



## Internship Report

on

# “Investment Mechanisms of Islami Bank Bangladesh Limited. A Study on Mirpur Branch”



### Submitted To

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## LETTER OF TRANSMITTAL

Sabrina Akhter  
Assistant Professor (Finance)  
Department of Business Administration  
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Daffodil International University

Subject: Submission of internship report on Islami Bank Bangladesh Limited.

Dear Madam,

I have completed the Internship Report that is required to be submitted as a condition of completing the B.B.A. Program and earning my degree. "**Investment Mechanisms of Islami Bank Bangladesh Limited**" is the title of my report.

It is based on my two-month attachment at Islami Bank Bangladesh Limited. I have written this report on the basis of the material gathered throughout the internship term; I have written this report to share my findings on IBBL's performance analysis. If you would accept my report on the above-mentioned subject, it would be greatly appreciated.

I trust you will find the report to be satisfactory. I have put forth my best efforts in the creation of this report, and I would really appreciate it if you could provide any feedback on it, particularly about any necessary rectifications.

Sincerely Yours

Ahmed Madani


ID: 181-11-5748

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## Certification of Supervisor

This is to certify that an internship report on Investment Mechanisms of Islami Bank Bangladesh Limited has been successfully prepared by Ahmed Madani , ID: 181-11-5748 , Major in Finance, Daffodil International University under my supervision. He has done this report as a partial requirement of for obtaining the degree of Bachelor of Business Administration.

I have gone through the report and found it a well report. He has completed the report by himself. I wish him every success.

 31/10/2022

.....  
Sabrina Akhter  
Assistant Professor  
Department of Business Administration  
Faculty of Business and Economics  
Daffodil International University

Date:

## Student's Declaration

I, Ahmed Madani, ID: 181-11-5748, a student of Department of Business Administration, hereby declare that, the report titled "**Investment Mechanism of Islami Bank Bangladesh Limited**" is prepared by me under the supervision of Sabrina Akhter, Assistant Professor, Department of Finance, Daffodil International University (DIU), after two months of internship at the Mirpur Branch of Islami Bank Bangladesh Limited.

I also declare that this report is my original work based on my experience and was written for academic purposes as part of the BBA program.

 01/10/22

.....  
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## Acknowledgment

I am delighted to have this chance to express my gratitude to the individuals who have contributed ideas, viewpoints, and assistance to the preparation of this report, as well as to those who have enhanced this report.

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Particularly grateful to A.K.M Abu Siddiqui, Senior Vice President and, Islami Bank Bangladesh Limited Mirpur Branch, who have helped me tremendously.

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## Executive Summary

This report's primary goal is to describe Islami Bank Bangladesh Limited's investment mechanism. Investments are a bank's top priority among all of its operations because they are the main source of revenue. Although deposits are a bank's main source of income, they are expensive. The bank must put its deposits into various ventures in order for the company to be profitable. The "Modes & Schemes of Investment of IBBL" are covered in this paper. A financial institution is referred to as an "Islamic bank" if its status, policies, and practices explicitly reflect its adherence to the "Islamic Shariah" principle and prohibit the collection or payment of interest on any of its transactions. On March 30, 1983, the bank opened for business with a significant contribution from international business owners. In accordance with Islamic Shariah, IBBL mobilizes deposits on a Mudaraba (Profit Sharing) and Al-Wadiah (Current Account) basis. The IBBL invests its funds in accordance with various ways of financing or investment as prescribed by Islamic Shariah for the better use of the depositors' funds. The majority of IBBL's investments are made on the Bai-Mode (Buying & Selling). In this arrangement, IBBL sells the clients the specified commodities at cost plus a predetermined profit or at a negotiable price payable after a predetermined amount of time. The optimum forms of IBBL in addition to Mudaraba and Musharaka (partnership) (profit sharing & loss bearing). IBBL divides company profits and losses with the client in Musharaka. In Mudaraba, IBBL splits the profit with the client and takes full responsibility for any losses. IBBL typically invests in according to the following modes: Bai-Murabaha (52.36%), Bai-Muajjal (6.09%), Bai Salam (0.80%), Higher Purchase under Shirkatul Melk (HPSM) (34.69%), and Musharaka (0.1%). Additionally, IBBL makes significant investments in the industrial sector, which is crucial for Bangladesh as a developing nation. IBBL also invests heavily in real estate and rural development projects. Additionally, it performs mass banking, something other banks do not, and as a result, it is a very well-liked bank in our Comparing IBBL's annual revenue to that of other commercial banks, it is enormous. However, in several areas, it lacks highly qualified human resources. Lack of aggressive promotion in IBBL IBBL's IT capabilities are not up to par. The branch's computer systems are outdated, insufficient, and some of them even malfunction when they are most required. The bank does not have a reliable Internet connection with a large enough capacity. IBBL should therefore develop information technology to provide improved customer service and support communication with the outside world. In other words, such a system assumes a global society imbued with the cooperative spirit, sense of brotherhood at all levels, and spirit of Islam.

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## CHAPTER: 1

# Introduction of the Report

## 1.1 Introduction of the Study

One of the leading banks in Bangladesh is The Islami Bank Bangladesh Limited. On March 13th, 1983, Islami Bank entered the marketplace. IBBL currently has 361 branches and over 17000 employees in Bangladesh. They receive remittance from 29.1% of all banks combined. IBBL had a total of 63.09% foreign and 36.91% local shareholders. IBBL operates 621 ATMs nationwide in Bangladesh. Owing to the ban on showing interest in Islam. Islami Bank forbade the practice of taking interest. IBBL has grown to be Bangladesh's largest private commercial bank. For the basis of investment profit and loss sharing, they have unique characteristics. The shariah-compliant investment agreement. We are aware that this bank is the largest Islamic bank in Bangladesh. This bank was listed on both the Chittagong Stock Exchange (CSE) and the Dhaka Stock Exchange (DSE).

## 1.2 Background of the study

This is a requirement for the Daffodil International University (DIU). I work for the Islami Bank Bangladesh Limited for two months to finish my practical training. I required an internship program because it was a requirement for my bachelor's degree. This report was created using the practical knowledge and work experience I gained through the IBBL intern program.

## 1.3 Scope of the Study

The investment technique used by Islami Bank Bangladesh Ltd. is the only subject of this study. Islami Bank Bangladesh Ltd. currently has 352 branches spread out across the entire nation. There are 59 Authorized Dealers among them who are in charge of overseeing remote trade exercises and outside exchanges. In Bangladesh, there are 57 banks operating, including 54 business banks and 3 specialized banks.

## 1.4 Objectives of the Study

The report's primary goal is to practically support the theoretical understanding of Islami Bank Bangladesh Limited's Modes of Investment and Mechanism (IBBL). In this study, there are clear differences in the investing strategies used by Commercial Bank and Islami Bank to draft a report on IBBL's investment modes and mechanism. For this, various Islami Bank investment mechanisms and modes of operation have been investigated.

- To find out the investment activities of Islami Bank Bangladesh Ltd (IBBL)
- To know about the investment mechanism of IBBL
- To evaluate the financial performance of investment activities of IBBL
- To suggest some observation to improve the investment mechanism of IBBL

## 1.5 Methodology of the Study

Both primary and secondary sources of information have been used to compile the material. Generally speaking, primary sources involve evaluations, customer meetings, or individual association executives. Sites, diaries, magazines, annual reports, flyers, records, and organizers are examples of secondary sources of information.

### **A. Primary sources:**

- Official records;
- Face-to-face interactions with customers and officials;
- Practicum for professionals;
- Informal gatherings with exporters;
- Counseling with specific individuals.

## **B. Secondary Sources:**

- Annual reports of Islami Bank Bangladesh Ltd.
- Different Websites with respect to the financial business
- Printed structures and data given by Islami Bank Bangladesh Ltd.
- Files and envelopes
- Journals and Magazines on various financial issues.
- Booklets of national division of Islami Bank Bangladesh Ltd.
- Different distributions of various customary banks.
- Central accounts segment.
- Relevant booklets, diaries, book and so on.

### **1.6 Limitations of the Study**

One of the most important limits is time. Since I was employed by Islami Bank Bangladesh Ltd.'s Mirpur branch, it was exceedingly difficult for me to gather the requisite data. The lack of prior experience in this field has eventually presented another issue. Along with these issues, there are a number of others, described below:

- Officers may not be able to give much time due to their hectic schedules, and adequate written material may not be accessible to conduct a thorough analysis. Many cases do not receive the most recent information.
- Each organization has its own secrets that it keeps to itself. For the sake of the organizations confidentially, employees tended to keep their opinions to themselves.
- Unfinished and obscure paperwork are another restriction.

Proper data collection became difficult due to the business of key branch persons (managers, senior officers).

## CHAPTER: 2

# ORGANIZATIONAL OVERVIEW

## 2.1 An Overview of Islami Bank Bangladesh Limited

The interest-based banking system and mechanism is very familiar to us. After gaining its independence from the British, Bangladesh inherited a banking system based on interest that had been established during the colonial era. There are currently thirty-one private commercial banks in addition to nine foreign banks and four nationalized banks in Bangladesh's financial market. However, Islamic banking in Bangladesh dates back to 1983, when Islami Bank Bangladesh Limited was founded with the intention of conducting its financial operations in accordance with the principles of Islamic Shariah. On March 13, 1983, the first Shariah-based interest-free bank in Southeast Asia, Islami Bank Bangladesh Limited, was established as a public limited corporation. On March 30, 1983, the Bank's Local Office in Motijheel, Dhaka, began operating on an informal basis. Inauguration ceremonies took place on August 12, 1983. The bank started out with an initial paid-up capital of Tk.80.00 million, which has since been expanded to Tk.12,509.64 million as of December 31, 2012. The Bank's corporate headquarters are located in 40, Dilkusha Commercial Area, Dhaka, in a modern, 18-story structure that the bank owns. When compared to other private banks in Bangladesh, Islami Bank of Bangladesh Limited now ranks top in deposit, investment, export/import, and remittance collection. The Central Bank of Bangladesh (Bangladesh Bank) reports that Islamic banking systems' total deposits are currently 25% of all private banks' deposits and its investments are 30% of all private banks' investments.

## 2.2 Vision of the IBBL

To establish Islamic banking by introducing a welfare-oriented banking system; to ensure equity and justice in all economic activities; to attain balanced growth and equitable development through diversified investment operations; and to focus on the priority sectors and underdeveloped areas of the country. To aid low-income people in rural regions with financial and social assistance.

## 2.3 Mission of the IBBL

IBBL's goal is to become the premier Islamic bank in terms of both reputation and performance, with a strong track record of delivering superior financial results.

- To become the strong and efficient organization with highly motivated professionals working for the benefit of peoples, based upon accountability, transparency, and integrity; to establish and maintain modern Banking techniques; to ensure the healthiness and development of the financial system based on Islamic principles.
- Investment, and especially investment in initiatives with a higher likelihood of leading to

increased employment, should be encouraged.

## 2.4 Objectives of the IBBL

The fundamental goal of IBBL is to promote and advance the proper application of Shariah in the business sector by establishing Islami Banking across the world. This section analyzes the current economic climate in light of IBBL's function within it.

- To contribute to economic growth in a way that is consistent with Islamic law;
- To guarantee fair and equitable distribution of profits;
- To provide financial services in accordance with Islami Shariah

## 2.5 Company Slogan

'Banking and Beyond' has all other financial services including banking.

## 2.6 Core Values

- Have faith in God Most High
- Strict adherence to Islamic Shariah
- The Financier with the Highest Levels of Integrity, Ethics, and Compassion
- Equity and Justice
- Conservation Mindset
- Professionalism and Attention to Detail
- The Uptake of New Technology
- Implementing Appropriate Methods of Delegation, Openness, and Responsibility

## 2.7 Products and Services of Islami Bank Bangladesh Ltd.

Under products and services Islami Bank Bangladesh Ltd. has below categories:

### 2.7.1 Deposit products:

Islami Bank Bangladesh Limited has mainly 2 types of deposit accounts:

- Al-Wadeah
- Mudaraba

#### 2.7. A Al-wadeah Accounts

Al-wadeah Accounts in Current Use are governed by Islamic Law. When a consumer requests a withdrawal of their funds, the bank must return the amount deposited. The Bank also confirms with its customers that they have given permission to use the funds. In addition, customers have

complete control over their accounts and how they're used. There was no gain or loss.

## 2.7. B Mudaraba Accounts

The goal of a Mudaraba is to maximize profits for the parties involved. The bank is called "Mudarib" and the customers are called "Shaheb Al-Mal" in this arrangement. With the depositor's approval, the bank invests the money and distributes around 65% of the profits to Mudaraba customers once the deal has closed.

- Al-Wadeah Current Account (AWCA)
- Mudaraba Savings Account (MSA)
- Mudaraba Term Deposit Account (MTDR)
- Mudaraba Special Notice Account (MSNA)
- Mudaraba Hajj Savings Account (MHSA)
- Mudaraba Special Savings (Pension) Account (MSSA)
- Mudaraba Savings Bond (MSB)
- Mudaraba Monthly Profit Deposit Account (MMPDA)
- Mudaraba Muhor Savings Account (MMSA)
- Mudaraba Waqf Cash Deposit Account (MWCDA)
- Mudaraba NRB Savings Bond (MNSB) Account
- Mudaraba Foreign Currency Deposit Account (MFCD)
- Students Mudaraba Savings Account (SMSA)
- Mudaraba Farmers Savings Account (MFSA)



### 2.7.2 Investment Service

The Bank's Investment Policy stands out for its emphasis on profit-loss sharing investments in line with Islamic Shari'ah principles. The Bank's Investment Policy prioritizes social goals and objectives, such as the generation of new job opportunities, over the pursuit of financial gain.

Following modes are used for investment:

- BAI-MODES
- SHARE-MODES
- IJARA-MODES
- Investment Scheme

### 2.7.3 Foreign Remittance Service: NRB (Non-Resident Bangladeshi) Entrepreneurs Services

#### Features

- Remittance Card
- Investment Scheme for Foreign Expatriate
- Mudaraba NRB Saving Bond

### 2.7.4 ATM Service

IBBL's Automated Teller Machine (ATM) Banking Service Began in the Year 2000. They are able to deliver superior customer service thanks to the fact that our network of branches has the highest average speed of Internet access.

#### Services:

- Cash Withdraw
- Fund Transfer
- Mini Account Statement
- Balance Inquiry

#### Transaction Limit

- For Cash Withdrawal maximum amount is Tk. 50,000 in a calendar date.

#### Charges

- Tk.300 Yearly fees is applicable

## 2.7.5 Online Banking Service

The IBBL Online Banking service has been available to customers since 2006. Due to their branch's superior web connectivity, they are able to deliver superior client service. This service requires registration before you can access it. Please get in touch with your local department to register. It's worth noting that despite common misconceptions, "Online Banking" does not mean "internet Banking." Banks with ANY kind of physical locations.

### **Services**

- Cash Deposit
- Cash Withdraw
- Fund Transfer
- Account Statement
- Balance Inquiry
- Investment Recovery

### **Transaction Limit**

- There will be no limit for Cash Deposit and Fund Transfer.
- For Cash Withdrawal, transaction limit will be Tk.10,00,000 per day per account.

### **Charges**

- For Cash Deposit, Cash Withdrawal and Fund Transfer, charges at the following rates and VAT will be recovered from the Customer's Account.

## 2.7.6 Internet Banking Service

From the beginning, Islami Bank Bangladesh Limited has been focused on satisfying its clientele. They promise to launch brand-new offerings and enhance existing ones with lightning-fast performance and even more features. Their plan relies heavily on iBanking so that their clients may bank when and when it's most convenient for them and we can speed up their commitment to environmentally responsible banking practices. They are continually working to implement the plan, and as such, they have developed two additional features available to all iBanking users. With iBanking, they can manage our finances from any location.

Transfer funds (iTransfer) between IBBL accounts

- Purchase airtime / Recharge account (iRecharge) for all mobile operators in Bangladesh
- Wimax Recharge

### Services

- ACCOUNT SERVICE
- TRANSACTIONAL SERVICE
- INVESTMENT REPORT
- FOREIGN BUSINESS REPORT
- CLEARING INSTRUMENT
- FTT & FDD

## 2.7.7 SMS Banking

### Service Services

- Multiple Account Registration
- International Push- Pull Facility
- Account Balance (BAL)
- Mini Account Statement (STM)
- Account Information (ACI)

### 2.7.8 SWIFT Service

SWIFT, or the Society for Worldwide Interbank Financial Telecommunication, is a bank-owned cooperative that facilitates international financial transactions. Secure messaging between SWIFT Customers is carried out across the STN, a worldwide network devoted solely to SWIFT. SWIFT provides financial institutions with a variety of financial messaging services and value-added processing, as well as access via the STN and interface and application software, to meet their data transmission and processing needs. To sum up, SWIFT is an early adopter of technology that has facilitated the automation of international financial markets. This SWIFT alliance entry method was originally implemented by Islami Bank Bangladesh Limited in October 1999, and full SWIFT alliance access was implemented in October 2001.

#### Services

- Personalized service
- Facilities to access outside scheduled time
- Parcel handling
- Safe custody of goods and bonds/shares
- Lockers available in various sizes. i.e., Small, Medium, and Large.

### 2.7.9 Locker Service

To ensure the security of our valuables, papers, and other important goods, they provide a safe deposit locker service at certain locations.

#### Services

- Personalized service
- Facilities to access outside scheduled time
- Parcel handling
- Safe custody of goods and bonds/shares
- Lockers available in various sizes. i.e., Small, Medium, and Large

## 2.7.10 Services of Islami Bank Bangladesh Ltd.

### Corporate Services

- Investment facilities against this A/c (Corporate guarantee/certificate needed)
- Standing Instruction facility for depositing MSS & Hajj
- A/c Existing BEFTN facilities through Bangladesh Bank
- Existing BACPS service through Bangladesh Bank
- Salary can be credited within one hour throughout the country
- Centralized foreign trade processing system
- IBBL Online money transfer

### Technology Based Service

- Any Branch Banking
- Services IDM service
- ATM Service
- Visa Card
- iBanking
- Service SMS
- Banking mCash Service

### Other Value-Added Services

- Payment Order (PO)
- Demand Draft (DD)
- Telegraphic Transfer
- (TT) Locker
- IBBL Web portal facility
- Letter of Credit
- Bank Guarantee
- Foreign Bank
- Guarantee Export Bills
- Collection SWIFT

- IBBL Call Center
- Islami Bank Service Centre

**Training Services**

- International: Officials of Foreign Banks on Islamic Banking.
- National: Training of own manpower & others on Islamic. Banking
- Internship training for BBA/MBA students on IBTRA (Islami Bank Training & Research Academy).

## **CHAPTER: 3**

### **Discussion of the Study (Investment Mechanism of IBBL)**

## 3.1 Investment

The Bank's Investment Policy differentiates out due to its emphasis on profit-loss sharing investments in line with Islamic Shari'ah principles. The Bank's Investment Policy prioritizes social goals and objectives, such as the generation of new job opportunities, over the pursuit of financial gain.

### 3.1.1 Principles of Investment

Principles of investment operations of the Bank are:

- Only making investments that adhere to the precepts of Islamic Shariah law,
- To spread out its holdings over a wide variety of industries and regions (industrial, commercial, and agricultural) and sectors (public and private), economic goals, securities, and investment sizes,
- Through careful analysis of investment proposals, prudent approval of investments, attentive and continual review and monitoring, they guarantee success for their clients and their selves,
- Invest with the country's socioeconomic needs in mind,
- For the purpose of speeding sustainable socio-economic growth and uplifting society,
- To expand the number of prospective investors by making profitable investments,
- To fund different development projects for the reduction of poverty and the creation of income and employment,
- Rather than paying out cash, investors offers goods and commodities as investments.



## 3.2 Investment Process of Islami Bank Bangladesh Ltd.

An investment bank often follows a standard operating procedure when delivering an investment proposal to a customer. However, careful thought is required throughout the procedure. Reason being that banks only invest customer funds and not bank funds. A bank's demise is inevitable if it can't keep up with withdrawal requests from depositors. Therefore, it is essential for each bank to place significant emphasis on investment proposals. Islamic Bank of Bangladesh Limited (IBBL) only makes an investment if the following critical criteria have been met:

### 3.2.1 Selection of the client

A customer must first visit any Islami Bank Bangladesh Limited location (IBBL). Following that, he addresses the manager or officer in charge (Investment).

Second, the bank takes into account the five Cs of the customer. After a fruitful meeting, the bank decides to invest with the customer. Please note that in order to invest with the bank, the client or customer must first agree to the bank's rules and regulations.

Generally, bank analyses the following **five Cs** of the client:

- Character**
- Capacity**
- Capital**
- Collateral**
- Condition**

### 3.2.2 Application stage

This is the time when bank learns all it can about the customer who is hoping to open an account. The bank advises the potential customer to give and/or fill out the necessary information that is essential to kick start the investment proposal. In most cases, the customer is responsible for preparing all of the necessary documentation for making an investment. All of the following are required in order to invest in IBBL and are detailed below:

- i. Trade License photocopy (for proprietorship)
- ii. A condensed version of the pro forma income statement.
- iii. Certified documentation of the partnership agreement (for partnership business).
- iv. Previous three years' audited financial sheet (for joint stock company).

- v. An attested copy of the joint stock company's Memorandum of Association and Articles of Association.
- vi. A notarized copy of your Taxpayer Identification Number (TIN), indicating your ultimate tax liability.
- vii. Procurement of the proposed assets (in case of HPSM).
- viii. a comprehensive overview of the various creditors and debtors (covering both time and schedule);
- ix. A summary of the individual's moveable and immovable assets; and others

### 3.2.3 Appraisal Stage

The bank now conducts its preliminary assessment of the client and the business. They've reached the pinnacle phase. This is so because this is the point at which banks often approve the envisioned investment cap or plan. If something goes wrong, the bank may suddenly halt making payments on the investment.

Islami Bank Bangladesh Limited (IBBL) gives a standard F-167B Form (Appraisal Report) to the customer for obtaining all the information needed to evaluate the client. The evaluation report's original hard copy is included in the supplemental materials. But here are some highlights from the evaluation report:

- Company's/Client's Information.
- Owner's Information.
- List of Partners/Directors.
- Purpose of Investment/Facilities.
- Details of Proposed Facilities/Investment.
- Break up of Present Outstanding.
- Other Liabilities of the Client/Group.
- Previous Banker's Information.
- Details of Sister/Allied Concerns.
- Allied Deposit as on.
- Business/Industry Analysis.
- Relationship Analysis.
- Asset-Liability position of the client as per Audited Balance Sheet.
- Working Capital Assessment.
- Risk Grade.
- Particulars of the go down for storing MPI/Murabaha goods.

- Insurance Coverage.
- Audit Observation.
- Security Analysis.

### 3.2.4 Sanctioning stage

At this point, the bank has given its stamp of approval to the client's investment idea. In this situation, the client gets a letter of sanction from the bank. The following details may be found in a penalty letter issued by Islami Bank Bangladesh Limited (IBBL):

- Investment Limit in million.
- Mode & amount of investment.
- Purpose of investment.
- Period of investment.
- Rate of return.
- Securities:

**Primary-** Stock of goods is the primary security.

i. LC/Bills: Related Documents.

ii. Murabaha Post Investment (MPI)/Bai-Murabaha: Pledge of MPI/Bai-Murabaha goods.

iii. MPI/Bai-Bai Murabaha-TR: Lien on goods to be released.

**Cash/Goods-**

iv. Bai-Murabaha: 25% cash security on cost price to be subsequently converted to goods security.

v. TR (Trust Receipt): Without cash security.

**Collateral:** Immovable properties.

### 3.2.5 Cash/Goods security

Murabaha normally requires the client to put up a certain amount of cash as security for the investment (amount depends on the nature of goods, creditworthiness of the client, collateral security obtained etc.) which, once items have been acquired with the bank's investment and the customer's financial security has been pledged to the bank, are held by the bank until the client pays for them and then delivered to the client.

**Example:** If the Bank's stake in a Murabaha transaction is 75% of the total cost of the products, the investor's cash security is set at 25%. For every Tk.100,000 spent on products, the bank will put up Tk.75,000, while the client will have to put up Tk.25,000 as collateral.

### 3.2.6 Document stage

In most cases, this is where the bank checks to see if all paperwork is in order. Before finalizing a transaction, Islami Bank Bangladesh Limited (IBBL) verifies the following customer papers:

- Tax Payment Certificate.
- Stock Report.
- Trade License (renewal).
- VAT certificate
- Liability statement from different parties.
- Receivable from different clients.
- Other assets statement.
- Three (03) years net income & business transactions.
- Performance report with the bank.
- Account Statement Form of the bank.
- Valuation Certificate.
- Particulars of the Proposal.
- Particulars of the Mortgagor.
- Particulars of the Properties.
- Outstanding liability position of the bank.
- CIB (Credit Information Bureau) Report.

### 3.2.7 Disbursement stage

Now that the bank has decided to pay out, it can do so. Here, the customer receives the money or things they requested. Important: a "site plan" indicating the precise location of each mortgage property must be physically confirmed before any funds can be dispersed.

### 3.2.8 Monitoring and recovery stage

After an investment has been processed by the Islami Bank Bangladesh Limited (IBBL), the bank will maintain regular communication with the client. In such a case, the bank will keep a close check on the investor. The bank may conduct an on-site inspection of the client's business if necessary. Additionally, the bank will attempt to recoup its invested capital from the customer if it suspects anything untoward is occurring.

## 3.3 Investment Modes & Mechanism of Islami Bank Bangladesh Ltd.

The investment modes and mechanisms of Islami Bank Bangladesh Ltd, as well as the ensuing purpose. The usage of modes for investing are:

- BAI-MODES
- SHARE-MODES
- IJARA-MODES

### 3.4 BAI-MODES:

#### 3.4.1 Bai Murabaha

In a Bai-Murabaha, the seller offers the buyer specified items (permitted by Islamic Shariah and Land Law) for a cost-plus-negotiated-profit price, which can be paid immediately in a lump amount or in installments at some future period. The premium might be a flat rate or a percentage of the product's wholesale price.

#### **In Brief:**

- Profit loss is shared according to agreement.
- Customer Loss Bearded.
- Sum is due on installment basis.
- Regular length 1-2 year(s).
- Refund might be given on Early Adjustment.

**Features:**

- The Client is permitted to submit a request to purchase by the Bank designated goods with the Client's own selection and investment in purchasing the equivalent from the Bank on Murabaha, including cost in addition to decide upon benefit.
- Money or insurance might be taken as collateral to guarantee the guarantee will be used or to cover damages.
- On the day and at the location specified in the Contract, the Bank must deliver the specified Goods to the Customer.
- The Bank will make a profit by selling the goods at a higher price than they cost to produce (Cost + Profit). Expenses for goods supplied and any associated increases in value shall be explicitly referred to in the Bai-Murabaha Contract in a manner that is not ambiguous.

Once agreed upon, the price tag is set in stone and cannot be increased.

**Stops 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
- Singing of Murabaha Sale Contract
- Delivery and receipt the commodity

### 3.4.2 Bai-Istijrar

Such a purchase and sale is known as "Bai-Istijrar," and it occurs when one party continues to receive delivery of the essential commodities partially on a periodic basis from the supplier without an offer (Ijaab), acceptance (Qobul), and negotiation occurring with each new batch of products.

## **Features**

- The Bank makes separate agreements with suppliers and buyers to purchase and sell goods and services at predetermined or agreed-upon prices in accordance with the principles of Istijrar.
- Within the allotted time limit, the storage and transport will be carried out in phases.
- To guarantee the performance of the promise/understanding or to compensate for damages, it is fair to require the consumer to post a monetary or insurance bond.
- For financial gain, the bank has decided to increase the price at which its products are sold. The Bai-Istijrar Agreement will clearly and independently make reference to the cost of items supplied and the benefit determined upon in conjunction with such sales.
- Again when the price is agreed upon, it cannot be increased.
- The Bank may authorize any third party to acquire the goods for the Bank's advantage. The permission has to be in a separate contract.

## **Area of Application**

- The Bank may engage in Istijrar with the supplier if it becomes necessary to purchase the items under a number of different agreements from a small number of suppliers.
- The Bank may engage in Istijrar with the supplier in the event of the sale of goods under Bai-Murabaha by means of the purchase of goods via Letter of Authority issued against the supplier.
- The Bank may engage in Istijrar with the supplier if the goods it has purchased are delivered in installments and payment is made only when the provisions have been fully realized.
- The Bank may engage in Istijrar with a client in the case of the sale of products or items under Bai-Murabaha by acquiring through Letter of Authority against the company to a specific customer.
- The Bank can engage in Istijrar with a client if the customer stands to earn from a single cost installment following the completion of the provisions against the purchase of items in many installments.

### 3.4.3 Bai-muajjal

A Bai-Muajjal is an agreement between a buyer and a seller for the sale of specified items (those that are permissible under Islamic Shari'ah and land law) at an agreed-upon price payable in a lump amount on a certain future date or in specified payments over a specified time period. A seller may also resell goods he has acquired per a Bu's purchase order and detailed specifications.

Bai-Muajjal is viewed as a contract between the Bank and the Client whereby the Bank sells the goods, acquired per the Client's request and specifications, to the customer at a mutually agreed upon price, with payment due on a specified future date in a lump sum or within a specified time frame in equal installments.

#### **Feature**

- The Client may submit a request to the Bank to acquire a specified item of its choosing and invest in the purchase of the equivalent from the Bank on Bai-Muajjal, such as a discounted instalment plan or a fixed-price purchase agreement.
- If you want to make sure the guarantee is used or are compensated for any damages, it's appropriate to ask for a cash deposit or proof of insurance.
- The Bank is responsible for the risk of the goods once they have been acquired up until the time they are actually delivered to the Client.
- On the date specified in the Contract and at the location specified in the Contract, the Bank shall deliver the Goods to the Client.
- There is a possibility that the Bank will charge significantly more for the items than the cost of obtaining the same level of value elsewhere.
- Again when the price has been agreed upon and accepted, it cannot be raised



### 3.4.4 Bai-Salam

For the sake of clarity, we'll refer to Bai-Salam as an agreement between a Buyer and a Seller in which the Seller sells to the Buyer in advance the specific product (reasonable under Islamic Shari'ah and the tradition that must be adhered to) at a concurred value payable on execution of said agreement, and the product is conveyed according to detail, size, quality, and amount at a future time in a specific location. In this case, the payment is made in actual money, but delivery of the goods is postponed.

#### Feature

- By pre-purchasing and reselling industrial and agricultural goods, investors may better distribute their capital and ensure that a shortage of funds will not stifle future production.
- To protect the investment from the possibility of the vendor not delivering the product, just delivering part of the product, or delivering a low-quality product, it is prudent to obtain guarantee security from the vendor's client.
- Before or at the time of approving the Arrangement, it is permissible to get a Mortgage or even a Personal Guarantee from a third party as security.
- No amount of begging or pleading will change Bai-opinion Salam's on a particular item or the outcome of a certain plot of land or farm.
- Provided a different office arrangement is accomplished between the Bank and the Client, the vendor (maker/maker) client may be created specialized of the Bank to offer the item communicated to the Bank by him (Agent).

### 3.4.5 Istisna'a

Istisna'a is an agreement between a manufacturer or vendor and a buyer wherein the manufacturer or vendor sells a certain product after its fabrication at a predetermined price or in installments within a specified time frame or on or before a specified future date, as specified by the buyer.

#### Feature

- In some situations, it incentivizes the manufacturer to get the product price up front, which he may then use as working capital to ship the goods.
- It allows the buyer to pay the bill in installments on a future date or in installments.
- It is a binding contract, and after the price has been paid in full or partially, or the producer has begun work, neither party may back out of the Istisna'a agreement.

- The manufacturing and industrial component skills of Istisna'a are unparalleled. But it may also be drilled in rural and industrial areas.

### **3.4.6 Bai-as-Sarf**

Bai-as-Sarf is a form of bartering when money is exchanged for money. Shari'ah law strictly regulates this arrangement since its main purpose is to establish a credit based on interest, which is forbidden in Islam.

In times before Islam, precious metals were exchanged one for another. Under Islamic law, the two parties' values are considered equal and the transaction is treated as a closeout of cost for cost. Money-related incentives for monetary value, such as cash transaction, are also terminated.

When it comes to the Bank, Bai-as-Sarf is an arrangement or understanding between the Bank and the Client wherein the Bank will purchase the outside money against the foreign narrative bill in advance from the Client at an agreed upon conversion standard.

#### **Objectives of Bai-As-Sarf**

- To play out the post-shipment account under shariah consistent mode.
- To get together the exporters dire need to maintain the business easily.
- To get together the dire need of Foreign Currency Check/Draft holders.

#### **Area and of Bai-As-Sarf**

- 100% fare arranged enterprises/ranches having point of confinement of Bai-as-Sarf or benefiting working capital utmost.
- Esteemed Client who gets Foreign Currency Check/Draft from home and abroad against deals continues or administrations.
- NRBs that transmit the Foreign Currency from abroad through Foreign Currency Check/Draft.
- The customer who have substantial fare enrollment testament.

## Feature

- Bai-as-Sarf, which literally translates to "sale of cost for cost," is a type of post-shipment monetary instrument in which both the selling and buying prices are taken into account.
- It also suggests the end of monetary incentives for activities involving monetary value, such as currency exchange.
- Trading one currency for another is often handled in Bai-as-Sarf mode.
- The bank will get the comparable amount of foreign currency once the customer has sold the equivalent to the bank at the agreed-upon conversion scale.
- Since there is no preponderant legislation in Bangladesh that would regulate a Bai-As-Sarf agreement, the Client and the Bank will be considered as merchant and purchaser in their dealings with one another.

## 3.5 SHARE-MODES:

### 3.5.1 Mudaraba

Mudaraba is a form of mutually beneficial cooperation in which one group provides funds and another group provides services. Shahib al-maal refers to the provider of financial resources, whereas "Mudarib" refers to the provider of labor and skills. Therefore, Mudaraba might be defined as an agreement of organization in which the Shahib al-maal provides capital to the Mudarib so that the latter can invest it in a commercial venture in exchange for a share of the profits earned. Losses, if any, are borne by the asset provider, such as the Shahib al-maal, unless the loss is the result of a breach of trust, such as dishonesty, negligence, or a violation of the terms agreed upon by the Mudarib. If any harm comes about due of the aforementioned causes, the Mudarib is responsible.

### 3.5.2 Musharaka

Musharaka originates from the Arabic term Shariah, which means "shared responsibility" (Shirk). Shirkat, Sharikat, and Shirk all mean "organization" or "sharing" in Arabic. Therefore, the term "Musharaka" has a more restricted undertone than the phrase "Shirkat," despite its strict significance in terms of sharing. Musharaka is a kind of Shirkat that has recently been introduced in writing on Islamic banking. Shirkat, in its most basic form in Islamic Fiqh literature, denotes the merging of two or more dwellings into a single structure when the individual units can no longer be distinguished from one another. However, the word Shirkat is used to legal contracts, even if no actual combination of bequests exists, because an agreement is the impetus for such a combination. In legal parlance, it involves forming a shared business enterprise with another person. In other

words, it's a connection between at least two entities.

Musharaka can be defined as an agreement between at least two people or entities to form a business in which each participant contributes capital, participates in the management of the business, receives profits in proportion to their contributions or in a previously agreed upon ratio, and takes losses in the same ratio.

## 3.6 IJARA-MODES:

### 3.6.1 Hire Purchase under Shirkatul Meelk (HPSM)

Partnership is referred to as "Shirkatul." Partial ownership is referred to as Shirkatul Meelk. It is called a "Shirkatul Meelk contract" when two or more people pool their resources to buy an item, then jointly own it, reap the rewards as agreed upon, and share the pain of any losses in proportion to their individual equity stakes. When buying an item like land, a building, machinery, transportation, etc. under Shirkatul Meelk, both the client and the bank had to put up equity, which might be equal or unequal. Together, they use their equity funds to buy the asset, take legal title to it, and enjoy its benefits (or suffer its losses) in accordance with the terms of the agreement. The bank's client partner rents a piece of the asset for a certain amount per period of time. Finally, the bank sells and transfers ownership of its share, part, or piece to the customer in exchange for payment of the price established for that part, which may be paid in installments during the hiring term or in a single lump amount once the hire agreement has expired.

**Stages of Hire Purchase under Shirkatul Meelk-** Hire Purchase under Shirkatul Meelk agreement has got three stages:

- To buy with a partner;
- To lease from a partner;
- To sell to a hirer;
- To transfer ownership to a hirer.

### **Rules of HPSM:**

Assets that may be used more than once, or whose service can be disconnected from the asset itself, are preferred when hiring them on a short-term basis.

- For a contract to be binding, its topic must be within the bounds of possibility under the law. The Lessee is obligated to utilize the property in accordance with the terms of the Agreement.
- It is permissible to advance, defer, or install the rental in accordance with the agreement, and for the Hirer to bear the cost of ordinary routine maintenance, as this cost is normally known and can be considered part of the rental, provided that the asset and the benefit derived from it fall within the category as per Islamic Shariah.
- In the event that the rented asset is destroyed or damaged due to an act of Allah, and the Hire supplies a replacement with the same specifications as agreed upon in the hire contract, the hiring agreement will not be voided.
- Each party to an HPSM agreement is responsible for making the agreed-upon equity contribution in order for the parties to acquire joint ownership of the demised asset.

### **3.6.2 Welfare Investment Schemes of IBBL**

Islami Bank Bangladesh Limited's investment strategy centers on a profit-and-loss sharing mechanism that is consistent with Islamic Shariah principles. The bank's investment approach prioritizes the common good and the generation of new job opportunities over maximizing profits.

The goal of these programs is to help those on lower incomes improve their level of living via the cultivation of human resources and the dissemination of information on starting one's own business.

- Household Investment Scheme
  - Investment Scheme for Doctors (ISD)
  - Transport Investment Scheme (TIS)
  - Car Investment Scheme (CIS)
  - Small Business Investment Scheme (SBIS)
  - Micro Industries Investment Scheme (MIIS)

- Agricultural Implement Investment Scheme (AIIS)
- Real Estate Investment Program (REIP)
- Real Estate Investment (Commercial & Working Capital)
- Agricultural Investment of IBBL
- NRB (Non-Resident Bangladeshi) Entrepreneurs Investment Scheme (NEIS)
- Women Entrepreneurs Investment Scheme (WEIS)

## CHAPTER: 4

### TREND OF INVESTMENT OF IBBL

## 4.1 Overall Investment Scenario of IBBL

Like most other banks, IBBL relies heavily on its investment business for the bulk of its income. Since the potential for loss is high in this industry, prudent success depends on a well-balanced investment portfolio.

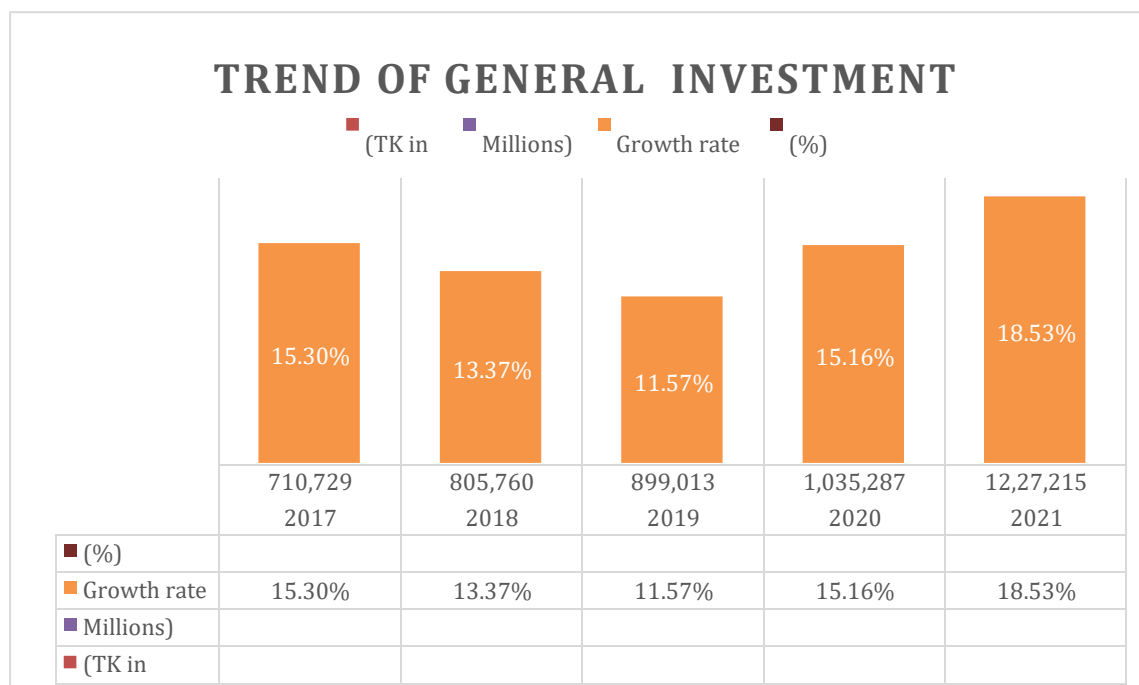
### Year Wise Investment & Growth Rate of IBBL

Year	2017	2018	2019	2020	2021
Investment (TK in Millions)	710,729	805,760	899,013	1,035,287	12,27,215
Growth rate (%)	15.30%	13.37%	11.57%	15.16%	18.53%

Source: Annual Report of IBBL (2017 to 2021)

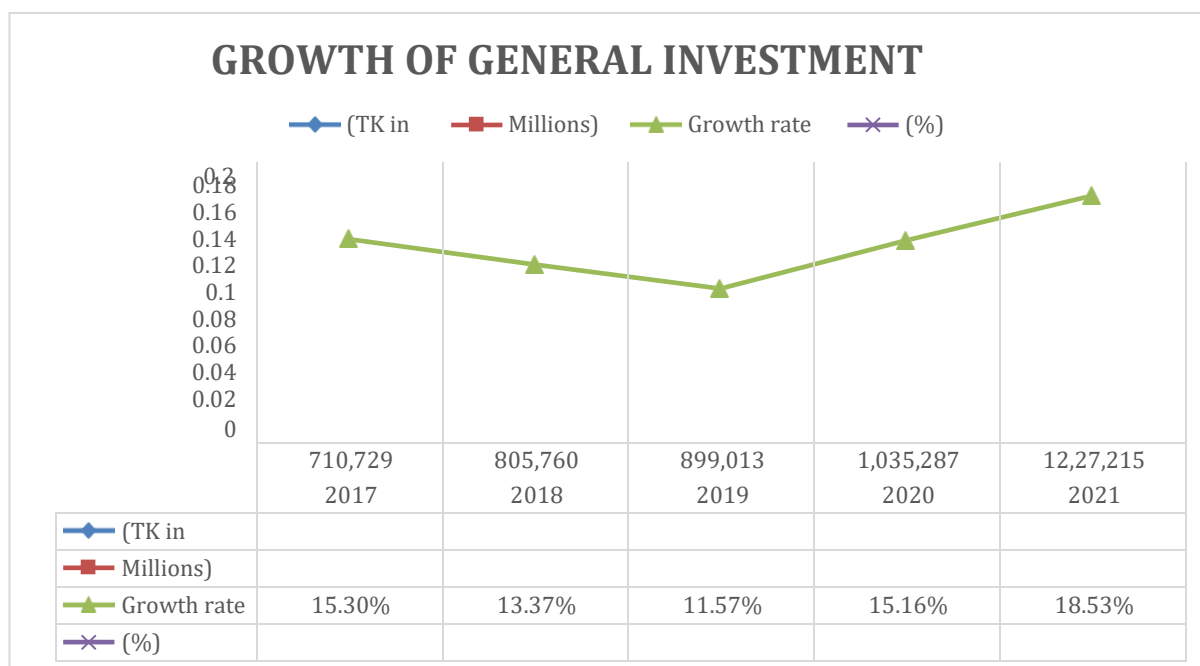
**Figure:** Year Wise Investment & Growth Rate of IBBL

### Graphical Presentation



**Figure:** Year Wise Investment of IBBL





**Figure:** Year Wise Investment Growth Rate of IBBL

#### **Interpretation:**

The graph demonstrates a year-over-year increase in curiosity. However, expansion slowed from 15.30% in 2017 to 13.37% in 2018, from 11.57% in 2019 to 15.16% in 2020. The growth rate also accelerated from 15.16% in 2020 to 18.53% in 2021. The rate of IBBL speculative growth varies from 2016 to 2020. The increased size of the IBBL absolute speculation pie chart can be attributed to the increasing popularity of their highly customizable and interesting investment packages. IBBL avoids the risk of narrowing its concentration to a particular industry by maintaining a diversified portfolio across many sectors. Currently, banks are focused on providing capital and loans in key financial areas such as international finance, corporate lending, materials, small and medium businesses (SMEs), and government agencies.

#### **4.2 Investment to Deposit Ratio Analysis (Maintaining IDR ceiling)**

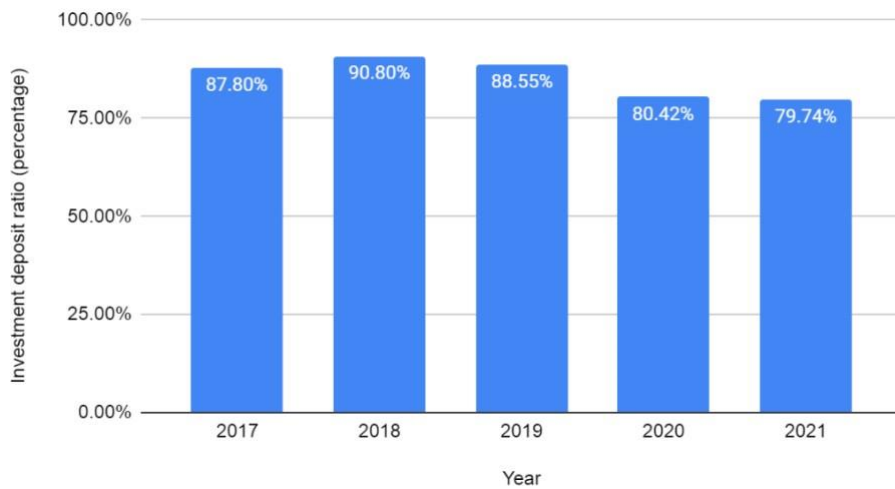
Islami Bank customers can deposit money into Mudaraba accounts, and Islami Bank Bangladesh Limited will use those funds to finance new businesses or expand existing ones. Banks that pay interest on deposits do so at a set rate that is known in advance by the depositor. Similarly, the investors will pay the bank interest at a certain rate.

Year	2017	2018	2019	2020	2021
Investment deposit ratio (percentage)	87.80%	90.80%	88.55%	80.42%	79.74%

**Figure:** Investment deposit ratio

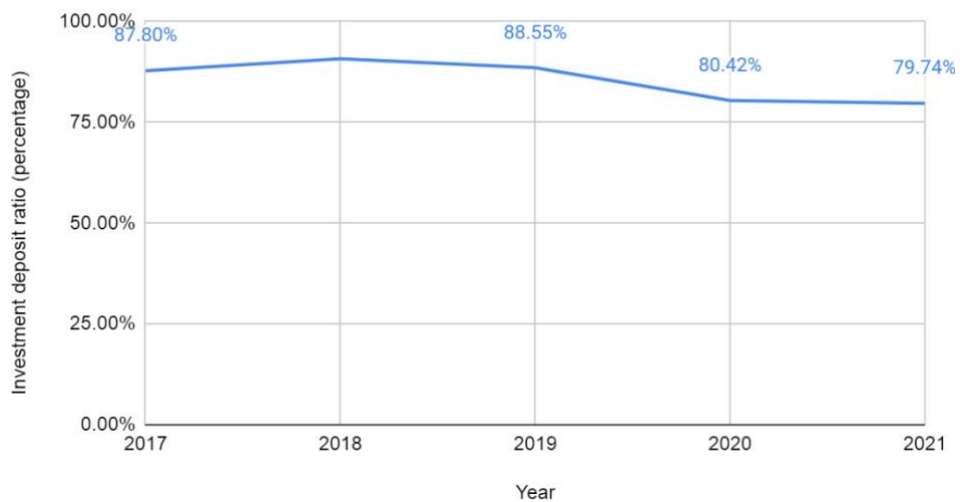
Graphical Presentation

Investment deposit ratio (percentage) vs Year



**Figure:** Investment deposit ratio (percentage) vs Year

Investment deposit ratio (percentage) vs Year



**Figure:** growth of Investment deposit ratio (percentage) vs year

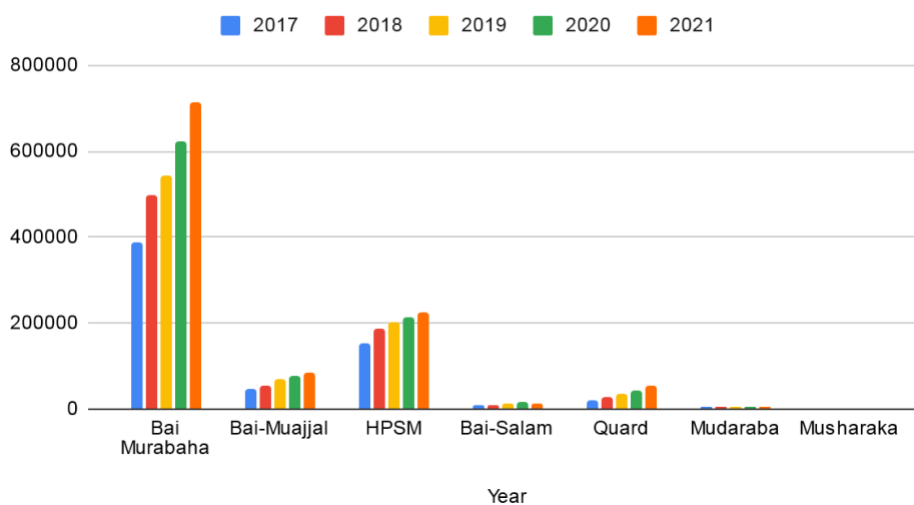
**Interpretation:** At the end of 2021, IBBL's IDR holding was 79.74%, compared to the 92.00% regulation cap. A surplus deposit, mostly contributed to by a large quantity of foreign remittance inflow and a slowing trend of capital deployment as a result of the effects of COVID-19, is the primary source of this disparity.

### 4.3 Mode wise investment IBBL (TK in Millions)

Year	2017	2018	2019	2020	2021
Bai Murabaha	388277	497231	544352	621217	712215
Bai-Muajjal	46367	55015	69701	78464	84921
HPSM	153820	188992	202152	214846	225876
Bai-Salam	10477	10733	11247	15525	11852
Quard	19983	27815	35509	44564	55575
Mudaraba	5000	4700	4700	4800	5400
Musharaka	510	510	588	391	410

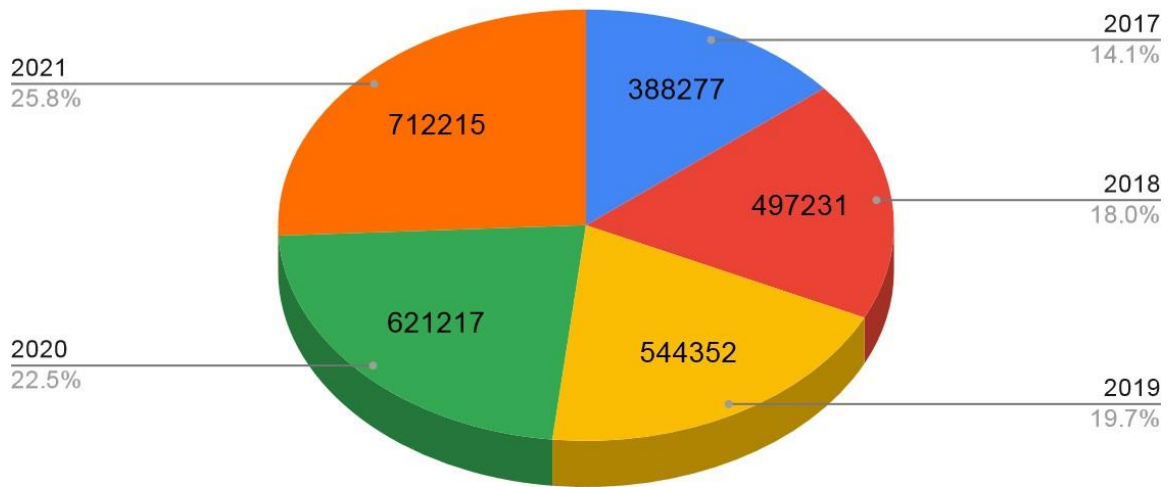
#### Graphical Presentation

Graphical Presentation



**Figure:** Mode wise investment

## Mode wise investment



**Figure:** Mode wise investment

### **Interpretation:**

Investment in the Bai-Murabaha mode of 2021 accounts for the largest share of IBBL's total investment wishes over the year of analysis (as seen in the graph). The second largest share of IBBL's investment that year, however, was made via HPSM. Bai-Musharaka mode received the smallest share of total investment. Over the course of the year, the other investing strategies showed more or less consistent fluctuations.

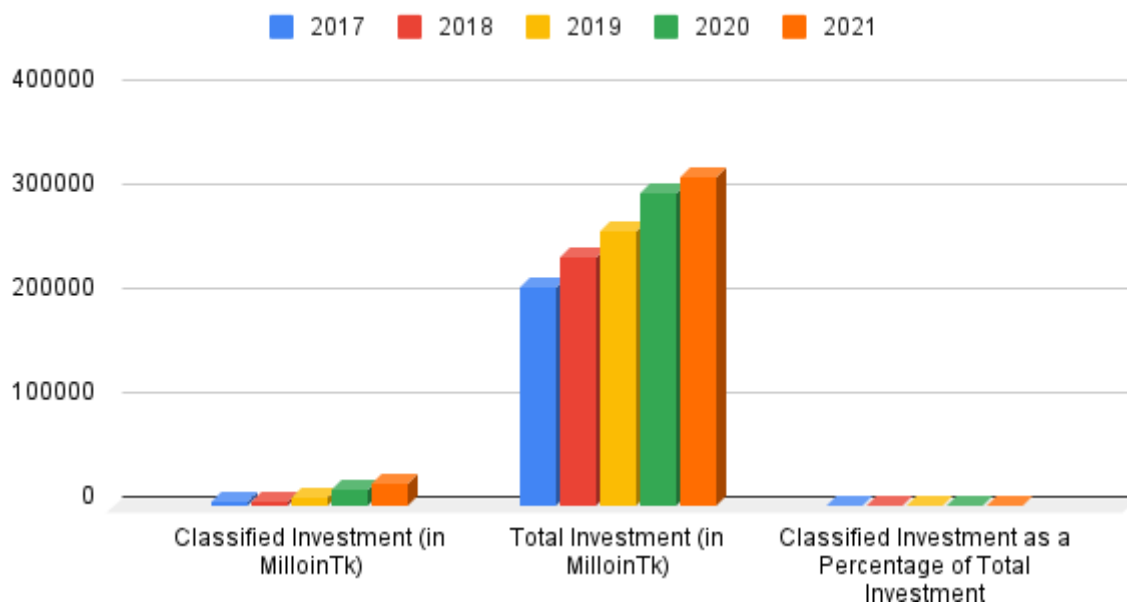
#### 4.4 Classified Investment as a Percentage of Total Investment

Years	2017	2018	2019	2020	2021
Classified Investment (in Milloin Tk)	4919	5147	7684	17163	21781
Total Investment (in Milloin Tk)	210045	238654	264268	300617	315421
Classified Investment as a Percentage of Total Investment	2%	2%	3%	6%	6%

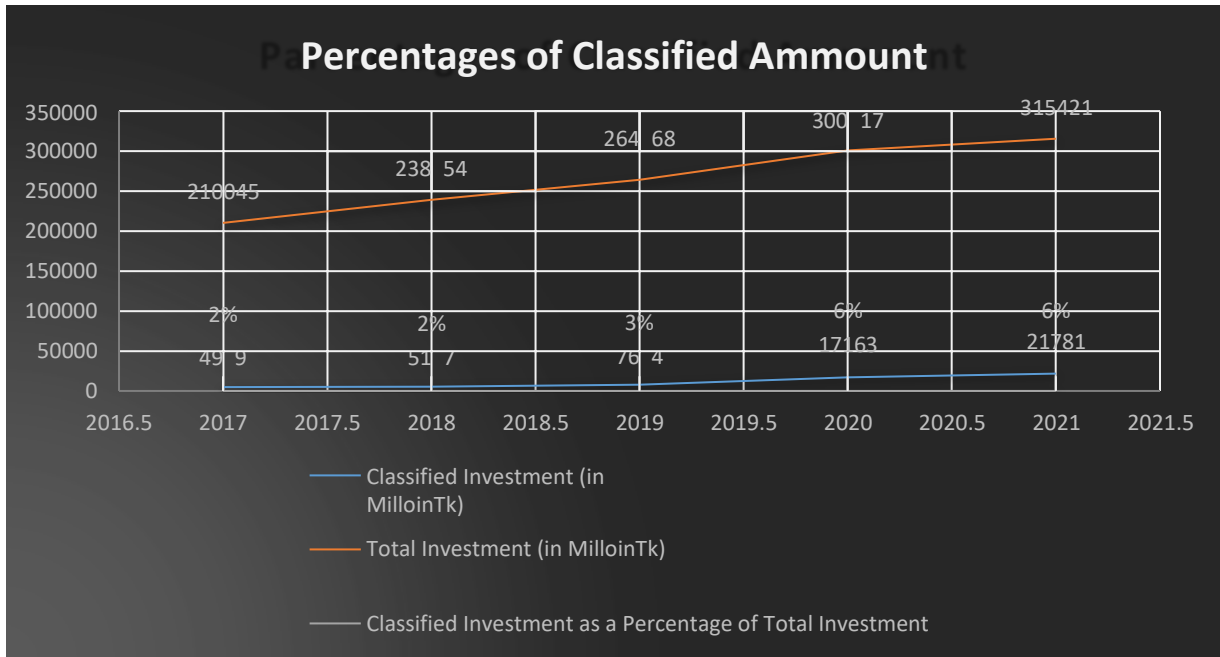
Source: Annual Report of IBBL (2017 to 2021)

#### Graphical Presentation

##### Amount Percentage of Classified Investment



**Figure:** Amount Percentage of Classified Investment



**Figure: Percentages of Classified Amount**

**Interpretation:**

Classified investments were in a healthy position in 2017 and 2018, accounting for only 2% of the total. The entire investment of IBBL was negatively impacted by the 3% rise in 2019 compared to 2018. Investments in restricted categories will account for 6% of the total in 2020 and 2021, up from 5% in 2019.

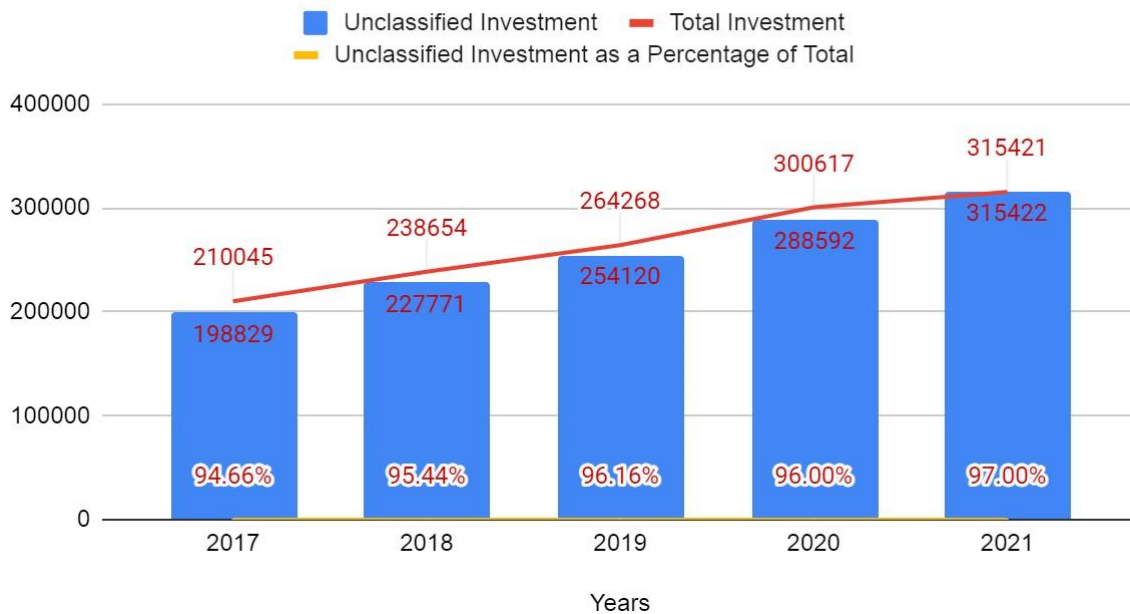
**Unclassified Investment as a Percentage of Total Investment**

Years	2017	2018	2019	2020	2021
Unclassified Investment	198829	227771	254120	288592	315422
Total Investment	210045	238654	264268	300617	315421
Unclassified Investment as a Percentage of Total	94.66%	95.44%	96.16%	96.00%	97.00%

Source: Annual Report of IBBL (2017 to 2021)

## Graphical Presentation

### Percentage Unclassified Investment



**Figure:** Percentage of Unclassified Investment

#### **Interpretation:**

Unclassified Investments as a percentage of total investments show annual trends in the graphic. From 2017 to 2019, it increased from 94.66 percent to 96.16 percent, but then it declined to 91.83 percent in 2019. As a result, IBBL will have a terrible year of business venture execution in 2020. In 2021, it went up from 96.00 to 97.00.

## CHAPTER: 5

# FINDINGS, RECOMMENDATIONS & CONCLUSION



## 5.1 Findings

The research I conducted to write this report found that Islami Bank Bangladesh Limited's investment success is mostly determined by staff performance, turnover rate, and the number of customers' responses and satisfaction with the bank's services.

IBBL's deposit collection has gone up over the last year, but the growth rate has been all over the place because so many clients have canceled their accounts.

- Although IBBL's investments have grown across a variety of industries, their annual growth rate has been quite modest. In 2017, the rate of growth of IBBL's investments was 15.30%. The ratio of investments to GDP growth has risen to 18.53% by 2021.
- As a whole, IBBL invests the most in manufacturing and the least in shipping and transportation. In addition to business and real estate, agricultural, and other areas, they have also invested in these others.
- The income generated through the Share mechanism has been growing annually. Despite this, IBBL has only made an investment in the share mechanism ( Bai Mode, Share Mode, Ijarah Mode )
- Over the past four years, IBBL's ratio of nonperforming loans has grown. However, IBBL's NPL ratio is below the market standard.
- The investment deposit ratio at IBBL was 87.80 percent in 2017, however during COVID-19 phrase, it has fall to 79.74 percent by 2021.
- The bank has seen an increase in the number of its Muslim customers, but not its non-Muslim clientele.
- They have mostly financed their expansion into the manufacturing sector.

## 5.2 Recommendations

The Islami Bank of Bangladesh, Ltd. is a highly successful financial institution in Bangladesh. Over the past few years, it has become Bangladesh's most trusted financial institution. So that they may continue their upward investment trend, IBBL will be opening a new branch in rural regions. IBBL's investment will rise as a result. IBBL is more committed to the Bai cycle. More money will be invested by IBBL using Share mode and HPSM.

- The investment procedure should be straightforward and low-risk in order to entice potential customers.
- Making more profitable investments across the board, which in turn helps to generate more job possibilities.
- Managers at lower levels of government should exercise greater caution while implementing Islamic sharia law in an effort to reach an established aim.
- To stay up with modern competition, the development of new investment products is crucial.
- Some financial institutions have introduced novel investment products in an effort to win new clientele. If IBBL wants to succeed, it needs to think creatively about how to implement new programs.
- If it turns out that the staff is adequately prepared, that lowers the danger of making the incorrect call on decisions and evaluating investment plans.
- Creating employment chances for young people, who are more comfortable with and adept at using technologies.
- For the sake of their consumers, they should take measures to speed up decision-making.

### 5.3 Conclusion

Nearly all of Bangladesh's 160 million inhabitants adhere to Islam. As a result of Islam's stance against interest, Muslims who wish to invest must do it through Islamic banks rather than their Western counterparts. Taking part in commerce is permitted (halal) in Islam. Islamic banks adhere to the shariah principles of banking. The customers of Islamic banks are not limited to large businesses, but rather encompass the general populace as well. No penalty fees are assessed to defaulters by Islamic financial institutions. In accordance with sharia law, Islamic banks have a unique investing philosophy based on a risk-and-reward structure. Government policy in a Muslim country should support reestablishing the conventional banking system, given the nature of Islamic banking and its beneficial impact on the economy.

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