# Internship Report

# An Evaluation of Investment Performances of Shahjalal Islami Bank PLC

Submitted to:

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## Letter of Transmittal

17/11/2025

Prof. Dr. Mohammad Rokibul Kabir

Department of Business Administration

Faculty of Business Entrepreneurship

Daffodil International University

**Subject:** Letter regarding submission of internship report on “An Evaluation of Investment Performances of Shahjalal Islami Bank PLC.”

Dear Sir,

I am pleased to submit my internship report, 'An Evaluation of Investment Performances of Shahjalal Islami Bank PLC.' This report was required as part of the BBA program at the Department of Business Administration. It is thorough, informative, and instructional, with logical facts, statistics, and data that I gained.

Thank you for allowing me to speak about one of these topics. I feel it was a refresher of my knowledge while also enhancing both my understanding and efficiency. I thank you for allowing me to compile this report and would be happy to address any questions you may have about it.

Sincerely yours,

Sabbir

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SABBIR HOSSAIN

ID: 213-11-1419

Major in Accounting

Program: BBA

Daffodil International University.

## Supervisor's Declaration

This is to inform you that Sabbir Hossain, BBA ID 213-11-1419, has completed her internship report on the topic "An Evaluation of Investment Performances of Shahjalal Islami Bank PLC" under my supervision. The report was created under my supervision and is authentic work completed by Shahjalal Islami Bank PLC, where he completed his internship. The report is written and cleared for submission after carefully following all requirements.

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Prof. Dr. Mohammad Rokibul Kabir

Department of Business Administration

Faculty of Business Entrepreneurship

Daffodil International University

## Student’s Declaration

I am Sabbir Hossain, a student pursuing a BBA at the Faculty of Business Administration at Daffodil International University. I am verifying that the report titled " An Evaluation of Investment Performances of Shahjalal Islami Bank PLC" has been arranged in the most effective manner possible to ensure the program's success.

As a result, I pronounce that every staff member in this report is a fabricated character. I also confirm that this report has never been submitted in part to any other university degree program.

Sabbir

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SABBIR HOSSAIN

ID: 213-11-1419

Major in Accounting

Program: BBA

Daffodil International University.

## Acknowledgment

I am Sabbir Hossain. First of all, I want to sincerely thank Allah and everyone who supported me during the process of finishing my internship report. I am pleased to present my practicum report, entitled **" An Evaluation of Investment Performances of Shahjalal Islami Bank PLC."** I made an effort to collect as much information as I could to enhance this report. Working in the ready-made clothing industry was, in my opinion, a fascinating experience that improved both my knowledge and experience.

The report details the internship experience that was part of Daffodil International University's Bachelor of Business Administration (BBA) program in the Department of Business Administration. The internship program's goals were to acquaint the student with the real-world application of the information that makes up the theoretical side of practical life.

Special thanks are required to my academic advisor, Prof. Dr. Mohammad Rokibul Kabir, who encouraged me a lot to complete this report and provided me with all the necessary help and guidance. He was a very kind and helpful individual and has always been there, wherever I requested.

In addition, those who helped me during data gathering and interviews by providing insightful comments, critiques, and ideas have my sincere gratitude. Lastly, I would like to sincerely thank the faculty, staff, and students who assisted me in finishing my internship report.

## Executive Summary

Shahjalal Islami Bank PLC (SJIBL) is one of the prominent full-fledged Islamic banks in Bangladesh. This report focuses on the investment operations of SJIBL. The objectives of the study are to evaluate the bank's investment structure, sectoral allocation, growth trends, financing modes, risk management practices, and overall performance during 2019-2023. In this analysis, an attempt has been made to show how SJIBL manages its investment activities effectively through its Shari'ah-compliant professional wisdom.

The results of the study indicate that SJIBL's total investment has expanded over the period of five years, which reflects the strong demand for financing. Between 2019 and 2022, the growth of investments has been stable. However, in 2023, a moderation is observed that denotes careful lending regarding economic volatility, further developing the investment conditions. Even with this slowdown, the overall investment volume grew substantially compared to prior years, showcasing the bank's flexibility and ability to accommodate a wide range of financing needs.

Almost two-thirds or 67% of SJIBL's total financing is invested in the corporate sector, which means SJIBL is highly concentrated on the corporate sector. The investment portfolio is made up of 29 % SME sector and 4 % retail segment. The bank focuses on large industries and business enterprises as these segments are considered to be stable and profitable. Alongside that, growing emphasis on SMEs stimulates the development of the national economy by promoting entrepreneurial activities, innovation, and employment generation.

The bank has several Shariah–compliant investment modes, such as Murabaha, Bai-Muajjal, HPSM, Ijara, Bai-Salam, and Quard. Bai-Muajjal is the most popular mode of financing, having a share of more than fifty percent of the total investments of the bank. SJIBL offers this financial product to the nation's trading community, Industrial Commercial Enterprises, small businesses, and individual clientele strictly within the Islamic Banking framework. The presence of flexibility, a sound ethical foundation, and assets to back them up inspires confidence in customers and promotes the development of relationships over an extended period of time.

Risk management is a core priority for SJIBL. The bank uses a systematic Lending Risk Analysis LRA framework. It extensively uses the CIB report for analyzing the credibility and repayment capacity of the borrower. They can minimize credit risk and help improve investment quality. Even after all of that has been taken care of, a small percentage of the investments turn non-performing. There is a need for closely monitoring them with early-warning systems and effective recovery strategies. The stability of the bank and its protection against default risk will be enhanced continuously.

The analysis also shows the necessity to make the investment portfolio more diverse. Putting more money into small and medium enterprises (SMEs) and consumer lending can diversify investment. Likewise, spending in digital forums, automated investment monitoring mechanisms, and customer enrolment strategies will add to working efficiency and customer satisfaction.

To sum up, SJIBL's investment operations are in accordance with the principles of growth, ethics, and economy. The bank strongly focused on enhancing the base of financing while being on the Shariah and emerging. If SJIBL diversifies its portfolio, improves technology and management expertise, it can enhance its top position in the upcoming time in the Islamic banking sector and contribute significantly to Bangladesh's economic growth.

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# Chapter 1 – Introduction

## 1.1 Introduction

The banking sector is crucial for economic development as it provides the finances for Investment, trade, and personal growth. Offering interest-free banking, Islamic banking has gained ethical prominence in Bangladesh and the rest of the world over the past three decades. Among the early Islamic banks in Bangladesh, Shahjalal Islami Bank PLC (SJIBL) has been, and continues to be, devoted to socially responsible innovation in Islamic banking.

As the uptake of economic Investment provides a profit to banks, a fundamental component of the operational portfolio of any bank is to provide Investments. Beyond the interest income that the Investments provide, these advances are crucial in facilitating economic growth by providing the necessary support for trade, industry, and entrepreneurship. For the bank to be sustainable and maintain a good reputation, the growth, risk, and overall management of these economic Investments must be addressed.

During my internship at the (SJIBL), I focused on the bank's Investment operations. This was a unique opportunity for me to appreciate the practical side of policy application, the evaluation of borrowers' credit risks, and the processes involved in recuperating Investments. The objective of the present report is to analyze the Investment of SJIBL, identify the relevant trends, and, in the context of the internship, discuss the operational learning experience.

## 1.2 Background

The objective of Shahjalal Islami Bank PLC's establishment was to offer Shariah-compliant banking services. With time, it has developed into a full-fledged commercial bank in Bangladesh, providing a wide range of financial services, which include working capital facilities, consumer and SME Investments, and specially designed Investment schemes. The (SJIBL), located strategically next to the industrial area, is essential to the banking services offered to the business population, particularly small and medium industrialists, as well as private consumers needing credit.

The institution provides an assortment of Investment offerings, such as Murabaha, Bai-Muajjal, Hire Purchase under Shirk Atul Meelk (HPSM), Ijara, Bai-Salam, and Trust Receipts. These offerings attempt to meet the varied needs of clients while observing the stipulations of Islamic law. The institution also discusses the assessment of risks, the analysis of finances, and the use of collateral as a means to protect its investments.

## 1.3 Statement of the Problem

The problem, as articulated in the preceding section, involves the Islamic banks' struggle to fulfil the growing need for Shariah-compliant financial services, particularly due to the increasing demand for

Islamic services as NPIs, bad debts, late recoveries, and the lack of adequate and dependable documentation to support an Investment and complex paper flows unwind. The lack of complex and well-integrated rapid documentation and process flows to stack and integrate Investment and debt services fuels the problem further. Along with the documented problem, the intense commercial banking competition on the Islamic banks destabilizes the Islamic banks' Investment and debt services, with the need for rapid Investment documentation and disbursement to defend client retention.

The analysis of the Investment activities of SJIBL should shed light on the strengths, weaknesses, and opportunities for further development, as well as the improvement of the practices observed during the internship, to contribute to the documentation of Investment services, management, control practices, and the strategic improvement of profitability.

### 1.4 Significance of the Study

Reputation-wise, both academically and practically, the importance of the work on Investment within the banking sector at Shahjalal Islami Bank PLC is profound. For instance, the study enables interns and researchers to contextualize the real-world application of Islamic financial products within the framework of the studies completed and integrates an understanding of their management. Furthermore, it assesses the practices adopted within the framework of risk management, the evaluation of borrowers' credit, monitoring repayment, and the strategies adopted to mitigate risks. In addition, it analyses trends in the performance of the units within the framework of Investments, particularly in relation to the growth, sectoral distribution, and the non-performing Investments. In this regard, the findings point to several actionable opportunities to improve operational efficiency and customer satisfaction. In this regard, the study serves to establish predictive value on Islamic banking operations to students and professionals, and stakeholders.

### 1.5 Objectives of the Study

The main objective of the study is to evaluate the investment performances of Shahjalal Islami Bank PLC. The specific objectives are as follows:

- To explain the bank's various types of Investment services.
- To examine the bank's risk management and Investment Risk Analysis Techniques
- To evaluate the Investment distribution trends and repayment performances.

### 1.6 Limitations of the Study

Regardless of the overall approach taken, this study was still limited in some ways. Lack of access to detailed and confidential financial data, to a certain degree, limited the scope of financial analysis that could be undertaken. Also, the three-month duration of the internship limited the scope for identifying certain longer-term trends, especially those within Investment recovery and overall risk management.

In addition, focusing only on the (SJIBL) meant that some of the conclusions drawn might not capture the full scope of operations and the performance of Shahjalal Islami Bank PLC across the entire country. Lastly, some of the inconsistencies within the branch records meant that some of the data was slow to process; in some cases, this lack of clarity affected cross-verification. However, this lack of clarity did not, on its own, diminish the valuable perspectives gained through the practical exposure to the Investment operations.

# Chapter 2 – Company / Organization Overview

## 2.1 General Overview

As a foremost private commercial bank in Bangladesh, Shahjalal Islami Bank PLC (SJIBL) holds a reputation as a premier bank operating under Islamic principles. Ethical banking, commitment to serving the customer first, and values like transparency and social responsibility have made SJIBL a valued and successful institution since the bank was set up in 2001. Providing services without offending Islamic principles is SJIBL's goal. Islamic principles dictate the prohibition of interest (Riba) and the payment of interest, thus offering services that involve profit-loss shifting mechanisms. Over the years, SJIBL has expanded operations nationwide, establishing centers in urban and industrial areas and providing a broad array of services. Numerous ATMs and branches are set up in a variety of industrial areas. The Baipail DEPZ branch plays a particularly important role in assisting businesses in the country's busiest industrial region, the Dhaka Export Processing Zone (DEPZ).

The bank has its operational framework in place for General Banking, as well as Investments, advances, and foreign exchange. General Banking covers the core functions of banking, including the management of deposit accounts and customer service systems, cheque clearing, and remittance services. It pertains to the daily banking service requirements of the customers. The Investments, Investments, and advances segment focuses on managing and controlling investments and intends to provide products such as Bai-Muajjal, Murabaha, Ijara, and HPSM, which are all Shariah-compliant. The products are structured to meet the financial needs of individuals, industries, and trade, and are, thus, interest-free. The Foreign Exchange Division also covers the functions related to the trade of currencies in the country. It covers operational functions such as export-import financing, foreign remittances, and financing letters of credit. All three divisions are integrated and governed by the Shariah principles to ensure the ethical Islamic framework of all transactions.

At the organizational level, SJIBL has a Board of Directors, a Shariah Supervisory Committee, and a team of professional managers. The Shariah Supervisory Committee ensures the Islamic principles of all banking operations, and the managers implement contemporary banking technologies and efficient risk management. The bank's professional ethos centres on the values of cooperation and the pillars of innovation and customer fulfilment. The integration of technology is a significant strength. SJIBL provides online banking, mobile banking, and branch touch-point connectivity for operational stimulation and customer convenience.

This Baipail DEPZ branch specifically serves the employees and the industrial clientele of the nearby manufacturing units. Its investment portfolio focuses mainly on working capital for export-oriented industries, SME entrepreneurs, and traders. The branch has a large impact on the local economy because it helps create jobs and foster business opportunities in one of the most economically developed regions of Bangladesh. With strict financial discipline, customer-oriented policies, and Islamic ethics, Shahjalal Islami Bank PLC has gained a reputation as a reliable bank, a bank that has successfully reconciled the pursuit of profit and the pillars of social and economic sustainability.

### 2.2 Mission, Vision & Values

**Mission:** To deliver Shariah-compliant financial services to businesses, individuals, and communities with the aim of achieving and maintaining sustainable growth.

**Vision:** To be the best Islamic financial institution with a reputation for innovation, ethical banking, and customer satisfaction.

**Values:** From the bank's point of view, social irresponsibility will be injustice, and the refusal to deliver banking services within the boundaries of Shariah is also a form of social irresponsibility. a

### 2.3 History and Current Operations

Bangladesh is proud to have a Shariah-based commercial and fully profit-loss integrated and interest-free banking institution. Shahjalal Islami Bank PLC (SJIBL) has a reputation for serving the needs of the banking system. In the Islamic (and wider) banking system of Bangladesh, SJIBL is engaged in serving the foremost needs of the banking system. Bangladeshi banking, Islamic and otherwise, is based on interest. SJIBL is focused on the needs of those individuals, organizations, and sectors of the economy and society who prefer a banking system that does not charge interest on any of the banking services it provides. This integrated and interest-free banking system with Sharia compliance is provided with the highest institutional and commercial social responsibility in the provision of banking services, as outlined in the teachings of Hazrat Shahjalal (R). This is in accordance with the social teachings of Hazrat Shahjalal (R), integrated with the banking social responsibility of the banking intermediation to help with the economic and social empowerment of the society where the institution is located. This empowers the economic and social development of society in an institution with social teachings of Hazrat Shahjalal (R) integrated with the banking social responsibility of the banking intermediation to help with economic and social empowerment of the society where the institution is located. During its initial years, Shahjalal Islami Bank started with only a few branches in Dhaka and Chattogram and increased its branches nationwide. The growth of the bank was fueled by the expanding customer base of Islamic banking. With the implicit trust of customers and the growth of banking technologies, SJIBL became one of the most reputable private Islamic banks in Bangladesh. In the course of its operations, the bank also ventured into corporate banking, SME financing, and retail banking, extending foreign trade services all compliant with Islamic trade.

The SJIBL has a total of 140 branches and 26 sub-branches currently, with a number of automated teller machines all over the country. For customer convenience, the bank formulated systems for online banking, internet banking, and mobile banking. The bank's services are controlled by the Shariah Board and the Board of Directors. All banking services offer an Islamic-compliant financing. Risk balances, staff and customers training, transparency, and customer satisfaction are crucial areas for top management methods.

There are three major functions of the bank. They are General Banking, Investment, and Foreign Exchange. In General Banking, operations like accepting deposits, making withdrawals, and remittances are conducted by the bank. One of the divisions of the bank is the Investment Division that deals with all funding-related activities. It also offers Shariah-compliant financing facilities such as Bai-Muajjal, Bai-Murabaha, HPSM, and Ijara. These products are based on tangible assets, including trade and partnership that yield permissible profits instead of interest. This system provides financing in a righteous way for the development of trade and industry. The division provides facilities for imports, exports, and remittances for Bangladeshi enterprises so that they can carry out business overseas in foreign exchange.

The branch focuses on facilitating the provision of financing services to export-oriented industries located in the Dhaka Export Processing Zone (DEPZ), in addition to the routine activities of the branch. The branch helps local and foreign investors with working capital, trade financing, and employee banking services. The bank ensures that its investments in small and medium-sized enterprises are adequate. Through deposit collection and payroll management of workers employed in factories, and remittance services for nearby industries, there is an important contribution to the service of the network.

In addition to advanced technological systems, Shahjalal Islami Bank has integrated a refined management system to facilitate current operations. Customers can perform any transaction, no matter where any of the bank's branches are located. Services like internet banking, mobile banking, and electronic funds transfer are seamlessly integrated, making operations more competitive and customer-friendly. Social welfare and CSR activities that the bank sponsors maintain a constant focus on the societal dimensions of banking philanthropy and include educational sponsorship, relief efforts, and various healthcare programmes. As Shahjalal Islami Bank PLC's operations modernized, patronage shifted from its founding dependence on Shariah regulations to become a premier, advanced Islamic

Bank in Bangladesh. The bank's operations embody modern banking and traditional Islamic banking. By SJIBL’s example, one can assert that integrity, unswerving adherence to Islamic banking tenets, and profitability are indispensable to promoting the Islamic bank's reputation in the country to attain SJIBL's operational benchmark for socioeconomic progress.

### 2.4 Services provided by SJIBL

The Shahjalal Islami Bank PLC offers a comprehensive range of financial services tailored to each unique customer. At the (SJIBL), the Bank provides large-scale business and industrial units with corporate Investments, and SME Investments, balances working capital and fixed assets Investments offered to small and medium enterprises. Another important service is consumer financing, which provides Investments for automobiles, household durables, and education. Furthermore, the Bank provides services for trade financing such as Letters of Credit, Payment Against Documents, and Investment Against Imported Merchandise for both domestic and international trade. Islamic Investment products like Murabaha, Bai-Muajjal, Ijara, HPSM, and Bai-Salam are offered with trust as other forms of Investment and are based on a Shariah-compliant, ethical Islamic financing model, ensuring no exploitative interest is charged. SJIBL Services are designed to assist businesses and improve community development through reliable and consistent offerings. This demonstrates the Bank's commitment to social development alongside community development.

# Chapter 3 – Internship Role and Responsibilities

**3.1 Your Role**

I did my 3-month internship at the Baipail DEPZ Branch of Shahjalal Islami Bank PLC (SJIBL), and my internship report is on General Banking. General Banking is where every banking function starts. It is the first department of the bank that customers visit. So, in brief, General Banking has every banking function except Investments. In a nutshell, my job was mainly to assist in the bank's daily operations and help the officials in handling the customer service and service-related documentation. I got the chance to observe and do some work that included things like opening accounts, processing cheques, and remitting services. But more importantly, it was preliminary work related to Investment. Working in this department clarified for me how banks deal with their clients and appropriately utilize funds.

I often assisted the officers in proper documentation and record-keeping for individual and corporate customers. I helped by updating client profiles and verifying submitted documents to open accounts and take Investments. Part of my job was also to keep files of various Investment invites, customer data entry for accuracy, and assist in finishing other internal reports. I had the chance to witness the flow of credit operations concerning how the Investment requests are received, verified, and processed before going to the Head office.

Moreover, I witnessed the management of Islamic modes of Investment, for example, Bai-Murabaha, Bai-Muajjal, and Hire Purchase under Shirkatul Melk (HPSM). Participating in this was important as it enhanced my knowledge of how Islamic banking reconciles and replaces interest-based financing. Through my daily interactions with bank officials and customers, I developed a great respect for professional values, secrecy, and customer satisfaction. While I was interning, I felt pleased to be assisting the steady operations in a bank, as everything comes together in the banking industry...

**3.2 Rationale of the Role**

My role in the General Banking Department was designed to gain insight into the basic functions of a commercial bank in order to integrate disparate academic theoretical learning and practical banking. During my undergraduate studies in business administration, I learned and, as part of my training, taught the theory of financial management, banking laws, and credit risk assessment. However, this internship offered me the experience of the real application of those theories in banking. The General Banking section was a logical placement as it serves as the first point of contact for all transactions and underpins all other departments, such as credit and foreign exchange.

This position proved critical for gaining knowledge regarding the overall processing of Investment from start to finish. While observing officers take into account Investment applications, assess credit, and document control, I was able to gain insight into the significance of thorough compliance, meticulous risk analysis, and ultimate decision-making in the banking business. During this internship, I learnt more about customer relationship management from the bank's perspective, like service professionalism, concern resolution, and account processing efficiency.

Also, the experience I had in Islamic banking helped me understand how a different way of working is present in banking, which also has a structure and philosophy. I was appointed at Shahjalal Islami Bank, which works as an Islamic Bank under the Shariah Law. So, I understood how each transaction must not be against ethics or how the bank must avoid interest. This knowledge strengthened my understanding of Islamic financial products. I also learned about various Islamic modes of Investment and profit sharing amongst parties. My job is to equip me with useful knowledge as well as analytical and reasoning skills to prepare me for a career in banking and finance.

### 3.3 Examples of Tasks Completed

I worked on operational and analytical assignments that helped me enhance my banking knowledge and my interpretation of the guidelines during my internship at SJIBL. My most important task was to help evaluate Investment applications. I checked client files to see if they had complete and authentic required documents such as trade licenses, TIN certificates, financial statements, proof of ownership, etc. Also, I helped the officer to create verification checklists and client information for the files sent to Head Office for approval. From this experience, I learnt about document control and how important it is to be accurate and transparent, with the need for evidentiary documents, for reputational risk management and lending risk management. I realized how all these factors lead to reputational risk for the bank.

I also participated in the Lending Risk Analysis (LRA) process. This means evaluating potential borrowers' finances to see if they are strong enough. I organized and analyzed financial data for client decisions with the help of credit officers.

I learnt how to assess financial indicators like the liquidity ratio, current ratio, and debt to equity ratio to judge the Investment legitimacy of a borrower. I also help prepare the Investment proposal to collect information on the prospective client's profile, business purpose, and mode of financing, whether Bai-Murabaha, Bai-Muajjal, or HPSM.

Another important responsibility I was given was monitoring of Investment accounts for the assessment of repayment performance. I helped officers track down delinquent accounts and list them for notice and recovery action. There were times when I was given the task of writing repayment sanction letters. I would make sure that the internal systems were updated, reflecting the payment status of clients. I learned how banks help with discipline to manage cash flows and credit risk through these experiences. In conclusion, I dealt with regular queries of the customer service, like receiving the forms for account opening, issuing account statements, as well as helping clients in filling up the forms for remittance.

As a result of these specific responsibilities, I gained essential features of professionalism: attention to detail, time management, teamwork, and communication. Moreover, I noted the confidentiality and ethical conduct of SJIBL's officers in all dealings. Because I was exposed to both general banking operations as well as Investment operations, I understood the various ways in which a branch functions in the banking system. During my internship, I was tasked to document Investment, risk, and ancillary services to the client. This process helped me correlate the banking theories I had learnt in school with business practices, which made my stay at the internship both educational and professionally rewarding.

# Chapter 4 – Key Learnings and Experiences

## 4.1 Important Learnings

- I gained practical knowledge of reading borrower financials and checking business viability for repayment.
- Understanding the bank and client's perspective on Investment documents like hypothecation, pledge, and mortgage is crucial for safety.
- I improved my knowledge of risk management by analyzing Investment Risk Analysis.
- I learned about how Islamic banking products are structured according to Shariah. I understood that being profitable may not make a product Shariah-compliant.
- I learnt how to communicate professionally to collect information and build trust.
- I gained knowledge of the entire banking system, Investment management, and other operations.

## 4.2 Connection with Academia

- Practical applications of subject concepts in banking of finance, accounting, and risk management.
- Evaluated financial statements, computed profit margins, and assessed Investment proposals in practice.
- I gained the knowledge of products dealing in Islam, Like Murabaha, Bai-Muajjal, Ijara, and designing the products.
- Joined the dots between what we learn in class with what happens in the real world, as far as Investments and Investments are concerned, through this activity.

## 4.3 Practical Examples

- I analyzed cash flow applications and learned to evaluate projected cash flows, collateral, and personal guarantees to manage Investment risks.
- I have observed the trends of NPLs and how important it is to monitor the Investments constantly, otherwise it will lead to defaults.
- I learnt the Investment distribution structure is 67% corporate Investments, 29% SME Investments, and 4% retail Investments.
- We understand how Investments operate and the balancing act that must occur between profit, risk, and client satisfaction.
- I saw how decisions and evaluations on time can help Investments go smoothly.

# Chapter 5 – Critique and Reflections

## 5.1 CRITIQUE

- The operational capability of Shahjalal Islami Bank PLC is very strong, which is well managed, and the Investment operation seems systematic.
- But Investment processing is elaborate and often complex; the transaction levels of approval delay client satisfaction.
- The credit assessment process is effective, albeit a long process. It is also complicated and delays the disbursement of Investments or Investments.
- The bank has not attracted enough clients due to limited market campaigns and publicity of its investment products.
- There remains a growing problem of non-performing Investments NPLs which indicates the need for better monitoring and recovery plans
- The credit department employees, who handle evaluation and recovery, should be retrained from time to time for efficiency.
- If you improve on that, your bank will be able to enhance operational efficiency, increase customer satisfaction, and strengthen its competitive edge.

## 5.2 REFLECTIONS

- The first time I did something practical in an Islamic environment was during the internship.
- Taking part in activities with the client-side made me learn communication and problem-solving skills that are essential to anyone in the profession.
- Ready and analyzing fiscal documents and assessing Investment applications sharpened my analytical and accounting abilities.
- I learned how profit-making needs to be complemented with ethical and moral responsibility in Islamic banking.
- I've learned a lot about Investment recovery and distributions of bad Investments in the field practically.
- I've learned that a banker needs to be disciplined, accurate, and rational in every decision.
- Because of this internship, my confidence level in working in a bank professionally increased.
- I also took a keen interest in credit analysis, Investment management, and SME finance.
- I also developed a deep interest in finance, particularly in credit analysis, Investment management, and SME financing.

## 5.3 Concept of Investment

An investment can be described as a borrower's indebtedness that is extended for a certain purpose and a specified time period. An investment is charged interest at a predetermined rate to be paid at stipulated time intervals.

The term Investment, as used in banking, refers to a 'credit facility'. Banks provide advances primarily for short-term purposes such as the purchase of goods and the fulfilment of other short-term trading obligations. An investment and an advance differ in the sense that while an investment signifies an indebtedness, an advance is a facility that is at the disposal of the borrower. Nevertheless, the borrower is expected to repay advances just like Investments. Hence, a credit facility that is repayable in instalments over a certain time is classified as an investment, while a credit facility that is repayable within a year is classified as an advance.

## 5.4 Investments and Advances

Investments and advances are key financial assets of banks. Investments involve purchasing securities, bonds, or shares to earn returns, while advances refer to investments or credits given to customers for business or personal use. Both generate income and help banks maintain liquidity and support economic growth.

## 5.5 Types of Investments

1. **Continuous Investment:** In this case, an Investment account for which transactions may be made within certain limits and have an expiry date for full adjustments will be treated as a Continuous Investment. E.g., Cash Credit, Overdraft, etc.

2. **Context & Focus:** Investments that are fully repayable on the bank's request will be classified as Demand Investments.

3. **Term Investment:** A term Investment is an investment from a bank for a specific amount, which has a specific time frame to be paid, with a defined repayment plan, and will have a certain interest option - either fixed or variable.

4. **Other Scheme:** A scheme is a plan or arrangement made by the government or any other organization that involves lots of people.

## 5.6 How to Approach the Bank for an Investment

All borrowers are required to follow a number of procedures outlined by the Shahjalal Islami Bank PLC management in order to obtain Investment financing. This is also in accordance with the policies of the Bangladesh Bank. First, the applicant must be an existing or prospective client, so there is an established satisfactory banking relationship with the applicant. The applicant initiates the process by filling in an application, which must include the purpose of the Investment, the Investment amount, estimated repayment capacity, and the possible security or collateral for the Investment. The application must also be supported by trade licenses, bank statements, financial statements, and other identification documents.

When a bank credit department receives the application, it assesses the potential borrowers and examines their finances, credit profiles, and their capacity to repay the Investments. The bank assesses the intended purpose as well as the Shariah compliance of the potential Investment. If the requested proposal receives a positive preliminary assessment, it is sent to the appropriate authority for approval. After approval, the bank prepares the required documents, which include letters of sanction, contracts, agreements, and documents of the requested collateral. These formalities supervise the disbursement of funds as the investments are credited to the borrower's account. Such measures enhance ethical, productive, and transparent use of resources while also minimizing and controlling the associated risks.

## 5.7 Nature of Different Types of Investment in SJIBL

Shahjalal Islami Bank PLC (SJIBL) provides a wide range of Shariah-compliant credit facilities to meet the diverse financial needs of its clients. These advances are designed to support trade, commerce, and industrial activities in line with Islamic principles. Each credit facility has unique features, operational mechanisms, and purposes that suit specific types of clients and business requirements. The following sections explain the major forms of advances offered by SJIBL and their operational characteristics.

### 5.7.1 Cash Credit (Hypothecation) – CC HYPO

Shahjalal Islami Bank PLC offers the most common credit facility to its valued clients, which is Cash Credit (Hypothecation). A cash credit account is an active and running account in which the borrower can withdraw and deposit cash as required. However, the debit balance must be within the sanctioned limit. The facility is mainly meant to meet the working capital requirements of traders, industrialists, and agriculturalists. This account works like an overdraft facility. The account holder is allowed to withdraw money up to a certain limit and pays interest or profit only on the amount withdrawn.

In this case, goods or stock are hypothecated to the bank, i.e., ownership and possession are with the borrower, and the bank has a charge over them. The borrower executes a Hypothecation Deed to formalize the arrangement, which gives the bank the right to take possession of the goods in the event of default. Generally, it is required to maintain a margin of about 50% to open a CC account. However, this may depend on the borrower's creditworthiness and business prospects. The facility is usually given to a creditworthy customer who can properly document and repay the requested funds.

#### 5.7.2 Cash Credit (Pledge) – CC Pledge

Cash Credit (Pledge) works like CC Hypothecation, but only the safeguard is different. In this way, the goods of the borrower are actually pledged to the bank. The ownership of such goods will remain with the borrower, but the possession of such goods will pass on to the bank. The Pledge Deed is a document where the borrower authorizes the bank to take possession and control of the goods pledged.

This facility is usually given to individuals who operate in business like trading or manufacturing, where goods or stock-in-trade can be stored and controlled easily by the bank. The danger to the bank is lower than in hypothecation because the bank takes actual possession of the goods. Despite this arrangement, borrowers may find it a bit more inconvenient because they cannot access or sell the pledged stock without bank approval.

#### 5.7.3 Secured Overdraft (SOD)

The Facility called Secured Overdraft (SOD) allows customers to withdraw over and above the balance in the current account to the extent of the sanctioned limit. This is for business professionals who require liquidity for a short term to meet operational expenses or expand their businesses. In general, the facility will be secured by financial instruments like FDRs, PSS deposits, or any other eligible security.

You are charged interest or profit only on the portion of overdraft that has been utilized on a daily product basis. The overdraft account balance changes often based on the client's deposit or withdrawal transactions. The profit rate for SOD is usually 3% higher than the rate on FDR if it is maintained with

SJIBL. If the other lender is a bank where the FDR is held, the rate could be as high as 14.50%. This facility gives convenience and flexibility to established clients who require fresh funding without applying for a new Investment each and every time.

### 5.7.4 Consumer Credit Scheme

The Consumer Credit Scheme helps individual consumers purchase essential or luxury consumer goods utilizing a financing program. Under this arrangement, the Bank provides financial help to the customers to purchase a computer, motor vehicle, television, refrigerator, furniture, sewing machines, and other household or lifestyle products.

You can join the facility by paying in installments. The duration is mostly over 24, 36, or 48 months. The profit rate is about 15.50%.

This scheme, which is meant only for working professionals and salaried individuals, is also made available for clients who have a sound repayment track record. The program helps consumers as they buy goods, which will enable them to live a better life. It also lets the bank diversify its portfolio with retail-oriented products.

### 5.7.5 Payment Against Documents (PAD)

A short-term financing arrangement often used in international trade is known as Payment Against Documents (PAD). When an importer opens a Letter of Credit (LC) through Shahjalal Islami Bank, the bank accepts a financial obligation to pay the exporter if the exporter presents shipping documents complying with the LC. After receiving the documents from the negotiating bank, the bank pays the exporter and retains the documents till the importer makes the payment.

A PAD account is a short-term Investment created by the bank on behalf of the importer. Finance facility related to import financing, which ensures that trade commitment is timely honored. This place allows importers to clear their goods. Furthermore, it also allows the bank to earn profit from trade-based financing operations compliant with Shariah.

### 5.7.6 Investment Against Imported Merchandise (LIM)

When an importer does not return the shipping documents or clear the goods imported under a Letter of Credit, an Investment Against Imported Merchandise (LIM) facility arises. In these cases, Shahjalal Islami Bank clears the consignment in the name of the importer at the port. This is done to avoid demurrage/storage charges.

The surplus amount under PAD is then moved to a LIM account.

Once cleared, the goods are kept under the control of the bank, and the bank releases the goods to the importer upon full payment of liability. Goods are not normally delivered partly. However, if the importer requests partial release, the LIM may be converted into a Cash Credit account, subject to documents, margin, etc. The facility enables trade operations to carry on without interruption when importers face temporary liquidity problems and provides protection to the bank.

### 5.7.7 Trust Receipts (TR)

A Trust Receipt (TR) refers to a financing arrangement by which the importer is allowed by the bank to take possession of goods against a signed Trust Receipt Document. Based on this agreement, the importer acknowledges that the goods purchased with the bank's money are credited to the importer, but the bank has a trust over the same. Though possession of the goods is delivered to the importer, ownership does not lie with the importer but with the bank.

Importers can use the goods in their business without paying for them presently, enhancing their cash flow and trade efficiency. But it creates a moral and legal duty on the part of the borrower to forward sales proceeds to the bank. Islamic principles in banking dictate that the commercial transaction is done with trust, honesty, and partnership in a business.

## 5.8 Islamic Investment

Islamic Investment is a special and ethical type of financing that adheres to Shariah law. This prohibits the payment or receipt of interest (Riba). Islamic banks do not charge interest but operate on profit-and-loss sharing and asset-backed sales. The development of an Islamic model for interest-free banking by Mohammad Najatuallah Siddiqui has acted as a benchmark for future endeavors. The bank takes a position as a capital partner in the Mudarabah contracts. On the one side, it acts as a partner with depositors (as financiers) and on the other side with entrepreneurs (as fund users). The benefit derived from such ventures is divided between the parties in predetermined ratios. On the other hand, the loss is suffered by the capital provider except when the loss is caused by the negligence or misconduct of the entrepreneur.

In the same way, Justice Taqi Usmani, another scholar of Islam, stated that Mudarabah and Musharakah are the true and ideal instruments of Shariah-compatible finance. Musharakah is a partnership where both the bank and the customer inject capital. The profit and loss are shared. These principles unpin Islamic economics by stressing fairness, transparency, and risk-sharing through instruments. But these fully profit-loss-sharing models are of little or no use in today's banking practice. This is due to their relatively higher risk and cumbersome administration.

To further supplement these modalities, a slew of fixed-return modes such as Murabaha (cost-plus sale), Ijara (lease), Salam (advance purchase of goods), and Istisna' (advance purchase of manufactured items) were introduced. Murabaha financing is presently the most widely used mode of financing by Islamic banks. It is a type of trade financing that resembles conventional trade financing. But it is Shariah-compliant. In this mode of operation, the bank buys the goods on behalf of the customer and sells them at a pre-decided profit margin. Through this mechanism, all transactions are asset-backed, and the bank takes the market risk of the transaction before selling to the client.

Even though scholars had proposed that a theoretical Islamic banking system should essentially be Mudarabah and Musharakah-based, the dominance of fixed-return contracts such as Murabaha has made Islamic banking stable and practically workable. According to the principles of Shahjalal Islami Bank PLC, the bank does not involve itself in 'interest' related lending operations, but they are profitable and do not lose client trust.

**5.9 Islamic Mode of Investment**

Asset-backed funding and permissible financing activities are the focus of Islamic banking. Shahjalal Islami Bank PLC has several modes of Investment that comply with Shariah. Instead of conventional interest-based Investments, this stakes transactions or partnerships. The Bai modes are Bai Mechanism, Bai-Murabaha, Bai-Muajjal, and Bai-Salam, which are applicable for business and fund requirements.

### 5.9.1 Bai Mechanism

The dictionary meaning of Bai is to purchase and sell merchandise for cash, credit, or in a deferred mode, at a profit margin mutually agreed upon between the buyer and the seller. This mechanism is used in most of the Investments of Islamic banks, and is used to finance short-term and working capital. Under this phrase, the bank buys goods and sells them to clients on either an immediate payment or a deferred installment basis. The previously agreed-upon profit margin becomes the bank's source of income, in place of interest.

The Bai mechanism provides various ways to get financing through trade, like Bai-Murabaha, Bai-Muajjal, and Bai-Salam. All of these contracts have been designed to foster business growth and ensure innovativeness per Shariah while linking financial transactions to real economic activities.

### 5.9.2 Bai-Murabaha

The bank buys the goods or commodities ordered by the client on a Murabaha basis and sells them, plus some agreed profit. One of the most popular Investment instruments in Islamic banking is Murabaha. It provides clients with the required financing while ensuring that the underlying transactions relate to tangible assets.

The bank uses its own money to facilitate your importation using a Letter of Credit (LC) on your behalf. The bank levies a fixed service fee or LC commission based on invoice value. The LC can be opened against a 100% cash margin or a lesser proportion, depending on the client's creditworthiness.

The post-import financing option involves the bank settling shipping documents under the letter of credit. The bank then sells the goods to the client at a predetermined price plus profit. Payment is generally done in a lump sum amount or installment(s) from the consignment sale proceeds. The bank utilizes collateral for the transaction, even though the client retains possession of the goods.

Murabaha Post Import Pledge is much the same as the Murabaha Post Import TR. The only difference is that the goods will remain in the bank's possession until payment is made. Based on the financial position of the borrower, the lender may or may not require additional collateral security.

Shahjalal Islami Bank uses these mechanisms to ensure that its financing activities are supported by real assets and fit for use by importers and traders.

### 5.9.3 Bai-Muajjal

Bai-Muajjal sale occurs when the bank sells goods to the client on a deferred payment plan. The price is fixed as per the agreement, but payment shall be made in the future either in installments or as a single lump sum. In contrast to Murabaha, the bank need not separately disclose the cost price and profit. The companies can make use of it in case of short-term liquidity problems and permit customers to release the goods instantly in return for a scheduled payment.

Bai-Muajjal (Commercial TR): The bank delivers the goods to the customer on a deferred payment basis. The total price is paid in full or by instalments at a future date by the client. A Trust Receipt enables the bank to legally control the goods until full payment is made.

Bai-Muajjal Real Estate Financing 28 words

The overall structure is similar to Bai-Muajjal Commercial TR, where the financing is for the construction or purchase of buildings/apartments/real estate/property.

Bai-Muajjal (WES Bill) is an investment facility that enables clients to settle their ABP liabilities if export proceeds are delayed. It stops customers from not paying and keeps up the goodwill.

Through Bai-Muajjal, the bank provides term finance for a specific purpose, such as making payment against Bank Guarantee (BG) claims or other short-term liabilities. Repayments are made according to a predetermined schedule.

### 5.9.4 Bai-Salam

A Bai-Salam, or forward sale contract, is when the full price is paid, in advance, for goods which are to be delivered on a future date. It is especially helpful for financing agricultural and manufacturing operations, as producers must obtain working capital before production. In this type of arrangement, the bank acts as the buyer, selling the goods. Hence, it makes the payment in advance to the seller. Later, the seller sends the goods as an after-sales transaction.

This mode benefits both parties. The seller gets the money instantly and uses it for producing goods, raw materials, or spending on personal and business needs. The buyer—usually the bank—benefits from the deal by locking in goods to be supplied to him at a fixed price and, effectively, reducing the risk of market fluctuation. Moreover, the bank can sell the goods to other buyers or clients after delivering them, which will earn profit via trade and not interest.

The Bai-Salam agreement is reflective of an Islamic financial contract in that it embodies fairness, transparency, and actual economic activity. It minimizes uncertainty pertaining to future transactions and leads to the fulfillment of the contract by both parties. The Shahjalal Islami Bank PLC uses this modality effectively for exporters, traders, and agricultural producers seeking advance capital to continue their activities.

**5.10 SJIBL Investment Schemes**

Shahjalal Islami Bank Limited (SJIBL) has developed a wide range of Investment and Investment schemes that are Shariah-compliant. SJIBL does not use interest-based Investment. Rather, the bank operates through a profit-sharing or trade-related mode. The Investment schemes offered by the Public Sector Banks can be offered to individual customers, the salaried class, business organizations, industrial entrepreneurs, etc. The purpose of these schemes is to bring about a social incidence through economic development.

One of the most popular bank schemes is the Household Durable Investment Scheme, under which the bank helps its customers to purchase necessary items like furniture, electronic appliances, and other such durable goods. This Scheme works under Hire Purchase under Shirkatul Melk (HPSM) mode, through which customers can purchase essential goods through easy installments. It helps middle-income households improve their living standard without having to bear the burden of traditional interest.

One more important scheme is the Housing Investment Scheme, which allows the individual to buy, construct, or renovate a house. The program assists with the expanding housing requirements in urban and semi-urban localities of Bangladesh. The product will be structured under Bai-Muajjal or HPSM principles, where the bank will buy the property or materials and sell it to the customer at an agreed profit margin over a fixed period.

The Car Investment Scheme assists professionals, executives, and self-employed persons in buying vehicles for personal or business use. This arrangement is structured on compliance with Hire Purchase or Ijara (Leasing) principles and does not contravene Shariah law. The bank owns the vehicle until the client pays all installments, and then, after paying all installments, the ownership is transferred over to the client.

The SJIBL also offers a Small Business Investment Scheme (SBIS) to help entrepreneurs, small traders, and cottage industry. Through this scheme, the bank gives help to small businesses to expand their business with working capital and fixed asset financing. Through this scheme, people shall be encouraged to self-employment, particularly in rural and semi-urban areas.

The agricultural Investment scheme also shows the commitment of SJIBL to rural and food security. It helps farmers financially to grow crops, buy farming equipment, rear livestock, and develop irrigation. Investments are made through Bai-Muajjal or Mudarabah modes; this is risk sharing between the bank and the customer.

SJIBL also offers Educational Investment schemes for students pursuing higher studies at home and abroad. This scheme helps in paying fees, travelling costs, and other expenses, and encourages studying well and learn new skills.

All the products and services of Shahjalal Islami Bank Limited are absolutely Shariah-compliant, which are backed by some actual trade or partnership mechanism, not by the interest mechanism. The Shariah Supervisory Committee of the bank supervises each product to ensure its compliance with Shariah ethical values. SJIBL continues to be a pioneering force in ensuring economic development while maintaining the true spirit of Islamic banking in Bangladesh through its innovation and socially responsible Investment schemes.

**5.11 Objective of SME Investment Operation**

Small and medium enterprises are vital in generating income and facilitating the economic development of the nation. Small and Medium-sized Enterprises (SMEs) are dominated by their chief executive officers (CEOs), who essentially take on the role of founders, managers, and strategists on account of the SMEs' small size. Whether a business succeeds or not is likely due to its CEO. The SME (Small and Medium Enterprise) sector is declared as a priority sector by the government of Bangladesh. Availability of funds is a major constraint. Shahjalal Islami Bank Limited (SJIBL), working in compliance with Islamic Shariah, provides planned Investment in SMEs for business expansion, workforce retention, and long-term economic development. The bank's SME Investments cover small trading, manufacturing, service-oriented, and agro-based businesses. It offers working capital or fixed asset financing (excluding land & building) with Investment ceilings of Tk. Easy monthly installments, competitive profit rates, obstinacy of award, and ability to pledge own and third-party assets by adequate security personal guarantee.

**5.12 Small Business Investment Scheme**

The Small Business Investment Scheme by SJIBL is meant for small entrepreneurs, self-employed professionals, and small cottage industries. Shariah-compliant Investments are given through Hire Purchase under Shirkatul Meelk (HPSM), Lease/Ijara, and Bai-Muajjal (commercial or term). Investment ceilings range from Tk. 50,000 to Tk. Five Lakh with a ceiling of Tk. 300,000 for regions outside of Dhaka and Chittagong. Bank-client equity ratio is usually 60-40. This is a tenure of up to 3 years with a profit rate of 15% p.a., application fee TK. 100, processing fees of Tk. 500 and a 2% yearly supervision fee. Security requirements will include — hypothecation of stock/equipment, insurance, trust receipts, post-dated cheques, and personal guarantees of the client and family members.

**5.13 Specialized Investment Schemes**

SJIBL provides tailored Investments suited for diverse personal and professional usages. House Repairing/Renovation Investments assist with the renovation of property at a 14% profit rate. Household Durable Investment helps the low- and medium-income group to upgrade their lifestyle. Car Investments offer funding for the purchase of one's personal vehicle, subject to limits of Tk. New 40 Lac and Tk 30 lac for reconditioned cars. Overseas Employment Investments help Bangladeshis find jobs under a valid permit overseas. Investments for doctors provide up to Tk. 5 lacs for general practitioners and Taka. Ten lacs against specialists, to be repaid over 60 months. Corporate and government executives can get Investments of up to Tk. 1 lac for 36 months. Marriage Investments extend up to Tk. Education Investments help finance children's local or overseas studies. Tk. 3 lac for 48 months. The limit is Tk. 30 lac. 7 lac and Tk. 1.5 million each, payable over 60 months.

**5.14 Investment Application Procedure**

To apply for the Investment, the first step is to fill out the First Information Sheet (FIS). It collects details about the borrower and the business. They include personal details, business details, assets, liabilities, and the cost of the project. The bank releases the Application for Investment after validating the FIS and the account of the borrower. The bank later collects the Credit Information Bureau (CIB) report from the Bangladesh Bank to see the borrower's history and outstanding Investments. Once satisfied, the branch makes an Investment Proposal with the following documents: Investment application-cum-declaration, identification, bio-data, trade license, title deeds, tax certificate, and legal opinion.

**5.15 Project Appraisal**

Project appraisal is conducted to ensure that the proposed Investment is technically, commercially, financially, and economically viable. Bank officers systematically assess project details, checking feasibility, repayment capacity, and alignment with organizational goals. For large Investments, the Head Office may physically verify the information provided by the branch.

**5.16 Head Office Approval**

The Investment Proposal is reviewed by the Head Office (HO) and, if viable, sent to the Board of Directors (BOD) for final approval. A Top Sheet or Executive Summary is prepared and submitted to the HO Credit Division. Upon approval, the branch receives the sanction with conditions, including draw limits and adherence to bank policy, which are binding for the borrower.

### 5.17 Sanction Letter and Documentation

Once approved, the branch issues a Sanction Letter specifying the borrower's name, facility allowed, purpose, profit rate, tenure, security, and other terms. Documentation then begins, covering legal agreements such as Joint Promissory Note, Letter of Arrangement, Letter of Disbursement, Trust Receipt, Letter of Hypothecation, and mortgage documents to secure the bank's Investment.

### 5.18 Charging on Securities

SJIBL uses six modes to secure Investments: pledge (bailment of goods or documents), hypothecation (equitable charge with borrower retaining ownership), mortgage (transfer of interest in immovable property), lien (bank's right to retain goods until repayment), assignment (transfer of rights or claims), and other collateral as deemed necessary by the bank.

### 5.19 Financial Evaluation and Lending Risk Analysis

Financial statements allow assessment of a borrower's repayment capacity, business trends, and industry comparison. Lending Risk Analysis (LRA) systematically evaluates the risk of non-repayment to minimize losses. Borrowers providing clear financial statements are more likely to receive approval.

### 5.20 Credit Information Bureau (CIB)

Established in 1992 by the Bangladesh Bank, the CIB collects and provides credit information on borrowers with outstanding balances of Tk. 10 lac or more. It ensures efficient Investment processing, rescheduling, and preparation of MIS reports for banks and regulatory authorities.

### 5.21 Recovery Procedure and Principles of Sound Lending

Investment recovery is a joint effort of the bank, society, and legal institutions, emphasizing timely collection and risk mitigation. Sound lending principles include safety (adequate security and borrower's repayment capacity), liquidity (ensuring Investments can be converted to cash), profitability (earning returns to cover bank obligations), and security (ensuring collateral is adequate, marketable, and free from encumbrances).

### 5.22 Sectoral Investment Performance

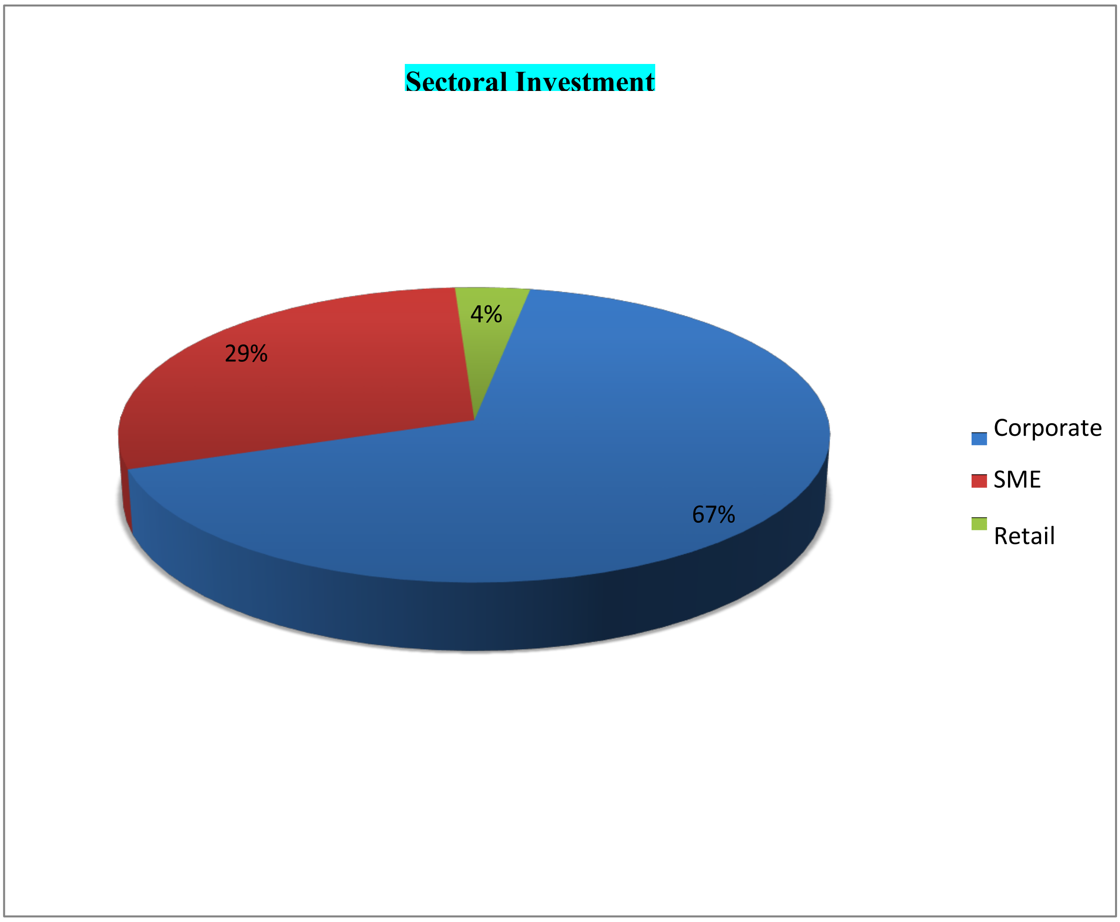


**Chart 1: Sectoral Investment**

**Interpretation:** A broad analysis indicates that Shahjalal Islami Bank PLC (SJIBL) has diversified into three sectors, and these are corporate, SME, and retail. Nearly 67% of the bank's Investments are invested in the corporate sector. About 29% of total Investments are allocated to SMEs, demonstrating the bank's commitment to small and medium enterprises that are crucial for jobs and economic development. Only 4% of the retail sector shows that the bank is not highly focused on individual consumer financing. SJIBL gives precedence to corporate lending for large and medium businesses over retail banking. However, the rising share of small and medium enterprises (SMEs) indicates a strategic shift towards inclusive growth and risk diversification. The bank's profit would not have increased yet since it gave high priority to its retail Investments.

### 5.23 Total Investment

| Year | Amount (million) | Percentage= growth |
|---|---|---|
| 2023 | 15232 | 117% |
| 2022 | 48062 | 129% |
| 2021 | 96538 | 127% |
| 2020 | 122001 | 115% |
| 2019 | 156651 | 100% |

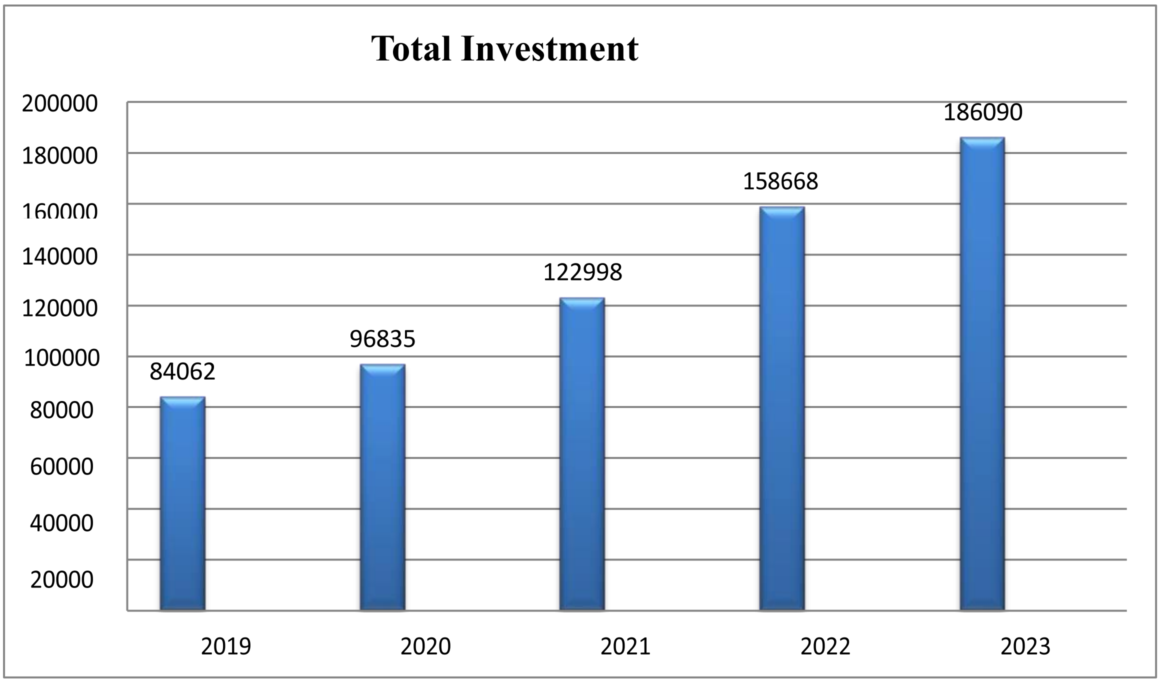


**Chart 2: Total Investment**

**Interpretation:** SJIBL total Investment showed a fluctuating but mostly upward trend in the five years. In 2019, we started at an index of 100%. This increased to 115% in 2020, 127% in 2021, and 129% in 2022. Things worsened in 2023 when this figure dropped to 117%. But the financial year of 2023 still saw the highest absolute amount of Investment. We have a bigger portfolio in Investments. This constant growth shows that credit is in good demand and banking operations are effective. The jump in total Investment signals the recovery of the economy after the pandemic. The surge also continues to indicate the greater trust of customers in the bank's financing products and services. The little drop in growth in 2023 suggests a restrained attitude to lending, possibly due to regulatory tightening or risk control measures. In general, SJIBL's trend denotes growth and expansion of Investment.

### 5.24 Net Income from Investment

| Year | Amount (million) | Percentage=growth |
|---|---|---|
| 2023 | 84062 | 127% |
| 2022 | 96835 | 110% |
| 2021 | 122998 | 117% |
| 2020 | 158668 | 113% |
| 2019 | 186090 | 100% |

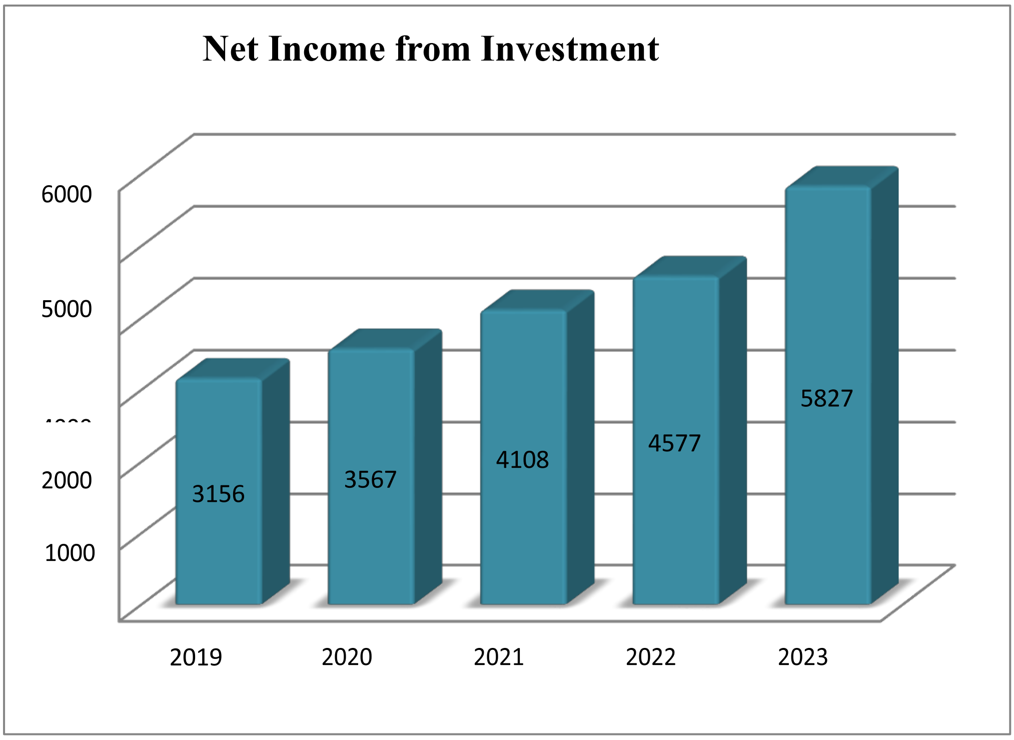


**Chart 3: Net Income from Investments**

**Interpretation:** The net income from the Investment of SJIBL is continuously increasing throughout the period. The improvement of net income from 100% in 2019 to 113% in 2020, 117% in 2021, 110% in 2022, and a peak at 127% in 2023 indicates effective credit management practice, improved recovery performance, and strong profitability in the Investment segment of the corporation. The bank's performance manifested in its ability to efficiently manage its cost of funds while maximizing returns on assets. The growth trend shows that SJIBL's lending activities are generating a significant part of the bank's overall profitability. The 2022 dip was not deep, but 2023 saw the big bounce back, acting prudently with finances and risk-based lending.

Continuous Profitability in Investment Operations Increases Stability and Confidence of Shareholders in Banks.

### 5.25 Profit rate outlook

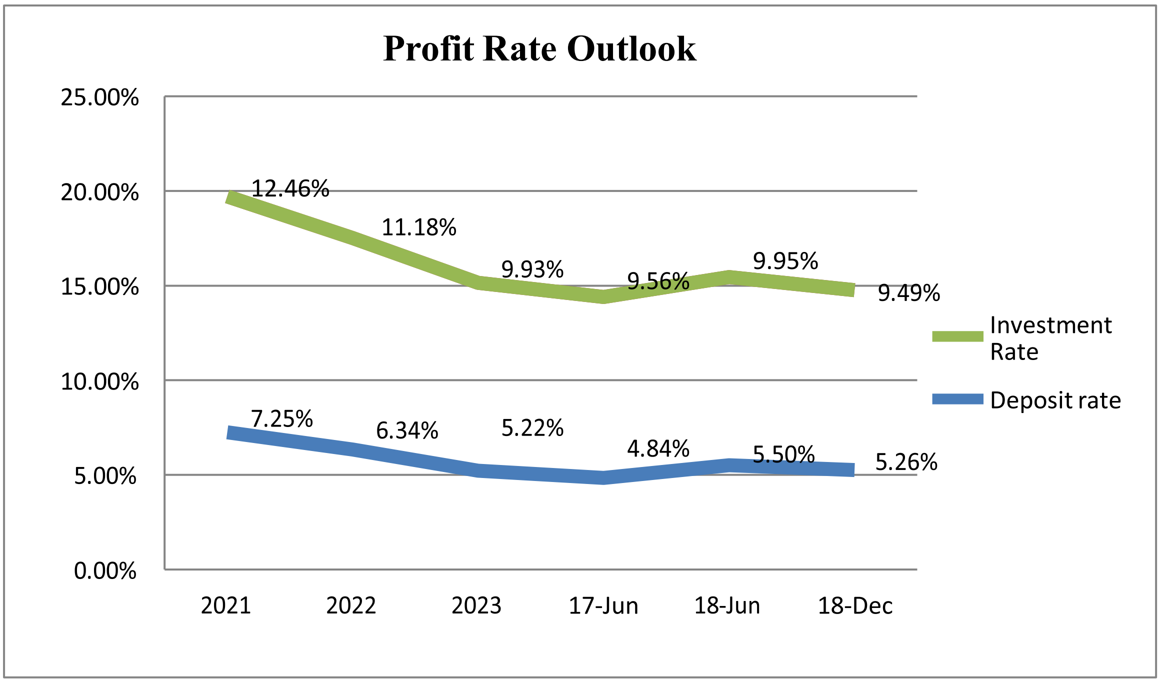


**Chart 4: Profit rate outlook**

**Interpretation:** In 2023, the profit rate of SJIBL on Investment was 9.49%, slightly going down compared to earlier periods and indicating a declining trend in the Investment rate. In the same way, the profit rate on deposit has amounted to 5.6% which indicates a cut in cost of funds. In the face of stiff competition, the margin for bank profit has shrunk. To maintain its clientele, the bank set rates in compliance with Shariah. This could also be an indication of the bank looking to build its volume of financing rather than per-investment margin.
Borrowers benefit from the lower lending rate, which may boost demand for Investment in the SME and retail sectors. Though cost management and proper use of assets make a clear profit in such conditions. The bank's profit rate dropped. Therefore, the bank looks to have sustainable growth and compete in the market.

**5.26 Outstanding Investments**

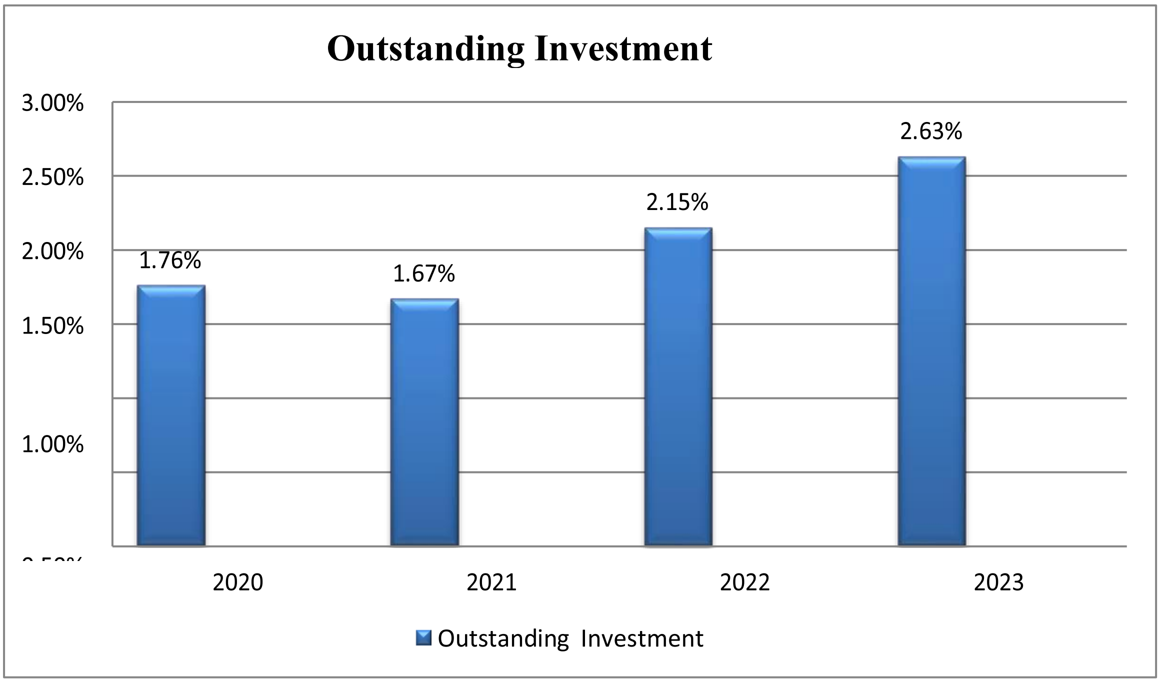


**Chart 5: Outstanding Investments**

**Interpretation:** The data shows that during the period under review, the outstanding amount of Investment continued to increase. The outstanding ratio in 2020 was 1.76% which increased gradually to 2.63% in 2023. The upward movement shows that the total portfolio of unrecovered or continuing Investments of SJIBL has expanded with the overall expansion of credit disbursement of SJIBL. The outstanding Investments may be increasing because of the growing business activity. However, continuing this can impact Investment recovery processes, threatening to turn these outstanding Investments into non-performing Investments (NPLs). The steady increase shows that the bank has been lending steadily across various sectors, more particularly the corporate and SME sectors. The management, however, must ensure the proper maintenance of repayment schedules and effective recovery strategies. In conclusion, a rise in the outstanding Investment ratio is a sign of growth conditions and the need for adherence to sound risk management practices.

### 5.27 Growth of Investments

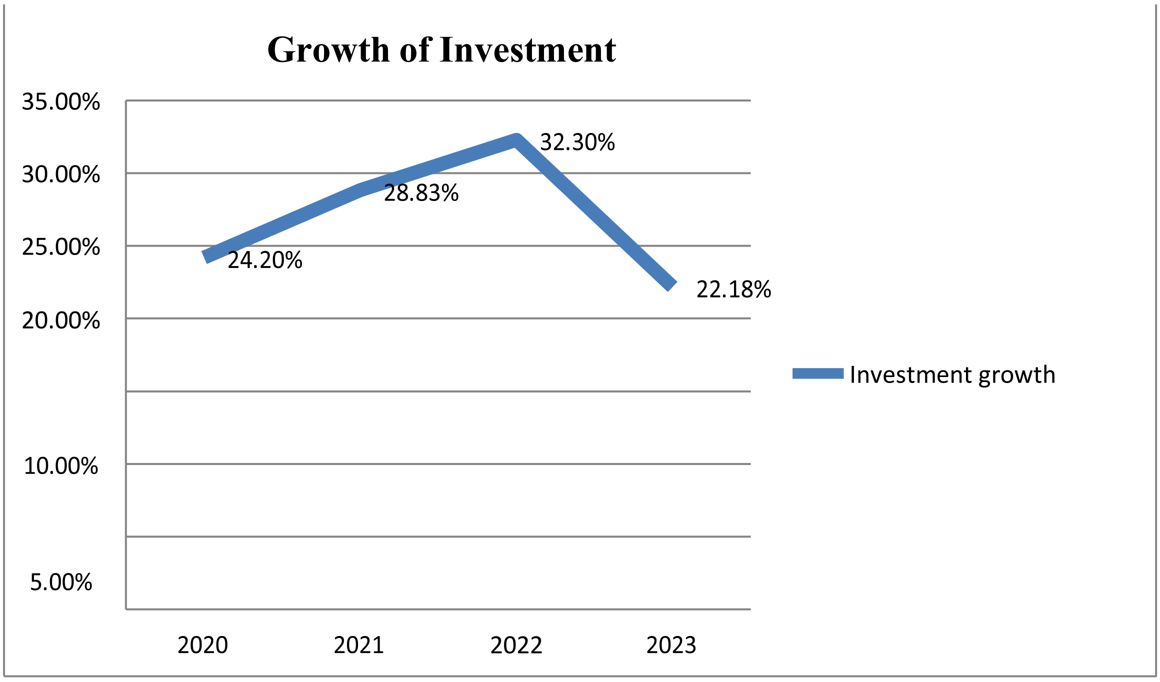


**Chart 6: Growth of Investments**

**Interpretation:** The increasing trend of Investment of SJIBL indicates a positive expansion till the year 2022, and it shows a slowing of growth rate during the year 2023. The fall in growth indicates that Investments remained high, but the year-on-year increase had fallen due to tighter credit policies, inflationary pressures, or regulatory measures by the central bank. The fall may also be a result of a cautious approach towards macroeconomic uncertainty or higher NPA in the banking system. SJIBL was able to manage its credit base strongly, although it faced an economic slowdown. The slowing growth trend indicates the need for a shift in focus towards asset classes with a greater measure of risk in order to sustain profitability. To summarize, 2023 is a stabilization period and not a contraction period, showing SJIBL's strategic caution.

**5.28 Investments (Investment) mix**

| SL. No | Modes | Amount (million) | Percentage |
|---|---|---|---|
| 01 | Murabaha | 15710.42 | 8.44% |
| 02 | Bi Muzzal | 95133.81 | 51.12% |
| 03 | HPSM | 38473 | 20.67% |
| 05 | Ijara | 2134.05 | 1.15% |
| 06 | Bi Salam | 2011.21 | 1.08% |
| 07 | Quard | 566.93 | 0.30% |
| 08 | Bills | 11547.79 | 6.21% |
| 09 | Others | 20512.29 | 11.02% |
| | Total | 186088.71 | 100% |

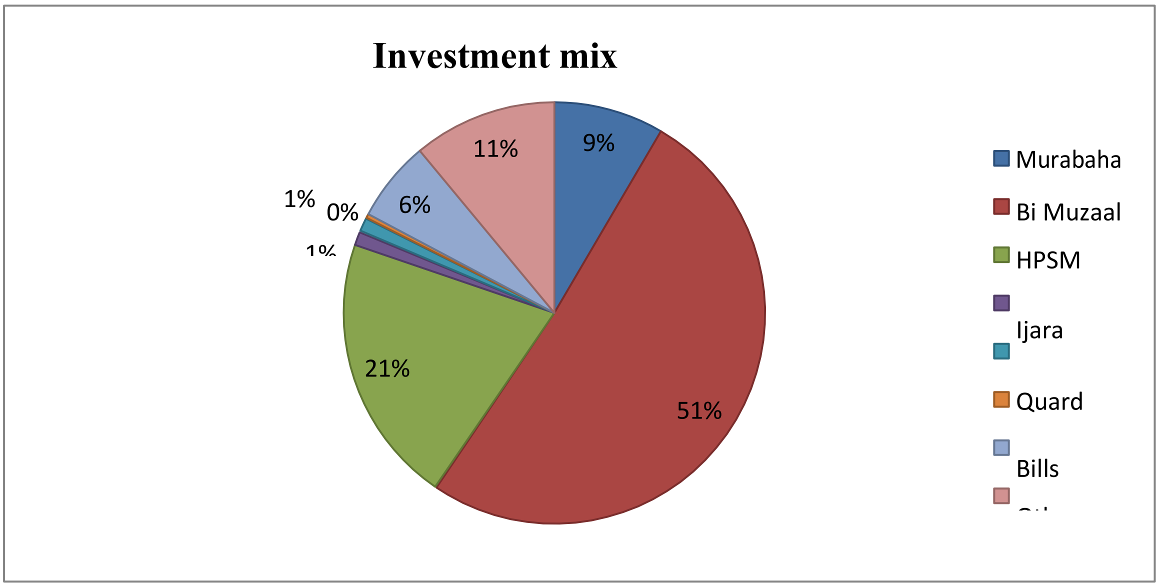


**Chart 7: Investment mix**

**Interpretation:** SJIBL's Investment mix represents a diversified portfolio across a range of Islamic financing modes. The most significant part, or 51.12%, is in Bai-Muajjal, while 20.67% is in HPSM (Hire Purchase under Shirkatul Melk) and 8.44% is in Murabaha. These goods and commodities are popular in trading and asset-based financing. The minor parts are Bills of the order of 6.21%, Others 11.02%, Ijara 1.15%, Bai-Salam 1.08% and Quard 0.30%. Through this distribution, it can be seen that the bank depends quite heavily on markup-based modes. This mode provides a steady income to the bank and is also Shariah-compliant. The information showcases a wise tactic holding a balance of profit, liquidity, and legal compliance. SJIBL shows expertise in commercial and industrial financing thanks to a strong concentration on Bai-Muajjal and HPSM. Other modes' moderate diversification indicates a level of control. Essentially, this blend first ensures risk mitigation and second, a steady income flow.

### 5.29 Rise of Non-Performing Investments

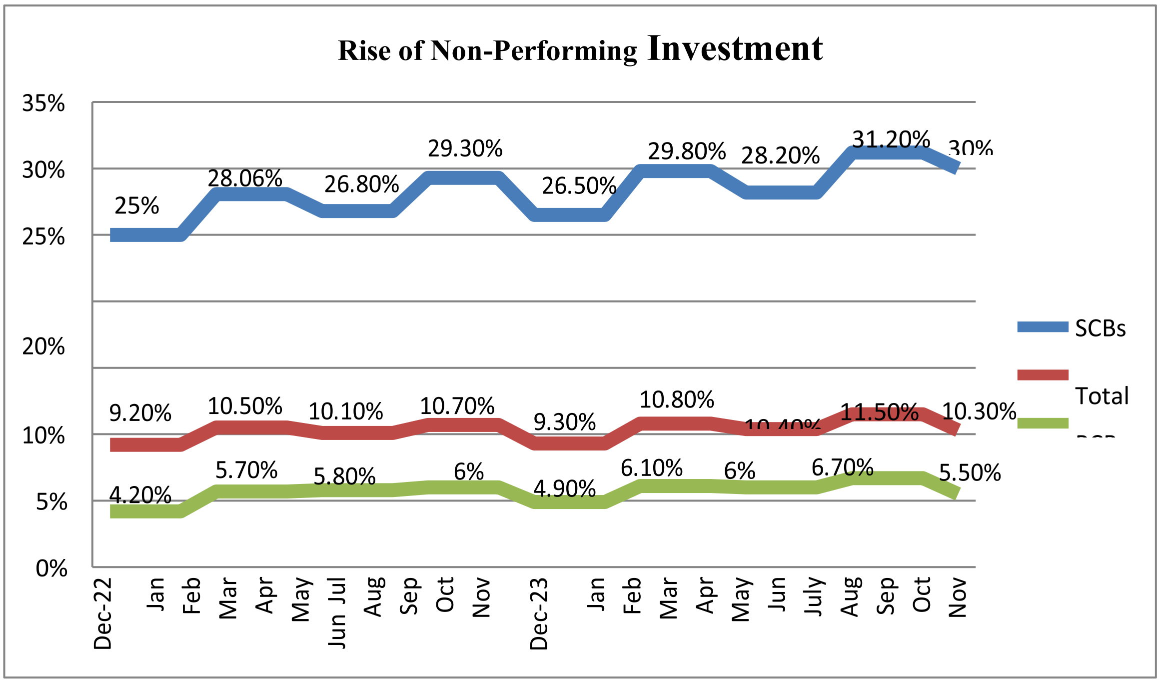


**Chart 9: Rise of Non-Performing Investments**

**Interpretation:** The gross NPLs accounted for 10.3 percent of the outstanding Investments from the banking sector at the end of 2023, which was 9.3% in December 2022. NPLs are not evenly distributed among banks. Five banks are responsible for almost half of the total NPLs. NPLs of State-owned Commercial Banks (SCBs) are 31 percent, and State-owned Development Banks (SDBs) are 22 percent. The practice of Investment rescheduling and write-offs also increased, creating further stress on banks. BB approved Investment rescheduling of BDT 191 billion in 2022 and BDT 200 billion in 2023. Notably, the NPLs are increasing despite these wholesale approvals of Investment rescheduling. Directed lending, poor risk management, and weak corporate governance led to the rise in NPL.

# Chapter 6 – Findings, Recommendations, and Concluding Remarks

## 6.1 Findings

- Shahjalal Islami Bank PLC (SJIBL) plays a vital role in accelerating economic growth through its diverse investment operations.

- Investment activities contribute significantly to the bank's overall financial performance.

- Total investments have shown consistent growth from 2019 to 2023.

- Sectoral distribution indicates:

    - 67% in the corporate sector
    - 29% in SMEs
    - 4% in retail clients

- The bank has diversified its investment portfolio to promote business expansion and support national economic development, especially for SMEs.

- SJIBL offers several Shariah-compliant investment products, ensuring ethical and Islamic financing.

- Bai-Muajjal remains the major investment mode, accounting for over 51% of total financing.

- The bank follows a comprehensive **Lending Risk Analysis (LRA)** framework and regularly checks **Credit Information Bureau (CIB)** reports to assess borrower credibility.

- A small portion of non-performing investments (NPI) still exists, indicating room for improvement in monitoring and recovery systems.

- Risk management practices are strong but could be enhanced further for better performance.

- Growth moderation in 2023 indicates cautious investment behavior due to market fluctuations.

- Corporate financing dominates the portfolio, while SME and retail sectors have lower shares but hold potential for future diversification.

### 6.2 Recommendations

Based on the above finding, the following recommendations are made for the betterment of the bank.

- **Enhance Monitoring and Recovery:**

Strengthen post-investment monitoring and recovery mechanisms to reduce non-performing investments (NPI) and ensure timely repayment.

- **Simplify Investment Procedures:**

Streamline approval and documentation processes to make them faster and more client-friendly without compromising Shariah compliance.

- **Promote SME and Retail Financing:**

Diversify further into small and medium enterprises (SMEs) and retail sectors to balance the portfolio and support broader economic inclusion.

- **Expand Shariah-Compliant Products:**

Innovate new Islamic financing products tailored to different client segments, particularly in agriculture, education, and green investments.

- **Improve Risk Management Systems:**

Upgrade analytical tools under the Lending Risk Analysis (LRA) framework for more accurate credit assessments and early warning signals.

- **Increase Staff Training:**

Conduct regular training for investment officers on modern risk analysis, Shariah compliance, and digital financing systems.

- **Leverage Technology:**

Use advanced data analytics, automation, and online platforms to track investment performance and customer behavior.

- **Strengthen Customer Relations:**

Maintain strong communication with clients to identify early repayment issues and offer tailored solutions.

- **Maintain Growth Stability:**

Adopt a balanced growth strategy to avoid overexposure in large-scale investments and ensure sustainable expansion.

- **Regular Performance Review:**

Periodically review sectoral investment performance to optimize resource allocation and align with national economic priorities.

### 6.3 Conclusion

SJIBL has merged the ethical principles of Islamic financing with the modern banking operations, achieving growth and profitability while staying within the Shariah standards. Despite the increasing NPLs and the pressure of the other banks offering similar products at lower rates, the diverse customer mix and standard products of the bank still enable it to maintain a healthy rate of growth. SBI can improve its performance through various strategic improvements in credit evaluation, technology adoption, and customer service to continue being the leader in ethical banking.

### 6.4 Academic Relevance

- Provides practical insights into Shariah-compliant banking.
- There is a connection between Islamic finance theory and banking practice.
- Explains the use of instruments such as Murabaha, Bai-Muajjal, and Ijara to finance trade, industry & consumers.
- It gives a better understanding of operational, financial, and ethical issues involved in Islamic credit.
- Islamic finance banking practice contributes to academic knowledge.

### 6.5 Organizational Impact

- Helps SJIBL enhance lending, risk assessment, and customer service.
- Looks for ways to boost efficiency and profits in operations.
- This information informs management decisions about training personnel, analyzing credits, digitizing the process, and so on.

- The bank is committed to being transparent and ethical.

### 6.6 Industry Relevance

- Examines the challenges and developments of Islamic banking in Bangladesh.
- SME financing, corporate lending, and retail Investment management are our expertise.
- Establishes standards for Islamic-compliant practices, including NPL management and pricing of Investment products.
- Brings greater financial inclusion, risk management, and customer satisfaction.

### 6.7 Lessons Learned

- Stresses on the need for ethical asset-backed financing & transparent Investment.
- It is essential to evaluate and follow the credit of your borrower to reduce risk.
- Various Investment schemes help in the development of the economy as well as society.
- Get to know exactly how banking processes work. Also, improve your professional skills in finance and management.

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