

“An Analysis of the Investment Operations of First Security Islami Bank Ltd.(FSIBL):A Study on Mohammadpur Branch, Dhaka”

Submitted To:

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Letter of Transmittal

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To

Prof. Dr. Mohammad Masum Iqbal

Dean

Faculty of Business & Entrepreneurship

Daffodil International University

Subject: Submission of the internship report on ‘An Analysis of the Investment Operations of First Security Islami Bank Ltd (FSIB): A Study on Mohammadpur Branch, Dhaka’.

Dear Sir;

This is a great pleasure for me to submit the internship report, which is a partial requirement for the Internship Program of Daffodil International University for BBA students. I have prepared my internship report on ‘An Analysis of the Investment Operations of First Security Islami Bank Ltd (FSIBL): A Study on Mohammadpur Branch, Dhaka’. I have tried to explain my learning and experience in this report which I have gathered from practical operations.

For your kind consideration and perusal, I would like to mention that there might be some mistakes due to limitations of my knowledge, wisdom and time constraint. In spite of various shortcomings I have tried to cover all relevant affairs. I am confident that my report will be able to meet up your expectation and you will appreciate my endeavor and the report emphatic.

I will be very glad if the report can serve its actual purpose and I am ready to explain anything to you if necessary.

Sincerely yours,

Kulsum Akter

ID. No. 152-11-4783

Program: BBA

Major in Finance

Department of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University

Certificate of Approval

I am pleased to certify that the internship report titled An Analysis of the Investment Operations of First Security Islami Bank Ltd (FSIBL): A Study on Mohammadpur, Dhaka prepared by Kulsum Akter bearing ID No 152-11-4783 of BBA Program, Department of Business Administration has been recommended for submission. Kulsum Akter worked at **First Security Islami bank Ltd. (FSIB)** Mohammadpur Branch, Dhaka.

Ms.Kulsum Akter bears a good moral character and a very pleasing personality. I wish her all success in life.



13.01.19

.....
Signature of the Supervisor

Prof. Dr. Mohammad Masum Iqbal
Dean
Faculty of Business & Entrepreneurship
Daffodil International University

Acknowledgement

I would like to thank to almighty Allah for the completion of my file and I could also want to express my profound gratitude to Daffodil International University for together with internship program as a 3 credit course direction that have given me a threat to paintings in a employer and feature the employment enjoy.

My sincere gratitude to the HR of FSIBL for permitting me to complete my internship application in their organization. I am thankful to Mr. Mizanur Rahaman SVP, Ahasan Habib-supervisor, Jalal Uddin-Investment Head and all the other employees to provide me enough time from their busy time table of work and helping me to do my work well.

Lastly, I would love to thank Prof. Dr. Mohammad Masum Iqbal (Supervisor) and internship coordinator of Daffodil International University for his valuable instructions and guidance throughout the internship application.

Executive Summary

The internship program I am companion direction which helps students to have sensible knowledge and experience while he/she goes for a work after the end of graduation. My internship program changed into assigned at First Security Islami Bank Limited (FSIBL), Mohammadpur branch. My internship report became at An Analysis of the Investment Operations of First Security Islami Bank Ltd (FSIB): A Study on Mohammadpur Branch, Dhaka. During the internship period I have tried to find the objectives of the study that are following: To identify the investment modes, to explain investment operations, to identify problems related to investment operations, to make some recommendations to solve the problems. The methodology of the report consists of direct commentary, oral conversation with the personnel of all departments, survey's, have a look at reports and other studies techniques and can be encompass each gift and ancient dates. There for it includes each primary and secondary dates that are follows: Primary data turned into the several ways as like as Face to stand communicué, oral interview of employees, Observing the regulations and operations of the financial institution, In-depth observe of decided on instances. And the secondary data turned into various ways these are following: Internet, website identification FSIBL, internal record, some articles.

Investment is the action of deploying funds with the intention and expectation that they will earn a positive for the owner. Funds may be invested in either real assets or financial assets. When resources are used for purchasing fixed and current assets in a production process or for a trading purpose, then it can be termed as real investment. So finding the one of a kind issue of the investment I have gone through all the available dates that I found in my attain and placed it in my report. First Security Islami Bank Ltd.(FSIBL) is a solid, developing and cutting-edge bank with a view of Islamic rules and regulation. Their major objectivity is to provide the quality and makes the clients glad and dependable to the bank. They additionally paintings to expand the society and boom the employment rate of the country. The preferred photo of they is “Symbol of the Society”.

From my 3 months experience and all the information it is able to be with problems stated that First Security Islami Bank Ltd.(FSIBL), have some lacking in giving loans to the clients. Sometimes they don't have available funds for giving loan to the borrowers. To make investment they should be reduce their lacking and also reduce their investment due. And also should be increase the potential borrowers for investment. Moreover invest in profitable sectors.

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CHAPTER-1

INTRODUCTION

1.1 Introduction:

At present, the banking quarter in rebellion and gambling a crucial function in our financial system. In creation bankruptcy, we want to outline 'Bank' earlier than going to make diffidence's between Islamic banking systems with conventional banking gadget. So, within the nut shell it is able to be defined as a economic instruction which acquire deposits from the surplus unit and make funding to deficit unit. In this procedure banks profits is the diffidence between the landing and deposited price. This nature of income may also have two types, >**Interest income:** it's miles the incomes of conventional bank following the machine of hobby profits is prefixed and now not allowed to give or take according with the Islamic machine. Mention that it is the supply of exploitation. >**profit:** it is the earning of "Islamic Bank" following the Islamic device. Profit generated from shopping for and selling method which has been made halal in Islam. According to the Islamic Shari'ah interest is precisely prohibited. Since Islamic bank is carried out primarily based on income and loss sharing approach rather than hobby foundation, it's miles has greater acceptability to the Muslim mankind. But simple principle if Islamic banking being PLS (profit loss shearing machine) - based Shari'ah (Islamic concepts) financing and thereby having been exposed to interest fee hazard. Because maximum of the investment of Islamic bank are on Bai-mode. In this mode, financial institution sell distinct items to the Client on value plus agreed upon income within the constant length, the Islamic bank cannot impose or recognize extra amount as profits of the bank. But, the conventional banks can keep to rate hobby or maybe they can exchange & comprehend penal interest as income of the financial institution. Therefore conventional banking system which is based prefixed interest charge is uncovered to less hobby fee threat. So how Islamic banking systems can offer loans & advances profitably and survive with their big hobby fee hazard in the capitalist economic system. That's why my subject matter of the document is to discover the fundamental variations among the Islamic and traditional banking gadget.

1.2 Origin of the Study

The internship record is a foundation requirement to fulfill BBA program of Daffodil International University. The proposed topic is "An Analysis of Investment Operations of First Security Islami Bank Ltd.(FSIB): A Study on Mohammadpur, Dhaka". This topic has been supervised by way of Md. Ahasan Habib.

The intern turned into located in “First Security Islami Bank Limited” for 3 months internship to have a sensible hold close over the employer sports. The subject matter of the document is proposed to be “An Analysis of Investment Operations of First Security Islami Bank Ltd (FSIB): A Study on Mohammadpur, Dhaka”.

1.3 Scope of the Study

This file is the outcome of my realistic information at some stage in the duration of the 3 months internship at FSIBL. The look at blanketed in banking areas are:

- General banking Department (Account starting, Account, Remittance)
- Investment Department (Loans and increase of investment)
- Foreign Exchange Department (Import, Export, Remittance)

1.4 Objectives of the Study

- To identify the investment modes of First Security Islami Bank Ltd (FSIBL), Mohammadpur branch;
- To explain investment operations of First Security Islami Bank Ltd (FSIBL), Mohammadpur branch;
- To identify problems related to investment operations of First Security Islami Bank Ltd (FSIBL), Mohammadpur branch;
- To make recommendations to solve the problems;

1.5 Methodology

The methodology of the report consists of direct commentary, oral conversation with the personnel of all departments, survey's, have a look at reports and other studies techniques and can be encompass each gift and ancient dates. There for it includes each primary and secondary dates.

Primary data turned into,

- Face to stand communiqué
- Oral interview of employees
- Observing the regulations and operations of the financial institution
- In-depth observe of decided on instances.

Secondary data turned into,

- Internet
- Website identification FSIBL
- Internal record
- Some articles

1.6 Limitations of the Study:

- There is a difficult be counted to gather enough data from the bank. Many predicted facts I have failed to accumulate. So, lack of sufficient facts is one of the huge troubles in the course of my paper writing.
- All employees are so busy that they can't help me properly about the entire banking system. So there is no constructive concept of bank employees that I even have done and comprised inside the file.
- Lack of available guide records.
- Most of the essential records are exclusive for the bank. So there may be lack if number one records.
- Employee's assistance to get information as well as to get many answers changed into poor. So there is difficulty within the regard that has obstructed me to make this record perfect.

CHAPTER-2

Overview of the organization

2.1 Historical Profile of FSIBL:

The First Security is a national Banking region which became integrated at the 29th August, 1999 as a Banking organization below the businesses Act 1994 to hold on the banking Business. It obtained permission from Bangladesh Bank in 22nd September to begin its Business. It has began its operation as a business financial institution on 25th October, 1999 with a department at Dilkusha. At present the bank have more than 130 branches throughout Bangladesh. It renders all forms of commercial banking provider to the customers within the prerequisites laid down the Banking Company Act 1991 and guidelines and regulation are being compromised by way of the Bangladesh Bank time to time. Diversification of merchandise and service and innovation of merchandise acceptable to the wishes of thee clients in step with relevant guidelines and legal guidelines have made it distinctive from different commercial banks of the United States. In 2009, 1st January they change their gadget and transformed into Islamic banking. They additionally exchange the call and the new name changed into “First security Islami Bank Ltd.”. Corporate Banking and personal Banking are the unique electricity of First security Islami Bank Ltd. (FSIBL). It keeps a strong dating with all the banks of the country and all of the customers of the financial institution. The First Security Islami Bank Ltd. is a stable, forward looking and cutting-edge local bank so that you can make sure sound overall performance. The effort that the First Security Islami Bank Ltd. is attempting to portray the financial institution as a brand image as very strong and successful. The well-known picture is that it is the “Symbol of Security”.

In 1999 the legal capital of bank was BDT 1800 billion and paid capital BDT two hundred million. By the stop of 2010 the paid up capital was BDT 1000,000,000. The consent of IPO changed into 4th June 2011. The bank entered Initial Public Offering (IPO) on 20th July, 2011.

2.2 Mission of the Bank

To be an issuer of excessive excellent product and service to its capacity markets. With a view to reaching commercial objective of the bank, their honest and all efforts live put unabated. Respected Clint is interested in them for his or her transparency, accountability, social commitments and excessive high-quality of clientele offerings.

2.3 Vision of the Bank

The imaginative and prescient of the First Security Islami Bank is to be the most efficient bank in term of the customer support, chance and generation application.

2.4 Corporate Culture

FSIBL is one of the most disciplined banks with a special company way of life. In this financial institution, it believes in shared which means, shared information and shared sense making. The humans of the bank can see and apprehend events, sports, gadgets and situation in a distinctive way. The human beings of the financial institution see themselves as a decent knit crew/own family that believes in operating together for boom. The company lifestyle they belong has no longer been imposed. It has alternatively been achieve via their company lifestyle.

2.5 Objectives of FSIBL

The primary goal of establishing Islamic banks everywhere in the global is to sell, foster and expand the software if Islamic concepts in a commercial enterprise quarter. Its Adjectives are distinctive from traditional banking are follows:

- Conducting interest-free banking.
- Establishing participatory banking instant of banking on detour.
- Creditor Relationship
- Investing through special modes permitted under Islami Shari'ah.
- Accepting deposits in profit-loss sharing foundation.
- Establishing welfare orientated banking device.
- Extending co-operation to the poor, the helpless and the low-profits.
- Group for their economic enlistment.
- Playing a pivotal function in human improvement and employment generation.

2.6 Organizational Hierarchy

Chairman
Co- Chairman
Director
Managing Director (MD)

Deputy Managing Director (DMD)
Senior Executive Vice President (SEVP)
Senior Vice President (SVP)
Vice President (VP)
Senior Assistant Vice President (SAVP)
Fast Assistant Vice President (FAVP)
Senior Principle Officer (SPO)
Principle Officer (PO)
Senior Officer (SO)
Officer
Probationary Officer
Assistant Officer
Trainee Officer
Computer Operator and Sub-staff

2.7 Corporate profile of FSIBL

Name of the Company	First Security Islami Bank Ltd.
Chairman	Mr. Mohammad SaifulAlam
Vice Chairman	Mr. Mohammad Abdul Maleque
Managing Director	Mr. Syed Waseque Md. Ali
Company Secretary	Mr. Oli Kamal FCS
Legal Status	Public Limited Company
Date of Incorporation	August 29, 1999
Date of Commencement of Business	August 29, 1999
Date of getting license from Bangladesh Bank	September 22, 1999

Date of Opening of First Branch	October 25, 1999
Corporate Head Office	House- SW(I) 1/A, Road-8, Gulshan-1, Dhaka-1212, Bangladesh.
Registered Office	23, Dilkusha, Dhaka-1000, Bangladesh
Line of Business	Banking
Authorized Capital	Tk.10,000 Million
Paid up Capital	Tk.7,840.99 Million
Date of consent for IPO	04 June 2008
Phone	88-02-9888446 (Hunting), 8402613-8402625 (ICT Division).
Fax	880-02-9891915
E-mail	info@fsibld.com
SWIFT Code	FSEBDDH
Auditors	M/S.HodaVasiChowdhury&Co. CharteredAccountants BTMCBhaban(8 th Level) 7-9,KarwanBazarC/A, Dhaka-1215 Bangladesh
Legal Advisor	The Law Counsel, Barrister & Advocates, City Heart (7th Floor), Suit No. 8/8, 67, NayaPaltan, Dhaka-1000. Phone: 9349647-8, Fax: 9349866, 9567029, E-mail:
Tax Consultant	K.M. Hasan FCA, K.M. Hasan& Co. Chartered Accountants, Dhaka Office Home Tower Apartment (8 th& 9 th Floor), 87, New EskatonRoad , Dhaka – 1000, Phone: 9351457,9351564, Fax: 9345792-112.

2.8 Deposits Mobilization in FSIBL

Like hobby-primarily based traditional banks, the main function of Islamic banks is to mobilize saving and offer monetary assist to the entrepreneurs. Yet there are reference in techniques applied inside the process of saving mobilization and financing investment by means of the 2 banking system. Depositors acquire interest in a predetermined mute for their deposits with an

hobby-based banking. Similarly, the traders are piyr a predetermined fee of hobby to the bank. The method accordingly involve every Hal each associate inside the transaction procedure with the element of hobby. Islamic financial institution, alternatively, neither will pay nor skives hobby from any of its transaction thereby saving every person from the curse “if hobby.

1. Al Wadeeah Account

2. Mudarabah Account:

2.1 Mudarabah Savings account
2.2 MudarabahSavings Bond
2.3 Mudarabahspecial Scheme
2.4 MudarabahTerm Deposit Receipt
2.5 Mudarabahmonthly profit distribution Scheme
2.6 MudarabahShort notice Account

2.9 Source of Funds:

The monetary useful resource of the Islamic banks consists of original capital resources comprising paid-up capital and reserves and budget rose through borrowing from the principal bank and other banks in line with the Islamic Shari’ah, and problem of Islamic financial tool. The predominant part of their operational fund is, but, derived from the distinct classes of deposits popular on Islamic standards of AL-Wadiah and Mudaraba. For the sake of ease of know-how we name these assets as ‘Primary’ and ‘secondary’. These are discussed as below.

2.9.1 Primary Source

Paid up Capital

- 75% of the capital of the bank changed into contribution through foreign character & corporation.
- 10% of the paid up capital the bank became contribution by means of neighborhood sponsors.
- 10% of the paid up capital of the Bank was contributed through the public shareholder.

- 42% of the shares are owned via neighborhood shareholders.
- 58% with the aid of the overseas Shareholders.

Islamic banks are public limited businesses incorporated beneath the organizations Act, which might be indexed at the stock change. Individual, establishments, nearby and foreign, have subscribed there. For example, the primary Islamic bank of Bangladesh-Islami Bank paid up capital of FSIBL:

- ❖ Sponsor 43.44%
- ❖ Financial Institutions 15.05%
- ❖ Foreign Investors 1.127%
- ❖ Non-resident Bangladeshi 0.05%
- ❖ General Public 40.19%

2.9.2 Secondary Sources

Mobilization of Deposit

The secondary supply of capital for each Banking systems is mobilization of deposit that have already described.

Secondary reserves offer defensive liquidity for forecastle coins as well as for greater far off contingencies. Secondary reserve of traditional bank consists of quick term open marketplace securities. Islamic financial institution also can hold Islamic bonds and securities Mudaraba and Musharaka or different securities authorized by using Islamic Shariah. In comparison to primary reserves, secondary reserve can earn an explicit go back, as a consequence enhancing the profitability of the institution. The common maturity of securities consists of in secondary may additionally vary. In addition to having near term maturates, the securities in this class should have a low default threat and marketplace value with limited expose hobby price actions. Being especially marketable and reversible, secondary reserve provides the business financial institution with its predominant source of liquidity.

CHAPTER-3

Investment operations of First Security Islami Bank Ltd.(FSIBL)

3.1 The Investment Operation OF First Security Islami Bank Ltd.(FSIBL):

Islamic Banks emphasis on legitimate (Halal) business. Islamic financial institution does no longer put money into loans and fixed interest securities. It can spend money on everyday percentage handiest at the same time as hobby based totally financial institution can invest in loans and exceptional sorts of securities. First Security Islami Bank Ltd.(FSIBL) establishes and participates in assignment with its patron as a associate and bears the hazard at the side of the customer on a proportionate basis. Finally, the idea of First Security Islami Bank Ltd.(FSIBL),is to set up on egalitarian society based on principals of social justice and fairness. We have collected the reality that investment control is the subject matter of First Security Islami Bank Ltd.(FSIBL). The bank stake deposits and make investments the equal based totally on the income-loss sharing. Bank goes for the investment mainly which can be long time and worthwhile in nature. First Security Islami Bank Ltd.(FSIBL),additionally provide high awareness at the investment as a way to generate more employment. As funding one of the most priority regions for the FSIBL, so it needs to careful in funding choices. To ensure proper funding First Security Islami Bank Ltd.(FSIBL),always go along with in-depth look at before making an investment. So inside the next section we're going to exhibit the way First Security Islami Bank Ltd.(FSIBL),manage funding.

3.2 Investment Objectives of First Security Islami Bank Ltd. (FSIBL):

The Objective and theoretical aspect of funding operation of First Security Islami Bank Ltd. (FSIBL) are to inept fending strictly according with the concepts of Islamic Shari'ah and those are:

- To do away with disparity and set up justice in trade, commerce and Industry.
- To diversity its funding portfolio by way of length of funding portfolio by sectors, with the aid of economic motive, with the aid of securities and with the aid of geographical area along with business, commercial& agriculture.
- To make sure mutual blessings each of the financial institution and the funding purchaser through professional appraisal of investment proposals, really apt sanction of funding, close and regular supervision and tracking thereof.

- To make funding keeping the socio monetary requirement of the country of a view.
- To growth the variety of potential investors by means of making participatory and productive investment.
- Employment generation on the way to accurate sustainable socio-financial boom and up liftmen of the society.
- To shun even relatively profitable funding within the fields forbidden under Islamic Shari'ah and are dangerous for society.
- The financial institution extends funding under the principle of Bai-Mudarabah, Bai-Muazzal, and Hire Purchase under Shirkatulmelk and Maskaraka. The bank is making honest efforts to head for the finance various improvement scheme of poverty remedy, profits and funding under Mudarabah precept in near destiny.
- To invest in shape of excellent and commodities as opposed to give out cash money to the funding customers.
- To make a contribution to social up liftmen, and sustained monetary growth of the country.
- Investment to alternate, commerce, enterprise, overseas change, small scale enterprise, transportation, carrier area.

3.3 Investment Mechanism of First Security Islami Bank Ltd.(FSIBL):

The unique function of the investment of the Islamic bank in to invest based totally on profit-loss shearing system in accordance with the tenets and ideas of Islamic Shari'ah. Earning of the profit isn't always the simplest reasons and goal of the Islamic Banks funding coverage as an alternative emphasis is given in attaining social proper and in growing employment possibilities. First Security Islami Bank Ltd.(FSIBL),funding Mechanism mode is split in 3 elements and those are defined below:

3.3.1. Profit & Loss Sharing Mode:

Profit and loss sharing mode particularly related to First Security Islami Bank Ltd.(FSIBL) investment branch. It is a prime element of the bank. The marked up earnings may be fixed in

lump sum or in Percentage of the fee rate of the goods. This mode is categorized into two exclusive systems and people are:

A) Mudarabaha: It is a form of partnership where in the party presents the price range at the same time as the alternative affords the expertise and management. The first party is known as Sahib-Al-Maal and the latter is referred to as the Mudarib. Any profit gathered are shared among on a pre-agreed basis, whilst capital loss identity completely borne by way of the companion supplying the capital.

Important Feature:

- Bank materials capital as Sahib-Al-Mall and the customer invest if the business with his reveal in.
- Administration and Management is maintained with the aid of the client.
- Profit is split as in keeping with control.
- Banks bears the real loss alone.
- Client can take another funding for the particular enterprise without the permission of the bank.

B) Musharaka: An Islamic monetary strategies that adopts “equity Sharing” as approach of financing tasks. Thus, it embraces distinct sorts of earnings and loss sharing partnership. The companions proportion each capital and control of the assignment in order that earnings may be disbursed amongst them as in keeping with rations, wherein loss is shared according to rations of the fairness participation.

Important Feature:

- The investment purchaser will typically run and control the business.
- The bank shall participate in the policy and choice making as well as overseeing the operations of the business of the customer.
- As the investment patron shall manage the corporation, the bank can also pay greater share of the profit to him than that of his proportionate capital contribution.
- Loss, if any, will be shared on the premise of capital ratio.

3.3.2. Bai Mode (Buying and selling)

Bai mode specifically related to buying and selling. The phrases “Bai” have been derived from Arabic phrases and the phrase suggest buy and sale. Bai means sale for which fee is made at a future constant date or within a fixed length. In brief, it's a sale on credit. This mode has 3 distinctive standards and those are mentioned below:

A) Bai-Murabaha: The phrase Bai method buy and sales and the phrase Murabaha means an agreed upon profit. Bai-Murabaha can be defined as a agreement between a consumer and seller underneath which a dealer sells a product to the client at a fee plus agreed income payable in coins or on any fixed destiny date I lump-sum or by way of installments. The supplier may also sell goods purchased with the aid of him as in line with order and specification of the customer.

B) Bai-Muajjal: Bai-Muajjal may be described as a settlement between a consumer and dealer which below the seller sells a positive unique goods, to the consumer at an agreed fixed prices payable at positive fixed destiny date in lump-sum or inside a hard and fast length or fixed installments. The seller may also sell the goods purchased to him as consistent with order and specifications of the consumer.

C) Bai-salam: Under this mode Bank will execute purchase agreement with the purchaser and make payment gains buy of the product, which is underneath of manufacturing. Bai-salam agreement could be performed after making any investment displaying price, first-rate, amount, time, place, and node of transport. The profit is to be negotiated. In this mode the fee because the price of the goods is made on the time of settlement and the delivery of the products is deferred.

3.3.3 Rent Sharing Mode

The term Rent Sharing Mode has been derived from the Arabic words Ajr and ujrut because of this consideration, return, wages or hire. This is without a doubt the trade price or attention, return, wages, rent of the service of an asset. Rant sharing mode has two classes and people are given below:

A) Hire Purchase\Ijarah: The time period Ijarah derived from Arabic phrases Air and Ujrut which method consideration, return, wages or rent. This is certainly exchange value or attention, return, wages, rent of service of an Asset. Ijarah has been defined as a contract between two

parties, the hiree and Hirer where the hirer enjoys or reaps a specific service on gain below unique consideration or lease from the asset owned with the aid of the Hirer. It is an hire settlement beneath which a positive asset is hired out by the hiree to the Hirer against fixed hire or rentals for a specific periods.

B) Hire Purchase under Shirkatul Milk: Under this mode bank may also deliver implements/ equipment/ goods on condominium basis. The proprietor of the implements/ equipment/ goods can be with the financial institution and customer at the same time and the portion of the purchaser will continue to be to the financial institution as loan until the closure of the investment account, but the purchaser will be authorized to procedure the equipment for certain period. The customer, after of completion of the installments, might be owned of the implements/ equipment/ goods.

Meaning and definition:

Hire purchase below Shirkatul Milk is Special type of contract which has been evolved thru practice. Actually, it's a synthesis of 3 contracts:

- Shirkatul Milk
- Ijarah
- Sale

Shirkatul Milk: Shirkat means partnership. Shirkatul Milk means share in possession. When or greater men and women supply equity, buy an asset, very own the equal together and percentage the gain as per agreement and bear the loss in proportion to their respective equity, the contract is referred to as Shirkatul Milk.

Ijarah: Ijarah derived from Arabic phrases Air and Ujrat because of this attention, go back, wages or lease. This is clearly exchange price or consideration, return, wages, lease of carrier of an Asset.

3.4 Investment Scenario (Sector Investment) of First Security Islami Bank Ltd.(FSIBL):

The special characteristic of the investment policy of the First Security Islami Bank Ltd.(FSIBL), is to invest on the basis of profit-loss sharing device according with the tenets and ideas of Islamic Shari'sh. Earning profit is no longer the handiest reason and objective of the Bank's Investment Policy alternatively emphasis is given in accomplishing social correct and creating employment opportunists.

They have a diverse funding portfolio of size, area, geographical location, economic cause and securities to usher in stages all sectors of financial and all form of economic group of the society with within the bank's investment operations.

First Security Islami Bank Ltd.(FSIBL), loans and develop portfolio grew by way of 52.34% in 2015 and reached at BDT 28616.42 million. SMA to general loans and increase ration of First Security Islami Bank Ltd.(FSIBL), changed into approximately 0.20% in 2015. First Security Islami Bank Ltd.(FSIBL), loan portfolio in 2015 became dominated through complete exchange financing (34.45%) accompanied by import financing (20.67%).

3.5 Loan and Advance in First Security Islami Bank Ltd.(FSIBL):

The making of mortgage and advances has usually been a prominent and worthwhile feature of conventional banks. Conventional banks cope with the money from the depositors repayable on call for. Advance in First Security Islami Bank Ltd.(FSIBL) are made in distinct shape as loans, overdrafts and cash credits.

3.5.1 Loans:

When an improve is made in a lump-sum repayable either then in fixed monthly installments or lumps and no next debit is normal allowed anticipate by way of manner of interest, incidental fee etc., it's called a loan. Loans are normally allowed to the ones events who have constant sources of earnings or preference to pay it in lump sum.

Term loan:

Term mortgage is decided on basis of intervals. These loans are furnished in distinctive sectors monetary.

1. Short term Loans (From 1 to 3 years)
2. Midterm Loans (From three to 5 years)
3. Long term Loans (Above five years)

Type of term Loans:

A) Consumer Finance Loan:

CFS is obtainable to the fixed earnings organization to finance purchase of client's long lasting to elevate their trendy of dwelling. Loan is given for purchase TV, refrigerator, Air-conditioner, Washing system, film camera, Computer add-ons, Furniture, Kitchen gadgets, Telephones, Vehicles. Loan is given to Government, Semi-authorities & self sufficient bodies, Banks coverage and finance establishments, professionals like health practitioner, CA, legal professionals, Teachers and so forth., officials of reputed private corporations & MNC having company shape, firms and corporate our bodies.

B) Hire Purchased Scheme:

The function of rent buy that normally the deposits has been paid and the relaxation of the acquisition are spread over a duration of six month, 2 years or now and again even longer, the object being regarded as the belongings of the financial institution pavement has been made. Hire purchase generally allowed to those individuals who have both constant supply of profits or desire to pay it in Lump-sum.

Terms and Conditions:

- 1) The buy item will be protected by way of the primary birthday party comprehensive coverage plan in the course of the duration and most fulfilling for the policy of each 12 months may be borne by the purchaser.
- 2) Detail feasibility file containing advertising, financial, technical, socio-economic component displaying distinct damage-up of the task value and different common economic evaluation duty supported with the aid of its assumption.

3.5.2 Overdraft:

The overdraft is a sort of boost always allowed on contemporary account operated upon by means of cheques. The customer is sanctioned a certain limit upon which, he can overdraw his current account with a stipulated length. Here withdrawals or deposits can be made any quantity of times at the ease of the borrower, furnished the total amount overdrawn does not, at any time, exceed the agreed upon restrict. Interest is calculated and charged handiest on the real debit balance on every day product foundation. Thus the borrower in this situation can shop interest via reducing the debit balance.

Types of Overdraft:

1) O.D. against Pledge goods:

It may be prolonged to the debtors against pledge of uncooked materials or completed goods as safety. It is given in step with the guidelines margin restrict constant by using the Bangladesh Bank and First Security Islami Bank Ltd.(FSIBL). The purchaser has to sign a duly stamped letter where the party surrendered the ownership of the good to the custody of the financial institution.

2) O.D. Against Hypothecation of products:

Credit facility is provided to the borrower by using signing a letter of hypothecation creating a fee in opposition to the raw material or completed items. It is kept to the financial institution as a number one safety in opposition to the improve. Here each the possession and bodily ownership is saved to the financial institution. Bank has all the right over the goods hypothecated.

3) Temporary Overdraft:

Sometimes in cutting-edge money owed overdraft is permitted to honor an crucial cheque with none earlier arrangement thereof such facility by using the financial institution to a primary magnificence party for a brief length is referred to as temporary Overdraft. In an overdraft account the balance may also range day by day. It might also increase by way of drawing of cheques with the aid of the purchaser and may decrease by way of charge into the account. It is critical that a letter of continuity need to be acquired inside the case of overdraft account.

3.5.3 Cash Credit:

Cash credit score is the favorite mode of borrowing through buyers, industrialists and agriculturist etc. For meeting their running capital necessities. This form of facility is continually against pledge of items, produce and merchandise. Cash credit score is something allowed against the hypothecation of goods. In a production company, whose inventory of raw materials and manufacturing goods continuously range, it's difficult for bank to control such trade; so hypothecation facilities are allowed to them. The same is actual for all of the small trades and industrialists who cannot offer their inventory for pledge however can handiest hypothecate their shares of their shops and so on. In this example the possession and ownership of the products continue to be with the borrower despite the fact that by distinctive feature if the hypothecation agreement, the financial institution ownership of the goods if the borrower defaults.

Cash credit score in its feel is towards pledge of goods. It is a separate account by its self and, is keeping a separate ledger. In addition, goods ledger, go down ledger, move down key ledger, pass down index card, and so on. Are also maintained. Deliveries of products are made at the energy of transport order issued by using the banks and, goods are received through items bill deposited through the borrower. It is a operated upon like an overdraft account.

3.5.4 Other loans:

1. Secured overdraft (SOD) popular:

Advance allowed to individual/companies towards monetary duties i.E. Lien insurance policy/shares etc. Fall underneath this head. This may or might not be a non-stop credit.

2. Secured overdraft (SOD) FO:

Loan is given towards FDR, Shanchaypatra, Share, Debenture, MSS, MBSS, DBSS and so forth, are fixed securities.

3. Secured overdraft (SOD) others:

Advance allowed towards mission of the paintings order for execution of contractual paintings fall under this head. It isn't always a non-stop credit.

4. CC. (Pledge):

Financial accommodation to the industries/corporations for trading, as well as wholesaler to the industries a operating capital towards pledge of goods as a primary protection all under this head of enhance. This type of facility is more freely granted by using the banks than every other increase.

5. CC (Hypo):

Advance is authorized in opposition to hypothecation of goods. It is called coins credit score. All are the equal however in case of CC (Hypo) the possession & ownership of products continue to be with the borrower.

6. Bank Guarantee:

Through a bank assure importers make payments to the exporters. If the importer fails to make fee to the exporter then the bank stays answerable for the charge. In this example bank has to pay the exporter. For this type of guarantee, purchaser has to present interest quarterly.

7. Bid Bond:

This type of guarantee is needed in case of smooth putting. Generally margin for bid bond is 10%

8. Performance Guarantee:

When a party got the soft, then the celebration required guarantee from the financial institution to run their everyday buying and selling.

9. Advance charge Guarantee (APG):

When a party is paid a sure amount to finish a gentle paintings then the banks offers an APG that an warranty that the financial institution could be liable in case of any leave out-going on.

10. Shipping Guarantee:

When the goods arrived earlier than the papers then the bank gives transport assure. After arriving the papers the guarantee is returned.

11. Custom Guarantee:

It arises when code wide variety of the products isn't matched with the code wide variety of the customs then it's miles needed. Here one hundred% margin or collateral is wanted.

3.6 How Investment Operate In First Security Islami Bank Ltd (FSIBL)

The Islamic bank deploys their finances as per exclusive mode of investment financing approves by way of Islamic Shari'ah. Most of the funding is on Bai-Mode. In this mode financial institution sell distinctive goods to the customers on price plus agreed upon profit or at a negotiable price payable after a positive constant durations. If the customer fails to pay the rate inside the constant time the Islamic financial institution cannot impose extra quantity as earnings of the bank. But conventional banks can continue to price hobby even they could rate penal interest as earnings of the financial institution.

The other perfect modes of Islamic Banks are Musharaka & Mudaraba. In Musharaka, Islamic banks share the profit/lack of the business with the purchaser. In Mudaraba mode Islamic financial institution shares the profit with the client. If any loss accrues all the loss is born to the bank. On the other hand, the incomes of the traditional are prefixed and positive which retain till very last payment. As business companions the asset exceptional of Islamic bank is unique and higher. So the class & provisioning policies must be separate for Islamic banks.

The unique characteristic of the funding coverage of Islamic bank is to make investments primarily based on profit and loss sharing device in accordance with the tenets and ideas of Islamic Shari'ah. Earning of the income is not simplest motives and goal of Islamic funding policy instead emphasis is given in attaining social items and creating employment possibilities.

In this view we will finish that investment fashions of Islamic banking system have prominent features over the conventional banking gadget. In conventional banking loan is garneted on the

premise of hobby, which is fixed. On Islami Banking gadget the investment is happening with the profit-loss sharing gadget. Islami Banking machine without delay works with unemployment problems.

CHAPTER-4

SOWT Analysis of FSIBL

4.1 Internship at First Security Islami Bank Ltd.(FSIBL)

I have got a threat to paintings at First Security Islami Bank Ltd. (FSIBL) as an intern for a 3 month length. I became doing my internship in Mohammadpur Branch. In those 3 months I have assigned with special types of work. I had worked me each General banking and Credit Department. But as I had hobby in the credit department my foremost attention become getting to know how Islamic investment gadget works. My operating enjoy is described underneath:

- ❖ At first I become given a right idea approximately account opening form. How many kinds of forms are there in First Security Islami Bank Ltd. (FSIBL), I also learned at the first time.
- ❖ I also discovered which files are wished for starting an account.
- ❖ I discovered how to near an account.
- ❖ I additionally amassed check books and ATM playing cards which can be sent from the head office and additionally distributed to proper clients.
- ❖ I additionally offer bank statements to the clients whenever they ask for it.
- ❖ I went to visit the funding applications of First Security Islami Bank Ltd. (FSIBL), with the supervisor.
- ❖ I additionally amassed necessary papers from the customers and checked it for preliminary checking.
- ❖ I had contact one-of-a-kind clients whose price of mortgage turned into pending.
- ❖ I also had enter the records of different class of loans.

4.2 SOWT Analysis of First Security Islami Bank Ltd.(FSIBL):

1) STRENGTHS:

Bank Reputation:

They have a good reputation within the banking area in Bangladesh. In 15 years they have got located a good position in deposits.

Islamic Banking Concept:

In Bangladesh the general public are Muslims and that they tries to follow Islamic regulations and law. As First Security Islami Bank Ltd.(FSIBL) also comply with the Islamic rules so humans will usually became of their aspect.

Effective Management:

Their top control could be very an awful lot effective and efficient. The pinnacle stage control have heaps of revel in, collected skills and grow to be expiates by way of operating in distinctive financial institution of the country.

Facilities and Equipment's:

They have all the modern equipment's and extraordinarily evolved psychical centers to provide higher provider to the clients. They also have online banking operation. They use counting machine and fake money finder in all of the branches.

Modern Branches:

All the branches are decorated with first-rate furniture's, genitors, AC and an advance protection device to protect the customers in any kind of conditions. By this it helps a lot to draw clients to the financial institution.

Strong Mid-level & decrease Level:

They have top and blended mid and lower stage employee phase. The mid and decrease degree personnel offers the excellent to make an excellent popularity and earnings for the banks. They go through schooling and it enables them to be a great worker and a carrier provider

2) Weaknesses:

Low praise Package:

Though the employee's works with the entirety they have got but their reward is low at a positive stage. Their salary shape is also now not that attractive for employees with high qualifications and it will become difficult for them to maintain first-class complete employees with the bank.

Time Wastage:

They take Hugh time to approve a loan and it hampers their funding branch.

Lack of Online Service:

All the branches do not have online provider. In this contemporary age this biggest disadvantage for FSIBL.

Less marketing and promotions:

Their advertising and promotions pastime is furthermore accurate but inside the SME sector they are a long way in the back of from all other banks. In Bangladesh the call for SME loan is growing however they may be no longer doing enough to promote their SME loan to the overall clients.

3) Opportunities:

- I. They can increase their promotional activity for brand spanking new product and SME loans
- II. More managerial and experienced understanding.
- III. Better on line community device
- IV. Introducing new banking centers.
- V. Bring diversification in the whole thing and exchange the conventional ways.
- VI. Make new praise alternatives for mid and occasional level employees.
- VII. One to at least one purchaser's interface.

4) Threats:

- I. The banking area is High in Bangladesh so there will be High competition.
- II. Now-a-days each bank is well evolved and giving better provider to the customers.
- III. Government is also seeking to lessen the hobby fee.
- IV. The clients call for is changing every day.

After reading the SWOT of FSIBL I had found some outcomes. I can saw for my analysis that

First Security Islami Bank Ltd. (FSIBL) have greater strengths then weak point. They need to take right and powerful steps to do better than the competitors. They have to also absorb account the to be had opportunities to enhance their banking system. So if they awareness on their opportunities and power then they can sincerely cross in advance in the banking zone.

CHAPTER-5

Problems, Recommendations & Conclusion

5.1 Problems Identified:

- ❖ In investment borrowers doesn't repay the loan during the certain time so that's why they don't gain expected profit.
- ❖ The bank can't give the loan according to the borrowers demand.
- ❖ Sometimes borrowers wants the loan, but they have no proper documents against the loan. And few times documents are not valid.
- ❖ They aren't investigate in proper way to verify borrower's identity.
- ❖ Sometimes they don't check the borrower's previous loan history.
- ❖ They are not investigate borrower's financial statement before given loan.

5.2 Recommendations:

According to my observation I want to present a few recommendation that may assist them to boom their investment operations. Those are given below there:

- ❖ The bank should make sure the borrower's documents are valid.
- ❖ Investment investigation helps the banker to ensure selection of right type of investment enterprise or right type of borrowers.
- ❖ The bank should make investment keeping the socio economic requirement of the country view.
- ❖ The bank should increase the number of potential borrowers by making profit-loss sharing investment.
- ❖ The bank should invest in the industrial sector according to national priority.
- ❖ First Security Islami Bank Ltd. (FSIBL) may invest in electricity, gas, water service sectors.

5.3 Conclusion:

FSIBL has grown in a Hugh margin over the 15 years from its status quo in 1999. In this report I tried to show all turns on of FSIBL in distinctive sectors. For development within the future they can have glance in this document and discover excellent methods to gain their intention in aggressive surroundings. It changed into difficult for me to locate the drawbacks of any branch in three months but I even have tried my fine to present something for my observation.

I have tried to provide an entire view of FSIBL at some point of the file and gave a few recommendation to improve their present day situations. I took head to head interview with the manager and clients of FSIBL to have appropriate idea of the financial institution. The financial institution should take vital steps to innovate and increase their banking machine to be greater comparative inside the marketplace because in the event that they do now not they may lack behind from the marketplace.

So in the long run I need to mention that this is the exceptional revel in of my life to paintings in an organization with a terrific supervisor. I actually have learnt quite a few element from this involvement with a reputed bank of our country. This revel in will assist ma lots inside the destiny when I may be a fixed worker in a business enterprise.

5.4 Reference:

CONTACT

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2. MD. Ahasan Habib, Officer, FSIBL

WEBSITS

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- <http://www.assignmentpoint.com/business/banking/an-overview-of-first-security-islami-bank-limited.html>
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