

Daffodil International University

Internship Report

On

Investment Management Process of Islami Bank

Bangladesh Limited

(A study On Shyamoli Branch)

Internship Report

On

Investment Management Process of Islami Bank Bangladesh Ltd.

(Shyamoli Branch)

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BBA Program

Major in Finance

Faculty of Business and Economic

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LETTER OF TRANSMITAL

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Mr.Mahbub Parvez
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Faculty Of Business And Economics
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Subject: Submission of Internship Report on” Investment Management Process of Islami Bank Ltd.

Dear Sir,

I am very pleased to inform you that I have prepared my internship report on Investment Management Process Of Islami Bank Bangladesh Ltd. for the program of Bachelor of Business Administration (BBA).

I have prepared this report based on the practical experience of working and data collecting through the observation and interview of the employees of Islami Bank Ltd.

Please accept my internee report and if you have any question regarding this report please call me for further information at your convenient time and place.

Thanking you

Sincerely yours

Jannatul Fardaus

ID:101-11-1422

BBA Program

Daffodil International University

Certificate Of Approval

This is to certify that Jannatul Fardaus ,ID NO.101-11-1422, a Student of Bachelor of Business Administration, Daffodil International University worked under my supervision during her internship placement in Islami Bank Bangladesh Ltd., I am happy to state that Jannatul Fardaus worked hard in preparing this report and she has been able to present a good picture of the concern organization. The data and findings presented in the report seem to be authentic.

Jannatul Fardaus posses a good moral characters and pleasing personality. I wish her all success

.Mahbub Parvez
Assistant Professor
Faculty Of Business And Economics
Daffodil International University

Acknowledgement

First Of all, I would like to express my deep gratitude to Allah the Almighty for giving me the opportunity to perform and successfully completing the internship report.

I would like to thank and convey my gratitude to my internship advisor, Mr.Mahbub Parvez Assistant Professor for providing me continuous support and guideline to prepare a formal report.

I would also like to express my sincere appreciation to him for his wholehearted support and guidance.

I would like to thank all the officers of Islami Bank Ltd. for their cooperation.

I am also very grateful to the officials of library and publication sections of Islami Bank Ltd. and Bangladesh Bureau of Statistics (BBS) for providing me required information.

Executive Summary

The internship report is a partial requirement for the Bachelor of Business Administration. As a part of the internship program, I was placed at shyamoli Branch Ltd. During this two month internship I have worked with the department of Investment sector of this bank.

Islami Bank Bangladesh Limited (IBBL) is considered to be the first interest free bank in Southeast Asia. It was incorporated on March 13,1983 as a public company with limited liability under the companies act 1913. Islami Bank began it's operations on March30, 1983. They gained success from the very beginning of operation and were capable enough to hold the success year after year. They gained success very early because they have a very strong financial backup.

Investment or loan department are the crucial part of a bank. The objectives of this study are to identify the task of loan disbursement procedure of Islami Bank, to describe the different loan products and it services to identify the limitations, if any and to recommend suggestions. The report contains information about loan product and its disbursement procedure.

Islami Bank of Shyamoli Branch offers a full range of deposit products such as saving deposit, current deposit, fixed deposit and so no. This bank provides mainly two types of lending procedure, funded and non-funded. Here funded indicates providing the cash immediately and no funded indicated it is not needed to provide the loan in cash immediately guaranty or promise to the customers.

Investment products of Islami Bank have some limitations what I have written roughly trough out my internship report.

Acronyms

IBBL

IBCA

IBDA

HO

L/C

LCA

IMP

EXP

TIN

B/E

B/L

FCC

TR

FDD

DD

OD

FDR

P/o

TT

PLS

ATM

Elaboration

Islami Bank Bangladesh

Inter Branch Credit Advice

Inter Branch Debit Advice

Head Office

Letter of credit

Letter Of Credit Authorization

Import

Export

Tax Identification Number

Bill Of Exchange

Bill Of Lading

Foreign Currency Clearing

Trust Receipt

Foreign Demand Draft

Demand Draft

Over Draft

Fixed Deposit Rate

Pay Order

Telegraphic Transfer

Profit-Loss sharing

Automated Teller Machine

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Introduction

Introduction

In the backdrop of economic liberalization and financial sector reforms, a group of highly successful local entrepreneurs conceived an idea of floating Islami Bank Bangladesh Ltd system. For them, it was competence, excellence and consistent delivery of reliable service with superior value products based on “Islamic Shariah”. Lending money is the major part of a bank. It is the main investment segment of any bank and required different phases of activities and policy guideline while going for credit facilities to a customer. Islami Bank has introduced investment schemes to improve the quality of life particularly of the fixed income earner of the society.

The banking system plays a vital role in the progress of economic development in a developing country like Bangladesh .The journey of private commercial banks started playing banking arena in Bangladesh in the year 1982-1983. After commencement the private commercial play an important role in the economic development of the country. In every aspect of profit, banking sector contributes the national economy as well as to the individual organization. Despite overall growth of the banking sector being positive, the performances of different categories of banks were not equally attractive. There are people interested to abide by the injunctions of religions in all sphere of life including economic activities.

1.2 Background of the Report

The internship program is an integral part of Bachelor of Business Administration (BBA). This program creates a unique opportunity for the student to apply their theoretical knowledge into practice and gain valuable real world business experience. During the program, student can also realize existing business condition apart from having opportunities to solve the problem using various analytical tools.

It has become essential for every person to have some idea on the bank and banking procedure. As our educational system predominantly text based, inclusion of practical orientation program is an exception to the norm. From practical knowledge, we will be able to know real life situations and start a career with some practical experience.

After the completion of BBA program I was placed in Islami Bank Bangladesh Limited for the internship program under the guidance of my faculty supervisor. The duration of my organizational attachment was 2 months, starting from 9th July 2013 to 5th September 2013. For successful completion of BBA program; it requires to submit a report, which would illustrate a basic reflection of the learning.

1.3 Objectives

The main objective of the report is to identify the investment management process of IBBL which includes the following specific objectives.

- ❖ To identify the investment activities of Islami Bank Bangladesh Ltd, Shyamoli Branch
- ❖ To understand the existing mechanism of investment modes of IBBL
- ❖ To evaluate the performance of investment schemes of shyamoli Branch
- ❖ To suggest remedial measurement for the improvement of the whole process of the Investment Department.

1.4 Methodology

The report is descriptive in nature. Mainly two types of data are used to prepare this report, such as primary and secondary data.

Data Collection

To prepare this report the data has been collected from two sources, such as primary source and secondary source.

Primary sources

- Officers
- Supervisors
- Clients

Secondary Sources

Secondary sources are:

- Annual Report of Islami Bank Bangladesh Ltd.
- Gather knowledge about the bank from their banking website.
- Publications obtained from different libraries and from internet.

Data Collection Technique

- Personal interview and conversation with employees of the organization.
- Face to face conversation with the respective officers
- Practical deskwork
- Software: MS Word, Microsoft Excel

Data Analysis Process:

Collected data analyzed by using Ms-word, Ms-Excel and chronologically plot by pie chart bar diagram and finally report presented in the form of formal document.

1.5 Limitation of the Study

Objective of the practical orientation program is to have practical exposure for the students. My permanent status was for only two months, which was somehow not sufficient enough to gather adequate experience of such vast banking business. After working whole day in the office it was very much difficult and also impossible to study again the theoretical aspects of banking. Finally as the banks renovation activities was going on so the physical working condition was not healthy enough that we thought it would be.

Other limitation-

- ✓ Eight weeks of time is not enough for the study.
- ✓ The staffs of the branch was some time so busy that they could not help us all time
- ✓ Preparing internship report is really troublesome
- ✓ This type of report preparation is expensive
- ✓ Collection of data was not smooth
- ✓ Analyzing with financial data is much more confusing and complicated than any other data.

Organizational Part

2.1 About Islami Bank

2.1.1 Historical Background of Islami Bank Bangladesh Ltd.

In August 1974, Bangladesh signed the charter of Islamic Development Bank and committed itself to reorganize its economic and financial system as per Islamic Shariah. For the favorable attitude of the government of the people's republic of Bangladesh, at present six Islami Bank Bangladesh Ltd. operate in Bangladesh Financial market. These are:

- i) Islami Bank Bangladesh Ltd. Bangladesh Ltd.
- ii) The Oriental Bank Ltd. (Al-Baraka Bank Bangladesh Ltd.)
- iii) Al – Arafah Islami Bank Ltd.
- iii) Social Investment Bank Ltd.
- iv) Shahjalal Islami Bank Ltd.
- v) Exim Bank Ltd.

Besides Prime Bank, Dhaka Bank, South East Bank, the premier Bank, the Jamuna Bank, HSBC Bank, And Standard Chartered Bank also has opened Islami Bank Bangladesh Ltd.ing branches. Islami Bank Bangladesh Ltd. Was incorporated as the first shariah based interest free bank in south East Asia on the 13 march, 1983 as a Public Company with limited liability under the Companies Act, 1913, started limited operation on 30 March, 1983 and introduced a full package of banking services in August, 1983. Its board objective is banking business under shariah. Its registered office is located in Dhaka with prior permission from the Bangladesh Bank, it open branches anywhere within and outside the country. By April, 2006 IBBL opened 169 branches – all within Bangladesh. It is a joint venture of Bangladeshi and overseas capital in the ratio of thirty six to sixty four. Its overseas capital is owned by Islamic Development Bank (IDB), nine other institutions and three individuals of Arab nationality, while the local capital is owned by Government of Bangladesh (GOB), Investment Corporation of Bangladesh (ICB), four non – profit private institutions and a good number of private individuals. Its shares are quoted in the

local stock markets. Being in high demand the shares are presently sold at 4.50 times higher than the face value, Authorized capital of the Bank is Tk. 3000 million and paid up capital of Tk.2304.00 million as year 2004.

2.1.2 Corporate Vision

- ✓ To be the unique modern Islami Bank Bangladesh Ltd. in Bangladesh.
- ✓ To make significant contribution to the national economy and
- ✓ Enhance customer's trust & wealth, quality investment, employee's value and rapid growth in shareholder's equity.

2.1.3 Corporate Mission

Islami Bank Bangladesh Ltd. Aims to become one of the leading Banks in Bangladesh by prudence, flair & quality of operations in their banking sector. The bank has some mission to achieve the organizational goals. Some of them are follows

- ✓ To provide high quality service to customers.
- ✓ To set high standards of integrity
- ✓ To make quality investment
- ✓ To ensure sustainable growth in business
- ✓ To ensure maximization of shareholders wealth
- ✓ To extend our customers innovative services acquiring state-of-the-art technology blended with Islamic principles.
- ✓ To ensure human resource development to meet the challenges of the time.

2.1.4 Corporate Strategies

- ✓ To strive for customers best satisfaction & earn their confidence.
- ✓ To manage & operate the bank in the most effective manner.
- ✓ To identify customers need & monitor their participation towards meeting those requirements.
- ✓ To review & update policies, procedures & practices to enhance the ability to extend better services to the customers.
- ✓ To train & develop all employees & provide them adequate resources so that the customer's needs are reasonably addressed.
- ✓ To promote organizational efficiency by communicating company plans policies & procedures openly to the employees in a timely fashion.

2.1.6 Objectives

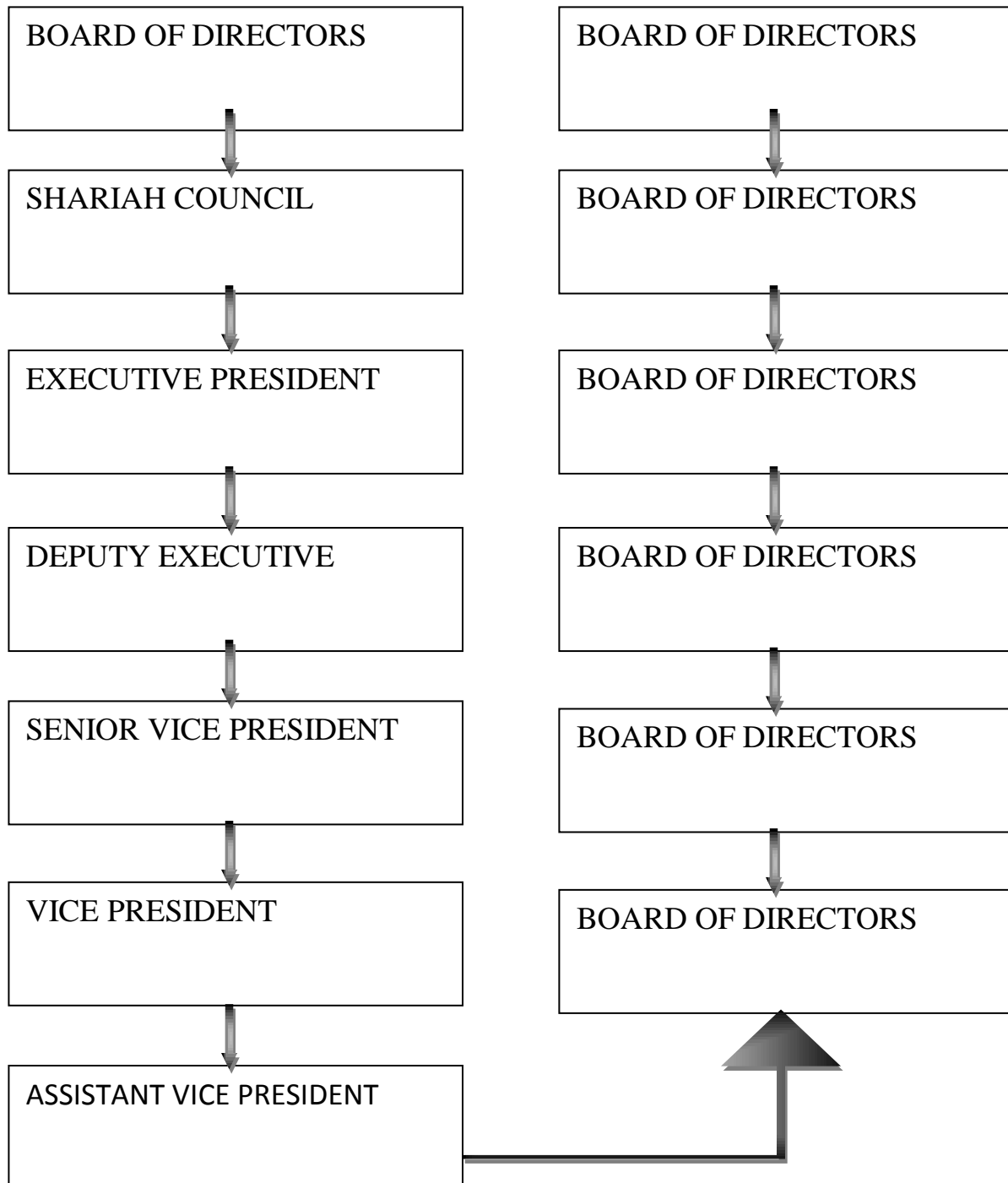
Islami Bank Bangladesh Ltd. believes in moral & material development simultaneously.”Interest” or “Usury” has not been appreciated and accepted by “the Tawrat” of Prophet Moses, “the Bible “of Prophet Jesus and “the Quran” of Hazrat Muhammad(sm).Efforts are there to do banking without interest. Islami Bank Bangladesh Ltd. avoids “interest “in all its transactions and provides all available modern banking services to its clients and want to contribute in both moral and material development of mankind. Only material well-being should not be the objective of development. Socio-Economic justice and brotherhood can be implemented better in a God-fearing society.

Other objectives of Islami Bank Bangladesh include:

- ❖ To establish interest-free & welfare oriented banking system.
- ❖ To help in poverty alleviation and employment generation
- ❖ To contribute in sustainable economic growth
- ❖ To collect deposits on profit loss sharing basis
- ❖ To establish welfare-oriented banking system

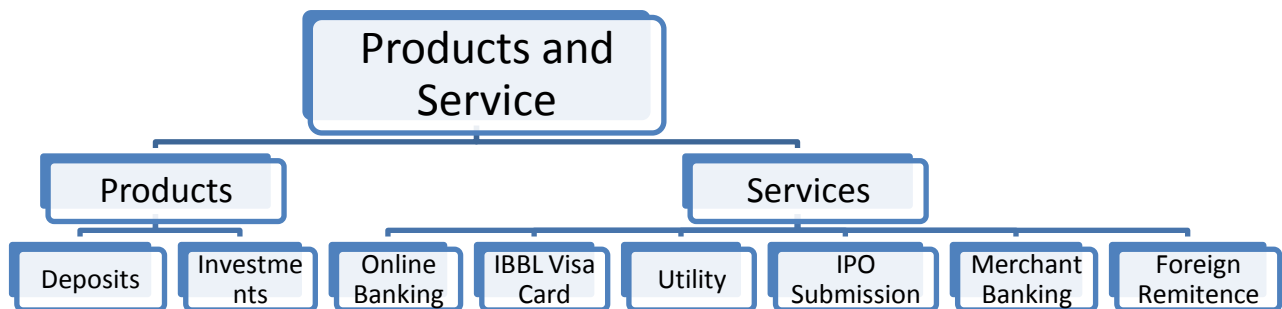
To extend co-operation to the poor, the helpless and the low income group for their economic development.

2.2 Organogram Of the IBBL :



2.3 Products & Services

Bank means mobilizing fund from surplus unit and deployment of fund for deficit unit. IBBL mobilize its fund from surplus unit through different types of deposit schemes and deployment this fund for deficit unit through various investment schemes. So the main products of IBBL are different kinds of deposits and investment schemes. For an easy understanding, a chart is given below:



2.4 Financial Highlights (Share of Capital):

Local Shareholders:	42.12%
Foreign Shareholders:	57.88%
Authorized Capital	Tk. 3000.00 million
Paid-up Capital	Tk.2, 304.00 million
Deposit	Tk. 96198.68 million (As on 30-
Investment Mar-2004)	Tk. 67,234.10 million (As on 31-
Foreign Exchange Business June-2005)	Tk.68, 503.00 million (As on
Number of Branches	169(As on 31-Dec-2005)
Number of Share holder	2,304,000(As on 31-Dec-2004)
Manpower	5,713 (As on 30-June-2005)

Paid-up Capital and Reserve:

The Authorized Capital of the Bank is Taka 3,000.00 million and Paid-up

Capital is Taka 192,000.00 the Paid-up Capital was Taka 67.50 million in 1983.The Reserve Fund of the Bank has been increasing steadily. On 31st December, 1983, it was Taka 0.36 million and stood at

Taka 303.57 million as on 31st December 1994

Taka 535.08 million as on 31st December 1995

Taka 759.39 million as on 31st December 1996

Taka 930.17 million as on 31st December 1997

Taka 1011.84 million as on 31st December 1998

Taka 1115.61 million as on 31st December 1999

Taka 2074.88 million as on 31st December 2000

Taka 1998.04 million as on 31st December 2001

Taka 2852.04 million as on 31st December 2002

Taka 3287.80 million as on 31st December 2003

Taka 4329.92 million as on 31st December 2004

Taka 5144.19 million as on 30th June 2005

Taka 9076.60 million as on 30th June 2006

2.6 SWOT Analysis

Strength- Weakness-Opportunity-Threat (SWOT) analysis of IBBL's is shown below:

a) Strength:

Sound profitability and growth with good internal capital generation.

1. Strong fund sources.
2. Largest network among private commercial banks.
3. Strong liquidity.
4. Less expense of fund.
5. Quality products & services.
6. Company reputation and goodwill.

b) Weakness:

1. Lack of Islami Security market.
2. IT & e banking is not enough strong.
3. Lack of full scale automation

c) Opportunities:

1. Increase consciousness about Islami Banking.
2. Increase islami instrument of investment.
3. Increasing trend in international business
4. Value addition in products & service
5. Increasing purchasing power of people.

d) Threats:

1. Increase competition to collect government deposit.
2. Pressure to decrease rate of profit.
3. National and global political unrest.
4. Increased competition for market share in the industry.

2.6 Equity of the Bank

As per Capital Adequacy Policy prescribed by Bangladesh Bank, the Central Bank of the country, banks are to maintain 9.47(p) % capital on its Risk Weighted Assets against which present total equity of the Bank as TK. 7,613 on June 2005, December 31st, 2003 stood at Taka 4807.42 million, which was 8.6% of its Risk-Weighted Assets as against Taka 3540.51 million as on 31st December 2002. This was Taka 2993.24 million in 2001. Taka 2,671.06 million in 2000 Taka 1,659.26 million in 1999, Taka 1517.55 in 1998, Taka 1,429.86 million in 1997, Taka 1241.05 in 1996, Taka 813.09 million in 1995, Taka 420.06 million in 1993, Taka 537.35 million in 1994 and Taka 420.06 million in 1993.

Learning Part

3.1 Investment

The word comes from the Latin word "credo" meaning "I believe". It is a lender's trust in a person's/firm's/company's ability/potential ability to command goods or services of another in return for promise to pay such goods or services at some specified time in the future. In other words, the purchase of a financial product or other items of value with an expectation of favorable future returns is called investment. In general terms, investment means the use of money in hope of making more money. The objective of investment management is to maximize the performing asset and the minimization of the non-performing asset as well as ensuring the optimal point of loans and advances and their efficient management.

3.2 Factors Related with Investment

- ❖ Risk
- ❖ Time
- ❖ Interest Rate
- ❖ Security Or Collateral
- ❖ Operating Expense
- ❖ Legal Considerations
- ❖ Inflation

3.3 Importance of Investment

Investment plays a vital role in national economy in the following ways:

- ❖ It provides working capital for industrialization.
- ❖ It helps to create employment opportunities.
- ❖ Investment controls almost all kinds of production activities of the country.
- ❖ It brings social equity.
- ❖ Cash generation occurs for its successful performance.
- ❖ Business cycle can run well only by the help of lending system.
- ❖ Economic stabilization.
- ❖ Raise standard of living.

3.4 Investment Management

Investment management is a dynamic field where a certain standard of long range planning is needed to allocate the fund in diverse field and to minimize the risk and maximizing the return on the invested fund. Continuous supervision, monitoring and follow-up are highly required for ensuring the timely repayment and minimizing the default. Actually the investment portfolio is not only constituted the bank's asset structure but also a vital factor of the bank's success. The overall success in investment management depends on the banks loans and advances. Therefore, while analyzing investment policy, investment procedure and quality of investment portfolio.

3.5 OBJECTIVE AND PRINCIPLES:

The objectives and principles of investment operations of the banks are:

- The investment fund strictly in accordance with the principles of Islamic Shariah.
- To diversifies its portfolio by size of investment, by sectors (public and private), by economic purpose, by securities and by geographical area including industrial, commercial and agricultural.
- To ensure mutual benefit both for the Bank and the investment client by professional appraisal of investment and monitoring therefore.
- To make investment keeping the socio-economic requirement of the country in view.
- To increase the number of potential investors by making participatory and productive investment.
- To finance various developments schemes for poverty alleviation, income and employment generation with a view to accelerating sustainable socio-economic growth and uplifting of the society.
- To invest in the form of goods and commodities rather than give out cash money to the investment clients.
- To invest in the form of goods and commodities rather than give out cash money to the investment clients.

- To encourage social uplifting enterprises.
- To shun even highly profitable investment in fields forbidden under Islamic Shariah and is harmful for the society.
- The Bank extends investments under the principles of Bai-Marabaha, Bai- Muazzal, Hire Purchase under Shirkatul Melk and Musharaka. The bank making sincere efforts to go for investment under Mudaraba principle in near future.

3.6 Global Investment Portfolio Limited:

The feature which deals with how much total deposit would be used as lending the proportion of long term lending, customer exposure, country exposure, proportion of unsecured facility etc.

The most notable ones are:

The aggregate of all cash facility will not be more than the 80% of the customer's deposit. Long term loan must not exceed 20% of the total loan portfolio. Facilities are not allowed for period more than 5 years. Credit facilities to any one customer group shall not normally exceed 15% of the capital fund of taka 100 cores

3.7 Introduction of Islami Bank Bangladesh Ltd.

Islami Bank is a financial institution whose status, rules and procedures expressly state its commitment to the principle of Islamic shariah and to the banning of receipt and payment of Interest on any of its operation. For millions of Muslims banks were institution to be avoided. Islam is a religion which keeps believers from the tellers' window. Their Islmic beliefs prevent them from dealing involve usury or interest (Riba). Muslims are not averse to legitimate profit as Islam encourages people to use money in Islamic ally legitimate venture not just to keep up their funds idle.

3.8 Evolution of Islami Bank Bangladesh Ltd.

Islamic comes into reality through a long theoretical exercise of several renowned Islamic scholars and economists. The first attempt to establish an Islamic financial institution took place in Pakistan in 1950. In the modern world, the pioneering role in establishing the first Islami Bank Bangladesh Ltd. in 1963 named “Mit-Ghamar saving Bank” in Egypt at rural area of Nile Delta. Today, there are many Islamic Financial Institutions operating throughout the world covering with Muslim and non-Muslim countries of various socio-economic environment.

3.9 Common Practices of Islami Bank Bangladesh Ltd. in Mobilization of Funds

3.9.1 Al-Wadia Current Accounts

All Islami Bank Bangladesh Ltd. operate current account on behalf of their client individuals and business firm.

These accounts are operated for the safe and custody of deposits and for the convenience of customers.

3.9.2 Mudaraba Saving Account

1. Savings accounts are opened with the condition that deposits provide the bank with an authorization to invest, and
2. Depositors have the right to deposit and withdraw funds.
3. The profits in saving accounts are calculated on the minimum balance during the month.

3.9.3 Investment Deposit

Investment deposits are Islami Bank Bangladesh Ltd. counterparts of term deposit or time depositors in the conventional system. They are also called profit and loss-sharing (PLS) Accounts or participatory Accounts. However they can be distinguished from traditional fixed term deposits.

3.9.4 Islamic Financial Vehicles:

Islami Bank Bangladesh Ltd.s around the world has devised many creative financial products based on the risk sharing and profit sharing principles of Islami Bank Bangladesh Ltd.ing. For day to day banking activities a number of financial instruments have been developed that satisfy the Islamic doctrine and provide acceptable financial return for investors.

3.9.5 Al-Mudaraba(Profit sharing)

Important features of Mudaraba are as follows:

1. The division of profits between the two parties must necessary be on a proportional basis and cannot be a lump sum or guaranteed return.
2. The investors are not liable for losses beyond the capital he has contributed.
3. The mudarib does not share in the losses except for the loss of his time and efforts.

3.9.6 Musharaka (Profit and Loss Sharing)

This is a partnership normally of limited duration formed to carry out a specific project. It is therefore similar to a western-style joint venture, and is regarded by some as the purest form of Islamic financial instrument, since it conforms to the underlying partnership principles of sharing in and benefiting from risk.

3.9.7 Ijarah (Lease Financing)

Another popular instrument is leasing which is designed for financing an asset or equipment. It is a munafaah (benefit) or the right to use the asset or equipment. The lessor leases out an asset or equipment to the client at an agreed rental fee for a predetermined period pursuant to the contract.

3.9.8 Bai –Salam

A buyer pays in advance for a specific quality of a commodity, deliverable on a specific date at an agreed price. This financing technique, similar to a futures or forward- purchase contract is particularly applicable to seasonal purchase but it can also be used by other goods in cases where the seller needs working capital before s/he can deliver.

3.9.9 Istisna (Purchase Order)

This is a sale and purchase agreement whereby the seller undertakes to manufacture or construct according to the specification given in the agreement. It is similar to bai-salam the main distinction being the nature of the asset and method of payment. Istisna generally covers those things which are customarily made to order and advance payment of money is not necessary as required in bai-salam.

3.9.10 Bai Muajjal

In short, it is a sale on credit. The Bai-Muajjal may be defined as a contract between a Buyer and a seller under which the seller sells certain specific goods (permissible under shariah and Law of the country), to the buyer at an agreed fixed price payable at a certain fixed future date in lump sum or within a fixed period by fixed installments. The seller may also sell the goods purchased by him as per order and specification of the buyer.

3.9.11 Hire purchase Under Shirkatul Melk:

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

3.9.12 Quard-Al-Hassan

It is a virtuous lending. Through this mode, bank provides credit to its customer for a certain period, which bears no profit/loss/compensation.

3.10 Models of Charging Securities

A wide range of securities is offered to banks as coverage for loan. In order to make the securities available to bankers, in case of default to customer, a charge should be created on the security. Creating charge means “making it available as a cover for advance”. The following models of charging securities are applied in the Shahjalal Islami Bank Ltd.

3.10.1 Lien

A lien is right of banker to hold the debtor’s property until the debt is discharged. Bank generally retains the assets in his own custody but sometimes these goods are in the hands of third party with lien market. When it is in the hand of third party, the third party cannot discharge it without the permission of bank. Lien gives banker the right to retain the property not the right to sell. Permission from the appropriate court is necessary. Lien can be made on movable goods only such as raw materials, finished goods, shares debentures etc.

3.10.2 Pledge

Pledge is also like lien but here bank enjoys more right. Bank can sell the property without the intervention of any court, in case of default of loan. But for such selling proper notice must be given to the debtor. To create pledge, physical transfer of goods to the bank is must.

3.10.3 Hypothecation

In this charge creation method physically the goods remain in the hand of debtor. But documents of title to goods are handed over to the banker. This method is also called equitable charge. Since the goods are in the hand of the borrower, bank inspects the goods regularly to judge its quality and quantity for the maximum safety of loan.

3.10.4 Mortgage

Mortgage is transfer of interest in specific immovable property. Mortgage is created on the immovable property like land, building, plant etc. Most common type of mortgage is legal mortgage in which ownership is transferred to the bank by registration of the mortgage deed. Another method called equitable mortgage is also used in bank for creation of charge. Here mere deposit of title to goods is sufficient for creation of charge. Registration is not required. In both the cases, the mortgage property is retained in the hand of borrower.

3.10.5 Advance against Fixed Deposit Receipts

Advance against Fixed Deposit Receipt will be subject to investment restrictions imposed from time to time by Head office/Bangladesh Bank. Islami Bank Bangladesh Limited usually sanctions investment limit up to 90% of the FDR value. Scrutinize the Fixed Deposit Receipts with regard to the following points.

- ❖ The Fixed Deposit Receipt is not in the name of minor.
- ❖ It is discharged by the depositor on revenue stamp of adequate value and his signature is verified.
- ❖ Creation of liability on Fixed Deposit issued in joint names by any one of the depositors is regular.
- ❖ In the Deposit Receipt is offered as a security for allowing advances, a letter of lien shall be obtained from the depositors, on the appropriate form.
- ❖ If the Deposit Receipt has been issued by the branch allowing advance, lien against that specific Deposit Receipt to be marked in the fixed Deposit Register of the branch.

- ❖ The discharged receipt, the letter of lien duly verified by the issuing branch and the letter conforming registration of the lien on the deposit receipts shall be kept along with other documents under safe custody of the bank.

3.11 Investment Policy of IBBL

Islamic Investment is a unique form of socially responsible investments because Islam makes no division between the spiritual and the secular.

Various Islamic financial institutions, especially in Islamic countries offer various types of investment products that are free of Riba or interest. An Islamic investment fund is usually one in which a number of people pool their money and the money is in turn invested in an Islamic legal manner.

So, Islami Bank Bangladesh Ltd. Branch conducted its portfolio under the principles of Islamic Shariah. Profit earning is not the only objective of Islami Bank Bangladesh Ltd., Rather than welfare of the society through managing its investments is also looked into. The banks generally allow investment in different sectors including priority sectors declared by the government. Its main areas of investment are trade and commerce, industry, agriculture, real estate, rural development etc.

3.12 Fundamental of investment Scheme:

The fundamental of Islamic investment scheme are:

- ❖ Quranic (shariah law) principle
- ❖ Riba (Interest/unjustified reward/unlawful gain)
- ❖ Gharrar (uncertainty, Risk ,speculation)
- ❖ Helal (religiously permissible)
- ❖ Al wadia (Safe keeping)
- ❖ Qard Hasan (good one)

3.13 Basic requirements & Philosophy of investment scheme:

- ❖ True risk sharing
- ❖ No exploitation of weaker position
- ❖ Not socially unproductive
- ❖ Not economically wasteful
- ❖ Promotes economic & social development

Investment schemes of IBBL: Economic and Social impact.

3.14 Objectives of investment scheme:

The objectives of investment scheme of IBBL are:

- ❖ To raise the standard of living of low –income group.
- ❖ Development of human resources.
- ❖ To make investment keeping the socio economic requirement of the country in view.
- ❖ To shun even highly profitable investment in fields forbidden under Islamic Shariah and are harmful for the society.
- ❖ To create awareness for self employment.

3.15 Rules of Investment scheme:

The rules followed for investment scheme are as follows:

- ❖ Primary business activity must be based on shariah
- ❖ Majority assets are illiq

3.16 Salient Features of investment Scheme of IBBL:

- ❖ Observance of the legal investment limit of the bank
- ❖ Observance of the legal investment limit of the client
- ❖ Optimum utilization of investible fund.
- ❖ Profitability of the investments.
- ❖ Safety and security of the investment
- ❖ Investment at minimum possible risk
- ❖ Liquidity of investments
- ❖ Conform to central banks investment restriction.
- ❖ Preference to short term investments.
- ❖ Preference to the investments for small size
- ❖ Satisfactory return on investments

3.17 Strategies of Investment Scheme of IBBL:

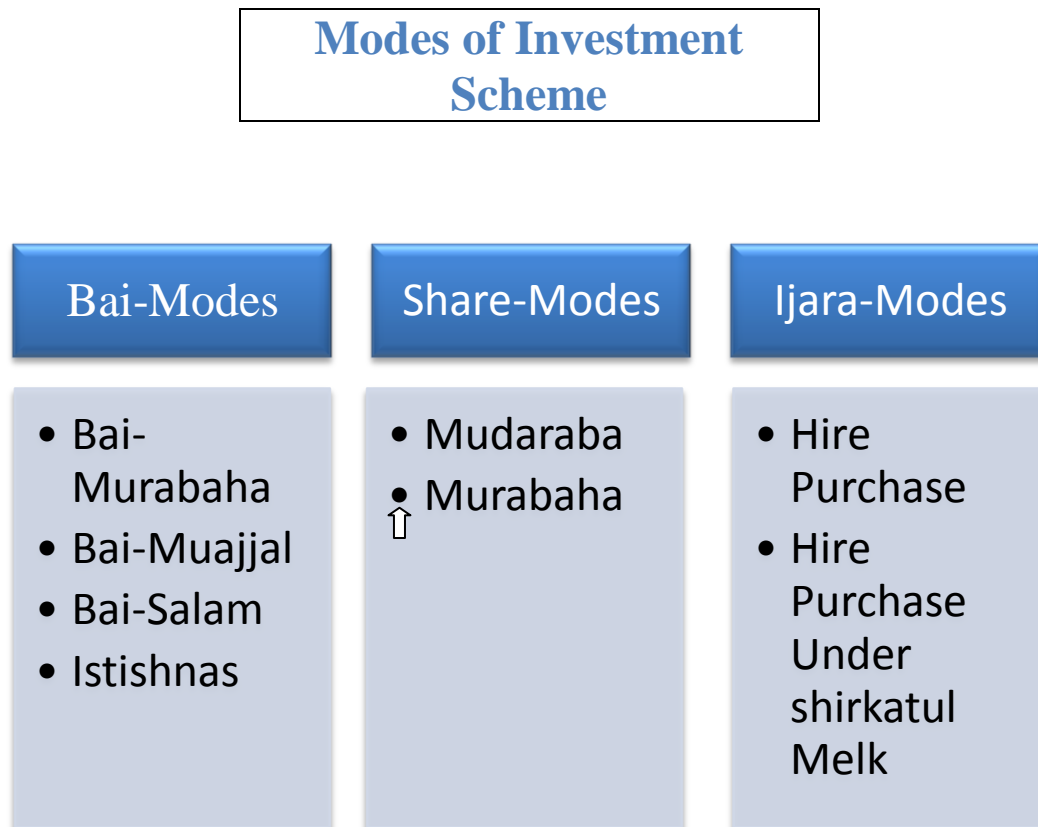
Risk in the investments and return thereon are interrelated. An Investment policy that emphasizes a high return must accept relatively high risk. Conversely, an investment policy that will tolerate only small amount of risk must be prepared to accept a relatively low return.

Nevertheless, considering all aspects following guidelines shall be followed as strategy for banks investments.

- ❖ If two port-folios have the same risk but different returns, the port-folio having higher return shall be preferred.
- ❖ If the two port-folios have the same expected returns, but different degrees of risk, the port-folio with lower risk shall get preference.
- ❖ If one port-folio has both a higher return and a lower risk than another, the first port – folio shall be preferred.
- ❖ Investment facilities shall be extended for establishment and expansion of export oriented forward /back ward linkage and import substitute industries.
- ❖ Safety, security profitability and liquidity of banks investments.
- ❖ Each branch invests, at least 50% of its deposits locally.
- ❖ Enhance of extending limit of good investment clients.

3.18 Modes of Investment scheme of IBBL:

When money is deposited in the IBBL, the bank, in turn, makes investments in different forms approved by the Islamic shariah with the intention to earn a profit. Not only a bank, but also an individual or organization can use Islamic modes of investment are discussed below:



Bai-Modes:

A) Bai-Murabaha

Meaning,

The terms “Bai” and “Murabaha” have been derived from Arabic words Murabaha”and “Bai”.The word Bai means purchase and the word Murabaha means a in cash”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.

Types of Murabaha:

In respect of dealing parties Bai-murabaha may be of two types.

- 1) Ordinary Bai-Murabaha:
- 2) Bai-Murabaha on order and promise:

Important features of Murabaha:

- ❖ There are three parties involved in this contract: 1. Bank 2. client 3. supplier
- ❖ Purchase price and profit are to be mentioned separately in the sanction advice.

B) Bai-Muajjal

Meaning

The terms “Bai” and “Muajjal” have been derived from Arabic words Ajal and Bai. The word bai means purchase and sale and the word Ajal means a fixed time or a fixed period. Bai-Muajjal means sale for which payment is made at a future fixed date or within a fixed period. In short, it is a sale on credit.

Important features of Bai-Muajjal:

- ❖ Whether the goods that the client intends to purchase are marketable and have steady demand in the market.
- ❖ Whether the goods are perishable in short or in long-term duration
- ❖ Whether the price of the goods is subject to frequent and violent changes

c) Bai-Salam

Meaning:

The terms “Bai” and “salam” have been derived from Arabic words Bai and Salam. The word “Bai” means “sale & purchase” and the word Salam means “Advance”. “Bai-Salam” means Advance sale and purchase.

Important Features of Bai-Salam:

- ❖ Where are two parties involved in the contract: Bank and the clients
- ❖ Advance purchase of goods by the bank from the client.
- ❖ Purchase price and profit need not be mentioned separately
- ❖ Bank may sale out the goods to anybody after getting delivery from the client.

D) Bai-Istishna

Meaning:

The word Istishna has been derived from the word “Istishna” which means industry or Manufacturing enterprise. Istishna to goods manufactured by placing orders to a manufacturer.

Important Features Bai-Istishna:

- ❖ It gives the buyer the opportunity to pay the price in some future dates or by installments.
- ❖ It is a binding contract & no party is allowed to cancel the contract after the price is paid & received in full or in part or the manufacturer starts the work.
- ❖ It is specially practiced in manufacturing & industrial sector.

Ijara Modes:

Meaning of Ijara

The word Ijarah has been derived from the Arabic words Ajr and Ujrat which means consideration, return, return, wages or rent. This is really the exchange value or consideration, return, wages, rent of service of an Asset.

Elements of Ijara:

According to the majority of Fuqaha, there are three general and six detailed elements of Ijara:

- ❖ The Warding: This includes after and acceptance.
- ❖ Contracting parties: This includes a lessor, the owner of the property, and a lessee, the party that benefits from the use of the property.
- ❖ Subject matter of the contract: This includes the rent and the benefit.

Types of Ijara:

Ijara may be two types.

- a) Hire Purchase (Ijara-au-Iqtina):
- b) Hire purchase Under shirkatul Melk

Stages of Hire purchase under shirkatul Melk:

Thus Hire purchase under shirkatul Melk Agreement has got two stages:

- ❖ Purchase under joint ownership.
- ❖ Sale and / or transfer of ownership to the other partner Hirer.

Share Modes:

Mudaraba:

Mudaraba is a partnership contract between Banks and the clients where Banks supply capital and the client invest their labor, wisdom/skill etc. On the condition that the profit of the business will be shared between them as per agreed ratio and the actual loss (if any) will be borne by the bank.

Important Features:

- ❖ Bank supplies capital as sahib-al-Mall and client invest if in the business with his experience.
- ❖ The client maintains administration and management.
- ❖ Profit is divided as per agreement.
- ❖ Bank bears the actual loss alone.

Musharaka:

Meaning:

The word Musharaka have been derived from Arabic word “shirkah” The word shirkah means a partnership between more than one partner.

Important Features

- ❖ Both parties invest capital and take part in business
- ❖ Business record is to be maintained, Bank may inspect the when required.
- ❖ Profit will be shared per agreed ratio but loss must bear as per equity ratio.

3.19 Investment Scheme of Islami Bank Bangladesh Ltd. Bangladesh Ltd:

Islami Bank Bangladesh Ltd. offers many types of investment scheme. The Islami Bank Bangladesh Ltd. Provides loan for clients by best reliable of the competitors markets and taking part of increasing to develop our countries economy. Islami Bank Bangladesh Limited (IBBL) is modern commercial bank governed by the principles of Islamic Shariah, which is committed to implement and materialize and financial principles of Islam in the banking sector.

The products are:

- ❖ Household Durable Scheme.
- ❖ Housing Investment Scheme.
- ❖ Real State Investment Scheme.
- ❖ Transport Investment Scheme.
- ❖ Car Investment Scheme.
- ❖ Investment Scheme for Doctors.
- ❖ Small Business Investment Scheme.
- ❖ Agricultural Implements Investment Scheme.
- ❖ Rural Development Scheme.
- ❖ Micro Industries Investment Scheme.

Household Durable Investment Scheme

In a developing country like Bangladesh people of middle and lower middle class especially service holders with limited find it difficult to purchase articles like refrigerator, television, almirah, wardrobe, sofa-set, pressure cooker, sewing machine etc. which are part of modern and decent living. They cannot enhance the standard and quality of life to the desired level due to the constrain of their limited income. Islami Bank Bangladesh Limited has, therefore, introduced Household Durables Investment Scheme which has already created great enthusiasm among the people and received tremendous response from them.

Purpose of the Scheme:

- ❖ Facilitate investment to purchase household durables to the different low and medium income honest businessman /professionals.
- ❖ Socio-economic improvement of the country through improvement of life style of the low and medium income people.

Household items:

Household items mean the following items:

Air-Conditioner/Air Cooler	Electrical/Electronic goods	Radio/Two in One/Three in one
Crockery's	Educational equipment/Machinery, books etc.	Washing Machine
Knitting Machine(Home Usable)	Furniture and Fixtures	Non-Commercial Generator
Photo Copier	Oven	Refrigerator
Deer Fridge	Two in One	Three-in-one
Motor cycle/Bi-cycle	Water purifier	Room Heater
Water cooler	Mobile telephone set	Personal
Tube-wells	Different Kitchen Kits	Ornaments for marriage
Any other different household items		

Eligibility of the client:

- ❖ In case of Government, Semi-Government and Autonomous Organizations the age of the investment clients must be 25 and above with at least three years of service and he must have at least three years of service prior to his retirement.
- ❖ In case of others except service holders the age limit must be within 27-60 years.

Basic feature of the Scheme:

Mode of Investment: Bai-Muajjal

Period of Investment: Maximum 02(two) years.

Clients Equity: Minimum 23-5%. Preference will be given in case of highest equity.

Profit and Charge:

Rate of Profit	@ 16.50% p.a.
Service Charge	@ 1.00% p.a. on approved limit to be realized upfront.
Risk Fund	@ 1.00% to be realized at the time of disbursement.

Repayment Procedure:

The Bank's investments and profit thereon shall be recovered in 24 monthly installments within a period of 2(two) years.

The monthly installment shall be payable by the first week of every month.

Disbursement Procedure:

After sanction of investment and deposit of required equity by the client, the Branch shall supply to the concerned investment client the desired articles within seven days by procuring them by way of pay-order or cheque or draft etc, favoring the supplier.

Guarantors for the facility:

At the time of selection of guarantor, the following information to be followed:

- ❖ In case of Govt. Officer/Executive, of equal or higher rank.
- ❖ In case of an Officer of private firms the guarantee of his/her employee, acceptable to the bank.

Securities: The ownership of the items(s) shall be in the name of the bank.

- ❖ One post dated master cheque , covering the facility amount(with profit).
- ❖ Post-dated cheques against each monthly installment.
- ❖ Personal guarantee from two persons having good financial means and standing and acceptable to the bank.

Supervision and recovery:

The concerned investment client shall pay the commission of the supervising agency at the rate of 2% per annum over the investment.

Housing Investment scheme

Housing is one of the basic needs of human being. At present, housing problem in the country particularly in the urban areas has taken a serious shape for the middle class of the people. It is not possible on the part of the middle class and sometimes upper-middle class to have an adobe of their own out of their limited source of income.

Keeping in view the above, Islami bank Bangladesh Limited has intended to introduce a scheme titled, “Housing Investment Scheme” for fixed income groups. The salient features of the scheme are as follows:

Objectives of the Scheme:

A housing finance programme to make it easy for people to have their own place in metro cities. The object of this programme is :

- ❖ To expand the rate of our investment products for various economic groups of the society.
- ❖ To mitigate the existing housing problem of the country to some extent.
- ❖ To assist fixed income groups to have a house of their own.
- ❖ To diversify the investment portfolio by size, sector and economic purpose wise.
- ❖ To help people to avail investment under islamic mode who are not willing to go to the conventional banks and institutions.

Target groups:

- ❖ In-service defense officers.
- ❖ University and college confirmed teachers.
- ❖ Qualified engineers, doctors and established professionals.
- ❖ Officials of reputed multinational companies, International Financial Organization, Donor Agencies.

Mode of Investment:

Hire purchase Shirkatul melk(HPSM)

Target Area:

Initially the scheme shall be implemented in Dhaka, Chittagong, Rajshahi, Sylhet and Narayanganj cities of the country.

Ceiling of investment:

In case of construction on land owned by the client: maximum 60% of the total cost of the construction of the building . Maximum ceiling of the Banks investment will be taka 30 lac.

In case of purchase of apartment/flat/ready-made house: maximum 50% of the value including purchase related cost. Maximum ceiling of the Banks investment will be Tk 20 lac.

Mode of Investment:

- ❖ Purchase of readymade Apartment/House/Flat: 50% of total cost.
- ❖ Construction of new house :60% of total cost.

Rate of Profit:

The rate of return (mid rate) will be 16.5% p.a. repayable and recoverable on a monthly basis and the rate to be determined by the bank judging the money market situation from time to time.

Rebate @ 1% for regular and timely payment will be allowed at the discretion of the Bank.

Security:

- ❖ Personal guarantee of the clients, his/her spouse, adult son(s) and daughter(s) shall have to be obtained.
- ❖ Mortgage of land and building to be constructed thereon, apartment/flat/house in favor of the Bank till the full payment of dues to the Bank.

Recovery of Banks Investment:

Repayment will be allowed only on monthly installment basis.

Real Estate Investment Scheme

Professionals, Service-holders, Real Estate Developer and other categories of people who are not entitled for availing investment facilities under housing Investment facilities under housing Investment Scheme, shall be eligible under the programme. Investment is to be extended to build new houses and for extension/completion of the house already constructed, commercial building, shopping complex, flat/apartment etc.

Transport Investment Scheme

The role of modern communication is most vital for the socio-economic growth and uplift of a developing country like Bangladesh. A sound and efficient communication network is the prerequisite for sustained development through the expansion of trade, commerce and industry. In this backdrop the demand for road and water transports has increased manifold throughout the country. Moreover, the use of modern transports has increased keeping with the rise of the standard of living.

Purpose:

- ❖ To assist in the development of communication system of the country.
- ❖ To help overcome the existing transportation problem.

Mode of Transports:

1. Road Transports

- ❖ Private car, microbus, Jeep.
- ❖ Bus, truck, minibus.
- ❖ Auto-rickshaw, tempo, pick-up van.
- ❖ Ambulance.

ii. Water Transports

- ❖ Cargo vessel of maximum 500-ton capacity.
- ❖ Ocean going vessel of maximum 800-ton capacity.

Period of Investment:

Maximum 3 years from the date of delivery of the vehicle.

Investment Schemes of IBBL: Economic and Social impact.

Recovery of Banks Investment:

- ❖ The client shall have to repay the dues to the bank in monthly installment starting immediately after the expiry of the gestation period fixed by the bank.
- ❖ Required number of post-dated checks for the whole period of investment.

Procedure of Application:

Interested person / Firm must apply through concerned Branches of the Bank for availing investment facilities in prescribed form along with required papers and documents. The Bank will consider the proposal as per prescribed rules and sanction and disburse the investment. The Bank reserves the right to sanction or reject any investment proposal.

Car Investment Scheme

Maintaining a car now a day is no more a luxury, but an essential part of daily working life to add speed to it's performance and taking this as view Islami Bank Bangladesh has introduced car purchase investment scheme.

Mode of Investment:

- ❖ Hire Purchase.
- ❖ Hire Purchase under Shirkatul Melk.

Purpose of the Scheme:

- ❖ Facility investment to purchase car to the professionals and businessmen.
- ❖ Facilitate to develop life standard of limited income honest people.

List of purchasable cars under the Scheme:

The following brand new and reconditioned cars (without registered) will only be purchased under the scheme.

- ❖ Private car
- ❖ Microbus
- ❖ Jeep

Eligibility of the Investment client:

The permanent employees working in the following organizations aged between 27 to 50 years are eligible to avail investment facility under the scheme:

- ❖ Government Organizations
- ❖ Semi-Government and Autonomous Organizations.
- ❖ Banks and Financial Organizations.
- ❖ Senior teachers of University and Government College.

Except above the following persons will also be entitled for the facility under the scheme:

- ❖ The genuine businessmen having valid trade licence, vat certificate and TIN.
- ❖ Acceptable persons to the Bank's management having strong Net Work.
- ❖ Different professionals like doctors and engineers.

Criteria for fixing investment account:

- ❖ In case of service holder, the amount of the investment will be fixed in such a manner that the monthly installment against the investment shall not exceed 20% of net salary of the client.
- ❖ In case of businessman and other client, the amount of the investment will be fixed in such a manner that the monthly installment against the investment shall not exceed 10% of average net monthly income/profit of the client.

Period of Investment:

Period of investment is maximum 4(four) years from the date of disbursement.

Disbursement Procedure:

Bank's sanctioned amount shall be disbursed directly to the supplier of the vehicle as mentioned in the quotation/indent submitted and accepted for the purpose on completion of the following requirements:

- ❖ Deposit of the equity amount by the client with the concerned branch.
- ❖ Obtaining of securities/collateral as per sanction requirements.
- ❖ Completion of all formalities including documentation for the investment

Repayment Procedure:

The repayment of monthly installment shall be deposited in the first week of every month. The repayment to be started from the next month of disbursement made on behalf of the client.

Pre-Payment of the Investment:

The client may adjust his/her outstanding investment partially or fully before the expiry.

Securities:

- ❖ The ownership of the car will be in the name of the bank. After full and final adjustment of the facility, the car will be transferred in the name of the client.
- ❖ 1st class comprehensive insurance of the car is to be done for full investment period. In addition to completion of all charged documents, the clients will provide an undertaking that(s) he will pay monthly installment regularly.
- ❖ Each client will have to provide personal guarantee of two persons.
The following persons will be able to provide personal guarantee:
 - ❖ First class Gazette officer.
 - ❖ Bank officers not below principal office.
 - ❖ Senior teachers of University/Government College have high net worth.

- ❖ Professionals like doctors, engineer having high net worth and minimum 5 years experience.

Profit, Charges and Risk Fund:

Description		
Rate of profit	:	@30.00%p.a
Service Charge	:	@1.00%(to be realized one time before disbursement)
Risk Fund	:	@1.00%(to be realized one time before disbursement)

Supervision:

The cost of the supervision charge shall be recovered from the client along with rent.

Investment Scheme for Doctors

Children are the precious assets in one's life around which all dreams cluster. Every parents dream in pursuing their children for higher education in the country or in abroad to cherish the end result. Islami Bank Bangladesh Limited is here to make parents dream true with investment scheme for education.

Eligibility:

Any Bangladeshi credit worthy salaried or a self-employed person can avail this facility for their children.

Purpose of Investment:

- ❖ To pay the tuition fees.
- ❖ To pay the Hostel fees.
- ❖ Purchase of computer, books etc

Mode of Investment:

- ❖ Hire purchase Shirkatul Melk:
- ❖ For purchase/procurement of medical equipment and appliances, motor cycle and other items.
- ❖ Bai-Muajjal:
For establishment of chambers, clinics and purchase of medicines etc.

Equity:

- ❖ Newly graduated doctors under self-employment scheme:10%
- ❖ Established doctors:20%
- ❖ Established clinics:30%

Investment Ceiling and Period:

Category	Maximum Ceiling	Maximum Period
Self employed doctors settled in district town	Tk.5.00 lacs	5 years
Self employed doctors settled in thana town	Tk.5.00 lacs	5 years
Specialists/Consultant Physicians for modern and sophisticated medical equipment	Tk.10.00 lacs	5 years
Newly graduate unemployed Doctors	Tk.5.00 lacs	5 years

Repayment Mode:

Monthly installments.

Security:

- ❖ The ownership of the medical equipment, appliances etc. and the motor cycle supplied by the bank on Hire Purchase-Shirkatul Melk basis, shall remain with the bank.

Mode of Repayment

- ❖ Investment of the Bank is to be repaid on monthly installment basis.
- ❖ Re-payment of the 1st installment will start after three months from the date of investment.

Small Business Investment Scheme

Islami Bank Bangladesh Limited has designed the scheme titled, “small Business Investment Scheme” for the small businessmen and self-employed persons. The salient features and necessary guidelines of the scheme are as follows:

Purpose:

- ❖ To expand investment facilities for the small traders and entrepreneurs in urban and rural areas with a view to raise their level of income and to improve their quality of life.
- ❖ To extend investment facilities to those small entrepreneurs who could not any credit or investment facilities from any bank or financial institutions.

Target groups:

- ❖ Small Businessmen like Wholesaler, Retailer, and Small Manufacturer/Producer.
- ❖ Self-Employed person like Doctors/Engineers/Professionals etc.
- ❖ Small & Cottage Industries.
- ❖ Other existing & new small business, micro & Small industries.

Mode of Investment:

- ❖ Hire Purchase shirkatul Melk
- ❖ Bai-muajjal-TR

Ceiling of Amount

- ❖ For Dhaka & Chittagong: Maximum up to TK. 1, 00,000/- per client.
- ❖ Branches in other Divisional: Maximum up to TK. 75,000/- per client.
- ❖ Branches other than Divisional: Maximum up to TK.50, 000/-per client.

Tenure of Investment:

- ❖ In case of HPSM : Maximum 24 months.
- ❖ In case of Bai-muajjal-TR : Maximum 12 months.

Clients Equity

- ❖ For HPSM investment: Maximum 20% on the cost price
- ❖ For Bai-muajjal-TR: Nil.

Mode of Recovery:

- ❖ For HPSM investment: Monthly installment basis
- ❖ For Bai-muajjal-TR: Monthly/ Quarterly/Half-yearly

Rate of Profit/Rent and Fees:

Rate of profit/Rent is 15.00%p.a.

Supervision Charge:

Supervision charge will be @2.00%per annum. The same will be debited at a time on Bank's principal investment at the time of disbursement.

Risk Fund:

Risk fund will be @ 1.00% per annum.

Security:

For Investment up to TK.30, 000

- ❖ Hypothecation of existing and future stock of goods. Ownership of machines & equipments shall remain in Bank's name.
- ❖ Personal guarantee of financially sound respectable 32 persons/prominent businessmen acceptable to the Bank shall have to be given.

For Investment over TK.30, 000

- ❖ Hypothecation of existing/future stock of goods. Ownership of machines & equipments shall remain in the Bank's name.
- ❖ The client shall have to give mortgage of immovable properties to the Bank.

Agriculture Implements Investment Scheme

Bangladesh is predominantly an agricultural country with vast majority of people living in rural areas. Most of our people, for their living, are dependent on agriculture.

Purpose:

- ❖ To create opportunities for self-employment of unemployed rural youths.
- ❖ To help farmers to augment agriculture production.
- ❖ To assist in the introduction and use of modern technology in the agricultural sector.

Mode of Investment:

Hire purchase under shirkatul Melk.

Types of Agriculture Implements

- ❖ Power Tiller
- ❖ Power pump
- ❖ Thresher Machine
- ❖ Shallow Tube well

Period of Investment:

2 (two) years.

Repayment Procedure:

The investment shall have to be repaid in 4 installments within a year. The Branch Manager shall decide both the amount and time of the repayment of installment Security:

- ❖ The agricultural implements to be supplied to the investment client shall remain in the name of the bank till the repayment/ adjustment of the dues to the bank.

Risk Fund:

- ❖ Under this scheme a risk fund shall be created by debiting the concerned investment account an amount equal to 2% of the bank's investment at a time at the rate of 1 % per annum for 2 years.

Supervision: Supervision fee at the rate 2 %.

Procedure for Submission of Application:

Interested client shall have to apply to the concerned Branch in the prescribed form of the bank for availing investment facility under the Scheme. The bank shall consider the proposal in the light of aforementioned terms and conditions and shall sanction and disburse the investment. The Bank reserves the right to sanction or reject any investment proposal.

Investment Schemes of IBBL: Economic and Social impact.

Rural Development Scheme

Bangladesh with its 38% people living below poverty line and 18% living in absolute poverty is suffering from acute rural-urban economic disparity coupled with illiteracy, lack of proper health and sanitation facilities. The countries economy is basically an agrarian one with vast majority living in rural areas. The agriculture sector is unable to provide any further scope for employment resulting in influx of rural population towards urban areas.

Purpose:

The following are the important purpose of IBBLS Rural Development Scheme:

- ❖ To extend bank investment to agricultural and non – agricultural sectors in the rural areas:
- ❖ To invest on employment and income generation activities of the rural population.

- ❖ To provide self-employment for distressed people;
- ❖ Socio-economic development of the poor distressed by group/center formation;
- ❖ To bring both male and female to provide employment under income generation activities and help them to attain self-reliance step by step.
- ❖ To follow an approach of comprehensive development side by side with economic development

Target Area:

- ❖ Initially the scheme was started as a pilot scheme in the rural areas of certain districts under the direct supervision of the nearby Branches of the Islami Bank Bangladesh Limited.

Rate Of return:

- ❖ The rate of return is 12.5%.Rebate 2.5% for timely repayment.

Mode of investment:

Investment schemes of IBBL: Economic and social impact.

- ❖ The Branch selects any of the following modes depending upon the sector and purpose of investment.
 - ❖ Bai-Muajjal
 - ❖ Hire-Purchase Shirkatul Meelk(HPSM) or Leasing
 - ❖ Bai-Salam
 - ❖ Murabaha TR
 - ❖ Mudaraba
 - ❖ Musharaka

Application Procedures:

Interested investment groups from selected ideal village shall have to apply to the concerned branch in the prescribed form of the bank for availing investment facilities under the scheme. The bank shall consider the proposal in the light of aforementioned term & condition and shall sanction and disburse the investment.

Micro-Industries Investment Scheme

Bangladesh as a developing country has been trying for its overall economic growth. One of the major problems confronting its growth is lack of development of enterprises and potential entrepreneurs who can create more job opportunities may establish new enterprise in the industrial sector. There are a number of educated unemployed youths and also skilled & semi-skilled unemployed persons in the country.

Purpose of Investment:

- ❖ To procure capital machinery.
- ❖ To purchase raw material.
- ❖ To meet a portion of working capital requirement.
- ❖ Creates income generating employment opportunities through establishment of new micro-industries.

Sectors of Investment:

Different sectors including food and agriculture based industries, plastic & rubber industries, forestry and furniture industries, engineering industries, leather industries, and Investment schemes of IBBL: Economic and Social impact. Chemical industries, textile industries, computer technology industries, paper products industries, handicrafts industries, fishery & livestock farming, hollow bricks, roof tiles.

Mode of Investment:

Capital Machinery: Hire-Purchase Shirkatul Melk(HPSM)

Raw Material : Bai-Muajjal

Period of Investment:

Capital Machinery: 5 years excluding reasonable gestation period

Raw Material: One year on revolving basis from the date of 1st disbursement.

Rate of Return & Rebate:

The Rate of Return will be @ 14% per annum in case of timely payment 1% rebate.

Risk Fund:

The client will contribute in the risk fund @ 2% of the total Bank's investment.

Social Benefits:

- ❖ The educated unemployed must be ensured by the Branch for proper implementation of the project and recovery of installments in time.

List of Micro Industries:

- ❖ Food & Agriculture Industries.
- ❖ Plastic & Rubber Industries
- ❖ Forestry & Furniture Industries.
- ❖ Engineering Industries
- ❖ Leather Industries
- ❖ Chemical Industries

- ❖ Textile Industries
- ❖ Service Industries
- ❖ Electrical Accessories Industries
- ❖ Fishery & Livestock Farming Industries
- ❖ Miscellaneous

Mode of Recovery:

- ❖ Hire purchase : In monthly/fortnightly/weekly installment basis.
- ❖ Bai-Muajjal : In Lump sum at the end of the tenure of Investment.

Procedure of Application:

- ❖ Interested persons/firms may apply through concerned Branch of the Bank for availing investment facilities under the Scheme in prescribed form along with required papers and documents. The Bank will consider the proposal as per prescribed rules and sanction and disburse the investment.
- ❖ The Bank reserves the right to sanction or reject any investment propos

Performance Analysis of IBBL and Investment Schemes

4.1 Performance & Analysis of Investment Schemes:

During this short spend of time the bank of time had been successful to position itself as a progressive and dynamic financial institution in the country. The bank had been widely acclaimed by the business community from small businessmen, entrepreneurs to large tracers and industrial conglomerates, including the top rated corporate borrowers for forward –looking business outlook and innovative financing solutions. Following are performance & analyzing given.]

4.1.1 Mode-Wise Investment of IBBL Shyamoli Branch From 2010-2011

	2010		2011	
	Amount	% of total Investment	Amount	% of total investment
Bai-Murabaha	96217	53.44%	11780	54.60%
Hire-Purchase	63159	35.01%	73871	34.42%
Bai-Muajjal	6350	3.64%	7318	3.41%
Purchase & negotiation	10223	5.68%	11289	5.26%
Quard	2151	1.19%	2833	1.32%
Bai-Salam	1719	.95%	2082	.97%
Musharaka	35	.02%	43	.02%
Total	179854	100%	109216	100%

Source: Yearly Statement of Affairs of the shyamoli Branch

Analysis: In the year 2010 total investments was Tk. 179854 million and in the year 2011 investment was Tk. 109216. In the year 2010 and 2011 IBBL investment has 53% in the year 2009 and 54% in the year 2011. 53 in the year 2010 was more investment in Bai-Muradaba that is 53% in 2010 and 54% in the year 2011.

Mode-Wise Investment of IBBL Shyamoli Branch

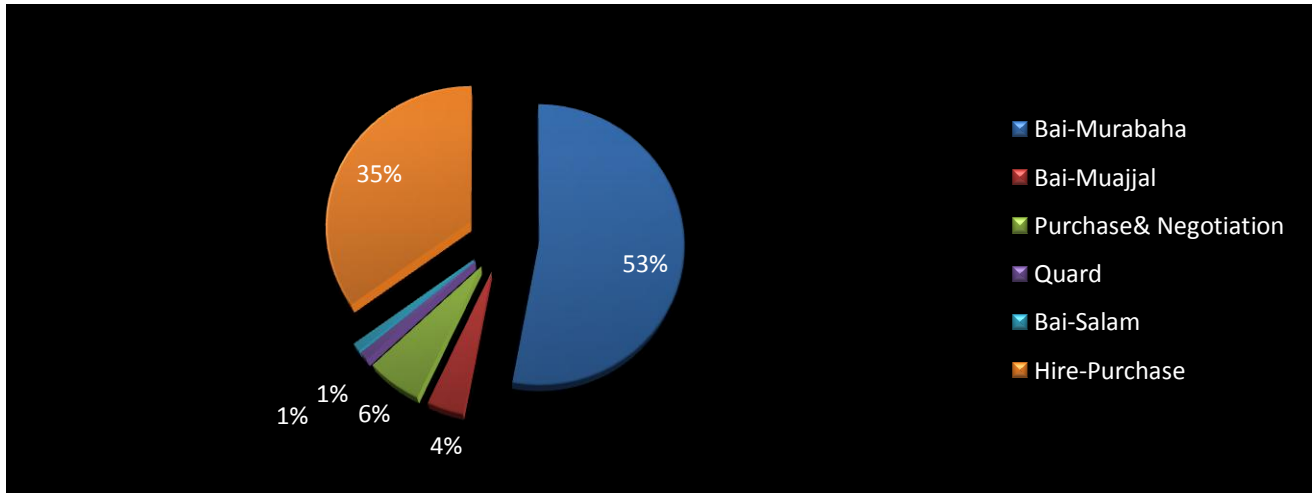


Figure: 01

Source: Yearly statement of Affairs of the Shyamoli Branch (Year2010-1011)

Analysis: In the year 2009 highest investment in Bai-Murabaha that was 53%, Hire purchase was 35%, Purchase negotiation was 6%, Bai Muajjal was 4% etc.

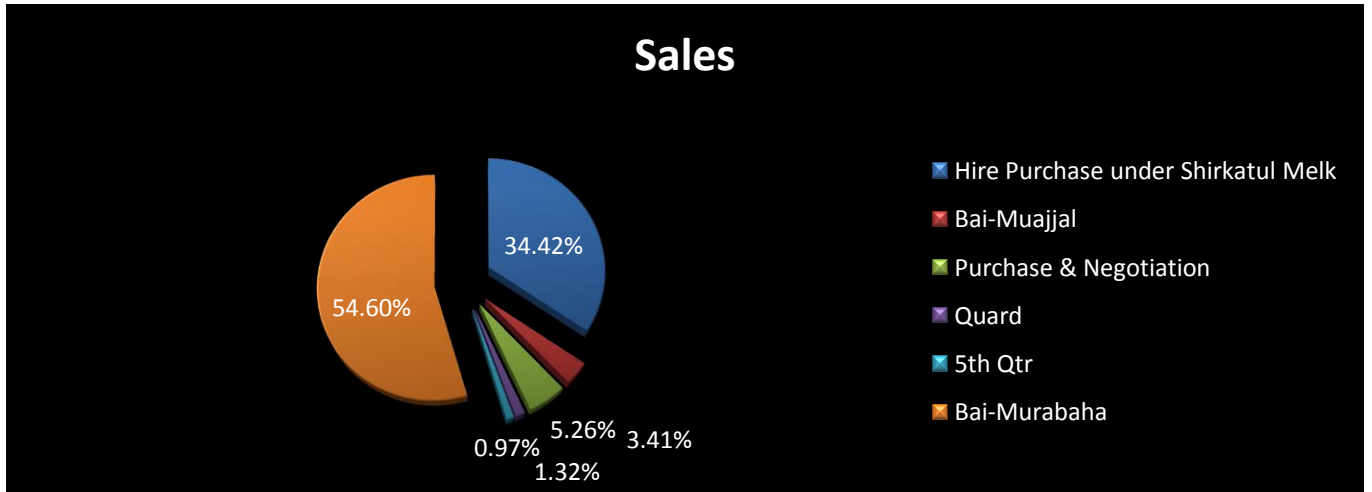


Figure: 02

Mode Wise Investment of IBBL Shyamoli Branch 2011

Source: Yearly Statement of affairs of Shyamoli branch.

Analysis: in the year 2011 highest investment in Bai-Mudaraba that was 54%, Hire purchase was 34.42%, purchase and negotiation was 5.26%, Bai Muajjal was 3.41% etc.

Branch position of the Bai-Mudaraba Investment (IBBL Shyamoli Branch):

The actual position of the different year

Branch position of the BAI Murabaha Investment

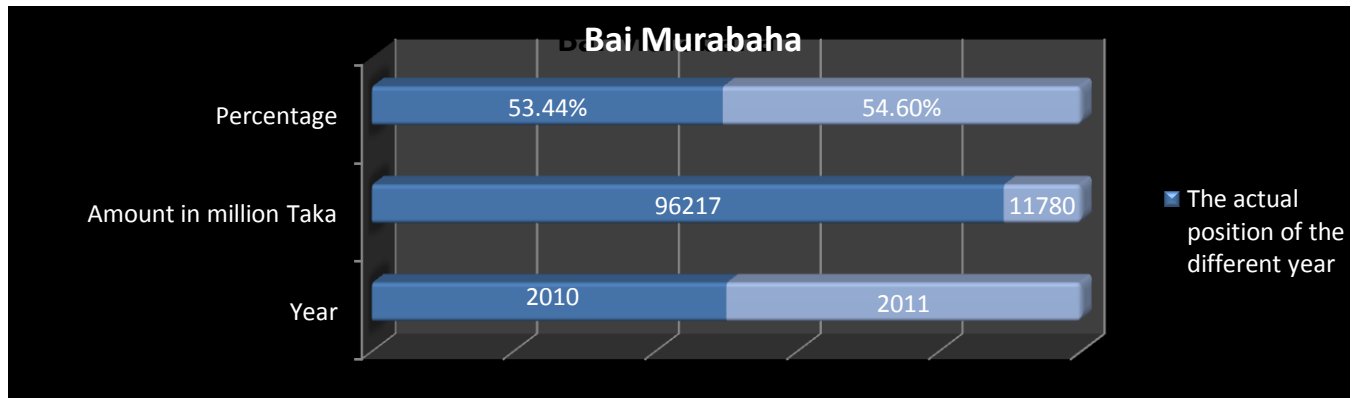


Figure: 03

Source: Yearly Statement of affairs of the Shyamoli branch.(2010-2011)From the graph we can find out that BAI Murabaha investment in the year 2010 was 53.44%, in the year 2011, it was 54.60% and in 2011 the BAI Murabaha investment was increased that the percentage is 1%.

The actual position of the different year

Branch Position of the HPSM Investment

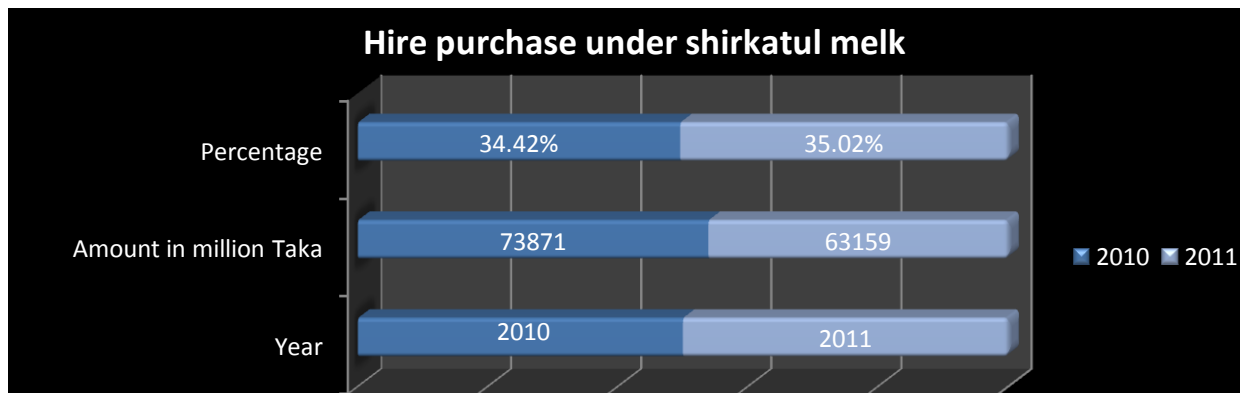


Figure: 04

Source: yearly statement of affairs of the Syamoli branch.

Analysis: From the graph we can find out that HPSM investment in the year 2010 was 35.02%, in the year 2011 it was 34.42% and in the year 2011 the HPSM investment was decreased that the percentage is 1%.

Branch position of the Bai Muajjal investment:

The actual position of the different year

Branch position of the Bai Muajjal investment

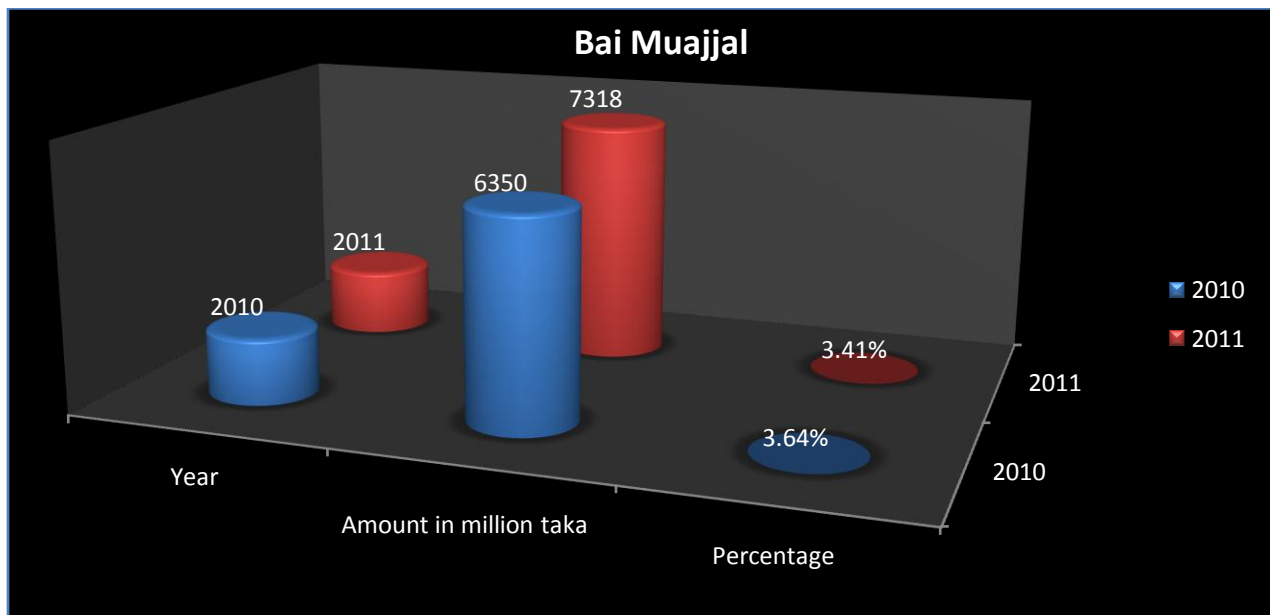


Figure: 05

Source: Yearly statement of affairs of the Shyamoli branch (Year 2010-2011)

Analysis:

From the above the graph we can find out that Bai Muajjal investment in the year 2010 was 3.64% in the year 2011, it was 3.41% and in the year 2011 the Bai Muajjal investment was decreased that the percentage is 0.23%.

Branch position of the HPSM Investment (IBBL of shyamoli Branch):

The actual position of the different year.

Branch Position of the Quard Investment

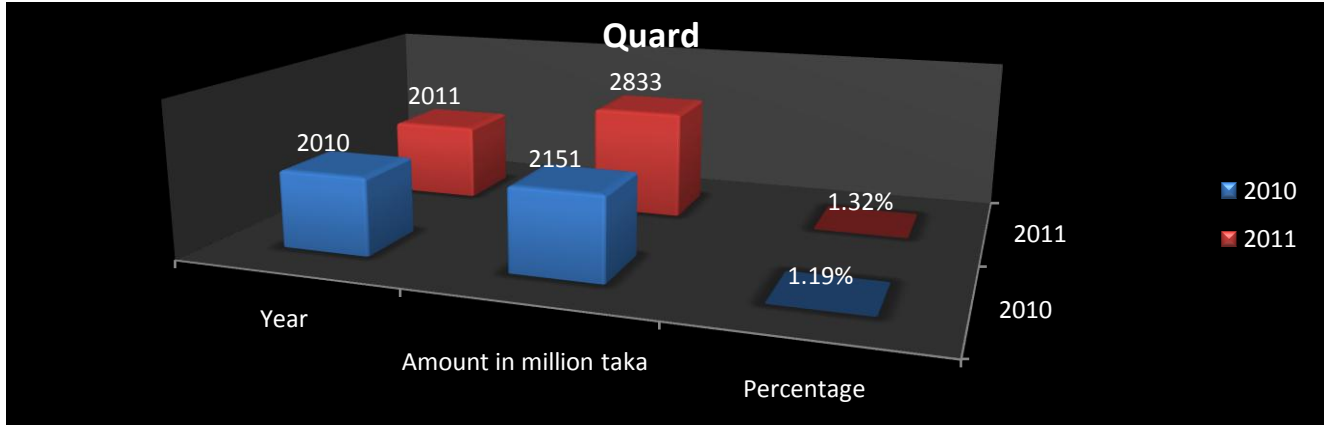


Figure: 06

Source: Yearly Statement of Affairs of the shyamoli branch (year2010-2011)

Analysis: From, The graph we can find out that Quard investment in 2010 was 1.19%, in 2011, it was 1.32% and in 2011 the Quard investment was increased that the percentage is .13%.

Branch Position of the Bai Salam Investment (IBBL Shyamoli Branch)

Branch Position of the Bai Salam Investment

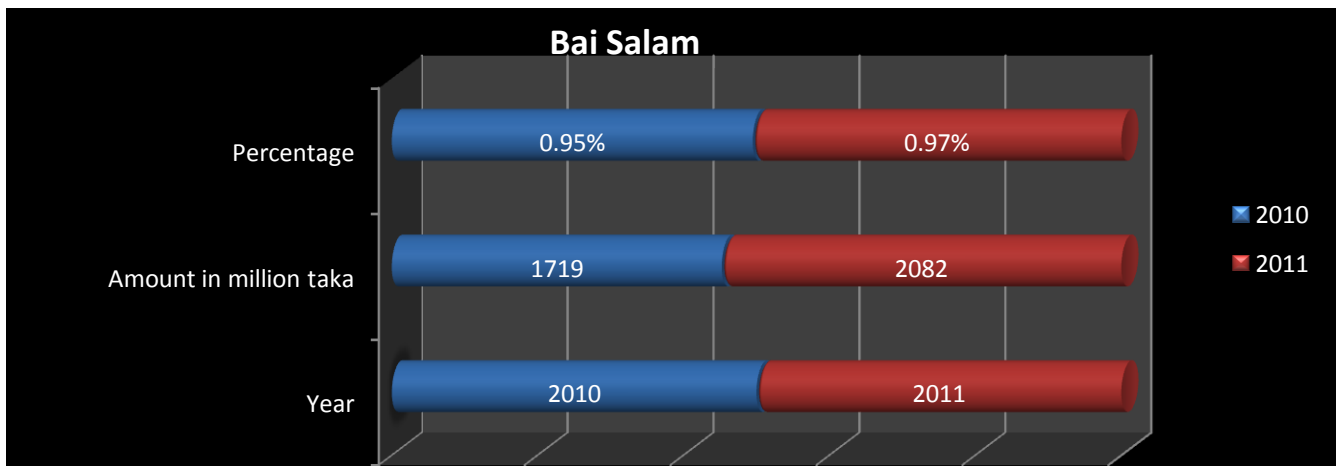


Figure: 07

Source: Yearly Statement of Affairs of the Shyamoli branch. (Year 2010-2011)

Analysis: From, the graph we can find out that Bai Salam investment in the year 2010 was .95%, in 2011, it was.97%and in 2011 the bai salam investment was increased that the percentage is 0%.

Branch Position of the Musharaka Investment (IBBL Shyamoli Branch):

The actual position of the different year

Branch Position of the Musharaka Investment

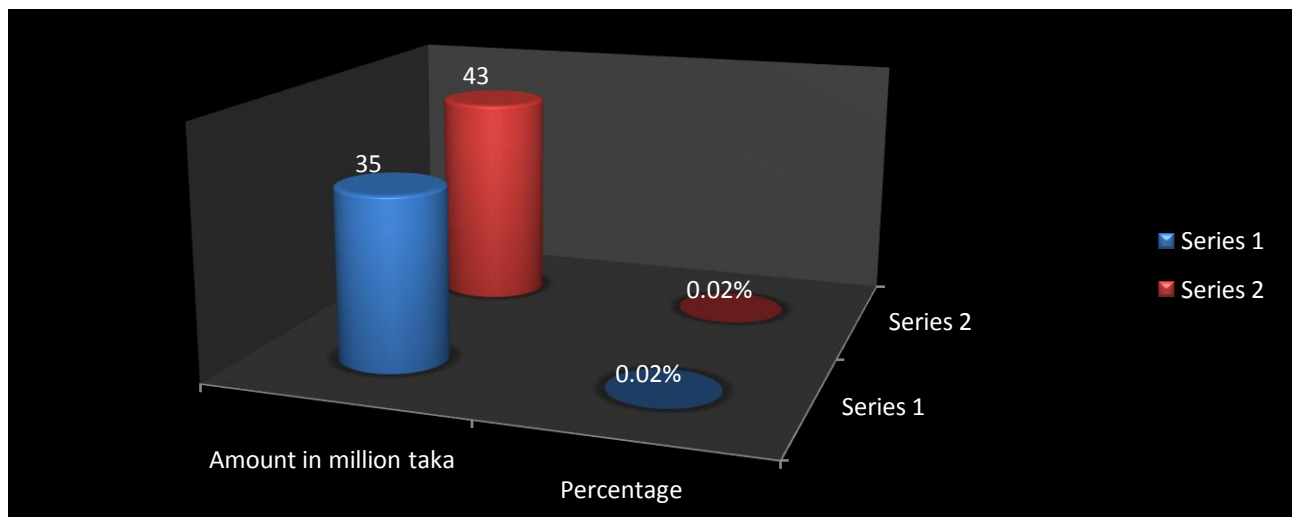


Figure: 08

Source: Yearly statement of Affairs of the shyamoli Branch. (Year 2010-2011)

Analysis: From, the graph we can find out that Musharaka investment in the year 2010 was .02%, in the year 2011,it was .02% and in 2011 the Musharaka investment was increased that the percentage is 0%.

4.1.2 Sector-Wise Investment of IBBL Shyamoli Branch from 2010 to 2011

(Amount in Million Taka)

4.1.2 Sector Wise Investment of IBBL Shyamoli branch from 2010to2011

(Amount in million taka)

Sector	2010		2011	
	Amount	% of total investment	Amount	% of total investment
Industrial	99223	55.11%	114884	53.53%
Commercial	51332	28.51%	71381	33.26%
Real state	10172	5.65%	8649	4.03%
Agriculture(Including investment in fertilizer and implements)	9110	5.06%	14057	6.55%
Transport	4082	2.27%	3520	1.64%
Others	6125	3.40%	2125	0.99%
Total	180054	100%	214616	100%

Sector wise investment of IBBL Shyamoli branch 2010-2011

In the year 2011 and in the year 2011 total investment in the investment sector taka 114884 and taka 992223 respectively. In the year 2011 in the industrial sector total investment was 53% but it was 55.11% in the year 2010. But in the commercial investment we can see total investment in

this sector was increased in the year 2010 was 28.51% and in the year it was increased by 33.26%. If we look into the table we can see most of the sector invests were increased from the year 2010 to 2011 except two sector commercial sector and real estate sector. In this two sector total investments were decreased in compare with 2010 to 2011.

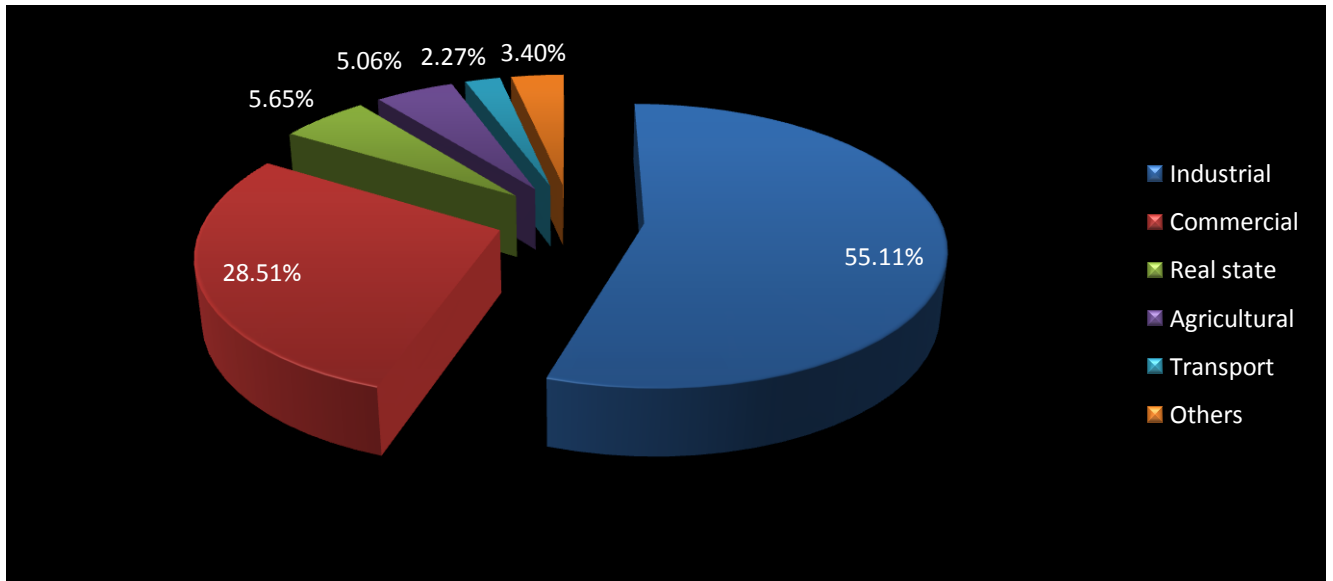


Figure: 09

Sector wise investment of IBBL Shyamoli branch 2010

Source: Yearly Statement of affairs of the Shyamoli branch

Sector wise Investment of IBBL Shyamoli branch 2011

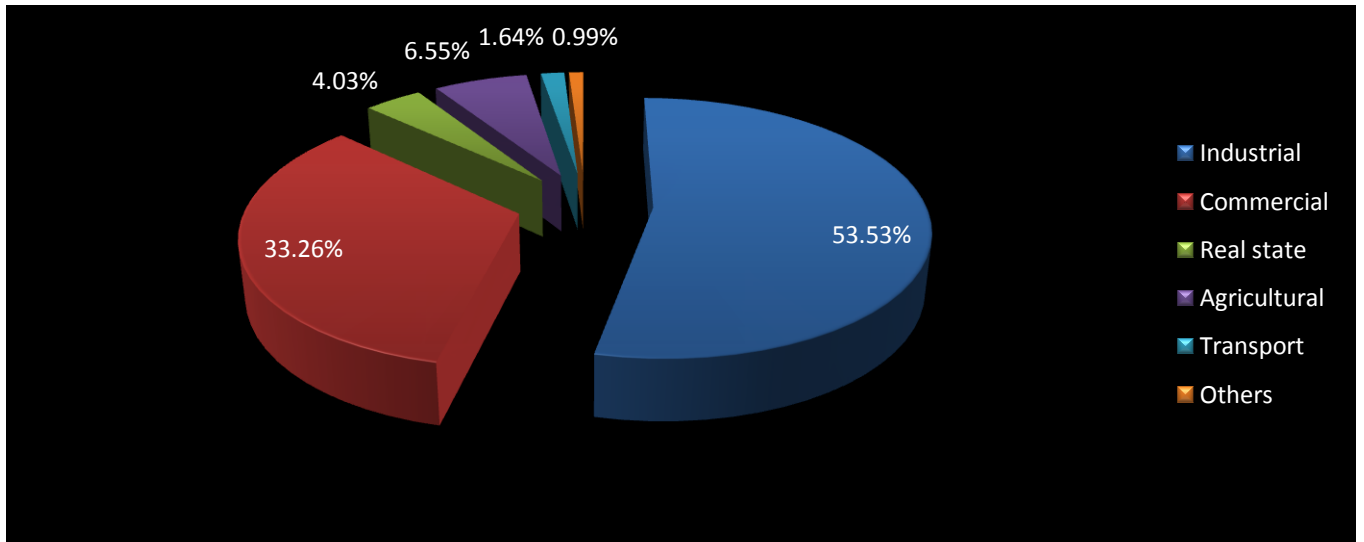


Figure: 10

Sector Wise investment of IBBL Shyamoli branch 2011

Source: Yearly statement of affairs of the Shyamoli branch

Findings, recommendations and conclusion

5.1 Findings:

While working on Islami Bank Bangladesh Limited, Shyamoli Branch, I gained a newer kind of experience. Findings are accumulated after identifying and analyzing the Investment Management Process, which are completely from my point of view.

- ❖ According to the credit scheme policy of the bank, it takes long time to process and disburse the loan.
- ❖ Most of the people in our country still don't know about the concept of Islami Banking. They think that the activities of the Islami Bank is comparatively very complicated than other conventional banks.
- ❖ Day by day new upcoming banks are coming with their new investment services, which could be the threats for IBBL, because IBBL has limited investment schemes.
- ❖ The bank provides less emphasis on long-term financing.
- ❖ All investment sectors are not acceptable by Islamic rules and regulation, like Alcohol Industry, Tobacco factory etc. These sectors are prohibited for the bank to invest.
- ❖ Though IBBL is committed to avoid interest but they can't do this fully. According to the rules of Bangladesh bank they must maintain process of SLR and SLS.

5.2 Recommendations:

According to my findings and knowledge think the authority of the IBBL should take some step which can help them to survive in the banking sector even economic world. Everything needed modification for the competitive world.

- ❖ Since most of the people of our country are poor and illiterate so bank may take initiative to make them understand about the importance of savings.
- ❖ IBBL should introduce new schemes like Education loan, Mcash, Shop Financing scheme personal loan for women and so on to cope with the competitive market.
- ❖ The bank should provide emphasis to maintain documentation process properly and should concentrate on to minimize loan disbursement time.
- ❖ To reduce loan-processing time they can introduce online loan application, submission and personal credit processing facility.
- ❖ By reducing loan processing fees they can attract more prospective clients.
- ❖ The bank may arrange monthly /quarterly training courses/workshops for the prospective clients selected by the branches in order to promote Investment schemes at desired level.

5.3 Conclusion:

According to the Bangladesh Bank Monetary policy banks are not permitted to minimize profit rate. Instead of that bank may concentrate to increase no of installment by which bank may attract more customers and make the installment more attractive.

The Bank's drive towards market leadership as well as quality in choosing business will continue in the coming years although competition is intensified with the opening of more financial institutions. The Bank is optimistic that the volume of business will increase in future through pragmatic and market friendly policies. The Bank shall continue to explore new Branches for Banking. We shall endeavor to adopt customer oriented policies and introduce new techniques that will help to earn profit and increase greater confidence of the existing/prospective customers. If Islami Bank Bangladesh Ltd. Shyamoli Branch adopts professionalism within the frame work of Shariah,they will be able to earn handsome "Halal Profit" and higher return to the depositors and shareholders. Ultimately, public will get more confidence on this type of Banking.