



Internship Report on

“Investment Modes and Mechanism of Islami Bank Bangladesh Limited”
A Study at Uttara Branch

Submitted to the Department of Business Administration Daffodil International
University as a partial requirement for BBA degree completion



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Letter of Transmittal

Date

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Subject: Submission of Internship Report on “Investment modes and Mechanism of Islami Bank Bangladesh Limited” -A study at Uttara Branch

Dear Sir,

I have the honor to state that, I have done my Internship report on Investment Modes and Mechanism of Islami Bank Bangladesh Limited-A study at Uttara Branch. And it is an honor to submit it to you.

I have put my best effort to prepare this report and gathered as much relevant information I could. My goal was to make the report informative to all sorts of readers. And it was indeed a brilliant experience working on this project.

I therefore, hope that you would grant my evaluation on the basis of this report and obliged thereby.

Sincerely Yours,

Asifur Rahman

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Declaration

I am Asifur Rahman, student of Daffodil International University Department of Business Administration, Hereby state that the internship report titled “Investment Modes and Mechanism of Islami Bank Bangladesh Limited-A study at Uttara Branch” is based on my internship at Islami Bank Bangladesh Limited at Uttara Branch under the supervision and guidance of Dr. S M Sohel Rana, Associate Professor, Uttara Campus, Daffodil International University.

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Asifur Rahman

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Letter of Acceptance

This is to state that Asifur Rahman, ID: 162-11-354, Department of Business Administration, Daffodil International University, has completed the internship report under my supervision. He has worked with Islami Bank Bangladesh Limited as an intern and completed the report entitled **“Investment Modes and Mechanism of Islami Bank Bangladesh Limited-A study at Uttara Breanch”** as a partial requirement for obtaining BBA degree..He has completed the report by himself. He has been permitted to submit the report.

Asifur Rahman, is a responsible, hard working personel with strong ethical character. I wish her a successful career ahead in life.

Dr. S M Sohel Rana

Associate Professor & Supervisor

Department of Business Administration

Daffodil International University

Acknowledgement

I would like to begin this report expressing my gratitude to my almighty Allah. It was a great experience working on this topic and learning about various aspect of Investment Modes and Mechanism of IBBL.

And it was great honor to work with my supervisor, Dr. S M Sohel Rana, Associate Professor, Daffodil International University. I would like to thank him from the bottom of my heart for all his support, guidance and mentoring.

I am also very grateful to the A.K.M Kaiser Alam (Senior Vice president and Head of Branch), Abdullah Hel Al Baki (Second Officer), Md. Mazibar Rahman (First Assistant Vice President & Investment In-charge), Khandakar Masudur Rahman (Principal Officer, Investment Section) of Islami Bank Bangladesh Limited (Uttara Branch) for their valuable advice and kind effort, which helped me a lot to gather all the information and data about Investment Modes and Mechanism of IBBL. Their kind cooperation made my report possible. And I would like to thank each and every one who helped me to collect data and other staff.

Executive Summary

IBBL is the first interest free Islamic Shariah based commercial bank of Bangladesh with an objective of practicing Islamic Shariah based financial services. The main objective of this report is to analyze and focus on overall Investment modes and mechanism of IBBL.

Chapter one, Where I give an introduction about my internship project. Here is where I explained the reason behind undertaking this project and have given an idea about the sources which I used to collect the data.

In chapter two, I tried to provide the historical background of IBBL. I also tried to give a clear insight about their mission, vision and corporate information.

In chapter three, I discussed about Islamic banking, conventional banking, Principles of Islamic Banking and Investment process.

In chapter four, I simply analyzed the investment modes, mechanism of IBBL. And also provide the last five years Investment performance of IBBL and IBBL Uttara Branch.

The investment of IBBL contains three mechanism such as Bai, Share and Ijarah. In last few years IBBL invested their major portion in Bai -Murabaha and Bai- Mujjal. On the basis of sector, IBBL invest their major portion in industrial and SME sector. The investment process of IBBL is slightly time consuming.

And I end the report with some recommendations and conclusion on overall Investment of IBBL.

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Chapter-01

Introductory Part

1.1 Introduction

Banking plays a major role in any country's economy. Muslim constituted more than 80% of its population in Bangladesh. Such people have strong faith in Allah and want to lead their lives according to the constructions of the Holy Quran and the way shown by the Prophet Hazarat Muhammad (Sm). But no Islamic banking system was developed here until 1983. Modern banking is based entirely on interest, commonly referred to as commercial banks. Yet Islam forbids curiosity altogether. As a result, Bangladesh's people have experienced such a non-Islamic banking system against their normal values and faith. Bank is no more than a financial intermediary. Bank works as a bridge between the depositor and the loan-taker or investment seeker. Bank-sanctioned investment or loans are the most controlling concern of bank management. Proper customer selection, the choice of correct investment option for alternative, the return of the invested money to the bank with gain are the main investment-related work. If these jobs are properly done, a bank will gain enough income to please its depositors and investors as well. Based on profit and loss sharing, the banks that are controlled by Islamic Shariah run their investment activity. Although traditional banking system, interest-based loans are approved. That is why intuition still prevails whether the Islamic banking system does well or whether the traditional banking system does better jobs. There is, of course, a certain unique distinction between Islamic banks ' investment activity and traditional banking system. Islamic banks are doing a good job compared to the traditional banking system from the perspective of our country. Islamic banks are looking for sectors that have been approved by Shariah and generating smart income. Islami Bank Bangladesh Limited does the finest job in our country among all the banks. Not only when competing with Islamic banks, but when compared with traditional banks, it is completely ahead in efficiency. That's why IBBL has a particular focus on examining its results, especially its investment.

1.2 Origin of the Study

Internship practice is part of the BBA program and I have completed my internship at Islami Bank Bangladesh Limited in Uttara Branch to complete my academic requirement. I worked in the division of investments. I completed my internship under the supervision and guidance of Dr. S M Sohel Rana, Associate Professor of Daffodil International University's Permanent Campus, and he recommended to me that " Investment Modes and Mechanism of Islami Bank Bangladesh Limited which relates to my work experience, should be the subject of my report.

1.3 Objective of the Study

Following objectives are emerged, to accomplish the broad objective

- To evaluate the overall investment Modes and Mechanism.
- To compare and analyze the investment scenario of Islami Bank Bangladesh Limited.
- To recommend actions that might be necessary to redesign the investment Modes and Mechanism of IBBL.

1.4 Rational of the Study

The internship program also offers an excellent opportunity to introduce the specific organization's culture and each intern gets the opportunity to balance their theoretical knowledge with the real life scenario. I can also expand and filter my theoretical knowledge gained during my IBBL internship during this programme. This curriculum also provides an exciting opportunity to experience and learn from an organization's employee's planning, organization, leadership, decision-making and cultural behaviour, bridging the gap between theoretical and practical experience.

1.5 Scope of the Study

This report covers IBBL as a whole's organizational structure, context, product, services and results, and the main part covers Islamic Bank Bangladesh's limited investment modes and mechanism. This study helps us understand how they interact with clients of investment and their quality of investment.

This study is only intended to collect information on investment strategies and mechanisms.

1.6 Method of the Study

This report has been prepared on the basis of experience gathered during my internship period. Within the period I accumulated information through;

- Personal observation on training and development of IBBL.
- Face to face conversation with the IBBL Uttara Branch personnel.
- Studying of different files and books.

1.7 Sources of Data

I have collected data and information for preparing this report by following methods. I have used both qualitative and quantitative for preparing this report. The data were analyzed and presented by Microsoft Excel and show graphical presentation and different charts.

All the relevant data regarding this report are collected from two sources;

Primary sources of Data

Primary data for this report had been collected through the interview, conversation & discussion with different officer in different sections. On the job observation of the officer has helped a lot to know information of banking. The executive and officer of IBBL were quite friendly & cooperative to provide information to prepare this report.

Secondary Sources of Data

I have collected lot of data and information from the following sources;

- Annual report of IBBL 2018
- Raw data from IBBL Uttara Branch
- Website of IBBL
- Books and Notes from IBTRA

1.8 Limitation of the Study

As an intern it was a great opportunity for me to know the banking activities of Bangladesh specially IBBL. But still some limitations appeared in the report which are following;

- Limitation of the report of bank policy is not disclosing some data and information for obvious reason, which could be very much useful.
- Time limitation
- Busyness of the employees.

The report has encountered these limitations that may hinder the progress of the study but with constant effort, I gave my best to minimize the negative effect of these limitations.

Chapter-02

Organizational Part

2.1 Overview of IBBL

Bangladesh inherited the interest-based banking system from the start of its birth. So we are very familiar with the interest-based banking system. But the Islamic banking era began in 1983 when the Islami Bank Bangladesh Limited was established to conduct its banking activities on the basis of Islamic Shariah law. Islami Bank Bangladesh Limited was Southeast Asia's first Shariah-based free interest bank. The Bank's corporate headquarters is located at 40, Dilkusha Commercial District, Dhaka, housed in an 18-story own modern building. The Bank's first branch was formally inaugurated on August 12, 1983 at Motijheel in Dhaka. The bank was set up as paid-up capital with Tk.67.5 million, which was increased to Tk.16, 099.91 million as of December 31, 2018. Islami Bank of Bangladesh Limited has achieved the leading position in deposit, production, export and collection of imports and remittances in all private banks.

2.2 Mission

To establish Islamic Banking through the introduction of a welfare-oriented banking system and also ensure equity and justice in the field of all economic activities, achieve balanced growth and equitable development in through diversified investment operations particularly in the priority sectors and least developed areas of the country. To encourage socio-economic upliftment and financial services to the loss-income community particularly in the rural areas.

2.3 Vision

Our vision is to always strive to achieve superior financial performance, be considered a leading Islamic Bank by reputation and performance.

- Our goal is to establish and maintain the modern banking techniques, to ensure soundness and development of the financial system based on Islamic principles and to become the strong and efficient organization with highly motivated professional, working for the benefit of people, based upon accountability, transparency and integrity in order to ensure stability of financial systems.
- We will try to encourage savings in the form of direct investment.
- We will also try to encourage investment particularly in projects which are more likely to lead to higher employment.

2.4 Corporate Information

Financial Information: [As on: 31 December 2018]

	BDT (Tk.)
Authorized Capital	20,000 million
paid-up Capital	16,099.91 million
Equity	69,618.58 million
Reserve Fund	37,186.41 million
Deposits	822,573.12 million
Investment (including Investment in Shares)	847,370.63 million

	BDT (Tk.)
Foreign Exchange Business	
Import	399,816 million
Export	251,592 million
Remittance	275,212 million

Organizational Information:

Chairman, Board of Director	Prof. Md. Nazmul Hassan, Ph. D
Managing Director & CEO	Mr. Md. Mahbub-ul-Alam
Company Secretary	J. Q. M. Habibullah, FCS

Number of Zones	17
Number of Branches	364
Number of AD Branches	59
Number of ATM Booth	621
Number of Shareholders	33,686
Number of Manpower	11,381

Chapter-03

Theoretical Part

3.1 Concept of Bank

A bank is a financial establishment that stores, invests, and lends out money. Banks make money by giving out loans at higher rates than the cost of the money itself. More specifically, they are collecting interest, or the agreed upon fee paid for the use of the bank's money.

A bank gets its capital primarily from deposits. Deposits are sum that customers give to the bank for safekeeping to be used in the future. Since customers reserve the right to withdraw this money at any given time, the interest rate that the bank pays the customer is considerably lower than the interest rate that the bank charges someone who accepts a loan from the bank.

3.2 Concept of Islamic Banking

Islamic banking refers to a banking or banking system compatible with Islamic law (Shariah) principles and its practical application by Islamic economic development. Shariah forbids payment of charges for leasing money on specific terms, as well as investing in companies that provide goods or services that are considered to be contrary to its values. While these principles were used in earlier times as the basis for a thriving economy, a number of Islamic banks were established only in the late 20th century to apply these principles to private or semi-private commercial institutions within the Muslim community.

3.3 Definition of Islamic Bank

Islamic Banking has been defined in a number of ways. The definition of Islamic Bank, as approved by the General Secretariat of the OIC, is stated in the following manner.

“An Islamic Bank is a financial institution whose statutes, rules and procedures expressly state its commitment to the principles of Islamic Shariah and to the banning of the receipt and payment of interest on any of its operations” .

Dr. Ziauddin Ahmed says- “Islamic Bank is essentially a normative concept and could be defined as conduct of banking in consonance with the ethos of the value system of Islam”.

3.4 Special Characteristics of Islamic Banking

- Avoidance of interest (Riba).
- Obedience to public interest.
- Multi-purpose bank.
- More careful evaluation of investment.
- Islamic banking for equitable distribution of resources.
- Risk Sharing.
- Emphasis on Productivity, not on Credit Worthiness.

- Moral Dimension.
- Stability of Banking system.
- There is no speculative transaction.
- In built Green Banking.
- Financial Inclusion (Banking for all, no class Banking) .

3.5 Objective of Islamic Banking

- To conduct interest free Banking.
- To set up a participatory banking system.
- Invest in various ways allowed under Islamic Shariah.
- To establish a system of welfare-oriented banking.
- To support the needy and the low-income.
- To play a vital role in the creation of human development and jobs.
- Contribute to sustainable development and growth.
- Contribute to achieving Islamic economic system's ultimate goal.

3.6 Major Principles of Islamic Banking and Finance

Islam is a religion that not only focuses on the afterlife success, but also perfectly organizes a person's life. Islamic rules are called Shariah, which means a clear path. Islam has set values and goals that satisfy all of human life's economic and social needs. In the current banking system, it is counter to Islamic Banking standards. Due to the reasons, here we discuss the seven major principles of Islamic Banking and Finance;

I. Profit and Loss Sharing

It is one of the best Islamic finance concepts where the partners share their profit and loss depending on the role they have played in the sector. On the basis of returns, there will be no guarantee that the Muslims will play the partner and not a credit.

II. Shared Risk

The Islamic banking promotes risk sharing in economic transactions. When two or more parties share the risk, the risk will be divided and reduced in the parties according to the principles of the Islamic banking burden. It will thus improve the state's economic activity.

III. Riba

It can be regarded as a prohibition of interest;

- omitting any threat or effort, the wealth will get the return.
- Irrespective of the result of the economic activity, the person who receives the loan must return the money and the riba to the lender.
- It is unfair to take advantage of the issues faced by others in Islamic banking values.

IV. Gharar

Muslims are not allowed to participate in the vague and unclear transactions according to Islamic finance principles. All parties should have proper control over the company in compliance with Islamic law. It should be shared with both parties as well as the complete information so that profit and loss are shared equally.

V. Gambling

In Islam, it is illegal to acquire wealth through evil means or to engage in gambling. It will defend Muslims against traditional insurance products as this is a kind of gambling. Islamic banking, on the other hand, deals with Takaful involving collective liability and shared risks.

VI. No investment in prohibited industries

The industries that are harmful to society or have a threat to the society responsibilities are prohibited in Islam. They include;

- Pornography
- Prostitution
- Alcohol
- Pork
- Drug

According to the Islamic finance principles, you are not allowed to invest in such industries. You cannot even participate in the mutual funds that will help the industry to flourish.

VII. Zakat

In Islam's law, there is a property tax that is known as a Zakat, which provides for a fair distribution of wealth. The fair amount of Zakat is deducted from Muslim accounts in the holy month of Ramadan according to the Islamic banking rules. Islamic banks are fostering this social responsibility and allocating the amount to the poor.

3.7 Difference between Islamic Banking and Conventional Banking

Islamic Banking	Conventional Banking
The functions and activities are based on the principles of Islamic Shariah.	The functions and activities are based on the man-made principles.
It makes profit subject to Shariah restriction.	It makes profit without any restriction.
Its collect and distribute zakat.	It does not deal with zakat.
It promotes risk sharing between provider of fund and the user of fund.	Here the investor is assured of a predetermined rate of interest.
The Islamic banks have no provision to charge any extra money from the defaulters.	It can charge additional money in case of defaulters.
Islamic bank give greater emphasis on the viability of the project.	Conventional banks put greater emphasis on customers ' creditworthiness.
Islamic Bank's position with respect to its customers is that of partner investors and broker.	A traditional bank's status with respect to its customers is that of lender and borrower.

3.8 Islamic Bank vs Interest Free Bank

Islamic bank follow a banking system where interests are not used and also their operations and activity are based on Islamic Shariah. That means they are making profit by following Islamic Shariah.

Interest free bank follow a banking system where interests are not used. In this system, bank do not offer a fixed rate of return on deposits and do not charge interest on loans.

3.9 Investment process of IBBL

Generally speaking, a bank takes several measures to provide the customer with its planned investment. But it takes a deep study of the system. Because banks are investing in depositors, not in their own funds. If the bank fails to satisfy the demand of the depositor, it will have to collapse. Therefore, every bank will concentrate strongly on the investment proposal. Nonetheless, by successfully taking the following critical steps, IBBL makes its investment decision;

In this case, investor (client) approaches any of IBBL's branches. Then he talks about the manager (investment) or the respective officer. Second, bank is considering the client's five C's. Upon successfully completing the customer-bank consultation, bank selects the customer for their proposed investment. It should be remembered that before making use of investment, the consumer must comply with the regulations of the bank. In general, the following five C's of the client were evaluated by the bank;

- Character
- Capacity
- Capital
- Collateral and
- Condition



Chapter-04

Investment Modes and Mechanism of IBBL

4.1 Investment Modes and Mechanism

Bai Mechanism

- Bai-Murabaha
- Bai-Muazzal
- Bai-Salam
- Istishna

Share Mechanism

- Musharaka
- Mudaraba

Ijarah Machanism

- HPSM Commercial
- HPSM Industrial
- HPSM Agricultural
- HPSM Transport

The above modes and mechanism of Islami Bank is approved by Islamic Shariah and Bangladesh Bank. These Modes and mechanism are described in below;

4.1.1 Bai (Trading, Buy and Sale) Mechanism

(a) Bai-Murabaha:

The terms “Bai” and “Murabaha” have been derived from Arabic words Murabaha and Bai. The word Bai means purchase and sale and the word Murabaha means a in cash. So Bai-Murabaha means sale for which payment is in cash or in future fixed date or within a fixed period. In short, it is a sale on cash.

Bai-Murabaha defined as a contract between a buyer and seller under which the seller sells certain specific goods (permissible under Islamic Shariah and law of land). To the buyer at a cost plus agreed profit payable in cash or on any fixed future date in lump-sum or by instalments. The profit marked-up may be fixed in lump-sum or in percentage of the cost price of the goods.

Features of Bai Murabaha

- There are three parties in banking Murabaha (Purchaser, Bank and Supplier)
- The customer offers an order from the bank to purchase specific goods.
- It is important to sign and file the Murabaha Agreement at the time of disbursement.
- The cost of the goods sold and the profit mark-up shall be specified in the agreement separately and clearly.
- The bank may authorize any third party or customer to purchase and receive the goods on behalf of the bank.
- Collateral protection may be removed from the client.
- The risk must be borne by the bank until the goods are delivered to the customers.

Steps of Bai-Murabaha Practiced by Islami Bank

- Submission of proposal from the client
- Signing a promise by the client to purchase
- The first sale contract
- Signing of Murabaha sale Contract
- Delivery and receipt the commodity

(b) Bai-Muajjal

The term “Bai” and “Muajjal” have been derived from Arabic word Ajal and Bai. The word Bai means buying and selling and the word Ajal means a fixed time or a fixed period. Hence, Bai-Muajjal means selling for which payment is made on a certain future date or within a fixed period. In short, it's a cash deal.

Bai-Mujjal defined as a contract between the purchaser and the seller under which the seller sells certain specific goods (permissible under Islamic Shariah and country law) to the purchaser at an agreed fixed price payable at a specified future date in lump-sum or fixed installments. The seller may also sell the goods purchased by him as per order and specification of the buyer.

Features of Bai-Muajjal

- It is appropriate for the customer to give an order for the purchase by the bank of certain products to determine its quality and to undertake to purchase the same from the bank on Bai-Muajjal i.e. deferred payment selling at fixed price.
- Keeping the promise binding on the consumer to buy from the bank is appropriate, i.e. either to fulfill the promise or to recognize the damage caused by breaking the promise without justification.

- Cash / collateral protection may be taken in order to guarantee the execution of the contract or to define the damages.
- The debt arising from Bai-Mujjal may be reported by a guarantor or a loan.
- The bank must bear the risk of goods until they are actually delivered to the consumer after the purchase of goods.
- Different items must be shipped by the bank to the customer on a specific date and at a specific place of delivery as per the contract.
- The bank can sell the goods for profit at a price higher than the purchase price.
- Once the value has been set and postponed, it can not be raised further.

(c) Bai-Salam

The terms Bai and Salam have been derived from Arabic word Bai and Salam. The word Bai means selling and buying, and Salam means advance. So Bai-Salam means selling and purchasing in advance.

Under this system, Bank will contract with the customer for the executive purchase and pay against the purchase of the item under production process. After making any investment showing cost, value, quantity, time, place and delivery mode, Bai-Salam contract will be executed. Negotiating the benefit. The fee as the price of the goods shall be made on the spot at the time of the transaction and the goods shall be deferred.

Features of Bai-Salam

- Generally speaking, in the Bai-Salam mode of investment, industrial and agricultural goods are purchased / sold in advance to infuse finance so that development is not hampered by a lack of funds.
- It is appropriate to receive collateral from the seller's customer to protect the investment against any hazards such as the non-supply / partial supply of commodities, the supply of low-quality products, etc. Bai-Salam may not be affected by a specific commodity / product or by a product of a particular field or business.
- A loan or personal guarantee from a third party may also be provided as protection prior to the signing of the agreement or at the time of the signing of the agreement.
- It is also permissible to obtain a mortgage or personal guarantee from a third party as security before the agreement is signed or at the time the agreement is signed.

(d) Bai-Istishna

The Istishna has been derived from the word Istishna which means industry or manufacturing enterprise. Istishna means to goods manufactured by placing orders to a manufacturers.

Istishna is a contract between a manufacturer/seller and a buyer under which the manufacturer/seller sells specific product after having manufactured, permissible under Islamic Shariah and law of the country after having manufactured at an agreed price payable in advance or by instalments within a fixed period or on/within a fixed future date on the basis of the order placed by the buyer.

In short, it is a contract with a manufacturer to make something.

Features of Istishna

- Istishna is an extraordinary investment mode allowed by Islamic Shariah in which it is possible to sell the item without getting the same. If the item is ready for sale, in Shariah Istishna is not allowed. Then it can be done either in investment mode Bai-Murabaha or Bai-Muajjal. Deliveries of goods are delayed in this mode and price payment may also be postponed.
- It sometimes makes it easier for the manufacturer to get in advance the price of the goods that it can use as capital to produce the goods.
- This offers the customer the opportunity to pay the price on certain future dates or installments.
- It is a binding contract and no party is permitted to cancel the Istishna contract after the price has been paid and obtained in full or in part or the work has been initiated by the producer.
- Istishna is practiced in the mining and manufacturing sectors in particular. In the agricultural and construction sector, however, it can also be used.

4.1.2 Share Mechanism (Participatory Modes)

(a) Mudaraba (Profit sharing loss bearing mode)

The word Mudaraba has been derived from the Arabic word Darb/Darban. This means movement to win Allah's rahmat. Mudaraba is a business relationship that provides resources to one party and expertise and labor to the other. The capital provider is called Shahib al-maal, while the skill and labor provider is called Mudarib.

Mudaraba described as a partnership contract where, by contributing his labor, the Shahib al-maal provides the Mudarib with capital to invest it in a commercial enterprise. The two parties share the income in accordance with the negotiated ratio and the costs, if any, are borne by the fund provider i.e. Shahib al-maal except where it is due to breach of trust, i.e. misconduct, breach of the Mudarib's terms and conditions. If there is any loss incurred due to the reasons mentioned above, the Mudarib becomes liable for that.

Features of Mudaraba Mode Investment

- There should be two parties; Mudarib (skill provider) is Shahib al-maal (fund provider) and businessman.
- Written agreement / contract should be entered into between the bank and the businessman, which includes the nature of the business, the period, the sharing of profits, etc.
- The bank will not interfere with the business.
- The businessman will assign an employee and independently manage the business.
- Shahib al-maal (fund provider) reserves the right to check / check the company's account at any time.

(b) Musharaka Mode of Investment (profit and loss sharing mode)

The word Musharaka is derived from Arabic word Sharika meaning partnership. Musharaka defined as a partnership contract between two or more individuals or entities in which all of the partners contribute capital, participate in the management, share the profit in proportion to their capital or in proportion to their pre-agreed ratio and bear the loss, if any, in proportion to their capital / equity ratio.

In IBBL, the bank may participate in a business with its customers, where both customers and the bank provide fixed assets, participate in the management of the business and share the gain in proportion to their respective ratio or pre-agreed ratio, and bear the loss, if any, in proportion to their respective capital / equity ratio.

Features of Musharaka Mode of Investment

- Capital should be specific
- Equal share is not must
- Nature of capital may be money or valuable
- Active participation of the partner
- Business record is to be maintained
- Profit is shared as per agreed ratio
- Loss must be bear as per equity ratio

4.1.3 Ijarah Mechanism

HPSM (Hire Purchase under Shirkatul Melk)

Hire Purchase under Shirkatul Melk is a special type of contract which has been developed through practice and approved in Shariah. Actually, it is a combination of three contract;

- Shirkat
- Ijarah and
- Sale

Hire Purchase: It is contract between two parties , one is lessor and another one is lessee to acquire a rentable asset but the lessor and for taking the services of the assets by the lessee.

The lessee pays rent plus principal for getting the ownership of the asset.

Shirkatul Melk

Shirkat means partnership. Melk means ownership. When two or more persons supply equity, purchase asset and own the same jointly and share the benefit as per agreement and loss proportion to their respective equity, the contract is called Shirkatul Melk.

Ijarah

The term Ijarah has been derived from the Arabic word Ajr which means consideration, return, wages or rent. It is a lease agreement under which a certain asset is leased out by the lessor (bank) to a lessee (customer) against specific rent or rental for a fixed period.

Sale

This is an agreement between a buyer and a seller under which the seller transfers ownership of certain products or property to the purchaser at agreed price charged / to be paid by the purchaser.

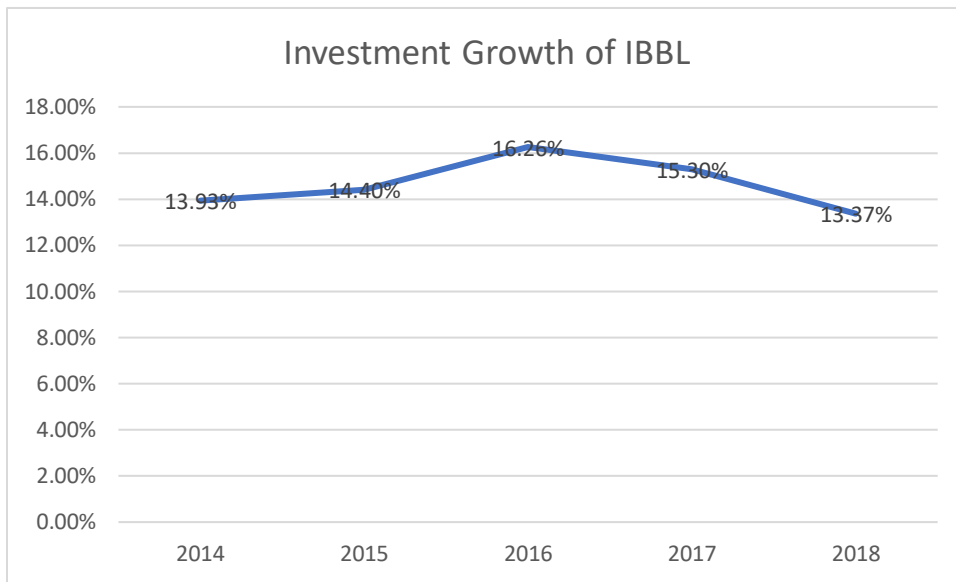
In hire Purchase under Shirkatul Melk style for the purchase of an asset such as land, house, machinery, transportation etc., the bank and the company supply equity in equal or unequal proportion. Buy the asset with that equity cash, share the gain as per the arrangement, and bear the loss in proportion to their equity.

4.2 General Investment of IBBL

A bank's investment operation is of vital importance as it produces the largest share of total income, creates maximum uncertainty in it, and the institution's success depends mostly on the portfolio of prudent investment management. The key driver in IBBL's overall success has remained since the start of the bank investment portfolio. Being a Shariah-compliant welfare-oriented financial institution, IBBL has a diverse portfolio of well diversified and multi-faceted investment to meet the needs of millions of customers and stakeholders. The bank's five-year business plan (2017-2021) is underway. The investment plan was designed with due regard to national economic objectives and investment portfolio diversification by scale, industry, geographic area, economic purpose, bonds, administrative division and modes. The year 2018 saw landmark milestones in key business areas and marked further improvements to contribute to the country's national economy. The bank's overall total investment stood at tk. 805,760 million from tk. as at 31/12/2018. As at 31/12/2017, 710.729 million showed an increase in tk. 95.031 million, 13.37 percent year-on-year rise.

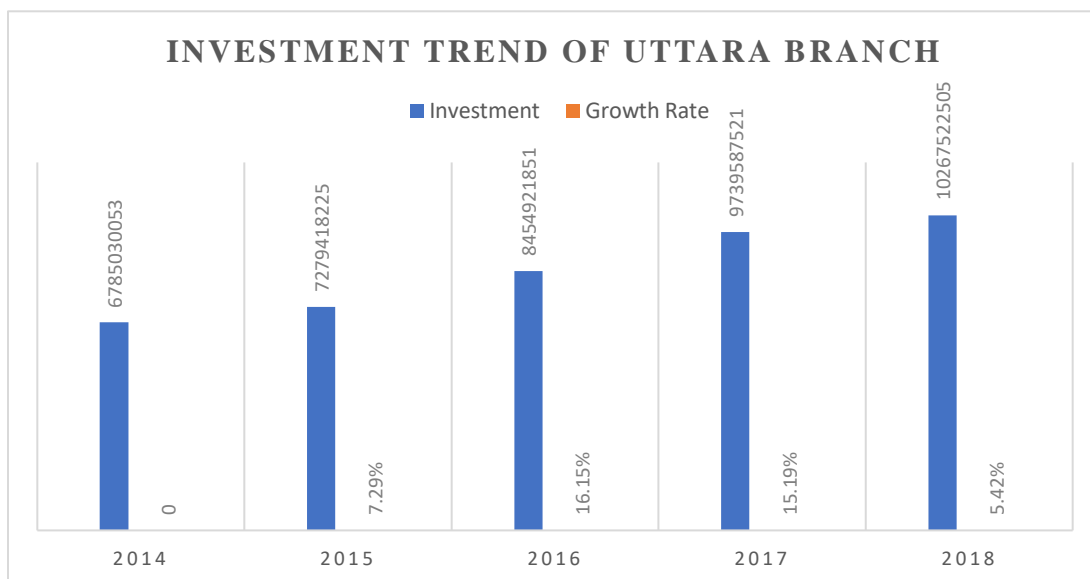
Particulars	2014	2015	2016	2017	2018
Investment (in million)	463475	530194	616422	710729	805760
Growth	13.93%	14.40%	16.26%	15.30%	13.37%





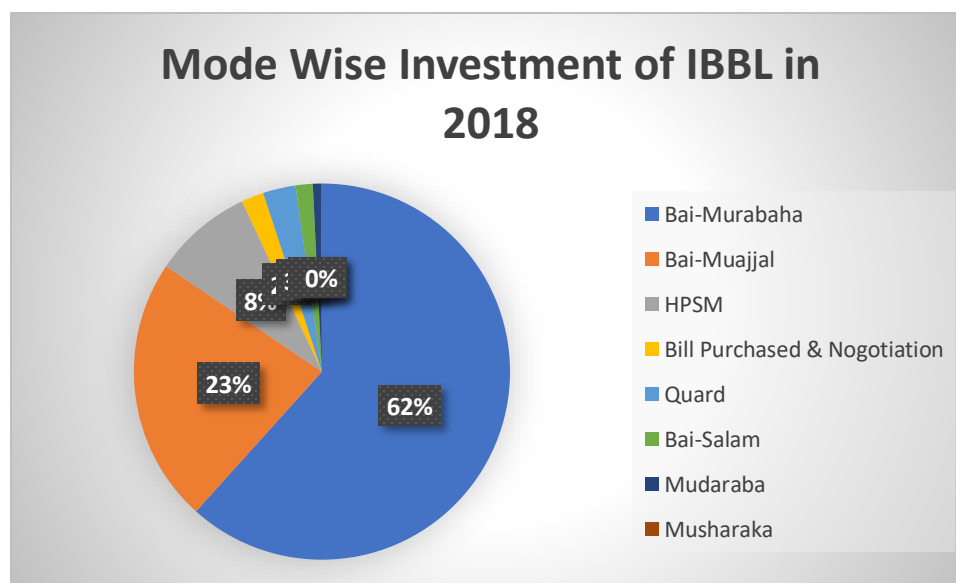
Last five years investment of IBBL Uttara Branch

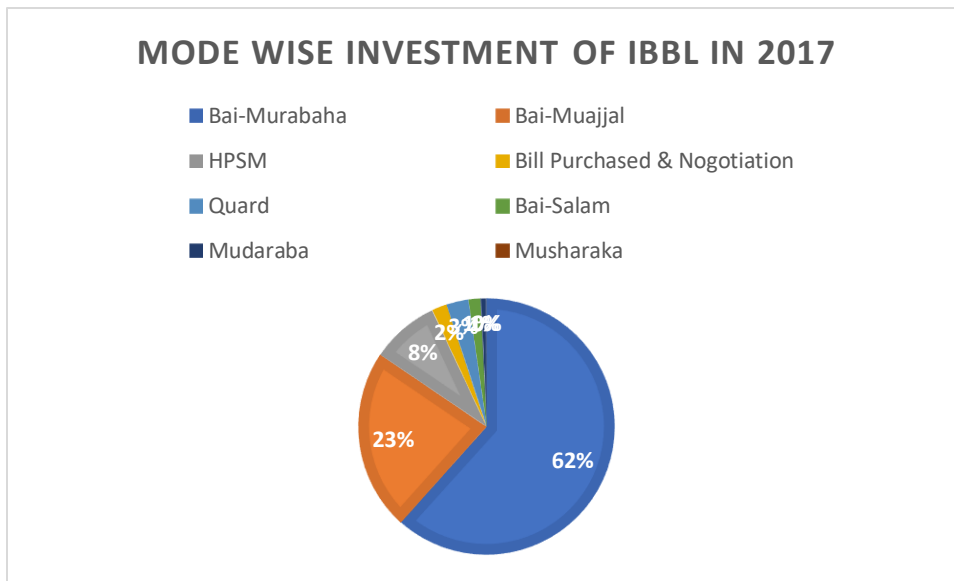
Particulars	2014	2015	2016	2017	2018
Investment	6785030053	7279418225	8454921851	9739587521	10267522505
Growth Rate	0	7.29%	16.15%	15.19%	5.42%



4.3 Mode Wise Investment of IBBL

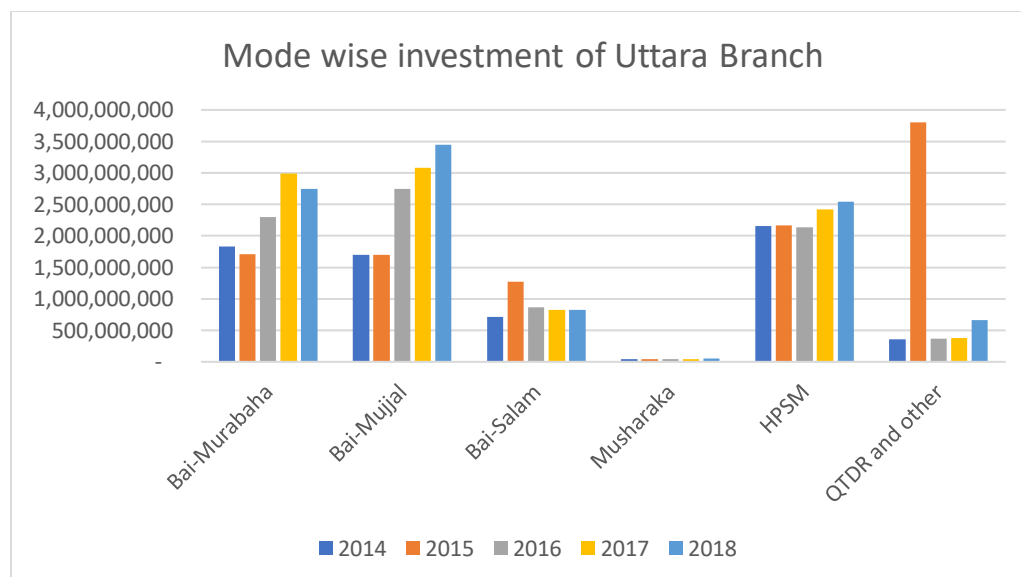
Modes	2018		2017	
	Amount	% to Total Investment	Amount	% to Total Investment
Bai-Murabaha	497,231	61.71%	438,281	61.67%
Bai-Muajjal	188,992	23.46%	161,985	22.79%
HPSM	55,015	6.83%	60,789	8.55%
Bill Purchased & Nogotiation	20,764	2.58%	13,704	1.93%
Quard	27,815	3.45%	19,983	2.81%
Bai-Salam	10,733	1.33%	10,477	1.47%
Mudaraba	4,700	0.58%	5,000	0.70%
Musharaka	510	0.06%	510	0.07%
Total	805,760	100.00%	710,729	100.00%





4.4 Mode Wise Investment of IBBL Uttara Branch (2014-2018)

Mode	2014	2015	2016	2017	2018
Bai-Murabaha	1,828,109,384	1,712,006,192	2,299,252,230	2,985,018,194	2,743,199,177
Bai-Mujjal	1,698,591,676	1,700,780,839	2,743,454,278	3,079,804,123	3,448,542,705
Bai-Salam	710,191,803	1,274,934,263	866,322,107	826,500,298	820,226,585
Musharaka	40,010,000	41,445,026	40,725,945	46,354,908	51,526,677
HPSM	2,151,684,078	2,170,477,658	2,136,497,077	2,422,723,187	2,538,798,829
QTDR and other	356,443,112	3,799,774,252	368,670,213	378,971,967	665,228,532

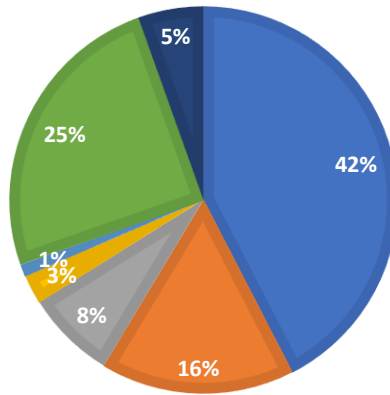


4.5 Sector Wise Investment of IBBL

Sector	2018		2017	
	Amount	% to Total Investment	Amount	% to Total Investment
Industrial	341,938	42.44%	258,867	36.42%
Commercial	130,352	16.18%	52,552	7.39%
Real Estate	60,611	7.52%	50,626	7.12%
Agriculture	19,754	2.45%	16,944	2.38%
Transport	8,427	1.05%	8,374	1.18%
SME	200,815	24.92%	290,869	40.93%
Others	43,863	5.44%	32,497	4.57%
Total	805,760	100.00%	710,729	100.00%

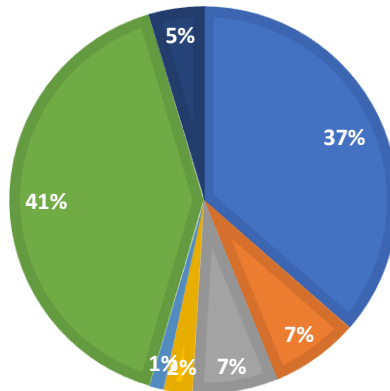
SECTOR WISE INVESTMENT OF IBBL IN 2018

■ Industrial ■ Commercial ■ Real Estate ■ Agriculture ■ Transport ■ SME ■ Others



SECTOR WISE INVESTMENT OF IBBL IN 2017

■ Industrial ■ Commercial ■ Real Estate ■ Agriculture ■ Transport ■ SME ■ Others



4.6 Findings

The main objective of the report is to analyze the investment activities of Islami Bank Bangladesh Limited (IBBL). The study of investment activities of Islami Bank Bangladesh Limited reveals the following major findings:

- The investment of IBBL contains three mechanism such as Bai, Share and Ijarah.
- In last few years IBBL invested their major portion in Bai -Murabaha and Bai- Mujjal.
- On the basis of sector, IBBL invest their major portion in industrial and SME sector.
- The investment process of IBBL is slightly time consuming.

4.7 Recommendation

Putting recommendations is very complex for me with my short internship experience & knowledge but with my petty knowledge I am sharing some of my views on some areas where bank can take measures. Though Islami Bank Bangladesh Ltd. (IBBL) is performing well, it has some crucial areas to improve which are prescribed below:

- Islami banks in Bangladesh may expand their network in other divisions by expanding branches.
- IBBL should to make investment process easier than other conventional banks.
- It's a modern era in banking. Each commercial bank is using technological innovations properly. To keep pace with modern times, IBBL needs to use these modern technologies.
- IBBL should to decrease the time of investment processing.

4.8 Conclusion

Islam is a religion of peace and a complete code of life as well. The inspiration of God extends throughout all areas of our lives. Islam has given our economic life comprehensive guidelines. Therefore, IBBL is trying to establish the society's highest happiness by upholding Islamic Shariah morality that is focused on "Quran" and "Sunnah." IBBL has been the leader in welfare banking in this subcontinent since 1983 and is trying to do all of its activities to increase its depositors. For the greater interest of the depositors, IBBL's investment strategy is to invest according to Islamic Shariah's values and guidelines on the basis of benefit and loss sharing. Profit earning is not only the banks ' investment policy's purpose and goal, but emphasis is placed on promoting social good and generating job opportunities.

IBBL's ideology is not secular. IBBL does not finance any initiative that runs counter to Islam's moral value system. IBBL does not find the entrepreneur's credit worthiness exclusively. IBBL only earns a return if the project is successful and yields income. IBBL takes into account the soundness of the entrepreneur's project and business acumen and managerial skills. Consequently, IBBL's return on investment is higher than traditional banks.

Every day IBBL partners with other traditional banks in their banking. There is no Islamic climate in Bangladesh. Maintaining IBBL-based Shariah-based banking activities is one kind of problem. Even though IBBL faces some issues. Day after day, it has a bright future. It is improving its financial modes throughout the world.

Finally, it can be said that, in order to conduct interest-free banking, IBBL was founded to establish participatory banking rather than debtor-creditor relationship. And I think IBBL will be successful in continuing its operations.

4.9 Bibliography

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