



Daffodil
International
University

Internship Report

On

**“Credit Operation Management of
Global Islami Bank PLC. A Study on
Dhanmondi Branch.”**

Supervised By

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Daffodil International University

Date of Submission:



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LETTER OF TRANSMITTAL

Date:

Sabrina Akhter
Assistant Professor
Department of Business Administration
Faculty of Business & Entrepreneurship
Daffodil International University

Subject: Submission of Internship Report.

Dear Madam

I am very pleased to submit my internship report on “**Credit Operation Management of Global Islami Bank PLC. A study on Dhanmondi Branch.**” Since it covers my three-month internship at **Global Islami Bank PLC.** Throughout the internship, I have had the opportunity to engage in various projects and tasks, allowing me to develop both personally and professionally. I have dedicated myself to conveying the knowledge and insights gained during my internship.

I extend my heartfelt gratitude for the invaluable support, flexibility, and unwavering attention provided by you during critical junctures in completing this report.

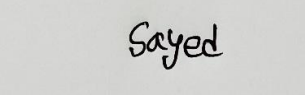
Sincerely yours,

Md. Abu Sale Us Sayed
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LETTER OF DECLARATION

I am **Abu Sale Us Sayed**, hereby declare that the internship report titled "**Credit Operations Management of Global Islami Bank PLC. A Study on Dhanmondi Branch**". The contents of this report are based on my personal observations, analysis, and interactions during the internship period. Any resemblance to other works is unintentional, and all sources have been appropriately referenced. The views expressed in this report are solely mine and do not necessarily reflect those of GIB.

I also confirm that the report is prepared only for my academic requirement not for any other purpose. It might not be used with the interest of the opposite party of the organizations.



.....
Md. Abu Sale Us Sayed
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CERTIFICATE OF APPROVAL

This is to certify that Md. Abu Sale Us Sayed, ID No: 201-11-984, Program: BBA, Major: Finance, is a regular student in the Department of Business Administration, Faculty of Business and Economics at Daffodil International University. He has successfully completed his internship at the Dhanmondi Branch of Global Islami Bank PLC. Under my direct supervision, he has prepared and submitted his internship report. His internship topic is **Credit Operation Management of Global Islami Bank: A Study on Dhanmondi Branch**, Dhaka. I believe the report adequately meets the partial requirements for the BBA degree.

I wish him all success in life



.....

Sabrina Akhter

Assistant Professor

Department of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University

ACKNOWLEDGEMENT

I extend my sincere gratitude to my academic supervisor, **Ms. Sabrina Akhter, assistant professor, at Daffodil International University**, for her continuous support and guidance throughout this internship journey. Her insights and feedback have been invaluable in helping me navigate the challenges and opportunities presented during this period.

I am also my heartfelt gratitude to **Mr. Kazi Anwarul Azam, Vice President and Manager of the Dhanmondi branch at Global Islami Bank PLC**, for his exceptional mentorship, guidance, and unwavering support throughout my internship tenure. His leadership, expertise, and commitment to excellence have been instrumental in shaping my understanding of the banking industry and honing my professional skills.

I would like to express my sincere appreciation to the entire team at Global Islami Bank PLC Dhanmondi branch for warmly welcoming me into their work environment and providing me with invaluable opportunities to learn and grow. Their willingness to share knowledge, collaborative spirit, and encouragement have enriched my internship experience beyond measure.

I am also grateful to my fellow interns for their collaboration, camaraderie, and shared learning experiences. Our interactions have not only enhanced the internship environment but also fostered lasting friendships.

Lastly, I would like to thank Daffodil International University for facilitating and supporting my internship experience, underscoring their commitment to providing practical learning opportunities for students.

Thank you to everyone who has played a part in my internship journey and contributed to my personal and professional growth.

EXECUTIVE SUMMARY

This internship report focuses on the credit operation management at the Dhanmondi Branch of Global Islami Bank PLC. Global Islami Bank PLC is a prominent private bank in Bangladesh, offering a wide array of Shariah-compliant banking services. The principal business of Global Islami Bank includes trade financing, corporate banking, private banking, and retail banking. The Dhanmondi Branch provides comprehensive general banking services to its customers.

The report is divided into five chapters. The first chapter provides an introduction, detailing the origin, objectives, scope, methodology, and limitations of the report. The second chapter offers an organizational overview of Global Islami Bank, with a focus on its structure, operations, and services. The third chapter delves into the core subject of credit operation management, examining the processes and practices at the Dhanmondi Branch. The fourth chapter presents a financial analysis, highlighting the bank performance metrics and trends. The fifth and final chapter contains findings, recommendations, conclusions, and references.

During my examination of Credit Operation Management at Global Islami Bank PLC, Dhanmondi Branch, several issues were identified. These include inadequate branch decoration and customer hospitality services, insufficient knowledge among employees, delays in data transfer between branches, and a limited number of ATM booths.

In conclusion, I have proposed several recommendations to address these issues in the general banking division. These include improving branch decoration and customer hospitality services, providing employee training on general banking systems, implementing a robust networking system for faster data transfer, and increasing the number of ATM booths.

This report aims to provide a thorough understanding of the credit operation management at the Dhanmondi Branch and offer actionable insights for improvement.

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Chapter: One

Introduction of the Study

1.1 Introduction

Global Islami Bank, one of the prominent players in Bangladesh's banking sector, stands as a pivotal force in the nation's economic landscape. With a commitment to fostering financial development the bank not only provides traditional banking services but also engages in specialized financing activities, contributing significantly to the growth of various industrial sectors. This study aims to assess the credit operation management policy of Global Islami Bank, drawing on a combination of primary and secondary data sources. By offering diverse loan categories, the bank endeavors to meet the unique financial needs of its customers. Effective credit management is essential for the bank's operations, as it plays a crucial role in efficiently allocating capital resources and driving economic advancement. As a cornerstone of Bangladesh's economy, the banking sector, including Global Islami Bank, holds the responsibility of channeling capital effectively to support the development aspirations of individuals, businesses, and the government.

1.2 Origin Of the study

After completing 123 credits of my BBA program, I embarked on a three-month internship at Global Islami Bank, Dhanmondi branch in Dhaka, as the final requirement to fulfill my BBA degree. This internship provided me with the opportunity to immerse myself in the intricacies of credit operation management at a leading Islamic bank. Throughout the internship, I diligently gathered information and honed the skills recommended by the Human Resources department of Global Islami Bank. This report serves as the culmination of my three-month journey, offering insights and analysis into the credit operation management practices observed and learned during my internship at Global Islami Bank.

1.3 Scope of the study

Global Islami Bank Ltd stands out as a prominent player in the banking sector of Bangladesh, with a focus on Islamic banking principles. This study specifically delves into the operations of the Dhanmondi branch, offering an in-depth analysis of its credit operation management. The report not only elucidates the organizational structure and background of the bank but also meticulously examines the functions and performance of its credit department. By homing in on the intricacies of credit operations, this report comprehensively explores the activities and strategies employed within the credit department, shedding light on its pivotal role within the broader framework of Global Islami Bank Ltd.

1.4 Objective of the study

The objective of this study is to conduct a comprehensive analysis of the credit operation management at Global Islami Bank PLC Dhanmondi branch. The main objective of the study is to identify & evaluate the credit operation management system of Global Islami Bank PLC.

Other objectives are:

- To get an idea of products and services of GIB
- To identify the credit Operation procedure of GIB
- To know the financial condition of the bank
- To identify the problem related to credit Operation management of Global Islami bank PLC Dhanmondi branch
- To make some recommendations to solve the problem

1.5 Methodology of the Study

The methodology section outlines the research design and methods used to study credit operation management at Global Islami Bank PLC, Dhanmondi branch. This study aims to provide a comprehensive understanding of the credit operations, identify key challenges, and suggest improvements.

1.5.1 Research Design

A descriptive research design was selected for this study. This design is appropriate as it allows for a detailed and systematic description of the existing credit operation practices at the bank. By using this design, the study aims to capture the nuances of the credit management processes and provide a comprehensive overview.

1.5.2 Source of Data

The data for this study were obtained from both primary and secondary sources to ensure a comprehensive understanding of credit operation management at Global Islami Bank PLC, Dhanmondi branch.

Primary Sources

- Officers of the Global Islami bank PLC
- Client of the Global Islami bank PLC

Secondary Sources

- Different Book
- Annual Report
- Official website
- Official files and documents
- Unpublished documents
- Different journal and publication

Method of data collection

- Face to face conversation with the clients and officers
- Practical Desk work
- Informal conversation with the clients

1.6 Limitations of the Study

Although I received substantial support and access to facilities from the employees at Global Islami Bank, Dhanmondi branch, there were some limitations that impacted the depth of this report. A three-month internship is insufficient to fully grasp the intricacies of commercial banking operations, despite the invaluable assistance provided by each staff member. Nonetheless, every effort was made to maximize the time available to produce a meaningful and comprehensive report. The following limitations were encountered during the preparation of this report:

- **Inadequate Data for Investigation:** Limitation was the insufficiency of data needed for a thorough examination. Certain information could not be provided by the bank employees due to confidentiality The primary and corporate policies.
- **Time Constraints:** Due to the limited duration of the internship, many aspects could not be thoroughly explored or discussed in this report.
- **Busy Personnel:** The bank staff were very busy, which limited the amount of time they could dedicate to assisting with this report.
- **Single Branch Focus:** The study is confined to the Dhanmondi branch of Global Islami Bank, which may not reflect the practices and challenges faced by other branches. Consequently, the findings might not be applicable to the entire organization or other branches with different operational contexts.

- **Limited Access to Confidential Information:** Access to certain sensitive or proprietary information was restricted due to confidentiality agreements and internal policies. This limitation may have impacted the completeness and depth of the data available for analysis.

Chapter: Two

Profile of the Organization

2.1 Company Profile

In today's era of globalization, no nation can thrive in isolation. Advances in technology and international policies have brought people around the world closer than ever before. Today, the world functions as a global village where communication is faster than at any previous time. Connectivity is crucial in this interconnected world, and Bangladesh, like other nations, cannot afford to remain isolated in this rapidly growing global environment.

In response to this need for connectivity, Bangladesh Bank authorized the establishment of nine fourth-generation banks, including three funded by Non-Resident Bangladeshi (NRB) individuals. One such bank was created to realize the aspirations of NRB individuals to strengthen Bangladesh's ties with more developed nations. This bank is the result of the collective vision of 25 distinguished NRB individuals living in various countries worldwide.

Following nearly three years of rigorous efforts to meet regulatory standards, the bank received final approval from the regulatory body on July 25, 2013, to commence operations in Bangladesh. The vision of the NRBs has thus been brought to life. The bank's Corporate Head Office and Gulshan Corporate Branch are situated at Saiham Tower, 34 Gulshan Avenue, Gulshan-1, Dhaka 1212, an outstanding example of postmodern architecture and one of the most impressive buildings in Bangladesh.

Mr. Nizam Chowdhury, the founding Chairman, brings almost 30 years of professional experience from the USA. The other directors are also highly esteemed in their respective fields. The bank's mission is to extend its services beyond a specific demographic, aiming to include a significant number of unbanked individuals. Its vision is to become a truly global bank, providing world-class services on an international scale.

A significant milestone for the bank was obtaining the license to offer Islamic Banking alongside conventional banking, becoming the first fourth-generation bank to do so. Subsequently, the bank received approval from Bangladesh Bank to fully transition from a conventional bank to an Islamic bank, operating under Islamic Shariah principles. It rebranded itself as "Global Islami Bank Limited" from "NRB Global Bank Limited."

Global Islami Bank provides a comprehensive range of banking products and services based on Islamic Shariah principles to corporate, SME, and retail customers through various delivery channels. With an extensive network of branches and sub-branches, along with agent banking, remittance services, internet banking, and card business, the bank has established a distinct presence in the private commercial banking sector. It is known for its boutique service, innovative practices, dynamic problem-solving approach, and efficient management. Moving

forward, the bank has a clear strategy to manage its portfolio, mitigate risks, and consistently deliver strong results, focusing on people, the planet, Islamic Shariah, and profit to embrace sustainability.

2.2 Vision of the bank

To become a leading brand in the financial sector by delivering exceptional service and creating value for all stakeholders, including customers, shareholders, partners, society, and the economy, through a commitment to transparency, technology, innovation, and integrity.

2.3 Mission of the bank

- To instill confidence in NRBs for investment.
- To deliver prompt, precise, and comprehensive customer service while maintaining business ethics and transparency.
- To enhance the flow of remittances.
- To generate value for the communities, societies, and economies where we operate by promoting growth and sustainability.
- To leverage technology with the support of highly educated professionals and experienced sponsors of the bank.
- To foster a respectful and dignified working environment for employees.

2.4 Goal of the bank

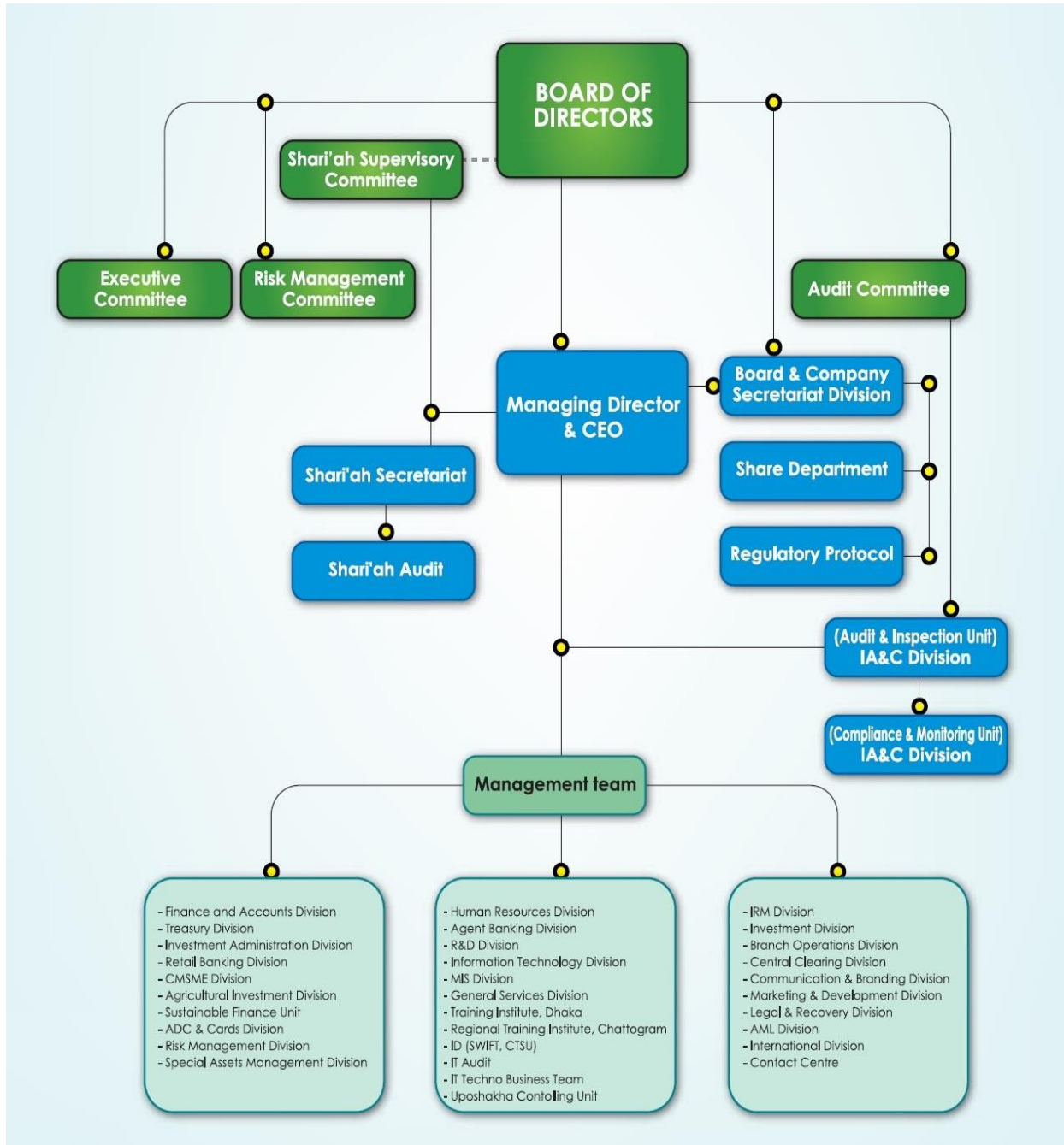
After creating the feature of “Great Experience” among all our customers and stakeholders, we are moving ahead keeping “Banking with Faith” as the ultimate goal.

2.5 Commitments of the bank

- To the Islami Shariah.
- To the Regulators.
- To the Shareholders.
- To the Nation.
- To the Society.
- To the NRBS. To the Customers.
- To the Employees.
- To the Environment.
- To the other Stakeholders.

2.6 Corporate Organogram of the Bank

Global Islami Bank PLC Corporate Organogram



2.7 Product and Service of Global Islami Bank PLC

Global Islami Bank PLC is a commercial financial institution delivering a full range of banking services. Adhering to Islamic Shariah principles, the bank serves corporate, SME, and retail customers. It utilizes multiple delivery channels to offer diverse products and services, focusing on deposit mobilization, investment activities for both short and long terms, and foreign trade business.

2.7.1 GIB asset products

- Bai Muajal - FO
- Bai Murabaha-Hypo
- Bai Murabaha General
- Bai Muajal-Professional/Executive/ Festivalodhoc/Marriage/Travel
- Bai Muajal - Uddom/ Nandini/ Utshoho/Shahayata/ Proshor/ Kishan
- HPSM-Industrial/Commercial/Consumer/Retail/ Auto/Staff
- Local Documentary Bill Purchased (LDBP)
- Foreign Documentary Bill Purchased (FDBP)
- Bai-Murabaha Post Import (MPI)-Trust Receipt
- Murabaha Import Bils (MIB)-Cash LC

2.7.2 GIB liability products

- Al-Wadeeah Current Account
- Mudaraba Short Notice Deposit Account
- Mudaraba Savings Account
- Mudaraba Queen Savings Account
- Mudaraba Perfect Savings Account
- Mudaraba Junior Savings Account (School Banking Account)
- Mudaraba Freshers Savings Account
- Mudaraba Farmers Savings Account
- Mudaraba Salary Savings Account
- Mudaraba Term Deposit Account
- Mudarabo Student Savings Account
- Mudaraba Swadesh Savings Account

- Mudaraba Foreign Currency Savings Account Mudaraba Tawfiq (Probable Lakhpoti) Deposit Scheme
- Mudaraba Tayeba (Probable Millionaire) Deposit Scheme Probable Kotipoti) Deposit Scheme
- Mudaraba Hasanah (Mudarabia Tahseen (Probable Double) Deposit Scheme
- Mudaraba Deposit Pension Scheme
- Mudaraba Monthly Profit Deposit Scheme
- Mudarabah Labbaik Hajj Deposit Scheme
- Non-Residence Foreign Currency Deposit Account
- Residence Foreign Currency Deposit Account
- Mudarabah NRB Savings Band Scheme
- Mudarabah Mohorana Savings Scheme

2.7.3 GIB other services

- CHE Mudaraba Gift Cheque
- GIB Internet Banking (Gofast)
- GIB ATM 24/7 Services
- GIB Agent Banking
- GIB Automated Clearing Services
- GIB Electronic Fund Transfer Services
- GIB RTGS (Real time Gross Settlement) Services
- GIB Call Centre Services
- GIB Locker Service
- GIB Online Banking Services
- GIB Evening Banking Services
- GIB SMS Banking
- GIB POS (point of Sale)
- GIB Centralized Trade Processing Services
- Foreign Remittance Services
- Export Services Import Services
- Bank Guarantee Services
- Utility Bills Services
- Correspondent Banking Services

2.7.4 GIB card Service

- GIB Debit Card
- GIB credit card
- GIB Dual Gold Card
- GIB Platinum Card
- GIB local Gold Card

2.8 An overview of Dhanmondi Branch

The Dhanmondi Branch of Global Islami Bank Ltd is located in Dhanmondi, Dhaka, and was established in 2013. The branch operates with a team of 12 employees and 4 security guards, ensuring a secure and efficient banking environment. The Dhanmondi Branch offers a comprehensive suite of services tailored to meet the financial needs of corporate, SME, and retail clients. Adhering to Islamic Shariah principles, the branch ensures all transactions are compliant with ethical banking practices.

The branch provides a range of deposit services, including savings accounts, current accounts, term deposit accounts, and Hajj savings schemes. It also offers various investment services such as corporate financing, SME financing, retail financing, and project financing. In addition, the branch handles foreign trade business, including import and export services, letters of credit (LC), and foreign exchange services. Other services include online banking, mobile banking, ATM services, and utility bill payments.

The Dhanmondi Branch focuses on providing exceptional customer service. Clients can expect personalized financial solutions, professional advice, and a commitment to maintaining the highest standards of banking integrity.

The branch operates from Sunday to Thursday, from 10:00 AM to 4:00 PM, and is closed on Fridays and Saturdays, with potential changes during public holidays.

The branch is easily accessible and equipped with modern banking facilities to ensure a seamless banking experience for all customers. For any inquiries or assistance, customers can reach out via the contact number provided or email.

2.8.1 Departments within Dhanmondi Branch

This branch has Four Departments as the following.

1. General Banking (GB) Department.
2. Investment Department.
3. Clearing Department.
4. Credit Department.

2.9 Branch Credit condition

The Dhanmondi Branch of Global Islami Bank PLC offers a range of credit facilities tailored to meet the needs of corporate, SME, and retail clients. The following are the current credit conditions and amounts available at the Dhanmondi Branch as of December 31,2023 is given below:

Loans and advances	Amount
Term Loan	197300000
Employee house building Loan	19000000
SME	56100000
Secured Overdraft	31100000
Bill purchase	100700000
Consumer Finance	17500000
Car Loan	2300000

Chapter: Three

Credit Operation Management of GIB

3.1 What is Credit?

In banking, credit refers to an arrangement where a financial institution provides funds or access to funds to a borrower, with the expectation of repayment over time. This repayment typically includes the principal amount borrowed plus interest or, in the case of Islamic banking, a profit margin. Credit enables individuals and businesses to finance large purchases, invest in growth opportunities, manage cash flow, and address unforeseen expenses.

3.2 Credit Division

The Credit Division at Global Islami Bank PLC oversees the bank's credit operations, ensuring alignment with Islamic Shariah principles. This division is critical in evaluating, approving, and monitoring credit facilities for corporate, SME, and retail customers. The Credit Division ensures that all credit products and services adhere to Islamic Shariah principles. This involves avoiding interest (Riba) and implementing profit-sharing models and asset-backed financing. The division collaborates with the bank's Shariah board to maintain compliance and uphold ethical banking practices.

3.3 Product Range / Types of Loan Facilities/ Credit Facilities

Global Islami Bank offers a diverse range of credit products and loan facilities tailored to meet the various needs of its customers, all while adhering to Shariah principles. Here are the main types of loan facilities provided by the bank:

3.3.1 Bai Muajal – FO

This facility involves the bank purchasing goods on behalf of the client and selling them to the client with deferred payment terms. It is primarily used for import financing, allowing clients to buy goods now and pay the bank later.

3.3.2 Bai Murabaha-Hypo

In this financing mode, the bank buys an asset and sells it to the client at a markup. The asset is hypothecated, meaning it is used as collateral. This method is typically used for securing financing for specific assets.

3.3.3 Bai Murabaha General

This is a general financing method where the bank purchases goods and sells them to the client at an agreed profit margin. Payments can be deferred or made in installments, providing flexible payment options for a variety of needs.

3.3.4 Bai Muajal - Professional/Executive/Festival/odhoc/Marriage/Travel

This category includes financing for professional or executive needs, festival expenses, marriage costs, and travel. It allows clients to manage significant personal expenses with deferred payment plans.

3.3.5 Bai Muajal - Uddom/Nandini/Utshoho/Shahayata/Proshor/Kishan

These products are designed for specific segments such as small businesses (Uddom), women entrepreneurs (Nandini), agricultural needs (Kishan), and various other targeted purposes. Each product provides tailored financial support with deferred payment options.

3.3.6 HPSM-Industrial/Commercial/Consumer/Retail/Auto/Staff

Hire Purchase under Shirkatul Melk (HPSM) involves the bank and the client jointly purchasing an asset, with the client gradually buying the bank's share over time. This facility is applicable for industrial, commercial, consumer goods, retail, automotive, and staff financing.

3.3.7 Local Documentary Bill Purchased (LDBP)

This facility allows the bank to purchase the client's local documentary bills at a discount, providing immediate cash while awaiting payment from the buyer. It helps clients manage their cash flow efficiently.

3.3.8 Foreign Documentary Bill Purchased (FDBP)

Similar to LDBP, this facility involves the bank purchasing export bills, providing immediate cash to the client while awaiting payment from the foreign buyer. It is used to support exporters in managing their receivables.

3.3.9 Bai-Murabaha Post Import (MPI) - Trust Receipt

This post-import financing allows the bank to provide funds to settle import obligations and then sell the goods to the client on a Murabaha basis, with a cost-plus profit margin. The client receives the goods on trust and repays the bank over time.

3.3.10 Murabaha Import Bills (MIB) - Cash LC

The bank issues a Letter of Credit (LC) and provides import financing on a Murabaha basis. The bank purchases the goods and sells them to the client at a cost-plus profit, ensuring compliance with Shariah principles.

3.3.11 Term Loan / Investment Facilities

Each of these products is structured to provide financing for a specific term, with the repayment schedule clearly defined, ensuring that both the bank and the client have a clear understanding of the terms of the loan.

Types of Term Loan	Time (Period)
Short Term	One Year to Three Year
Medium Term	Three Year to Five Year
Long Term	Above Five Year

These loan facilities from Global Islami Bank are designed to meet various financial needs while maintaining adherence to Islamic banking principles, ensuring that all transactions are ethical and interest-free.

3.4 Overview of Credit Facilities in Islamic Banking and Comparison with Conventional Banking

3.4.1 Bai Muajal - FO (Financing of Imports)

Islamic Bank: The bank purchases goods on behalf of the client and then sells them to the client with payment deferred. This avoids interest and adheres to Shariah principles.

Conventional Bank: Similar to import financing where the bank funds the purchase of goods, and the client repays with interest over time.

3.4.2 Bai Murabaha-Hypo (Murabaha with Hypothecation)

Islamic Bank: The bank buys an asset and sells it to the client at a markup, while the asset is used as collateral.

Conventional Bank: Similar to asset-backed lending, where a bank provides funds to buy an asset, which is then used as collateral, with interest charged on the loan.

3.4.3 Bai Murabaha General

Islamic Bank: The bank buys goods and sells them to the client at a predetermined profit margin, with the payment deferred or in installments.

Conventional Bank: Comparable to a general loan where the bank lends money to buy goods, with the loan repaid with interest.

3.4.4 Bai Muajal - Professional/Executive/Festival/Marriage/Travel

Islamic Bank: Financing for personal needs such as professional services, festive expenses, marriage, or travel, with deferred repayment.

Conventional Bank: Similar to personal loans offered for various purposes, repaid with interest.

3.4.5 Bai Muajal - Uddom/Nandini/Utshoho/Shahayata/Proshor/Kishan

Islamic Bank: Specific financing products for different segments like small businesses, women entrepreneurs, and agriculture, with deferred payment.

Conventional Bank: Similar to specialized loan programs for small businesses, women entrepreneurs, and agricultural purposes, with interest.

3.4.6 HPSM - Industrial/Commercial/Consumer/Retail/Auto/Staff (Hire Purchase under Shirkatul Melk)

Islamic Bank: The bank and client jointly purchase an asset, with the client gradually buying the bank's share over time. Used for industrial, commercial, consumer goods, retail, automotive, and staff financing.

Conventional Bank: Similar to hire purchase or leasing, where the asset is leased to the client and interest is charged on the outstanding amount.

3.4.7 Local Documentary Bill Purchased (LDBP)

Islamic Bank: The bank buys the client's local documentary bills at a discount, providing immediate cash while awaiting payment from the buyer.

Conventional Bank: Similar to invoice discounting, where the bank purchases receivables and provides immediate funds, charging interest or a discount fee.

3.4.8 Foreign Documentary Bill Purchased (FDBP)

Islamic Bank: The bank purchases export bills, providing immediate cash to the client while awaiting payment from the foreign buyer.

Conventional Bank: Comparable to export factoring, where the bank buys export receivables and provides immediate funds, charging interest or fees.

3.4.9 Bai-Murabaha Post Import (MPI) - Trust Receipt

Islamic Bank: Post-import financing where the bank provides funds to settle import obligations and sells the goods to the client on a Murabaha basis (cost-plus profit).

Conventional Bank: Similar to post-import finance where the bank funds the importer's obligations, repaid with interest.

3.4.10 Murabaha Import Bills (MIB) - Cash LC

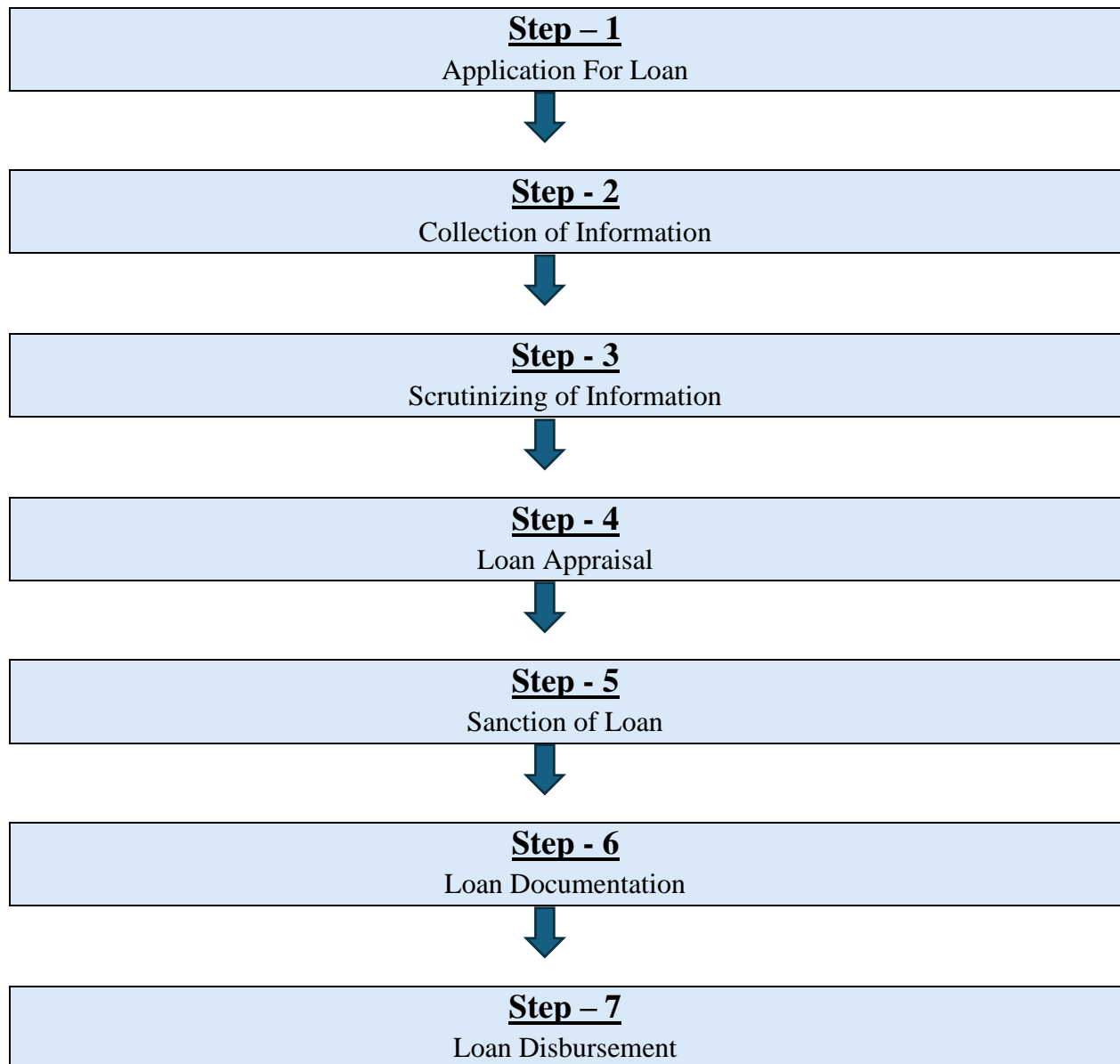
Islamic Bank: The bank issues a Letter of Credit (LC) and provides import financing on a Murabaha basis, selling goods to the client at a cost-plus profit.

Conventional Bank: Comparable to import financing through LCs, where the bank provides necessary funds for imports, with the client repaying with interest.

In summary, Islamic banking credit facilities are designed to comply with Shariah principles, avoiding interest (Riba) and often involving trade-based or profit-sharing models. Conventional banking, on the other hand, typically involves interest-bearing loans and credit lines. Both systems provide similar financial services but differ fundamentally in their adherence to Islamic law.

3.5 Credit Operation Procedure of GIB

Sanctioning loans is a critical process for any bank due to the inherent risks involved. A bank's primary objectives are to minimize these risks, protect its assets, and maximize its wealth. To achieve these goals, it is essential that the loan sanctioning process is conducted meticulously. Global Islami Bank (GIB) has developed a specific and structured procedure to ensure loans are sanctioned properly. This process includes several key steps, each designed to assess the creditworthiness of the borrower, evaluate the potential risks, and establish clear terms for repayment. By following this detailed process, GIB aims to make informed lending decisions that support its financial stability and growth, while also meeting the needs of its clients in a responsible and Shariah-compliant manner.



3.5.1 Application for Loan

To apply for a loan at Global Islami Bank (GIB), the borrower must complete a specific application form. In this form, the applicant details the type of investment facility they are seeking and provides their personal and business information. The initial interview with the borrower is conducted by the branch manager or relationship manager. The application must be accompanied by several essential documents, including:

- ✓ Photocopy of the trade license.
- ✓ Historical company accounts for at least the past three years, which can be either audited or unaudited.
- ✓ Bank statements or loan account statements for the last 12 months.
- ✓ Projected company accounts to show future financial expectations.
- ✓ A business plan or project feasibility report to outline the purpose and viability of the loan.
- ✓ Declaration of stock or inventory book debt for at least the past 12 months.
- ✓ Attested copy of the partnership deed if the applicant is a partnership firm.
- ✓ Attested copies of the certificate of incorporation, memorandum, and articles of association for joint stock companies.
- ✓ Tax Identification Number (TIN) for tax purposes.
- ✓ Relevant land documents, such as CS, SA, RS, BS khatians, and an up-to-date rent receipt, if the loan involves an equitable or registered mortgage.

3.5.2 Step Two: Collection of Information

Upon receiving the loan application form, Global Islami Bank sends a request to Bangladesh Bank to obtain a Credit Information Bureau (CIB) report. This report is used to determine if the applicant has existing loans with other banks and to check the status of those loans, whether they are classified as regular or problematic. The CIB report is crucial as it provides the bank with a comprehensive view of the applicant's credit history, helping to assess the risk associated with lending. If the CIB report from Bangladesh Bank is positive and the bank considers the applicant to be a viable candidate, the next step involves a detailed scrutiny of the submitted documents. This scrutiny ensures that all information provided is accurate and complete, and that the applicant meets the bank's creditworthiness criteria. By thoroughly evaluating the CIB report and the accompanying documentation, the bank can make an informed decision about

whether to proceed with the loan application, thereby minimizing risk and ensuring responsible lending practices.

3.5.3 Step Three: scrutinizing information

Global Islami Bank meticulously reviews all the details and documents provided by the loan applicant. This involves verifying the authenticity and accuracy of the submitted information, including financial statements, business plans, and personal identification documents. The bank's credit officers analyze the applicant's financial history, checking for consistency and reliability in the provided data. This process may involve cross-referencing information with external sources and conducting background checks to ensure that there are no discrepancies or omissions. The goal is to thoroughly assess the applicant's creditworthiness, identify any potential risks, and ensure that all criteria for the loan are met. By conducting a detailed scrutiny of the information, the bank aims to make an informed decision and safeguard its interests, thereby ensuring that only eligible and reliable borrowers are approved for loans.

3.5.4 Step Four: Loan Appraisal

Global Islami Bank conducts a comprehensive evaluation of the borrower's financial situation and the viability of the proposed loan. This process involves analyzing the borrower's financial statements, credit history, cash flow projections, and collateral value. The bank assesses the borrower's ability to repay the loan by examining their income, expenses, and overall financial stability. Additionally, the purpose of the loan is closely evaluated to ensure it aligns with the bank's lending policies and Shariah principles. The appraisal also includes a risk assessment, where potential risks are identified and mitigated through appropriate measures. This thorough analysis helps the bank determine the terms and conditions of the loan, such as the repayment schedule, profit rate, and any necessary covenants. By conducting a detailed loan appraisal, Global Islami Bank ensures that lending decisions are well-informed and that the risks associated with the loan are minimized.

3.5.5 Step Five: Loan Sanction

Global Islami Bank finalizes its decision on whether to approve the loan application. After the thorough appraisal process, the loan proposal is submitted to the bank's credit committee or a designated approving authority. This body reviews the findings from the appraisal, including the borrower's creditworthiness, the purpose of the loan, the potential risks, and the proposed terms and conditions. The committee carefully evaluates all aspects to ensure that the loan

aligns with the bank's risk management policies and Shariah principles. If the loan is deemed acceptable, the committee grants approval, often stipulating specific conditions or covenants that the borrower must adhere to. These conditions are designed to mitigate risk and protect the bank's interests. Once approved, the bank prepares a formal loan sanction letter outlining the terms of the loan, which is then communicated to the borrower. This step ensures that only well-assessed and viable loan applications are sanctioned, maintaining the bank's financial health and integrity.

3.5.6 Step Six: Loan Documentation

This step involves drafting the loan agreement, promissory notes, and any other relevant legal papers that outline the terms and conditions of the loan. These documents detail the repayment schedule, profit rate, collateral requirements, and any covenants or conditions imposed by the bank. The borrower must thoroughly review and understand these terms before signing the documents. The bank ensures that all documents comply with legal standards and Shariah principles. Additionally, the bank verifies the authenticity of the borrower's signatures and any collateral documents provided. Proper documentation is crucial as it legally binds both the borrower and the bank to the agreed terms, providing a clear framework for managing the loan. Once all documents are signed and verified, copies are provided to the borrower, and the bank retains originals for its records. This step ensures that all legalities are in place, protecting both parties and facilitating a smooth loan administration process.

3.5.7 Loan Disbursements

This step follows the completion and verification of all loan documentation. The disbursement process involves transferring the loan amount to the borrower's account or directly to the seller or vendor if the loan is for a specific purchase. The bank ensures that the funds are used for the intended purpose as outlined in the loan agreement.

Before disbursement, the bank may conduct a final review to confirm that all pre-disbursement conditions have been met. This might include verifying collateral, ensuring compliance with any covenants, and confirming the borrower's readiness to proceed. Once these checks are satisfied, the bank initiates the fund transfer.

The disbursement process is carefully monitored and documented to maintain transparency and accountability. The borrower is informed of the disbursement, along with the detailed repayment schedule and any other pertinent information. This step marks the beginning of the

repayment phase, where the borrower starts adhering to the agreed terms and conditions, ensuring the loan is repaid according to the schedule.

3.6 Lending or Investment products

Bai- Murabaha Investment

- Bai-Murabaha (Hypo)
- Bai-Murabaha (General)
- Bai-Murabaha (Real Estate Material)
- Bai-Murabaha (Pledge/TR/ Local Purchase)
- Bai-Murabaha (Hypo) Under SME
- Bai-Murabaha (EMI)
- Bai-Murabaha (Agriculture)

Hire Purchase under Shirkatul Melk (HPSM) Investment

- HPSM (House Building- Residential)
- HPSM (Real Estate/Commercial)
- HPSM (Transport-Bus, Truck, Launch, Cargo vessel etc.)
- HPSM (Auto-Car, CNG Three-wheeler, Microbus etc.)
- HPSM (Machinery)
- HPSM (Industry)
- HPSM (Consumer Durables Scheme)
- HPSM (Lease/Ijara Investment)
- HPSM-Car Lease (Staff)
- HPSM (House Building- Staff)

Investment against Import

- Bai-Murabaha-Import Bill (Cash LC-MIB)
- Bai-Murabaha (MIB-EDF Fund)
- Bai-Murabaha-Post Import (TR)
- Bai-Murabaha-Post Import (Pledge)

Investment against Export

- Bai- Istisna (Pre-shipment Investment)
- Bai-Salam

- Bai-Murabaha (Export)
- Wajira Bill Okalah against Cash Incentive

Documentary Bill Purchase

- Foreign Documentary Bills Purchased (FDBP)
- Local Documentary Bills Purchased (LDBP)

Other Investment

- Mudaraba Investment
- Bai-Muajal Investment

Letter of Guarantee

- Tender Guarantee
- Performance Guarantee
- Guarantee for Sub- Contracts
- Shipping guarantee
- Advance Payment guarantee

Specialized Schemes

- Consumer Investment Scheme
- SME Investment Scheme
- Women Entrepreneur
- Agriculture Investment Scheme

3.7 Five C's of borrower creditworthiness

The 5 C's of creditworthiness are essential criteria that lenders, including Global Islami Bank, use to assess a borrower's ability to repay a loan. These criteria help evaluate the risk associated with lending and ensure that the borrower can fulfill their financial obligations. The 5 C's include:

1. Character
2. Capacity
3. Capital
4. Collateral
5. Conditions

Character

Character refers to the borrower's reputation and history of repaying debts. Lenders assess character by examining the borrower's credit history, payment records, references, and interactions with other lenders to gauge their reliability and trustworthiness.

Capacity

Capacity is the borrower's ability to repay the loan, which is evaluated by looking at their income, employment history, and current debt levels. Lenders analyze financial statements, cash flow, and debt-to-income ratios to ensure the borrower can meet their loan obligations.

Capital

Capital involves the borrower's net worth and the amount of money they have invested in their business or personal assets. A significant personal investment indicates a higher level of commitment and reduces the lender's risk.

Collateral

Collateral is the assets or property the borrower offers to secure the loan. It provides security to the lender by reducing the risk of loss if the borrower defaults. Examples include real estate, inventory, and equipment.

Conditions

Conditions refer to the terms of the loan and external factors that might impact the borrower's ability to repay. This includes the interest rate, loan amount, and broader economic conditions. Lenders also consider the purpose of the loan and the economic environment to assess potential risks.

By evaluating these five factors, lenders can make well-informed decisions about a borrower's creditworthiness, thereby minimizing risk and promoting responsible lending practices.

3.8 Source of GIB Funds

Global Islami Bank (GIB) sources its funds from both owned funds and borrowed funds. Each category plays a crucial role in the bank's financial stability and capacity to lend. Here is an elaborate explanation of these sources:

3.8.1 Owned Funds

Paid-Up Capital:

Paid-up capital refers to the total amount of money that shareholders have invested in the bank by purchasing its shares. This capital is a primary source of funding and indicates the bank's base of equity. It serves as a cushion against losses and is a measure of the bank's financial strength and stability. The higher the paid-up capital, the more robust the bank's ability to absorb shocks and support its operations.

Reserves:

Reserves are funds set aside from the bank's profits over time. These include statutory reserves, which are mandated by regulatory authorities, and other discretionary reserves created by the bank for specific purposes, such as contingency reserves or investment reserves. Reserves enhance the bank's financial stability by providing a buffer against potential future losses or economic downturns.

Retained Earnings:

Retained earnings are the portion of net profits that the bank retains rather than distributing to shareholders as dividends. These earnings are reinvested in the bank to support its growth, expand operations, enhance capital adequacy, and improve liquidity. Retained earnings are crucial for long-term sustainability and help in funding new projects and initiatives.

3.8.2 Borrowed Funds

Deposits:

Deposits from customers constitute the largest source of borrowed funds for Global Islami Bank. These include various types of accounts such as savings accounts, current accounts, and fixed deposits. Depositors place their money with the bank, which then uses these funds to provide loans and other financial services. Deposits are vital for the bank's lending operations and overall liquidity management.

Call Money:

Call money refers to short-term borrowing and lending in the interbank market. Banks with surplus funds lend to those with a deficit, typically for very short periods, ranging from

overnight to a few days. Call money rates fluctuate based on demand and supply conditions in the market. This source of funds helps the bank manage its short-term liquidity needs efficiently.

Borrowing from Central Bank:

Global Islami Bank can borrow funds from the central bank, such as Bangladesh Bank, as part of monetary policy mechanisms. These borrowings can be in the form of repurchase agreements (repos), standing lending facilities, or emergency liquidity assistance. Central bank borrowings are usually short-term and come with specific interest rates and conditions. They provide a crucial source of liquidity, especially in times of financial stress or when other sources of funds are insufficient.

By utilizing a combination of owned and borrowed funds, Global Islami Bank ensures it has the necessary capital to support its lending activities, manage liquidity, and sustain its operations. This diversified approach helps the bank maintain financial stability and meet the needs of its customers effectively.

3.9 Risk Management

Risk management at Global Islami Bank (GIB) is a comprehensive process designed to identify, assess, monitor, and mitigate various risks associated with its operations. Effective risk management ensures the bank's financial stability, protects its assets, and maintains compliance with regulatory requirements. Here is an overview of the risk management practices at GIB:

- Credit Risk Management
- Market Risk Management
- Operational Risk management
- Liquidity Risk Management
- Compliance and Regulatory Risk Management
- Shariah Risk Management
- Reputation Risk Management

Credit Risk Management

Credit risk is the possibility of a borrower or counterparty failing to meet their contractual obligations. To manage credit risk, GIB employs stringent credit appraisal and approval processes, including detailed analysis of the borrower's creditworthiness, financial health, and repayment capacity. The bank also diversifies its loan portfolio across different sectors and

borrowers to minimize concentration risk. Regular monitoring and review of existing loans help in early detection and management of potential defaults.

Market Risk Management

Market risk arises from fluctuations in market prices, such as interest rates, foreign exchange rates, and equity prices. GIB manages market risk by maintaining a well-diversified investment portfolio and employing hedging strategies to mitigate adverse movements in market prices. The bank also sets limits on market exposure and regularly monitors compliance with these limits. Advanced analytical tools and models are used to assess market risks and their potential impact on the bank's financial position.

Operational Risk Management

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people, systems, or external events. GIB manages operational risk by implementing robust internal controls, standard operating procedures, and comprehensive policies. Regular audits and inspections are conducted to ensure adherence to these controls and procedures. The bank also invests in staff training and development to enhance their competency and awareness of operational risks. Business continuity planning and disaster recovery measures are in place to ensure the bank can operate effectively during disruptions.

Liquidity Risk Management

Liquidity risk is the risk that the bank will be unable to meet its financial obligations as they come due without incurring unacceptable losses. GIB manages liquidity risk by maintaining a diversified funding base, including stable customer deposits and access to interbank and central bank funding. The bank conducts regular liquidity stress testing to assess its ability to withstand various liquidity scenarios. Liquidity buffers and contingency funding plans are established to ensure the bank can manage unexpected cash flow disruptions.

Compliance and Regulatory Risk Management

Compliance and regulatory risk involve the risk of legal or regulatory sanctions, financial loss, or reputational damage due to non-compliance with laws, regulations, and internal policies. GIB ensures compliance with all relevant regulatory requirements by implementing a robust compliance framework. This includes regular training for employees on regulatory changes, continuous monitoring of compliance with laws and regulations, and conducting internal and

external audits. The bank's compliance department works closely with regulatory authorities to stay updated on regulatory developments and ensure adherence to best practices.

Shariah Risk Management

As an Islamic bank, GIB is committed to adhering to Shariah principles in all its operations. Shariah risk management involves ensuring that all products, services, and transactions comply with Islamic law. GIB has a dedicated Shariah board comprising scholars and experts who review and approve all financial products and services. Regular audits and reviews are conducted to ensure ongoing compliance with Shariah principles

Reputation Risk Management

Reputation risk is the potential for negative publicity or public perception to adversely affect the bank's operations and profitability. GIB manages reputation risk by maintaining high standards of corporate governance, ethical conduct, and transparency. The bank actively engages with stakeholders, including customers, employees, regulators, and the community, to build and maintain trust. Effective communication and prompt response to issues and concerns help in managing and mitigating reputation risk.

By adopting a comprehensive risk management framework, Global Islami Bank ensures that it can navigate various financial, operational, and regulatory challenges effectively. This approach helps the bank maintain its financial stability, protect its assets, and uphold its commitment to Shariah principles and best banking practices.

3.10 Chart of profit-sharing rate of Global Islami Bank PLC

Sl	Nature of Deposit	Existing Provisional Profit Rate		Revised Provisional Profit Rate (Effective from 12.05.2024)	
		For Individual	For Corporate	For Individual	For Corporate
1	Mudaraba Savings Deposit (Ehsan 1% higher than Savinos rate)	3.00% p.a.		3.00% p.a.	
	Mudaraba Junior Savings Account (MJSA) & Mudaraba Swadesh Savinos Account (MSSA)	3.50% p.a.		3.50% p.a.	
2	Mudaraba Short Notice Deposit Deposit Account (MSND)	2.50% p.a.		2.50% p.a.	
3	Mudaraba Term Deposit (MTDR)	For Individual	For Corporate	For Individual	For Corporate
	a) For 01 (one) month	6.00% p.a.	5.50% p.a.	6.00 % p.a.	5.50% p.a.
	b) For 03 (three) months	9.00% p.a.	8.50% p.a.	10.50 % p.a.	10.00 % p.a.
	c) For 100 (hundred) days	9.00% p.a.	8.50% p.a.	10.50 % p.a.	10.00 % p.a.
	d) For 06 (six) months	9.25% p.a.	8.75% p.a.	10.75 % p.a.	10.25 % p.a.
	e) For 12 (twelve) months & above;	9.50% p.a.	9.00% p.a.	11.00 % p.a.	10.50 % p.a.
4	Mudaraba Double Benefit Scheme (MDBS)	05 (Five) Years & 06 (Six) Months		05 (Five) Years	
5	Mudaraba Deposit Pension Scheme MDPS	10.00% p.a.		11.00% p.a.	
6	Other Monthly Mudaraba Deposit Scheme	9.00% p.a.		10.00% p.a.	
7	Mudaraba Monthly Profit Deposit Scheme (MMPDS)	Tk- 541.67 Per Lac per month (BT)* for 06 Months, profit rate is 6.50% p.a.		Tk. 541.67 Per Lac per month (BT)* for 06 Months, profit rate is 6.50% p.a.	
		Tk. 1030.00 Per Lac per month (BT)* for 12 Months, profit rate 12.36% p.a		Tk. 1111.67 Per Lac per month (BT)* for 12 Months, profit rate 13.34% p.a	
		Tk. 1030.00 Per Lac per month (BT)* for 24 Months, profit rate 12.36% p.a		Tk. 1111.67 Per Lac per month (BT)* for 24 Months, profit rate 13.34% p.a	
		Tk. 1030.00 Per Lac per month (BT)* for 36 Months, profit rate 12.36% p.a		Tk. 1111.67 Per Lac per month (BT)* for 36 Months, profit rate 13.34% p.a	

3.11 Loan or Investment Principle Followed By GIB

Global Islami Bank follows the principles of Islamic banking, which are based on Shariah law. These principles ensure that financial transactions are ethical, fair, and interest-free. Here are the key loan principles followed by Global Islami Bank:

Interest-Free (Riba-Free) Transactions:

One of the core principles of Islamic banking is the prohibition of Riba (interest). Global Islami Bank does not charge or pay interest on loans. Instead, it uses profit-sharing and fee-based models to generate returns.

Profit and Loss Sharing:

Loans and investments are structured on the basis of profit and loss sharing. This means that both the bank and the borrower share the risks and rewards of the investment. Common modes include Mudarabah (profit-sharing) and Musharakah (joint venture).

Asset-Backed Financing:

All financial transactions must be backed by tangible assets or services. This ensures that financing is linked to real economic activities and avoids speculative transactions. Common asset-backed financing models include Ijarah (leasing) and Murabaha (cost-plus financing).

Ethical and Social Responsibility:

Global Islami Bank ensures that all financing activities comply with ethical standards and contribute to the welfare of society. This includes avoiding investments in industries that are considered harmful or unethical, such as alcohol, gambling, and pork products.

Transparency and Fairness:

The bank adheres to principles of transparency and fairness in all dealings. All terms and conditions of financing agreements are clearly disclosed to customers. This includes the cost of financing, repayment schedules, and any other relevant information.

Shariah Compliance:

All financial products and services offered by the bank must comply with Shariah principles. This compliance is overseen by a Shariah board, which reviews and approves the bank's products, services, and transactions to ensure they adhere to Islamic law.

Risk Management:

Islamic banking principles emphasize prudent risk management. This involves careful assessment and mitigation of risks associated with financing activities. By sharing risks through profit and loss sharing, the bank promotes stability and sustainability in its operations.

No Speculation (Gharar):

The bank avoids speculative transactions and excessive uncertainty (Gharar). All financial agreements must be clear, well-defined, and free from ambiguity to ensure that both parties fully understand their obligations and rights.

Purpose-Oriented Financing:

Loans and financing provided by the bank are intended for productive and socially beneficial purposes. This includes financing for business expansion, home purchases, education, and other constructive activities that contribute to economic growth and societal welfare.

3.11.1 Additional Principles Adhered to by Global Islami Bank Similar to Other Financial Institutions

Global Islami Bank, like other financial institutions, follows several key principles to ensure the sound management of its loan portfolio. These principles help in maintaining the bank's financial health and in safeguarding the interests of its stakeholders. Here's an explanation of the principles of

- Safety
- Security
- Liquidity
- Adequacy
- Diversity

Safety

The principle of safety involves protecting the bank's assets by lending to creditworthy borrowers with a high likelihood of repaying their loans. To ensure safety, the bank conducts thorough credit assessments, which include evaluating the borrower's financial history, current financial status, and repayment capacity. By maintaining strict credit standards, the bank minimizes the risk of default and safeguards its capital.

Security

Security refers to the collateral or guarantees provided by the borrower to secure the loan. Collateral can include real estate, equipment, inventory, or other valuable assets. By securing loans with collateral, the bank mitigates the risk of loss in case of borrower default. This ensures the bank has a means to recover the loan amount, thereby reducing overall risk.

Liquidity

Liquidity is the bank's ability to meet its financial obligations as they come due without incurring significant losses. In loan management, this means balancing short-term and long-term loans and maintaining sufficient liquid assets to cover unexpected withdrawals or demands. Proper liquidity management involves diversifying the loan portfolio and keeping adequate cash reserves to handle financial contingencies.

Adequacy

Adequacy involves maintaining sufficient capital and reserves to cover potential losses from loan defaults. This principle ensures that the bank's capital base is strong enough to absorb any shocks arising from non-performing loans. Adequate capital levels are crucial for the bank's stability and for meeting regulatory requirements. This involves setting aside provisions for bad debts and maintaining a robust capital adequacy ratio.

Diversity

Diversity in loan management means spreading the bank's loan portfolio across various sectors, industries, and geographical regions. By diversifying its loan portfolio, the bank reduces its exposure to risk from any single borrower, sector, or market. This principle helps mitigate the impact of adverse economic conditions affecting a particular industry or region, ensuring a more stable and resilient loan portfolio.

Application to Global Islami Bank

For Global Islami Bank, these principles are integrated within the framework of Islamic banking. The bank ensures all loans comply with Shariah principles, which prohibit interest (Riba) and emphasize ethical and socially responsible financing. The bank employs profit-sharing and asset-backed financing models to align with these principles. Additionally, the Shariah board oversees all transactions to ensure compliance with Islamic ethical standards, further enhancing the safety, security, and ethical integrity of the bank's lending practices.

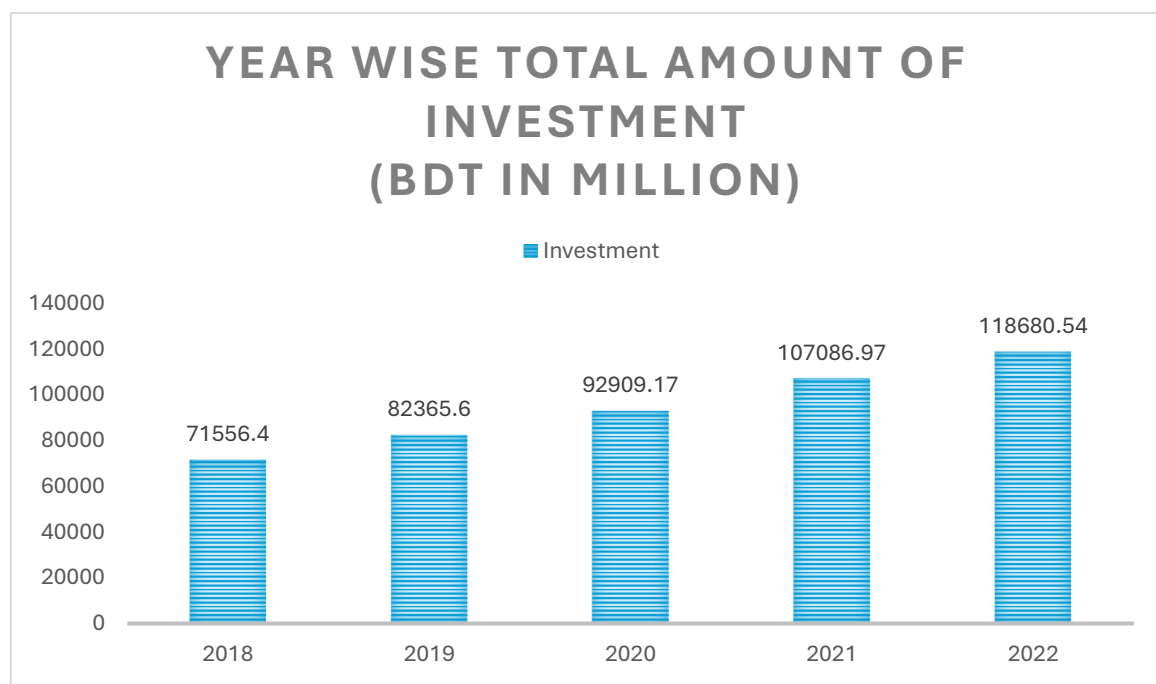
By adhering to these principles, Global Islami Bank ensures that its loan portfolio is managed prudently. This approach contributes to the overall stability and sustainability of the bank while adhering to the ethical standards of Islamic finance.

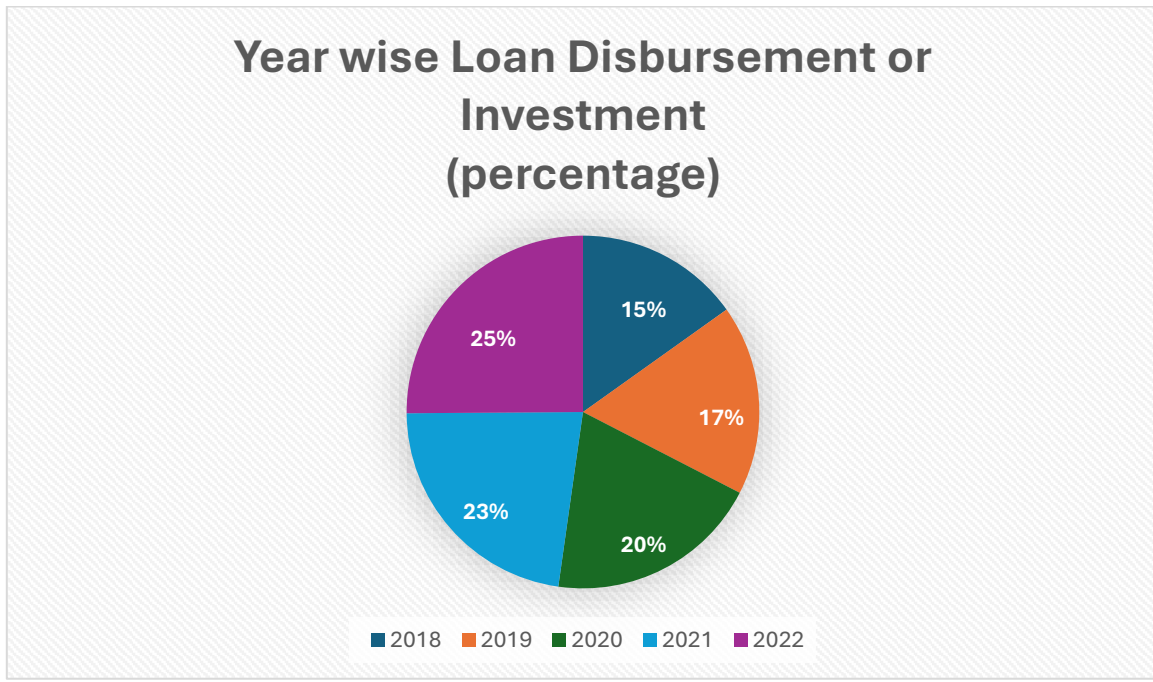
3.12 Loan Disbursement or Investment

Once all the required steps for loan sanctioning are completed, the bank will open a loan account in the name of the borrower and deposit the approved funds into this account. The bank will issue cheque books to the borrower and advise them to withdraw and utilize the funds promptly, as interest will begin to accrue from the moment the money is deposited into the account.

3.12.1 Analyzing the Year wise Loan Disbursement or Investment by GIB

Year	Amount of Investment (BDT in million)
2022	118680.54
2021	107086.97
2020	92909.17
2019	82365.60
2018	71556.40
Total	472598.68





Analyzing the year-wise loan disbursement or investment by Global Islami Bank (GIB) from 2018 to 2022 shows a consistent upward trend in investment amounts, reflecting the bank's growth and increasing lending activity over this period.

In 2018, GIB's investment stood at 715,556.40, marking a significant foundation for the subsequent years with a growth rate of 15%. The following year, 2019, saw the investment increase to 82,365.60, representing a 17% growth. This upward trajectory continued into 2020, with investments rising to 92,909.17, corresponding to a 20% growth rate.

The year 2021 further solidified this growth pattern, with the bank's investments reaching 107,086.97, which indicates a 23% increase. Finally, in 2022, the investment amount peaked at 118,680.54, showcasing the highest growth rate of 25% over the five-year period.

This progressive increase in loan disbursement highlights GIB's expanding reach and its strengthening capacity to support various sectors through increased lending. The consistent rise in investment amounts year-over-year reflects the bank's robust growth strategy, efficient risk management practices, and its commitment to meeting the financial needs of its clients.

3.13 Analyzing the Distribution of Loan or Investment by GIB

Particulars (fig.in.million)	2022	2021	2020
Bai-Murabaha	107095.7	98750.50	86025.47
Bai-Muajjal	1407.1	1108.50	700.6
Bai- Murabaha import	117.7	90.9	50.6
Bai- Murabaha term investment	367.2	268.1	150.7
Bai- Muajjal term investment	191.6	120.6	80.1
HPSM	8078.8	5761.37	5000.2
Investment in LDBP/FDBP/IDBP	934.8	500.8	400.3
Staff Investment	360	300	380.4
Card Investment	74.1	100	50.3
Bill purchased and discounted	53.7	86	70.5
Total	118680.54	107086.97	92909.17

3.14 Classification of loan Process or Investment

The classification of loans is an essential process in banking that involves categorizing loans according to their performance and risk levels. This process helps banks manage credit risk and adhere to regulatory requirements. Here are the key classifications typically used:

1. Standard Loans

Standard loans are those where the borrower is consistently meeting their repayment obligations on time. These loans are considered low risk and show no signs of potential default.

2. Watchlist or Special Mention Loans

These loans are currently performing but have shown early warning signs of potential issues, such as late payments or financial difficulties of the borrower. These loans require closer monitoring to prevent them from becoming non-performing.

3. Substandard Loans

Substandard loans are those where the borrower is behind on payments, usually for 90 days or more. These loans exhibit clear signs of financial difficulty, indicating a higher risk of default. Banks must increase their provisions for these loans.

4. Doubtful Loans

Doubtful loans are loans where full repayment is highly uncertain, and the likelihood of loss is significant. These loans are often delinquent for an extended period, typically 180 days or more. Banks need to set aside substantial provisions for these loans.

5. Loss Loans

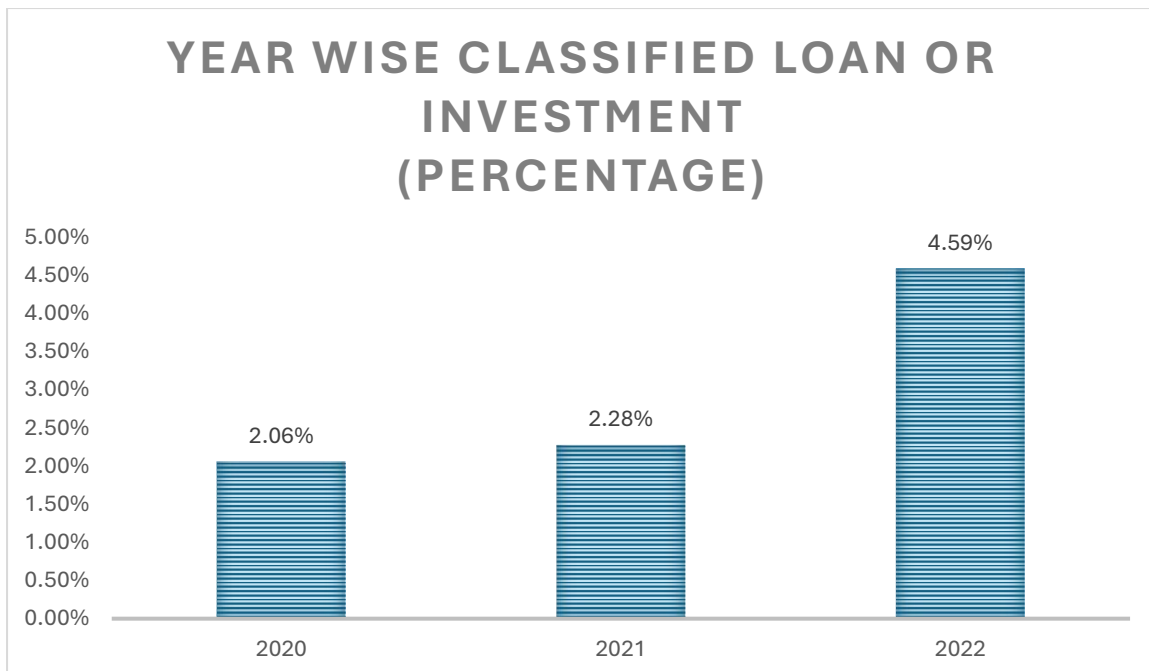
Loss loans are those deemed uncollectible and of minimal value. These loans are typically delinquent for an extended period, usually over 365 days. Banks are required to make full provisions for these loans and recognize them as a loss on their balance sheets.

3.15 Classified Loan / Investment conditions of GIB (BDT in million)

Particular	2022	2021	2020
Standard (UC)	113239.24	104647.2	91000
SMA	119	53.6	23.12
Substandard	790.6	331.4	250.53
Doubtful	144.6	950	767.6
Bad/Loss	4387.1	1104.7	867.92
Total	118680.54	107086.97	92909.17

3.16 Ratio of Classified Loans or Investment to Total loans or investment by GIB

Particular	2022	2021	2020
Classified	4.59%	2.28%	2.06%
Unclassified	95.41%	97.72%	97.94%
Total	100%	100%	100%



3.17 Loan or Investment Recovery Policy of GIB

Global Islami Bank's loan recovery policy is structured to ensure the timely and efficient collection of outstanding loans while adhering to Shariah principles and maintaining strong customer relationships. Here are the key elements of the bank's loan recovery policy:

Early Detection and Monitoring

Global Islami Bank places a strong emphasis on the early detection of potential loan repayment issues through continuous monitoring of loan accounts. By closely watching for early warning signs such as delayed payments, irregular account activity, and changes in the borrower's financial condition, the bank can address problems before they escalate.

Communication and Engagement

The bank maintains regular communication with borrowers to understand their financial situation and address any concerns. Proactive engagement helps identify problems early and find mutually agreeable solutions to prevent defaults.

Restructuring and Rescheduling

If a borrower faces genuine financial difficulties, the bank may consider restructuring or rescheduling the loan. This could involve extending the loan term, altering the repayment schedule, or temporarily reducing the repayment amount. Such measures provide relief to the borrower while ensuring eventual recovery of the loan, all in compliance with Shariah principles.

Legal Action and Enforcement

When all other recovery efforts fail, Global Islami Bank may resort to legal action to recover the outstanding loan amount. This involves initiating legal proceedings to enforce collateral and other securities pledged by the borrower. The bank follows all legal protocols and ensures that such actions comply with both local laws and Shariah principles.

Use of Recovery Agents

The bank may employ professional recovery agents to assist in the collection of overdue loans. These agents are trained to handle recovery processes ethically and in line with Islamic banking practices, ensuring respect and dignity for the borrower.

Loan Write-Offs

In cases where recovery is deemed impossible, the bank may decide to write off the loan. This is considered a last resort after exhausting all recovery options. The decision to write off a loan involves thorough evaluation and approval by the bank's management and board of directors.

Customer Education and Financial Literacy

Global Islami Bank also focuses on educating borrowers about financial management and the importance of timely repayments. By promoting financial literacy, the bank aims to reduce the likelihood of defaults and enhance the overall financial well-being of its customers.

Regular Review and Improvement

The loan recovery policy is regularly reviewed and updated to incorporate best practices and adapt to changing economic conditions. Continuous improvement ensures that the policy remains effective and relevant in achieving the bank's recovery objectives.

Global Islami Bank's loan recovery policy reflects its commitment to ethical banking, customer care, and financial stability, ensuring that recovery efforts are balanced with compassion and adherence to Islamic banking principles.

Chapter: Four

Financial Analysis of Global Islami Bank PLC

4.1 Introduction

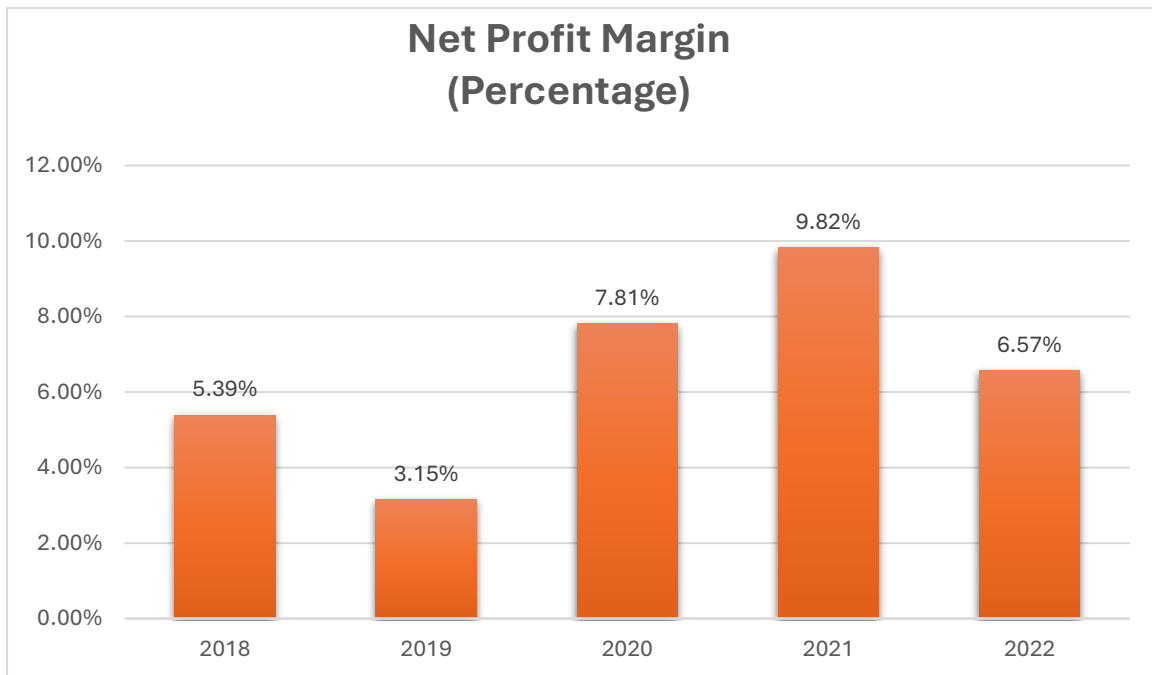
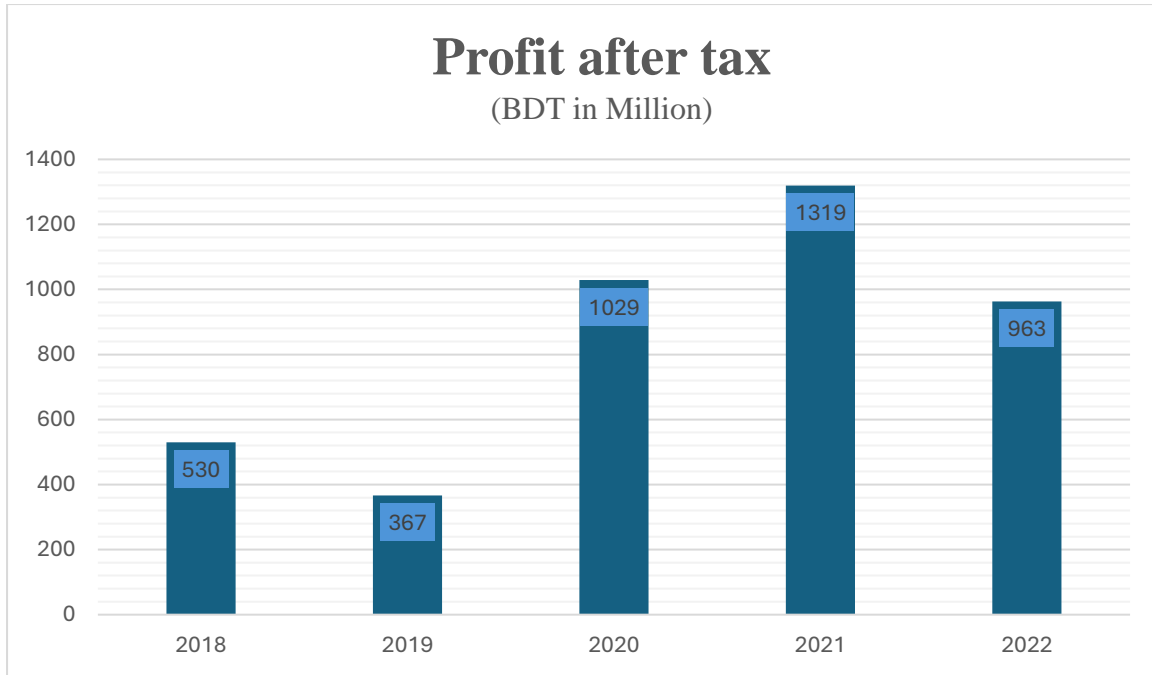
In the competitive landscape of the banking industry, institutions like Global Islami Bank face significant pressure to deliver value to various stakeholders while maintaining regulatory compliance. This introduction provides an overview of financial performance analysis, emphasizing its importance in assessing the viability, stability, and profitability of businesses.

Financial performance analysis involves the evaluation of key financial indicators derived from financial statements and other relevant reports. Professionals use ratios and trend analysis to present comprehensive insights to top-level management, aiding in strategic decision-making. For Global Islami Bank, this analysis serves as a crucial tool to gain a holistic understanding of its financial health.

4.2 Profitability of the global Islami Bank For the Last Five Years

Profitability serves as a pivotal metric for evaluating the financial health and efficiency of an organization. It encompasses the ability of a business to generate earnings relative to its expenditures, thereby indicating its capacity to translate investments into returns. A highly profitable entity signifies effective management of resources, streamlined operations, and adept decision-making, leading to superior financial outcomes. In contrast, a less profitable organization may struggle with excessive costs, inefficiencies in production or service delivery, or ineffective strategic planning. The significance of profitability extends beyond mere financial performance, influencing investor confidence, market competitiveness, and long-term sustainability. By continuously monitoring and enhancing profitability ratios, businesses can optimize resource allocation, improve operational effectiveness, and ultimately bolster their position in the market.

Year	2018	2019	2020	2021	2022
Profit After Tax (BDT in Million)	530	367	1029	1319	963
Net Profit Margin (NPM)	5.39%	3.15%	7.81%	9.82%	6.57%



The graph shows the profitability of Global Islami Bank from 2018 to 2022.

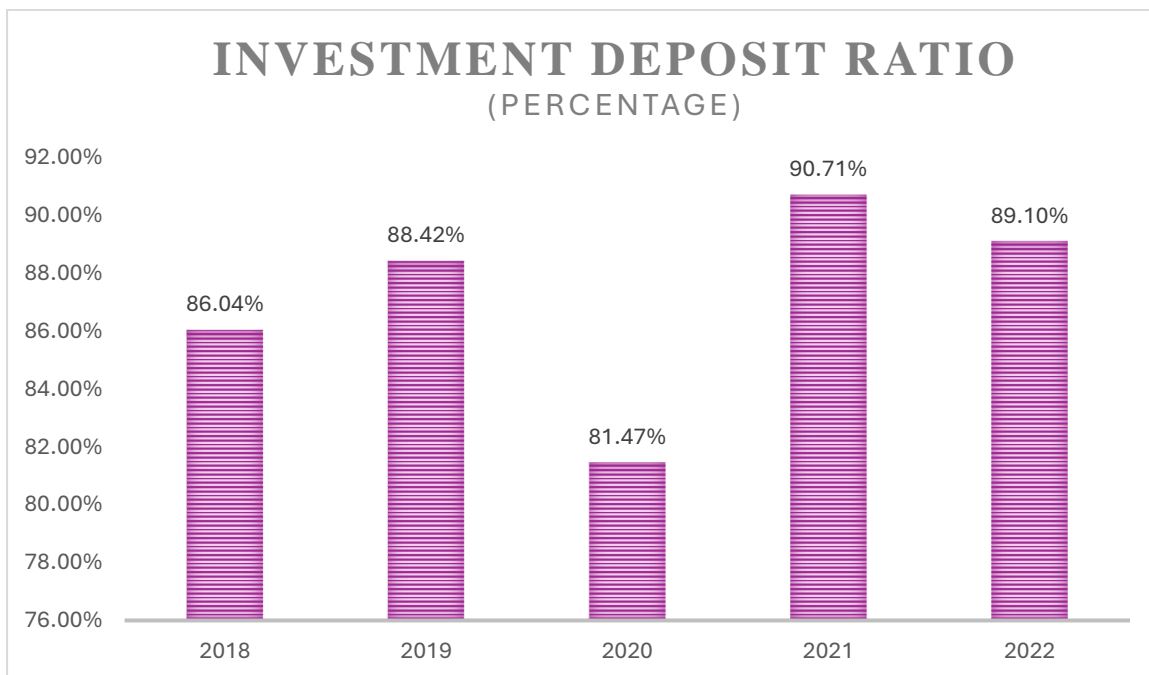
In 2018, the net profit was 530 million BTD with a net profit margin of 5.39%. In 2019, there was a decrease in net profit to 367 million BTD, and the net profit margin dropped to 3.15%. In 2020, there was a significant increase in both net profit and net profit margin, with the net profit

reaching 1029 million BTD and the net profit margin increasing to 7.81%. In 2021, both net profit and net profit margin saw further increases, with the net profit reaching 1319 million BTD and the net profit margin rising to 9.82%. In 2022, there was a slight decrease in net profit to 963 million BTD, and the net profit margin decreased to 6.57%. Overall, the comparison shows fluctuations in both net profit and net profit margin over the five-year period, with significant increases from 2018 to 2021 followed by a slight decrease in 2022.

4.3 Investment Deposit Ratio

The investment-to-deposit ratio serves as a crucial metric for assessing a bank's financial health and risk management strategy. A higher ratio suggests that the bank is allocating more of its funds towards investments rather than holding them in reserve, potentially indicating higher profitability but also greater risk. Conversely, a lower ratio implies a more conservative approach with a larger portion of funds kept in deposits, ensuring greater liquidity and stability but potentially limiting earning potential.

Year	2018	2019	2020	2021	2022
Investment deposit Ratio	86.04%	88.42%	81.47%	90.71%	89.10%

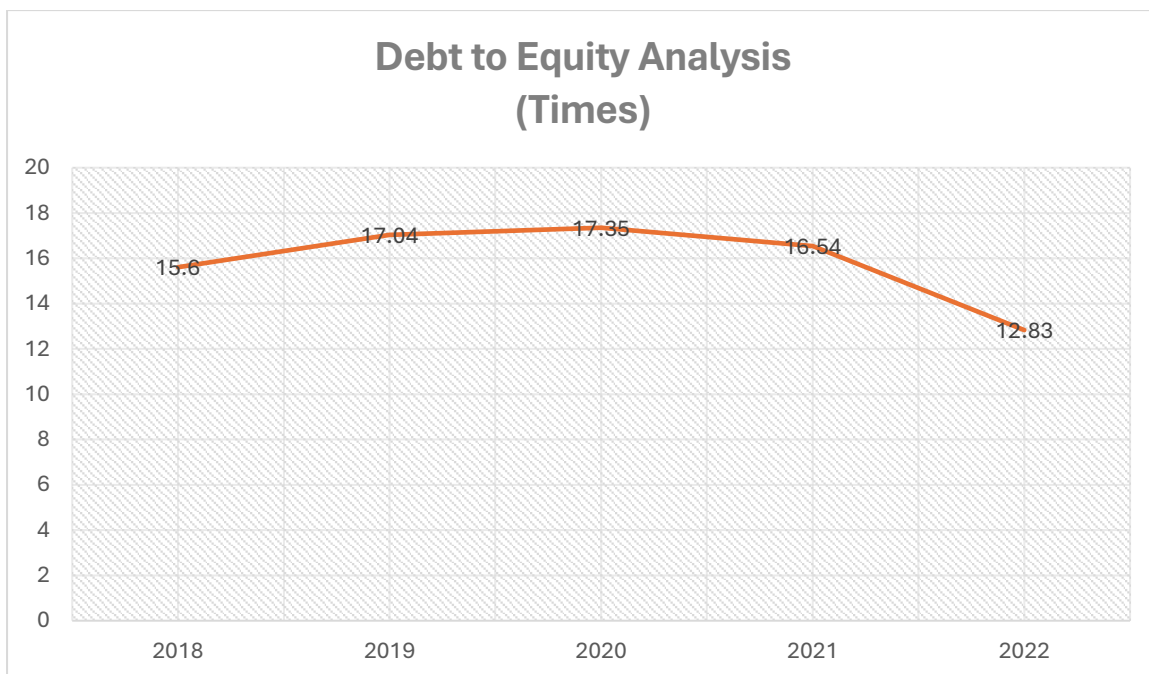


The Investment deposit ratio of Global Islami Bank fluctuated from 86.04% in 2018 to 89.10% in 2022. It rose to 88.42% in 2019, dropped to 81.47% in 2020, peaked at 90.71% in 2021, before slightly decreasing in 2022. These changes reflect varying levels of investment compared to deposits over the years.

4.4 Debt Equity Ratio

The debt-to-equity ratio assesses a company's capital structure and financial health by comparing its debt to shareholder equity. A high ratio signals heavy reliance on debt financing, increasing financial risk, especially during economic downturns. Conversely, a low ratio indicates more equity financing, implying a stronger financial position. However, excessively low ratios may suggest underutilization of debt financing. Optimal ratios vary by industry and depend on factors like growth stage and risk tolerance. Investors use this metric alongside others to guide investment decisions.

Year	2018	2019	2020	2021	2022
Debt Equity Ratio (Times)	15.60	17.04	17.35	16.54	12.83



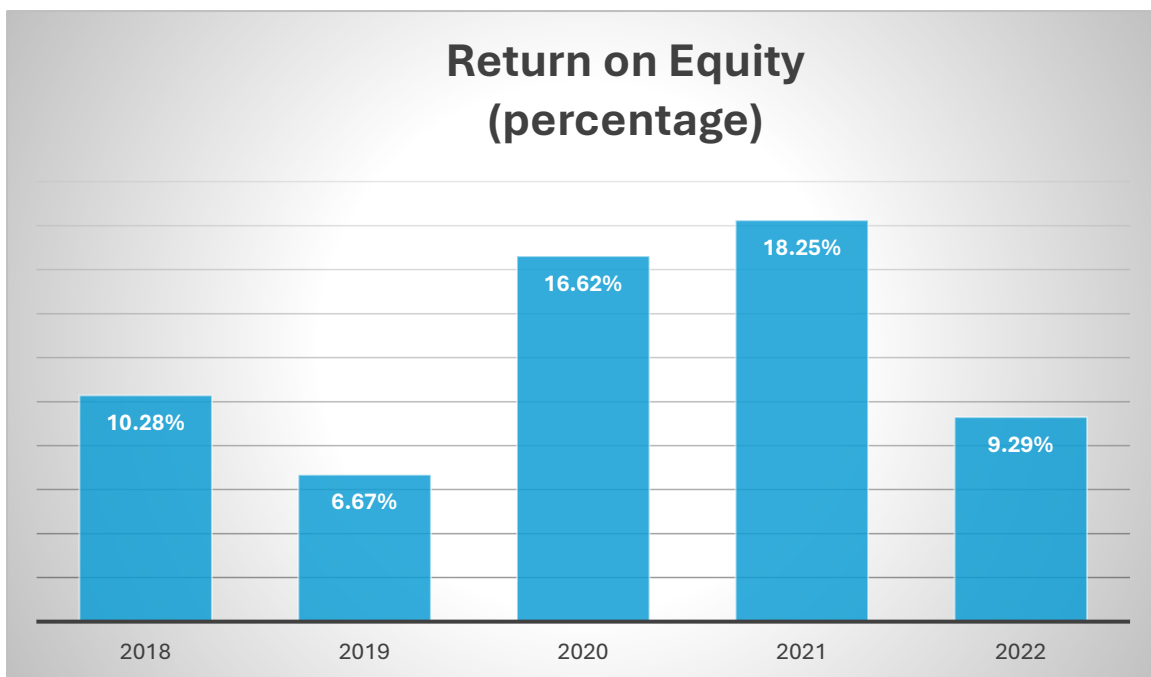
The graph shows Global Islami Bank's debt-to-equity ratio from 2018 to 2022. The ratio steadily increased from 15.60 in 2018 to 17.35 in 2020, then decreased in 2021 to 16.54, and

significantly dropped to 12.83 in 2022. This indicates fluctuations in the bank's leverage over the years, with a notable decrease in 2022.

4.5 Return on Equity

Return on Equity (ROE) measures a company's ability to generate profits from shareholders' equity, calculated by dividing net income by average shareholders' equity, and expressed as a percentage. A higher ROE indicates efficient use of equity capital, suggesting strong financial health and effective management. This metric is particularly useful for comparing companies within the same industry. However, extremely high ROE values may indicate high debt levels, posing higher risks. Therefore, while valuable, ROE should be analyzed alongside other financial metrics for a comprehensive view of a company's financial health and strategy.

Year	2018	2019	2020	2021	2022
Return on Equity	10.28%	6.67%	16.62%	18.25%	9.29%

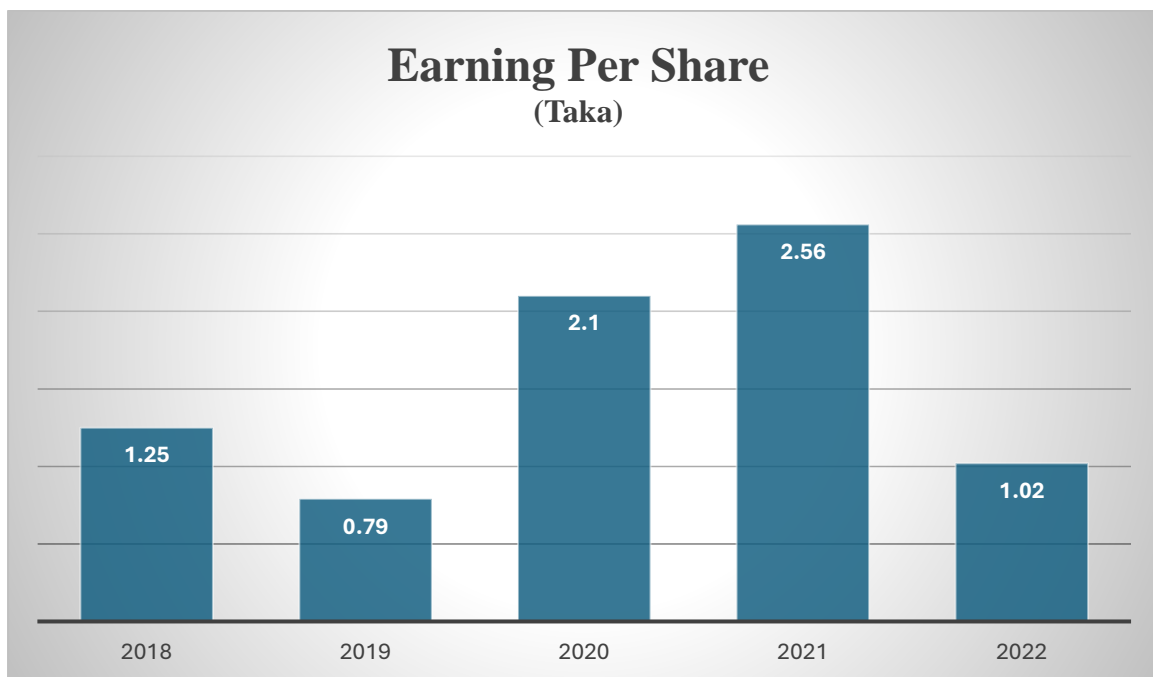


The graph shows a fluctuating pattern in ROE over the five-year period. Starting at 10.28% in 2018, there's a dip to 6.67% in 2019. However, there's a significant rebound in 2020, with ROE climbing to 16.62%. The trend continues upward in 2021, reaching 18.25%. However, in 2022, there's a notable decline back to 9.29%. Overall, the ROE appears to have fluctuated, with periods of growth followed by slight declines.

4.6 Earning Per Share (EPS)

Earnings per share (EPS) is a key metric for investors, indicating a company's profit per outstanding share of common stock. It's calculated by dividing net income by outstanding shares, offering insight into profit generation per share. EPS trends over time help assess growth and shareholder returns. It's pivotal in financial ratios like the price-to-earnings (P/E) ratio, aiding in stock valuation. Analysts closely track EPS as it affects stock prices and investor sentiment. However, EPS can fluctuate due to revenue, expenses, taxes, and outstanding shares, requiring contextual interpretation.

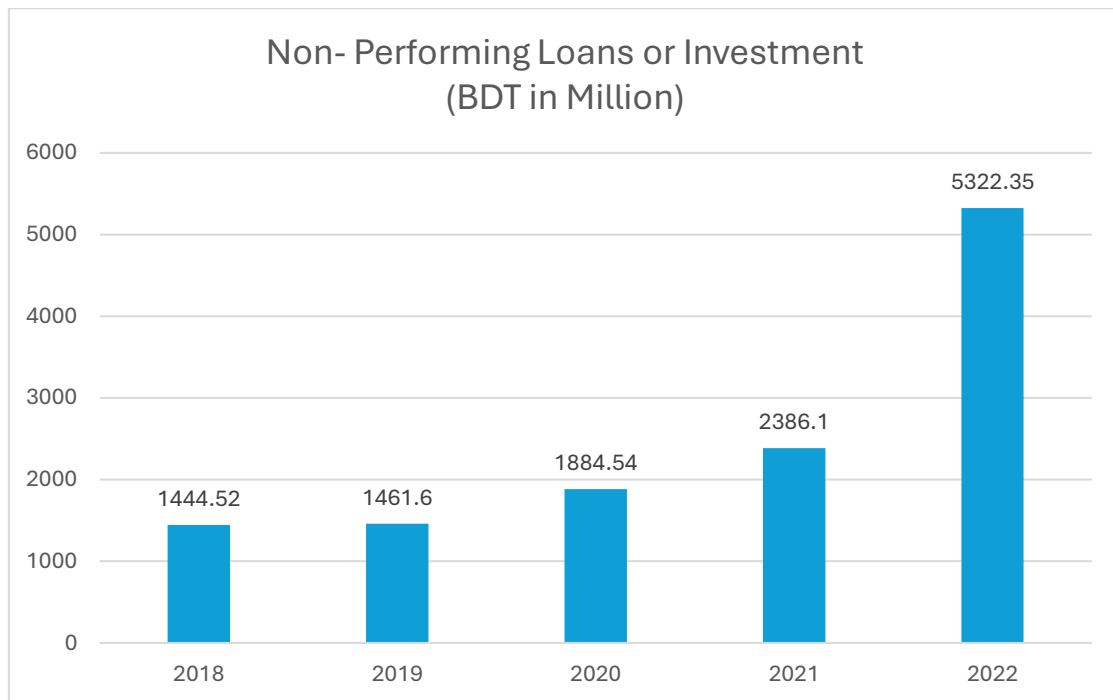
Year	2018	2019	2020	2021	2022
Earning Per Share (EPS)Taka	1.25	0.79	2.10	2.56	1.02

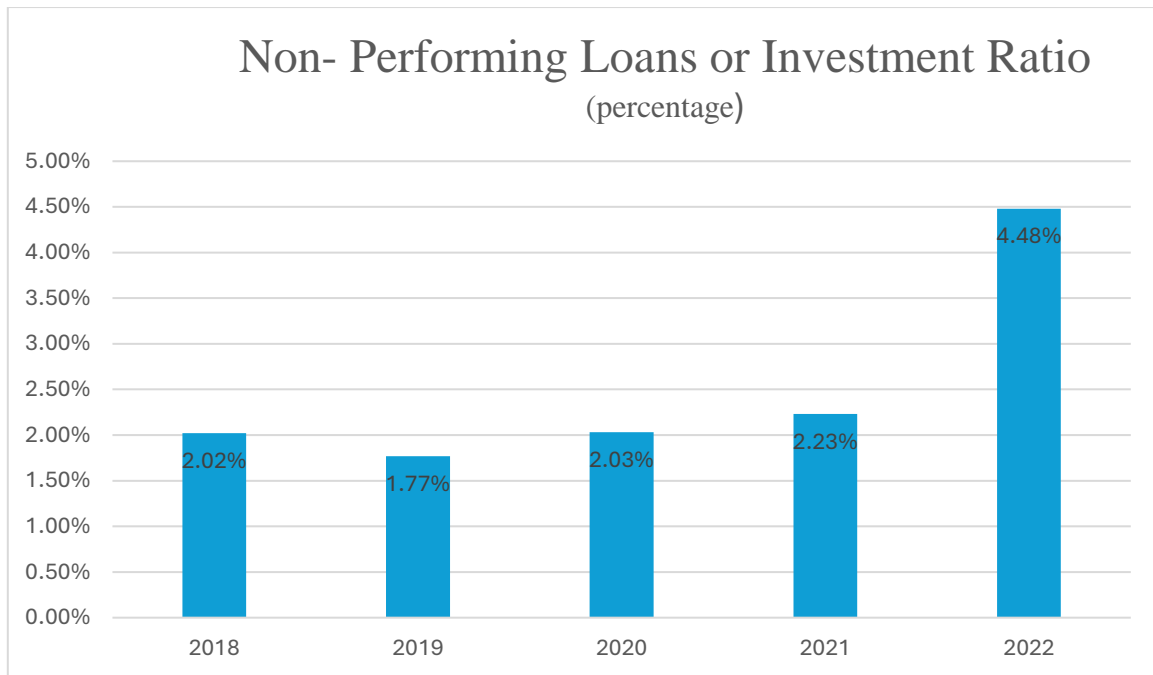


The graph shows the earnings per share (EPS) of Global Islami Bank from 2018 to 2022. In 2018, the EPS was 1.25 Taka. It then experienced a decline in 2019, dropping to 0.79 Taka. However, there was a significant recovery in 2020, with the EPS rising to 2.10 Taka, followed by a further increase in 2021 to 2.56 Taka. However, in 2022, there was a notable decrease in EPS, falling to 1.02 Taka. Overall, the graph illustrates fluctuations in EPS over the years, indicating the bank's performance.

4.7 Non- Performing Loans or Investment

Year	2018	2019	2020	2021	2022
Non-performing Investment (BDT in Million)	1444.52	1461.60	1884.54	2386.10	5322.35
NPI Ratio	2.02%	1.77%	2.03%	2.23%	4.48%





The graph illustrates the trend of Non-Performing Investments (NPI) and the NPI ratio for Global Islami Bank from 2018 to 2022.

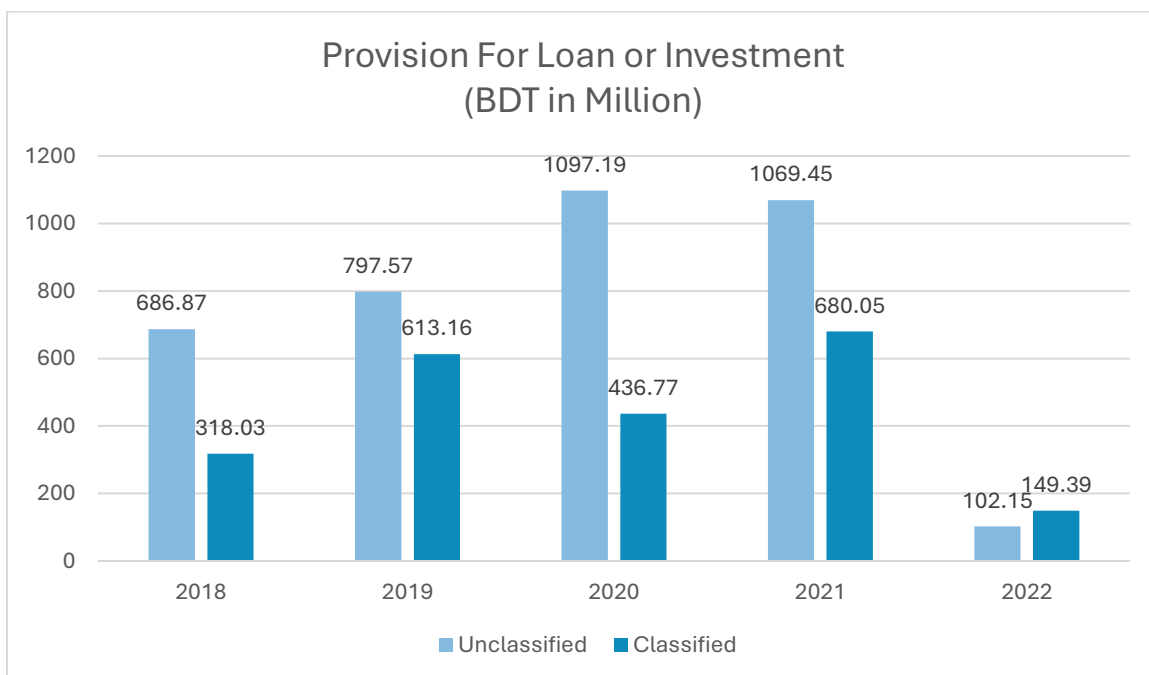
In 2018, the NPI was 1444.52 million BDT with an NPI ratio of 2.02%. It slightly increased to 1461.60 million BDT in 2019, with a decrease in the NPI ratio to 1.77%. However, in 2020, there was a notable surge in NPI, reaching 1884.54 million BDT, accompanied by a slight increase in the NPI ratio to 2.03%. This trend continued in 2021, with NPI reaching 2386 million BDT and the NPI ratio increasing to 2.23%. The most significant change occurred in 2022, where NPI sharply rose to 5322.35 million BDT, resulting in a notable increase in the NPI ratio to 4.48%.

Overall, the graph demonstrates a concerning escalation in NPI and the NPI ratio for Global Islami Bank over the specified period, indicating potential challenges in managing non-performing investments.

4.8 Provision for Loan or Investment

A provision for loan or investment is an accounting practice where a company sets aside a specific amount of money to cover potential losses from loans or investments. This is done to ensure that the company's financial statements accurately reflect the potential risk of these assets becoming non-performing or decreasing in value. Provisions help in managing financial risk and maintaining the integrity of the company's balance sheet by anticipating and accounting for potential future losses.

Year	2018	2019	2020	2021	2022
Provision For Unclassified Loan or Investment (BDT in Million)	686.87	797.57	1097.19	1069.45	102.15
Provision For classified Loan or Investment (BDT in Million)	318.03	613.16	436.77	680.05	149.39



The graph displays the provisions for unclassified and classified loans or investments made by Global Islami Bank from 2018 to 2022. Each year is depicted along the horizontal axis, with the vertical axis indicating the provision amounts in million BDT.

In 2018, the provision for unclassified loans or investments stood at 886.87 million BDT, while the provision for classified loans or investments was 318.03 million BDT. The following year, 2019, saw a decrease in the provision for unclassified loans to 797.57 million BDT, but a

notable increase in the provision for classified loans to 613.16 million BDT. The year 2020 witnessed a significant rise in the provision for unclassified loans, reaching 1097.19 million BDT, the highest in the five-year period. Conversely, the provision for classified loans decreased to 436.77 million BDT. In 2021, there was a slight decline in the provision for unclassified loans to 1069.45 million BDT, while the provision for classified loans increased to 680.05 million BDT. A drastic reduction in provisions occurred in 2022, with the provision for unclassified loans dropping sharply to 102.15 million BDT, and the provision for classified loans also decreasing significantly to 149.39 million BDT. This substantial decrease in both categories of provisions in 2022 stands out starkly compared to the previous years.

Overall, the graph highlights fluctuations in the bank's provisions for loans or investments, with notable peaks and troughs, particularly the substantial reductions in 2022.

Chapter: Five

Findings, Recommendation & Conclusion

5.1 Findings

The analysis of the credit operation procedures of Global Islami Bank has uncovered several critical issues and limitations:

1.Limited Decision-Making Power for Managers

Branch managers and other high-ranking officials have insufficient authority to sanction loans, necessitating head office approval for all loan requests. This centralization leads to delays, potentially resulting in the loss of customers due to the protracted loan approval process.

2.Inefficient Operation System

The credit operation system suffers from inefficiencies, including inadequate systematic and timely monitoring and poor maintenance of proper documentation.

3. Political Influence

The bank often faces undue pressure from political figures and directors to approve loans. This political interference can compel risk managers to sanction loans without adequate assessment, compromising the rationality of loan approvals.

4.Monitoring and Evaluation

Although there is continuous monitoring and evaluation of loan applications, the bank adheres to internal and external control systems, audit policies, financial risk policies, existing regulations, International Financial Reporting Standards (IFRS), and relevant central bank circulars.

5.Disbursement Issues

Problems with the availability of loan funds and insufficient information about borrowers' creditworthiness hamper the loan disbursement process.

6.Loan Sanction Prioritization

The bank tends to prioritize well-known individuals for loan sanctions, leading to bias and limiting access for other potential borrowers.

7.Advertisement and Visibility

The bank's limited investment in advertising and media presence restricts its popularity and growth. In contrast to institutions in developed countries that allocate substantial budgets for

advertisement, Global Islami Bank's minimal investment in media activities affects its visibility and brand recognition.

8. Non-Performing Loans (NPLs)

An increase in non-performing loans indicates issues with the initial credit assessment process and the ongoing monitoring of loan performance. High levels of NPLs can negatively impact the bank's profitability and financial stability.

9. Bank Crafting

There are concerns about 'bank crafting,' where credit policies are tailored to benefit certain influential individuals or groups, leading to unethical practices and undermining the bank's credibility and integrity.

10. Limited Product Diversification

The bank's credit products and services lack diversification. Offering a broader range of tailored financial products could attract a wider customer base and meet the varying needs of different market segments, thus enhancing overall business performance.

These observations highlight critical areas for improvement within Global Islami Bank's credit operation procedures, emphasizing the need for decentralization of decision-making, enhanced operational efficiency, stricter control against political influence, better loan disbursement practices, more equitable loan sanctioning, increased investment in advertising, rigorous management of non-performing loans, ethical adherence to standardized credit policies, and diversification of financial products. Addressing these issues is crucial for improving the bank's overall efficiency, customer satisfaction, and financial health.

5.2 Recommendation

Based on the identified issues, here are some recommendations for improving Global Islami Bank's performance:

1.Decentralize Decision-Making

Empower branch managers and officials with greater authority to sanction loans within predefined limits, reducing the need for head office approval and speeding up the loan approval process.

2.Enhance Operational Efficiency

Implement systematic and timely monitoring systems, improve documentation practices, and streamline operational processes to eliminate inefficiencies in the credit operation system.

3. Mitigate Political Influence

Establish clear guidelines and protocols to shield the loan approval process from political interference, ensuring that all loan decisions are based solely on merit and risk assessment.

4.Strengthen Monitoring and Evaluation

Continuously evaluate and refine internal control systems, audit policies, and risk management practices to ensure compliance with regulatory standards and minimize the risk of non-performing loans.

5.Improve Loan Disbursement Practices

Address issues related to fund availability and borrower creditworthiness assessment to expedite the loan disbursement process and enhance customer satisfaction.

6.Ensure Fair Loan Sanctioning

Implement policies to prevent bias in loan sanctioning and prioritize loan applications based on merit rather than individual reputation or influence.

7.Invest in Advertising and Visibility

Allocate resources to enhance the bank's visibility through targeted advertising and media campaigns, increasing brand recognition and attracting a larger customer base.

8. Manage Non-Performing Loans

Implement proactive measures to reduce non-performing loans, including improving credit assessment processes, enhancing monitoring mechanisms, and offering support to struggling borrowers.

9. Uphold Ethical Standards

Enforce ethical conduct and integrity in all aspects of banking operations, including credit policies and loan approval processes, to maintain the bank's credibility and trustworthiness.

10. Diversify Product Offerings

Expand the range of credit products and services to cater to diverse customer needs and market segments, thereby increasing revenue streams and strengthening the bank's competitive position.

By implementing these recommendations, Global Islami Bank can address its critical operational challenges, enhance its performance, and position itself for sustainable growth and success in the banking industry.

5.3 Conclusion

This report aims to outline an effective credit management system by analyzing credit policies, credit risk management, and loan control functions. Effective credit operation management is fundamental for a bank's safety and soundness. Worldwide, banks focus much of their effort on prudently approving loans and carefully monitoring loan performance.

Credit operation management has never been an easy task for banks, as it involves various factors ranging from the bank itself to the borrower, the industry, and the overall economy. Complying with all these factors makes credit management a sophisticated process, requiring seamless integration between credit policies, risk management, and loan survival processes.

At Global Islami Bank, the emphasis on a robust credit management system is crucial to ensure the bank's stability and growth. By implementing comprehensive credit policies, proactive risk management strategies, and stringent loan control measures, the bank can safeguard its assets and promote sustainable financial health.

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