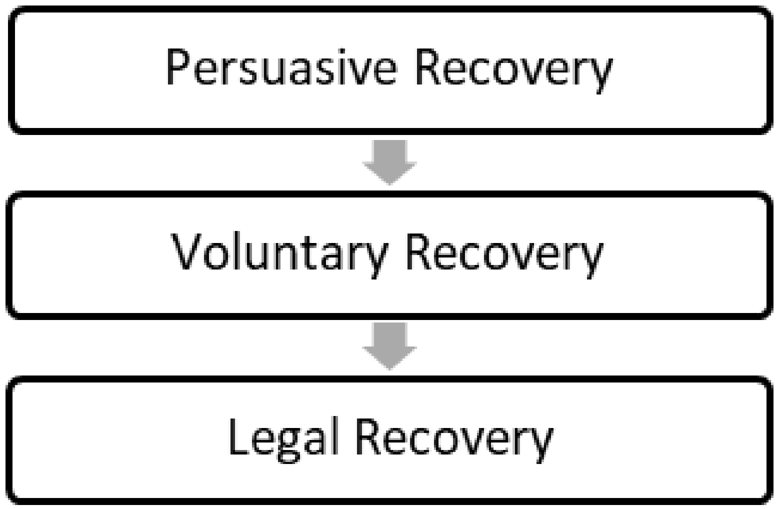
**06. Funds Disbursement:** Funds are released by the bank at this stage, enabling the client to receive the required investment.

**07.Monitoring Stage:** Throughout the investment process, SIBPLC maintains regular communication with the client. For micro-investments, the bank may request monthly stock reports from the client to closely monitor the investment.

**08. Recovery Stage:** In this stage, the bank is responsible for recovering the lent funds within the specified period. If the borrower is unable to repay the money within the stipulated time, the bank takes necessary actions.

### 3.8 Recovery Steps Used in SIBPLC

SIBPLC employs three recovery steps.




**01**. **Proactive Recovery:** The first thing the bank does when a borrower doesn't pay back the investment amount on schedule is to speak with them privately. This approach creates psychological pressure on the borrower to repay the money.

**02. Voluntary Recovery:** In the voluntary recovery method, the bank undertakes several steps to recover the investment. These steps include:

- Forming a task force
- Organizing seminars and workshops

**03. Legal Recovery:** The bank will take the appropriate legal action against the borrower if they are unable to make the installment payment and do not make regular payments.

# Chapter 4

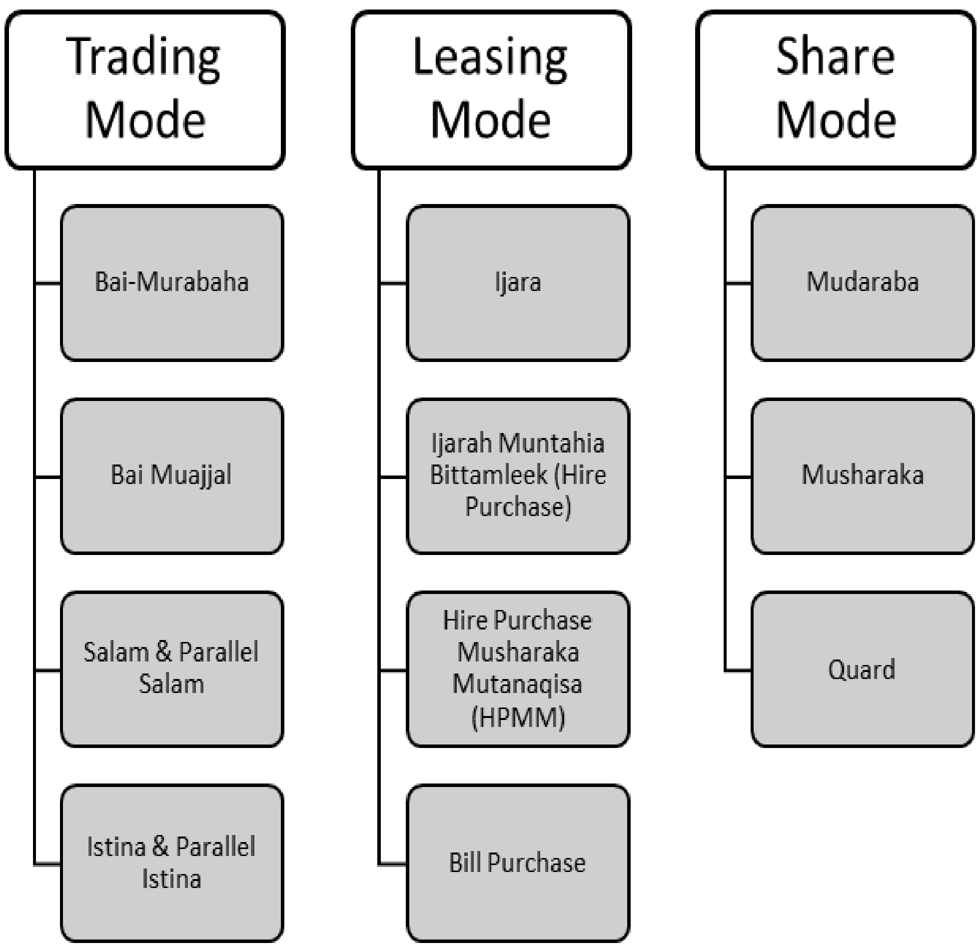
# Investment in SIBPLC

## 4. Investment of SIBPLC

Social Islami Bank PLC (SIBPLC) is a second-generation commercial bank operating under Islamic Shariah principles. It offers a wide range of banking services, including an extensive range of deposit and investment products, foreign trade services, remittance options, and other supplementary offerings, supported by advanced information technology and skilled management. The bank's investments cover various sectors through local business markets, prioritizing superior resources and maintaining good customer relationships.

### 4.1 Investment Modes of SIBPLC:

Social Islami Bank PLC in Maona offers various investment options tailored to the diverse needs of its clients. SIBPLC conducts its investment activities primarily through three modes:



### 4.1.1 Bai Murabaha:

The term "Bai-Murabaha" is derived from "Bai," (purchase and sale) and "Rebhan" (profit or gain). Bai Murabaha refers to a contractual purchase and sale with a profit margin.

Bai Murabaha is a type of sale where the seller discloses the cost and profit margin to the buyer. This arrangement involves the buyer requesting the bank to purchase specific goods on their behalf. The bank acquires these goods according to the buyer's specifications and sells them to the buyer at an agreed-upon price, which includes a profit margin. Payment can be made either upfront or on a deferred basis. For a valid Bai Murabaha transaction, the bank must purchase the goods for itself first and then sell them to the customer.

If the bank does not purchase the goods, no sales contract is formed under Bai Murabaha, and any profit earned from holding funds would be considered interest, which is not permissible. Therefore, the bank must own the goods before selling them to the customer.

#### 4.1.1.1 Steps of Bai Murabaha:


**Submission of Proposal:** The customer sends a proposal to the bank, detailing the goods to be purchased, including transportation details, cost, and payment terms. The bank responds with a counter-proposal that either matches the buyer's price or offers an alternative price.

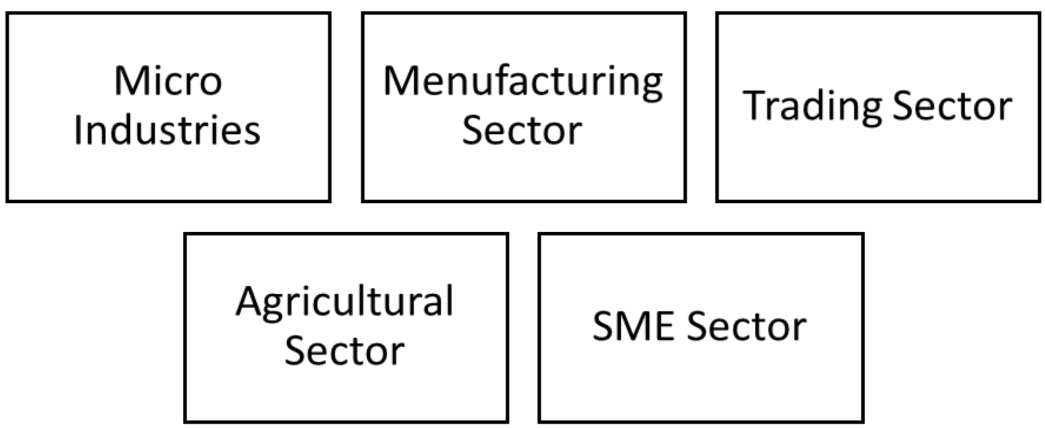
**Contract Signing:** The customer commits to purchasing the goods at a fixed price, and the bank agrees to the transaction terms. The bank informs the customer of its approval to purchase the goods and pays for them immediately. The vendor sends invoices, and both parties sign the Bai-Murabaha agreement.

**Delivery:** The bank authorizes the customer or their representative to receive the goods. The vendor sends the goods to the agreed location. The customer, acting as the bank's agent, accepts the goods and informs the bank of the receipt.

**4.1.1.2 Characteristics of Bai Murabaha:**

- Agreed Profit: The sale features a profit margin negotiated and agreed upon by both the buyer and seller.
- Transparent Pricing: The cost of goods and the profit margin are disclosed to the buyer.
- Conditional Sale: The buyer must purchase the goods and may then sell them later.
- Goods Availability: The goods must be available and in possession before the Bai-Murabaha contract is signed.
- Fixed Price: The price remains fixed and cannot change due to payment delays.
- Earning and Security: The bank can earn cash or accept mortgaged security.
- Direct Expenses Only: The bank can only include direct expenses related to the procurement of the goods.
- Possession Requirement: The bank must possess the goods before selling them.

**4.1.1.3 Investment Sector of Bai Murabaha:**

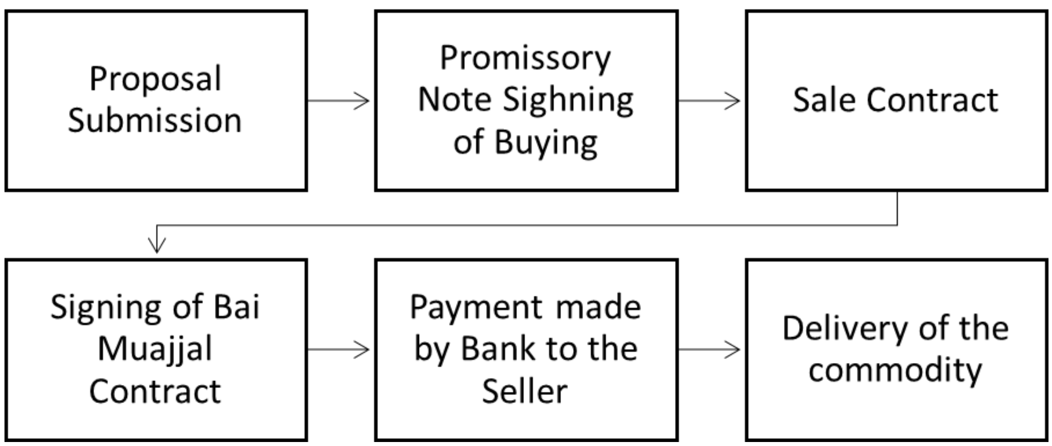


### 4.1.2 Bai-Muazzal:

The terms "Bai" and "Muajjal" are derived from Arabic, where "Bai" means purchase and sale, and "Muajjal" means a fixed time. "Bai Muajjal" refers to a sale where payment is made on a future fixed date or within a specific timeframe, essentially a credit sale.

In a Bai Muajjal contract, a vendor sells specific goods, which are permissible under the country's law and Islamic Shariah principles, to a buyer at a negotiated price. The payment for these goods is made either as a lump sum on a specified future date or in fixed installments over a set period. The vendor may also purchase goods as per the buyer's request and specifications to sell them under this agreement.

#### 4.1. 2.1 Steps of Bai Muajjal




**Proposal Submission**: The customer submits a proposal with product specifications to the bank, including details on delivery date, time, location, cost, and payment terms. The bank responds with a counter-proposal, either accepting the buyer's price or suggesting a different one.

**Promissory Note Signing:** The customer commits to purchasing the goods from the bank on a Bai Muajjal basis at a fixed price. The bank accepts this request and establishes the terms and conditions of the deal.

**Bank Approval:** The bank notifies the customer of its approval to acquire the product. The vendor confirms the sale and sends the invoices.

**Contract Signing:** Both parties (the bank and the customer) sign the Bai Muajjal agreement according to the approved terms.

**Payment by Bank: The** bank pays for the goods immediately or according to the agreement.

**Delivery of Goods:** The bank authorizes the customer or their representative to receive the goods. The vendor sends the goods to the agreed delivery location. The customer, acting as the bank's agent, accepts the goods and informs the bank of the receipt.

### 4.1. 2.2 Characteristics of Bai Muajjal

- Bank's Role: The bank's role is to purchase products and services from a seller and then, at the client's request, sell them to them with a payment plan.
- Customer Proposal: Generally, the client suggests that the bank use a Bai Muajjal arrangement to buy particular items.
- Security: Funds or collateral may be pledged to guarantee adherence to the terms of the deal or to offset any possible damages the bank may sustain in the event of nonpayment.
- Guarantee: The customer must fulfill the promise to buy the goods from the bank or compensate the bank for any losses due to a breach of the promise.
- Documentation: It is allowed to document the debt arising from Bai Muajjal with a guarantor or mortgage. Security may be obtained before or at the time of the agreement.
- Goods Availability: The bank must purchase the goods according to the customer's specifications before entering into the Bai Muajjal agreement.
- Delivery: The products must be delivered by the bank to the client at the location and time stipulated in the agreement.

### 4.1.2.3 Bai Muajjal Investment Sector

| | | | | |
|---|---|---|---|---|
| RMG & Textile | Agricultural | Real Estate | SME Sectors | Small Bussiness |

### 4.1.3 Salam and Parallel Salam

Salam is an advance purchase agreement where the buyer pays for the goods in full upfront., and the seller agrees to deliver the goods at a specified future date. The seller produces the goods within the agreed timeframe.

Parallel Salam is an arrangement where the seller, having committed to deliver goods in a Salam contract, fulfills this obligation by entering into another Salam contract as a buyer. This allows the seller to meet their responsibilities under the initial contract.

Fundamental Conditions and Terms for Mudaraba, Bai Muajjal, and Salam Agreements The agreement must specify:

- Quantity
- Quality
- Sample
- Price and profit amount
- Delivery date or time limit
- Delivery location
- Responsibility for delivery costs

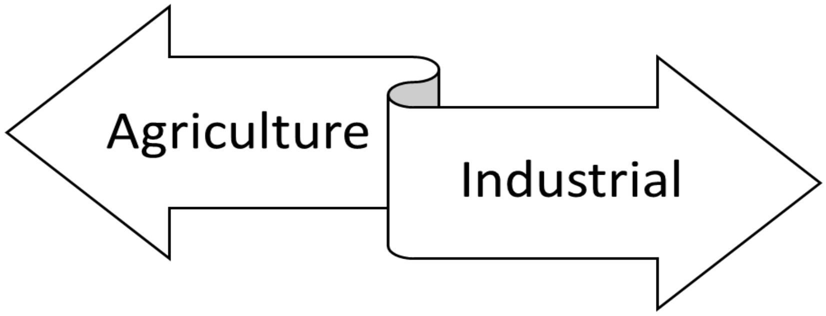
### 4.1.3.1 Components of Salam

- Buyers and sellers are parties to the arrangement.
- It details the products and the pricing.
- It contains the agreement's specific terms.

### 4.1.3.2 Characteristics of Bai-Salam

- In Bai-Salam transactions, the customer represents the vendor and the bank represents the buyer.
- The cost is agreed upon at the time of the agreement and is paid in full up advance.
- The contract specifies information about the products, including their name, description, number, form, unit cost, and total cost.
- Even in cases when the commodities are not physically present at the moment of the agreement, purchases are permitted (Halal).

#### 4.1.3.3 Sectors of Bai-Salam




### 4.1.4 Istisna and Parallel Istisna

Istisna is an agreement between a buyer and a seller where the seller commits to manufacturing and supplying goods according to the buyer's specifications. This agreement is used when a manufacturer or industrial facility agrees to produce certain products for an individual or institution at an agreed-upon price.

In this context:

The Mustansi is the one who makes the order. The Sani is the one who carries out the directive. The goods being manufactured are called the Masnu. A request for the production of goods that are delivered according to prevailing customs and practices is considered an Istisna contract.

#### 4.1.4.1 Characteristics of Istisna

- The agreement must detail the type, class, quantity, and features of the goods to be manufactured to avoid misunderstandings.
- The price, payment schedule, and payment method must be agreed upon and specified.
- The timing, location, and costs associated with delivering the products must be clearly defined.
- Payments can be made in advance, partially, or in full, as agreed by all parties.
- According to contemporary legal experts, the income generated from Istisna is considered legitimate.

If the agreement does not specify that the seller must produce the goods themselves, the seller can enter into a subcontract with a third party to fulfill the order, known as Parallel Istisna. Key points of this arrangement include:

- The original Istisna agreement remains valid even if the Parallel Istisna agreement fails, and the seller remains responsible for fulfilling the original contract.
- Istisna and Parallel Istisna are handled differently than individual contracts.
- The vendor retains legal responsibility under the Istisna agreement, even if the subcontractor fails to deliver.

**4.2 Leasing Mode:**

**4.2.1 Ijarah**

Ijarah, or leasing, is a method where a bank leases an asset it owns to a client. This involves a bilateral agreement between the lessor (bank) and the lessee (client). During the lease term, the lessee pays rent to the bank for the use of the asset or property and returns it at the end of the term. The bank retains full ownership of the asset and may offer to sell it to the lessee at an agreed-upon price after the lease period.

**4.2.1.1 Characteristics of Ijarah:**

- The lessor must maintain ownership of the property throughout the lease period.
- The lessor cannot impose interest for default or delayed payments by the lessee.
- The specific use of the rental asset must be detailed in the contract.

**4.2.3 HPSM - Hire Purchase under Shirkatul Melk.**

In the Hire Purchase (participatory ownership) model, both the bank and the client contribute equity, either equally or unequally, to purchase an asset such as land, buildings, machinery, or transport. The asset is jointly owned, and any benefits are shared according to the agreement, with losses borne in proportion to their respective equity. The portion of the asset owned by the bank is rented to the client for a fixed period at a predetermined rate. Eventually, the bank sells and transfers its share to the client, either gradually in parts or in a lump sum, once the hire agreement period ends.

**4.2.3.1 Characteristics of Hire Purchase under Shirkatul Melk.(HPSM):**

- The customer expresses interest in purchasing the asset and, after proper evaluation and security checks, the bank grants approval.
- Once approved, the customer deposits their equity share with the bank, collectively covering the total asset price.
- An agreement is crafted prior to asset acquisition, detailing rates, monthly rentals, the bank's share cost, payment schedule, installment duration, and security specifics.
- The bank leases its portion of the asset to the customer under the agreed terms.
- The bank's share diminishes as the customer increases ownership through payments. Upon full payment, the customer gains complete ownership of the asset.
- The customer may achieve full ownership before lease conclusion by settling all outstanding dues with the bank.
- Rent remains payable on the bank's share if the customer cannot make the installment payments.

**4.2.3.2 Investment sector under HPSM**

**4.2.3.2 SIBPLC Islamic Auto Finance:**

This service allows for the purchase of new and reconditioned cars, jeeps, station wagons, 4-wheelers, and microbuses strictly for private use. The vendor's quoted car price may include registration costs. Eligible vehicles must not exceed five years from their manufacturing date.

**4.2.3.2.2 Features:**

- Minimum investment: TK. 200,000/-
- Maximum investment: TK. 40,00,000/- or up to 16 times the gross monthly income, whichever is lower (investment amount subject to revision as per BB guidelines).
- Financing tenure: 12 to 72 months for brand new vehicles; 12 to 60 months for reconditioned vehicles.

**4.2.3.4 SIBPLC Islamic Home Finance :**

This service caters to the financing needs for homes.

#### 4.2.3.4.1 Feature:

- Minimum investment: TK. 5.00 Lac
- Maximum investment: TK. 200.00 Lac
- Investment tenure: Minimum 3 years (36 months) to maximum 25 years (300 months) based on case merits and BB regulations.

### 4.2.3.5 Islamic Consumer Finance

This finance option covers the purchase of furniture, household appliances, electronics, ornaments, jewelry, house renovations, and other needs aligned with Islamic Shariah principles.

#### 4.2.3.5.1 Feature :

- Investment amount (minimum and maximum): Minimum TK. 50,000; Maximum TK. 1,000,000 or up to 12 times the gross monthly income, whichever is lower.
- Investment tenure: 12 to maximum 60 months.

### 4.2.3.6 SIBL Retail Investment for Students

This service aims to provide students with security-free financing to purchase digital devices such as smartphones, tablets, and laptops.

#### 4.2.3.6.1 Feature :

- Minimum investment: TK. 50,000.00
- Maximum investment: TK. 2,00,000.00
- Investment tenure: 12 to 36 equal monthly installments.

### 4.2.3.7 Required Documents

- Copy of National ID, Voter ID, Passport, Driving License, or Employee ID
- Letter of Introduction From Employer (for salaried customers)
- Bank statements (last 6/12 months)
- Photographs
- TIN Certificate
- Business card

- Professional degree certificate (e.g., MBBS)
- Membership certificate with respective professional association (e.g., BMDC)
- Copy of Trade License (for proprietorship & partnership firms) / Partnership Deed (for partnership firms) / Memorandum & Article of Association and copy of share summary (for Limited Liability Co.)
- Monthly Sales Report of last 12 months (for businessmen)
- Rental Agreement (for landlords)
- Proof of property ownership / municipal tax receipt (for landlords)
- Statement of the A/C where rental income is reflected (for landlords)

**4.2.2 Ijarah Muntahia Bittamleek (Hire Purchase):**

In this scenario, the bank purchases assets such as vehicles, equipment, houses, or apartment buildings and leases them to customers in exchange for fixed rental payments. The objective is to eventually, at the conclusion of the lease term, sell the asset to the client. Ownership of the asset transfers to the customer upon complete payment of all installments.

**4.2.4 Bill Purchase:**

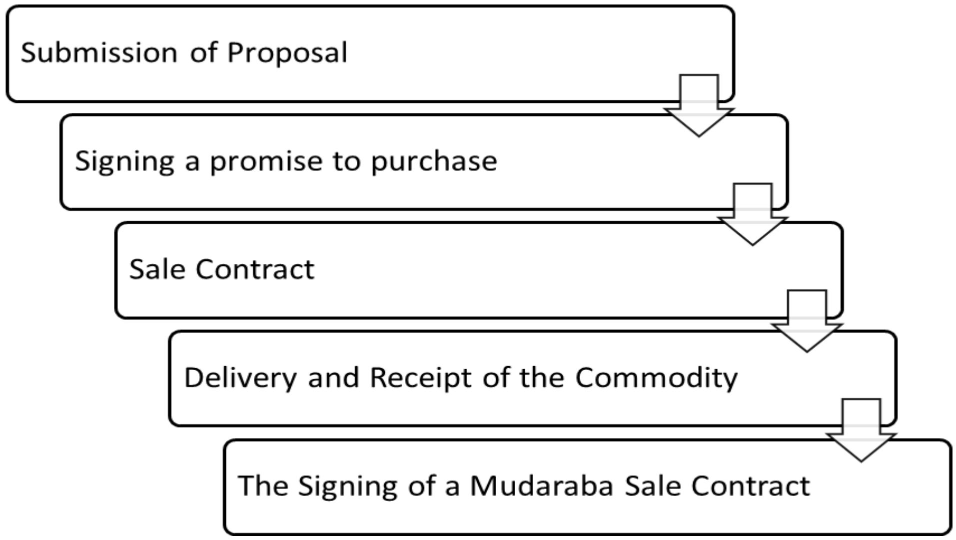
Through bill purchase, a seller can exchange sales paperwork that aren't accompanied by a letter of credit in order to obtain financing and quick cash. These sales paperwork are sent by the bank to the buyer's bank on behalf of the seller.

**4.3 Share Mode:**

**4.3.1 Mudaraba:**

Mudaraba is a partnership where the bank, following Islamic Shariah principles, provides the funding, while the client contributes their skills, efforts, labor, and expertise. In this joint venture, the bank supplies all the capital and is known as the Sahib-Al-Maal, while the client, who manages the business, is called the Mudarib. Profits are shared between the bank and the client according to a predetermined ratio, with any losses borne entirely by the bank.

**4.3.1.1 Steps of Mudaraba:**




**First Step:** The initial stage involves the customer submitting a proposal to the bank outlining the specifications of the desired commodities. The proposal includes details such as the delivery date, time, and location, along with pricing and expense information. The bank responds by either accepting the proposed price or providing a counter-offer.

**Second Step:** Next, the customer commits to purchasing Mudaraba-based products or services from the bank at an agreed-upon cost. The bank acknowledges this request and establishes the terms and conditions of the transaction.

**Third Step:** The bank informs the customer of its approval to purchase the products or services. Payment for the products may be made immediately or according to the terms of the agreement. Upon receiving approvalAfter the seller issues the invoice(s) and confirms the sale,

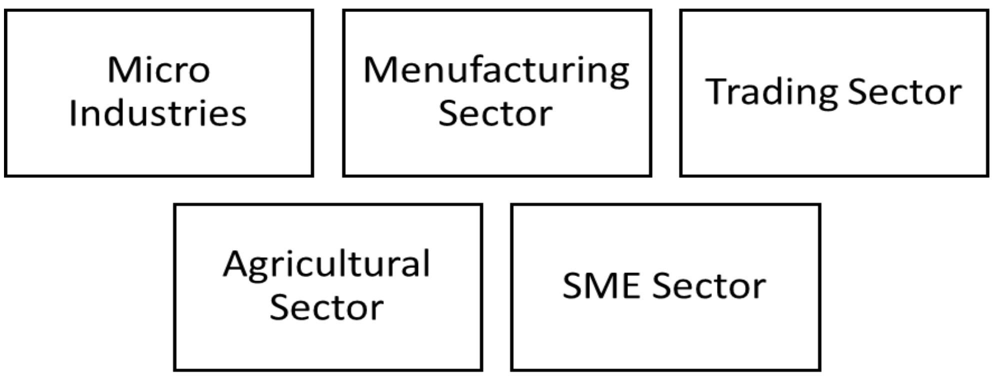
**Fourth Step:** Based on the conditions specified in the contract, the bank and the client accept the Mudaraba selling contract.

**Fifth Step** :The bank grants the customer or their designated representative the authorization to receive the goods and services. The vendor then delivers the goods and assistance to the specified location.Acting as a lawful agent, the customer acknowledges receipt of the things and notifies the bank that the agent has finished of the transaction.

#### 4.3.1.2 Features of Mudaraba:

- This is a contract in which the vendor offers the customer particular goods at a price that includes a mutually agreed-upon profit, in accordance with Islamic Shariah and Land Law.
- The profit that is mutually agreed upon may consist of a predetermined sum or a portion of the item's purchase cost.
- The bank serves as the Sahib-Al-Maal by providing the capital., while the customer invests and manages the business based on their expertise.
- The customer is responsible for managing and overseeing the business operations.
- Profits are shared according to the agreement.
- The bank bears the responsibility for both profit and loss.

#### 4.3.1.3 Investment sector under Mudaraba:

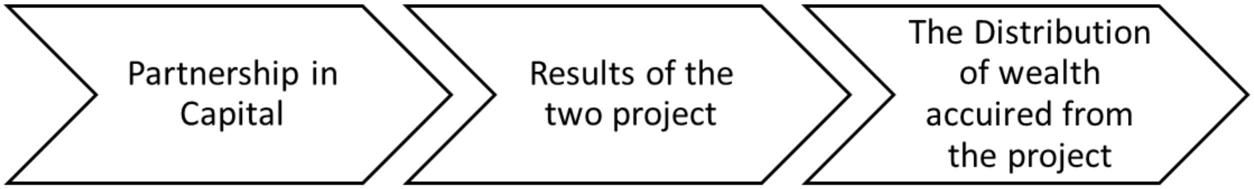



### 4.3.2 Musharaka

Musharaka, derived from the Arabic word "Sharikah," translates to Partnership. It represents a business collaboration where each partner contributes equity funds. Both the bank and the investment client retain the right to participate in managing the business. However, the bank reserves the option to delegate full operational control to the investment client. In practice, the investment client typically assumes leadership in the business. Profits are distributed according to a predetermined ratio between the bank and the investment client,

Musharaka is described as a form of partnership between an Islamic bank and its client. Each party contributes capital or equivalent assets to establish a new venture or enhance an existing one. Consequently, each party becomes a co-owner of the funds, either permanently or on a diminishing basis, and is entitled to a fair share of the profits.

#### 4.3.2.1 Steps of Musharaka :




**First Step**: To allow the customer/partner to operate the business, the bank first invests a portion of the necessary cash as a partner inside its boundaries. In addition to the funds given by the bank, the partner also uses their own resources to contribute their portion of the capital needed for the project.

**Second Step:** The primary goal of the venture is growth, with outcomes potentially resulting in either profit or loss.

**Third Step:** Each partner is accountable for the money they have been allotted in the case of a loss. On the other hand, if the business is successful, the bank and the partner split the earnings according to their agreement.

#### 4.3.2.2Features of Musharaka :

- Both the customer and the bank flexibly contribute capital as needed for the business, with amounts varying accordingly.
- Capital from both the bank and the customer is considered as funds for specific projects or businesses.
- The bank and the customer share responsibility for legitimate losses in proportion to their invested funds.
- The customer is solely accountable for losses resulting from misconduct, contract breaches, or failure to meet expectations, with the bank exempt from responsibility.
- The bank imposes reasonable conditions, such as requiring approval before the customer can sell goods at a loss.

### 4.3.3 Quard:

Quard is a method of providing interest-free financial assistance or loans, with the principal amount to be repaid in the future without any additional charges. It operates on the basis of trust, with the borrower obligated to repay only the principal amount. Optionally, the borrower may offer an additional amount beyond the principal as a gesture of appreciation to the lender. Failure to pay this additional amount doesn't incur any penalties, rendering the transaction genuinely interest-free. Some Muslims consider this to be the only type of loan that fully complies with the prohibition of Riba (interest), as it doesn't compensate the borrower for the time value of money.

**4.3.3.1 Documents for Quard:**

- Promissory Note
- Delivery Letter
- Letter of Disbursement
- Balance Confirmation Letter
- Letter of Authority
- Letter of Guarantee
- Letter of Agreement
- Letter of Continuity

**4.4 Other Modes:**

**4.4.1 Direct Investment:** This mode allows the bank to invest directly in ventures like trading or transportation, retaining full ownership. Any resulting profits or losses are solely borne by the bank.

**4.4.2 Investment Auctioning:** Investment auctioning via direct investment is the process of holding a public auction for products or assets that the bank has bought. TypicallyThe bank establishes an industrial unit, grows it into a profitable business, and then puts it up for auction. The industrialization of the country will benefit greatly from this investment plan.

**4.5 Investment Policies of SIBPLC:**

SIBPLC (presumably referring to Shariah Islamic Bank Limited) adheres strictly to Shariah principles when making investment decisions, as it is an Islamic commercial bank based on Shariah law. SIBPLC focuses on investing in strategically important sectors, both domestically and internationally, including the exchange and commercial sectors, as well as foreign exchange investment related to import and export activities.

# Chapter 5

# Findings, Recommendations and Conclusion

## 5.1 Specific Findings:

- Investment Growth: SIBPLC's investment position is increasing, particularly in commercial investments due to its location in a commercial area.
- Export-Import Business: SIBPLC has a strong presence in the export-import sector with 19 branches authorized for international trade. In the previous year, imports totaled TK 413 Crore and exports TK 361 Crore.
- Deposit Growth: Despite varying growth rates, deposits rose from TK 124,535 million in 2014 to TK 230,439 million in 2018.
- Investment Growth: From TK 107,900 millions in 2014 to TK 238,654 millions in 2018, investment quantities have increased.
- Performance Comparison: The Investment Department is not performing as well as the General Banking Department.

## 5.2General Findings:

- Employee Performance: Employees are generally friendly and helpful but sometimes do not provide optimal service due to high customer traffic.
- Client Criticisms: Issues include the working environment, insufficient manpower, inadequate ATM and online banking services, and outdated branch decor.
- Corporate Services: Corporate and investment banking services are not easily accessible through Bangladesh Bank.
- Branch Network: The number of branches is insufficient, and there is a need for more branches.
- Employee Training: Training programs for employees are lacking.
- Recruitment and Promotion: The recruitment process relies on traditional methods, and while promotions are fair, they are not fast enough.
- Employee Benefits: SIBPLC offers attractive loan services and has a competitive salary and pension structure.
- Policy Issues: Policies are outdated and only the authority can amend them. Adherence to Islamic Shariah principles in investments is inconsistent, and there are misconceptions about interest charges.
- Advertising: There is a lack of advertising for investment schemes.

## 5.4 Conclusion

Banking services today are highly competitive and crucial to the economy, offering various services to individuals, companies, and firms. Social Islami Bank PLC (SIBPLC) exemplifies next-generation banking, providing high-quality financial products and services that promote national growth by fostering trade, industrialization, exports, and employment.

SIBPLC aims to uplift workers, young professionals, and low-income communities, contributing to sustainable economic development. The bank's success largely depends on effective lending practices, minimizing loan defaults to maximize revenue from credit operations. The study highlights that SIBPLC's investment practices are strong and poised for improvement.

SIBPLC's financial health, indicated by capital adequacy, deposits, reserves, earnings per share, exports, imports, and remittances, is on the rise. The investment mechanisms of SIBPLC differ from conventional banks, aligning with Islamic Shariah principles. Instead of conventional practices like cash credit and hire purchase, SIBPLC uses models like Hire Purchase under Sirkatul Meelk (HPSM), which gradually transfers ownership to the customer.

SIBPLC avoids investments in the call money market to adhere to Shariah, distinguishing its investment approach from conventional banks. While Bangladesh Bank regulates all banks, including Islamic banks, with some exceptions for Islamic banking, the regulatory and managerial approaches may differ.

To enhance the maturity and function of Islamic banks, the development of Islamic Financial Institutions and supportive banking laws and policies is essential.

## 5.4 Recommendations

1. **Clarify Islamic Banking Concepts:** Educate stakeholders on profit vs. interest.
2. **Increase Foreign Trade:** Boost foreign trade for higher non-funded income and profitability.
3. **Enhance Quard Investment:** Strengthen Quard investments.
4. **Improve Customer Service:** Address employee issues in investment account processes.
5. **Boost Advertising:** Increase advertising to raise awareness and profitability.
6. **Adhere to Shariah Principles:** Ensure operations comply with Islamic Shariah principles.
7. **Expand Microcredit Investment:** Invest more in the microcredit sector.
8. **Promote Investment Products:** Advertise investment products to increase customer awareness.
9. **Manage Customer Flow:** Add staff during peak times to manage crowds.
10. **Careful Loan Assessment:** Properly assess clients and reduce loan defaults.
11. **Monitor Fund Usage:** Ensure funds are used appropriately to lower classified investments.
12. **Focus on Investment Recovery:** Improve investment recovery efforts with a dedicated unit.
13. **Timely Installment Payments:** Communicate with clients for timely payments.
14. **Efficient Loan Processing:** Speed up loan processing and increase provisions for classified investments.
15. **Improve Musharaka Efficiency:** Enhance company partnerships for better Musharaka performance.
16. **Develop Mobile/Online Banking:** Expand mobile and online banking services.
17. **Increase ATM Services:** Expand ATM services quickly.
18. **Recruit Skilled Employees:** Hire qualified staff and improve salaries to attract talent.
19. **Ensure Consistent Dividends:** Maintain quality services and guarantee dividends.
20. **Increase Client Awareness:** Organize events to promote Islamic banking benefits.

## 5.5 References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**Interviews:**

- Personal conversation with Md. Hafizur Rahman Chowdhury ( SPO & Manager operation SIBPLC Maona Branch )
- Personal conversation with Md. Shahidur Rahman (Assistant Officer, SIBPLC Maona Branch)