

**Internship Report**

**On**

**A comparative study of operational activities**

**Between Islamic Banking & Conventional Banking**

**Course Tittle: Internship**

**Couse Code: 4399**

**Submitted to:**

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**Letter of Acknowledgement**

At first I would like to give thanks to Almighty for giving such opportunity for preparing this Internship Report paper within the scheduled time. An unsophisticated gratefulness is reveled to Almighty Allah for empowering to complete the internship report paper. Definitely I believed that without his (Almighty) extra care, I was not able to complete this report paper.

The tittle of the report **“A comparative study of operational activities between Islamic Banking & Conventional Banking”** has been furnished to complete the necessity of BBA program. By this Internship project a grandiose experience & knowledge has been accumulated which was very tremendous from 1st January 2019 to 28th February 2019 while completing this internship report. This internship program has provided a great opportunity to understand the corporate working environment.

It is quite impossible for me to accomplish this internship report without engagement of some people. I was very fortunate that I got close supervising, co-operation, advice and sincere guidance from different person. Without precise information, the report may not be justified and presented in this descriptive mode.

An implicit wholehearted thanks & gratefulness to dignified Academic Supervisor and Faculty Mohammad Tariq Hasan sir dept. of SOBE for his worthy suggestion, constant help, formative criticism and consultative guideline throughout the whole internship period and in generating this report.

Also thanks to Islami Bank Bangladesh Limited, Shyamoli branch and IBTRA for sending valued information & extending important time to focus on problems through discussion.

**Letter of Transmittal**

05th May 2019

To

Mohammad Tariq Hasan

Assistant professor

School of Business & Economics

United International University

**Subject: Submission of Internship Report on “Difference between operating activities of Islami Bank Bangladesh Ltd. & Conventional Bank”**

Dear Sir,

It is an extensive pleasure for me to present such kind of Internship report, in conjunction of my practical observation in the Islami Bank Bangladesh Ltd. I would like to applaud you for providing me the opportunity of choosing this topic to submit as my report of internship. This report covers some significant aspect of the Islami Bank Bangladesh Ltd with entire information in a descriptive way.

The report includes in most of the details including objectives of IBBL, general banking activities of IBBL and also the difference between Conventional banking & Islami banking. This program will help to compare between theoretical knowledge and practical experience. The report is completed under supervision & direction of supervisor. It is intended that it will match with the requirement and prospect.

Sincerely yours

Md. Ajim Uddin

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BBA, School of Business & Economics

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| **Declaration of Student** **Student name : Md.Ajim Uddin** **ID Number : 111 151 401** **E-mail : muddin151401@bba.uiu.ac.bd**This report entitles “A comparative study of operational activities between Islamic Banking & Conventional Banking”, has been considered as a core function of internship formalities. It is one of the major task to submit internship report to finish BBA program. It includes the results of research work. I recognize that the whole of this report is the result of my personal effort. I additionally attest that this study is not part of other understanding.  Ajim**Student’s Signature: ………………….****Start of the Study:** February 01, 2019**End of the Study:** April 05, 2019 |

**Executive Summary**

Islami Bank Bangladesh Limited is one the reputed and most successful bank in Bangladesh. It started its journey at 1983. Last year in Bangladesh It generated the highest profit in the banking sector. And it also received the highest remittance from abroad. This report will provide a precise idea about the General activities and performance of Islami Bank Bangladesh Limited (IBBL). Basically this report emphasizes on the Operational activities of IBBL and difference between Islami Bank and Conventional Bank. After go through the report it will be clear to all about the operational activities of Islami Bank Bangladesh Limited and the core differences between Islami Bank & Conventional Bank. For completing this report data are collected through the annual report of IBBL, practical knowledge, articles, discussion with manager & employees .This report also includes the historical background of IBBL, mission, vision, operational area of IBBL, products of IBBL, superiority of Islami Banking, basic requirement for engaging with IBBL and potentiality of Islami banking.

Islami Bank Bangladesh Limited is an Islami Bank which conducting its activities on the basis of “Islamic Shariah”. And never cross the boarders of Islamic Shariah. It is following the alternative theory of Islamic banking which illustrate incomparable human behavior to credit. It is strongly prohibited to conduct banking activities on the basis of interest / RIBA.

Basically it is a banking system that wants to generate a profit oriented banking system. For this purpose IBBL has implemented a number of profits generating project for the huge number of rural & urban people.

Basically Islami Bank Bangladesh Limited collects deposit through offering its attractive & classical products. Like as- Al-Wadeeah mode (Current A/C) & Mudaraba Saving mode. Generally Al-Wadeeah Current A/C holder does not get any kind of profit from the branch as it is only for the safety purpose. IBBL offers a potential rate of profit (not fixed) to its Mudaraba Savings holder & at the measured date it (rate) may be higher or loser. There have lots of difference between Islami bank and conventional bank like as - difference in generating loan, interest/RIBA, zakat, shariah, reserve fund at central bank & investment mode. Though there have differences but some of the conventional banks are want convert to fully Islamic Banking/ introduce Islami Banking department.

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| **List of Acronyms**IBBL – Islami Bank Bangladesh LimitedGB – General BankingSME – Small & Medium EnterpriseMSA – Mudaraba Saving AccountAWCA- Al-Wadeeah Current AccountMTDRA – Mudaraba Term Deposit Receipt AccountMSNA – Mudaraba Special Notice AccountFCA – Foreign Currency AccountSMSA – Student Mudaraba Saving AccountMSSA – Mudaraba Special Savings AccountHPSM – Hire Purchase under Shirkatul MelkAML – Anti Money LaunderingFTO – Foreign Trade OperationsRDS – Rural Development SchemeHIS – House Investment schemeHDS – Household Durable SchemeCSR – Corporate Social ResponsibilityNID – National Identity CardKYC – Know Your CustomerATM – Automated Teller MachineAOF – Account Opening FormTIN – Taxpayer Identification NumberCSO – Customer Service OfficerACH – Automated Clearing HousePIN – Personal Identity Number  |

**Table of Content**

|  |  |  |
| --- | --- | --- |
| **Part** | **Heading** | **Page no** |
| **CHAPTER ONE: INTRODUCTION** |
| 1.1 | Introduction to bank | 1 |
| 1.2 | Brief introduction of IBBL | 1 |
| 1.3 | Objective of the study | 2 |
| 1.3.1 | Main Objective | 2 |
| 1.3.2 | Specific Objective | 3 |
| 1.4 | Rational of the study | 3 |
| 1.5 | Scope the study | 4 |
| 1.6 | Limitation of the study | 4 |
| **CHAPTER TWO: METHODOLOGY OF THE STUDY** |
| 2.1 | Sources of data | 5 |
| 2.2 | Process of Data collection | 6 |
| **CHAPTER THREE: ORGANISATION BACKGROUND AND INDUSTRY SCENARIO** |
| 3.1 | Definition of ISLAMIC BANK | 7 |
| 3.2 | IBBL | 8 |
| 3.2.1 | Historical background of Islami Bank Bangladesh Ltd | 9 |
| 3.2 | Vision mission | 10-14 |
| 3.2.1 | Islami Bank Bangladesh Ltd. at a glance | 14-15 |
| 3.3.1 | General Banking of Islamic Bank Bangladesh Limited | 16-38 |
| 3.4 | Comparison | 39-45 |
| **CHAPTER FOUR: FINDINGS AND ANALYSIS OF THE STUDY** |
| 4.1 | Findings and analysis of the study | 45 |
| **CHAPTER FIVE:RECOMMENDATIONS AND CONCLUSION**  |
| 5.1 & 5.2 | Recommendations and conclusion | 46-47 |
| **APPENDIX & REFERENCES** | 48 |
|  |  |
|  |  |

**List of Table**

|  |  |  |
| --- | --- | --- |
| No. of Table | Title | Page No. |
| 3.1 | IBBL at a glance | 12 |
| 3.2 | Weightages of Deposit | 20 |

**CHAPTER: 01**

**INTRODUCTION**

* 1. **Introduction to bank**

“Bank” is such a word that is completely engaged to our modern life. We can’t pass a single day without considering Bank. Directly or indirectly we are connected to bank. Without considering the contribution of Bank, we can’t consider such kind of modern world. It makes our life smooth and easy. But “Bank” is not completed by overnight, there have a glorious history of Bank.

Generally bank is such a financial institution that receives money from the people who have surplus amount of money and lends these money to the people who have shortage of money. The word “Bank” generate from the German word “Banc”, French word “Banque”, Italian word “Banca”. All of the word means counter or bench. Benches were performed as desks by Florentine bankers who used these to conduct their own transactions covered by green tablecloths. Another possible source to origin such a word, from the Sanskrit words “Byaya & onka”

The first bank in the world history was started in Italy. The Peruzzi & families generated lots of branches of bank in other zone of Europe. In that time the most famous bank was “Medici Bank” that was owned by “Giovanni di Bicci de” Medici in 1397. And this bank was the earliest state deposit bank that was founded in 1407 at Genoa, Italy.

* 1. **Brief introduction of Islami Bank Bangladesh Limited (IBBL):**

Islami Bank Bangladesh Limited was started its journey on 01.03.1983 and got its Banking license on 28.3.1993. Finally IBBL started functioning at 30.3.1983. The started authorized capital of IBBL was Tk. 50.00 cores and paid up capital was Tk. 32.00 cores.

Islami Bank is developed on the basis of the concept of interest free banking. Allah has forbidden earning or investing on the basis of interest. It means interest (Riba) is not allow according to Sunnah and Quran. So every kind of transactions should be free from interest (Riba). But most of the cases all the banks in the world are performing its works on the basis of interest. As riba is not allow in Islam the Muslim scholars thought an aim to establish a banking system that’s totally free from Riba and will perform their jobs on the basis of profit-loss sharing. And basically islami bank are performing its jobs on the basis of Islaic Shariah that is free from Riba (interest).

Motivated through the success of IBBL, five others Islamic banks namely- Faisal Bank, Exim Bank, Al-Baraka Bank, Social Investment Bank, and Al-Arafat Islami Bank have been placed in Bangladesh. And there have also Prime Bank established Islamic branches.

**1.3 Objectives of the Study:**

**1.3.1 Main Objective:**

The main purpose of the study is to practically justify the theoretical knowledge of “Operational Activities of Islami Bank” & “Difference between Islamic Banking and Conventional Banking” at IBBL, Shyamoli Branch.

**1.3.2 Specific Objectives**

* To analyze operational activities of Islami Bank Bangladesh Limited.
* To gather knowledge about official Rules & Principle of IBBL.
* To gather knowledge about Banking Environment.
* To experiment the service procedure of Islami Bank Bangladesh Limited.
* To look for code and conduct.
* To understand the procedures of loan disbursement.
* To understand the circle of General Credit.
* To understand business manner to the clients.
* To understand the present circumstances of Banking Industry.
* To focus on problems and necessary requirements to defeated the problems.
* To understand the performance of IBBL in the banking aspects.

**1.4 Rationality of the Study:**

Generally Bank is considered as the heart of the country’s economy and banking is considered as the blood circulation of economic growth of a country. Banks fulfill an important role to serve the demands of the country in several segments, like as: export & import, generate capital, large amount of production, betterment of trade & commerce and industrialization etc. and banks also contributes to several aspects.

Islami Bank Bangladesh Ltd (IBBL) has already appeared as one of the profitable & reputed banks in world because of its foreign exchange policy and foreign trade trend on the basis of the principles/rules of “Islamic Shariah”. Basically Islamic banking is a modern diminution of interest free banking system where ‘Riba’ / interest are totally forbidden. So I have tried my best to illustrate their performance and difficulties and prospects on the field of general banking and difference between Islamic banking and conventional banking.

**1.5 Origin of the Study**

The report named “A case study on comparison between operational activities of Islamic Banking & Conventional Banking” was delivered by IBBL on February 28, 2019 as a requirement for the fulfillment of the BBA Program of Department of Accounting of United International University.

This internship program has been designed for combination of theoretical knowledge and practical aspects. The main objective of this Internship Program is to send the internee student with the work experience by relating the internee student with the organization. And create an advantage for the internee student to combine the theoretical knowledge’s in the actual business environment. This Program completes a training period of fifteen days in “Islami Bank Training & Research Academy” (IBTRA) and forty five days in organizational attachment. The time period of the internship program with the IBBL, Shyamoli Branch was from January0 1, 2019 to February28, 2019.

**1.6 Scope of the Study:**

The scope of this study is confined the operational activities / general activities of Islami Bank Bangladesh Ltd and difference between the islami banking & conventional banking.

Currently Islami Bank Bangladesh Ltd. has already 342 branches throughout the whole country. Among those there have 59 branches of Authorized Dealer (AD) to conduct foreign trade & foreign exchange activities. There are 57 banks are working in Bangladesh includes 54 commercial banks & 03 specialized banks. The study on reveled topic was performed at Shyamoli Branch of IBBL at Shyamoli with a purpose of finding out the difficulties and potentiality of general banking of Islami Bank Bangladesh Limited and the core difference between Islami banking & Conventional banking.

1.7 Limitations of the Study:

One of the major restrictions is time limitation. As I worked in the Islami Bank Bangladesh Ltd, Shaymoli Branch, so it was very problematic for me to accumulate relevant data and necessary information. Finally, due to the lack of earlier experience in this department was another difficulty. Besides these problems there are also many points, these are listed below:

* Foreign Exchange dept. (Import/Export) section is top secret zone, so collecting enough relevant documents or data is difficult.
* Unavailability of adequate written information as requisite completing an extensive study.
* Most of the cases up to date information’s are not exposed.
* Unfinished & obscure documents are also a limitation.
* Due to the business of key persons of the branch (manager, senior officers), required data accumulation became difficult.

**CHAPTER TWO: METHODOLOGY OF THE STUDY**

**2.1 Sources of data**

Information has been accumulated from both the primary and secondary sources. Generally Primary sources covers surveys, interview with client or respective officers in the organization. Secondary source of data includes websites, journals, magazine, annual report, brochures, and files & folders.

1. Primary sources:
	* Official documents
	* Face to face interview with client & officers
	* Surveys
	* Practical job experience
	* Informal interview with Exporters or importers
	* Counsel with the following respective persons:
		1. Md. Abul Kalam Azad, Branch Manager, Shyamoli Br.
		2. Nurul Huda, vice presedent, Shyamoli Br.
		3. Masuma Begum, course Coordinator, IBTRA
		4. K.M. Rahmat Ullah, Course Coordinator, IBTRA
2. Secondary Sources:
	* Annual reports of Islami Bank Bangladesh Ltd.
	* Different Websites regarding the banking industry
	* Printed forms & information provided by Islami Bank Bangladesh Ltd.
	* Files & folders
	* Journals & Magazines on different banking issues.
	* Booklets of national division of Islami Bank Bangladesh Ltd.
	* Different publications of different conventional banks.
	* Central accounts section.
	* Relevant booklets, journals, book etc.

**2.2 Process of Data collection:**

Information has been treated as the part of the Study. Basically most of the data and information are accumulated through informally. This is exactly an experimental study. Some of the data are gathered through browsing different websites. The pertinent information was accumulated through causative discussion with the respective authorities in relevant to the general banking of IBBL and difference between Islamic Banking & Conventional Banking. Thus data are accumulated by considering & metering the announcement, round & manuals of the Shyamoli branch and IBBL.

**CHAPTER THREE:**

**ORGANIZATIONAL BACKGROUND**

**& INDUSTRY PERSPECTIVE**

**3.1 Definition of ISLAMIC BANK:**

In a single sentence an Islamic bank is a financial institution that runs with the purpose of implementing and materializing the financial and economical rules of Islam in the banking sector. According to “Islamic Bank Act 1983 of Malaysia”- “An Islamic Bank is an organization which carries on Islamic Banding business and Islamic banking business means banking business full plans and operation do not engage any element which is not allowed by the Islamic religion.

The Organization of Islamic conference(OIC) gave a definition of an Islami bank like- An Islami Bank is a financial institution whose rules , procedures and statutes expressly state its commitments to the banking of the receipt and payment of interest on any of its operation nad to the rules of Islamic Shariah.

Islami Bank is developed on the basis of the concept of interest free banking. Allah has forbidden earning or investing on the basis of interest. It means interest (Riba) is not allow according to Sunnah and Quran. So every kind of transactions should be free from interest (Riba). But most of the cases all the banks in the world are performing it’s works on the basis of interest. As riba is not allow in Islam the Muslim scholars thought an aim to establish a banking system that’s totally free from Riba and will perform their jobs on the basis of profit-loss sharing. And basically islami bank are performing its jobs on the basis of Islaic Shariah that is free from Riba (interest).

**3.2 Islami Bank Bangladesh Limited**

Islami Bank Bangladesh Limited is one the reputed and most successful bank in Bangladesh. It started its journey at 1983. Last year in Bangladesh It generated the highest profit in the banking sector. And it also received the highest remittance from abroad. This report will provide a precise idea about the General activities and performance of Islami Bank Bangladesh Limited (IBBL). Basically this report emphasizes on the Operational activities of IBBL and difference between Islami Bank and Conventional Bank. After go through the report it will be clear to all about the operational activities of Islami Bank Bangladesh Limited and the core differences between Islami Bank & Conventional Bank. For completing this report data are collected through the annual report of IBBL, practical knowledge, articles, discussion with manager & employees .This report also includes the historical background of IBBL, mission, vision, operational area of IBBL, products of IBBL, superiority of Islami Banking, basic requirement for engaging with IBBL and potentiality of Islami banking.

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Basically Islami Bank Bangladesh Limited collects deposit through offering its attractive & classical products. Like as- Al-Wadeeah mode (Current A/C) & Mudaraba Saving mode. Generally Al-Wadeeah Current A/C holder does not get any kind of profit from the branch as it is only for the safety purpose. IBBL offers a potential rate of profit (not fixed) to its Mudaraba Savings holder & at the measured date it (rate) may be higher or loser. There have lots of difference between Islami bank and conventional bank like as - difference in generating loan, interest/RIBA, zakat, shariah, reserve fund at central bank & investment mode. Though there have differences but some of the conventional banks are want convert to fully Islamic Banking/ introduce Islami Banking department.

* 1. **.1 Historical background of Islami Bank Bangladesh Ltd:**

In August 1974, representors of Bangladesh signed the charter of IDB (Islamic Development Bank) and agreed itself to recognize its financial and economic systems as per Islamic principles. In January 1981 the president of Republic of Bangladesh, the then while introducing the third Islamic Summit conference was held at Taif and Mecca suggested, “The Islamic countries should establish a separate banking method to their own to benefits their commerce and trade.”

This announcement of the president indicated suitable behavior of the government of the People’s Republic of Bangladesh towards developing financial institutions and Islamic banks in the country. At the very begging of November 1982, Bangladesh Bank (BB), the country central bank, sent a delegate to study the working of different Islamic banks abroad.

At the mid of November 1982, a delegation of Islamic Development Bank visited Bangladesh and displayed keen interest to engage in developing a joint venture Islamic Bank in the private segment. They checked a lot of work had already been finished and here, Islamic banking was a prepared form for immediate introduction. Two vocational bodies IERB (Islamic Economics Research bureau) and BIBA (Bangladesh Islamic Bankers association) made important contribution to start Islamic banking in the country.

They decided to give proper training on Islamic banking to the economist and top bankers to fill up the gap of leadership for the future Islamic banking in the Bangladesh. They also arranged workshop, seminars and symposia on the islmic banking and finances throughout the country to put on motion public thinking in favor of Islamic banking.

Their professional exploits were invigorated by a few of Muslim entrepreneurs performing under the aegis of the then Muslim businessmen in society. The body focused specially in mobilizing equity capital for the emerging Islamic Banks.

At the end, the long pulled struggle, to develop an Islamic Bank in Bangladesh becomes to true. Islami Bank Bangladesh Ltd was placed in March 1983. In which nineteen Bangladeshi nationals, eleven banks and, governmental bodies and financial institutions four Bangladeshi institutions of the Europe and Middle East including eminent personalities of the kingdom Saudi Arabia and IDB joined hands to make the dream a reality.

**3.2.2 Characteristics of Islamic Banks:**

1. It is performed by Islamic shariah
2. It runs its activities free from Riba
3. It is a financial institution
4. It is a business organization.
5. It leads all of its transaction on the basis of the Islamic law.
6. It is a profit- loss sharing business
7. It allow loan as Quard Hashanah for the social welfare.
8. No form of work is done which is in Islamic
9. It regulated Shariah Council
10. It provides Zakat on its capital on the basis of Islamic shariah etc.

**3.2.3 Mission of IBBL:**

To initiate Islamic banking through the implementation of a welfare oriented banking policy and to ensure justice and equity in the area of all economic activities, achieve equitable development and a balance growth through diversified investment particularly in the priority segments and less development filed of the country. To motivate financial services and socio-economic to the low-income community especially in the village areas.

**3.2.4 Vision of the IBBL:**

The vision of Islami Bank Bangladesh limited is to constantly strive to gain higest financial performance, be considering a leading Islamic bank by performance and reputation.

* To developed and maintain a modern banking techniques, to assure the development and soundness of the financial system based on Islamic rules and to become the effective and strong organization with immensely motivated professionals, working for the convenience of client, based upon transparency, integrity and accountability in order to assure stability of Economical system.
* Endeavor to inspire investment especially in projects, while are more likely to conduct to better employment.
* Endeavor to inspire saving in the form of direct investment.

**3.2.5 Objective of the Bank**

* To developed a welfare-oriented banking system in the country.
* To invest through various modes allowed under Islamic principles.
* To developed participatory banking in lieu of banking on debtor and creditor
* To conduct an important role in employment generation and human development.
* To developed interest free banking.
* To take deposits on the basis of the profit-loss sharing.
* To contribute in gaining the final goal of Islamic Financial System.
* To contribute towards development of the country and balanced growth through investment especially in the rural areas.
* To enhance co-operation to the helpless, the poor and the lower-income group for their financial development.

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| **3.2.6 Islami Bank Bangladesh Ltd. at a glance (as on 31st Dec, 2017):**1. Date of incorporate : 13.03.83
2. Date of incorporation of first branch (local office Dhaka) : 30.03.83
3. Formal inauguration : 12.08.83

 1. Date of receiving Banding license : 28.03.83

 1. Zone : 17
2. Branches : 343
3. ATM Booth : 621

 8. Authorized capital : 20,000.00 Million  9. Paid – up capital : 16,099.91 Million 10. Equity (31-12-17) : 57,958.00 Million 11. Deposit (31-12-17) : 755,022.25 Million  12. Investment (31-12-17) : 748,672.54 Million 13. Foreign Exchange Business (31-12-17) : 385,194.00 Million 14. Shareholder (31-12-17) : 33686 15. Number of Employee (31-12-17) : 11381 |

**Figure: 3.1**

**IBBL at a glance**

 **3.2.7 Core Values:**

* Believe in Almighty Allah
* Precise look-out of Islamic shariah
* Utmost standard of righteousness, integrity and morale
* Betterment Banking
* Justice and equity
* High consciousness on Environment
* Individualized Service
* Adoption of updated technology
* Proper deputation, transparency and responsibility

**3.2.8 Commitments:**

* To the principles of Shariah
* To the legislator
* To the Shareholders
* To the Brotherhood
* To the Client
* To the Workers
* To the Parties
* To the Environment

**3.2.9 Shariah Council of IBBL:**

Shariah Council of Islami Bank Bangladesh Ltd. is conducting an important role in supervising and directing the willingness and implantation of Islamic sharia principles in all operations of the bank science its very onset. The council board, which enjoy a high reputation in the forming of the bank, reputed banker, consists of eminent ulema, prominent economists, and renowned banker. Members of the shariah broad meet voluntary and frequently on various issues confronting the bank on shariah issues. They also run shariah inspection of branches continuously so as to confirm that shariah principles are complied with and engaged faithfully by the branches of the bank.

* + 1. **Objectives of the Shariah council:**
* The Shariah Council provides shariah certificate at the end of the financial period.
* The shariah board help the Board of Directors of the bank by advising them on various issues that’s are related to Shariah.
* In case of emergency the council constitutes a sub-committee to help the council.
* The majority opinions of the members are taken as the opinion of the Shariah council provided that the said intension is granted at least 03 muftis of the Shariah council
* The council selects a secretary and a chairman from amongst them. The chairman will basically preside over the council meeting. In case of emergency or absence of chairman, the members present elect one of them to preside over the council meetings.
* The duties of the Shariah council are to offer opinions and views on issues regarding to the bank from time to time.
* The Shariah council sustains its well-equipped library and secretariat as the main office of the bank where it keeps well records of all its decisions and proceedings.

**3.3.1 General Banking of Islamic Bank Bangladesh Limited**

General Banking is the core function of any bank. General banking provides various types of services to its clients. It includes account opening, account transfer, account updates, account closing, locker service, check received, bills and remittance are given here, provides different types of cards, issues the checks. So General banking is one of the core functional areas of any bank.

**3.3.2 Procedures:**

1. Opening account of Al-Wadiah current A/c, Mudaraba Saving A/c, Mudaraba Term Deposit A/c, Mudaraba special notice A/c, Mudaraba Hajj saving A/c, writing of A/c opening registers and issuance of check book and pass book.
2. Issuance of token, writing of day Book, keeping subsidiary day book, balancing of leader.
3. Maintenance of statement of current A/c, Hajj saving A/c, deposit A/c, pass book, transfer scroll.
4. Maintenance of deposit leaser, TDR leader, current A/c, and operation of computer.
5. Remittance: Issuance and payment of TT, PO, DD etc.
6. Preparation of General Leader A/c statement and Schedule Telegram.
7. Rapprochement of the General A/C
8. Writing of suspense, charge and sundry deposit A/c, keeping stationary articles registers and dead stock.
9. Installation : Formulation of pay sheet, LPC, salary , prepared leave register, method of correspondence , personal files and payment of income tax
10. Maintenance of posting General Leader, clean cash book and checking of General Leader and computer final sheet
11. Bills: inward (OBC & IBC) & outward and clearing.

**3.3.3 Dispatch:**

**3.3.3.1 Inward:**

1. Inward mail, other than those which are noted and fastened undisclosed and addressed individually to same officer, may be revealed by an approved member pf employee who should come in the inward mail enroll and indicate gradual number of the mail enroll on the paper received/ letter, affix "Received" date stamp on it and provide the same to the worried officers against acceptance.

2. Letters searched individually to any officer shall be uncovered by the location only.

3. Mails marked and Registered mails undisclosed will be revealed by a management or official in petty branches. All these applications shall however rapt in the inward mails records.

4. Stop court orders and payment instructions shall be accepted authorized officers who will instantly record time and date on it and accept essential steps.

**3.3.3.2 Outward:**

1. Outward letters should held serial number and record in the register with address and name.

2. Every typist will sustain a typist master file & dispatch Clark also sustain an individual master file for the purpose of future record.

3. General letters may be provided by the peon book. If the letters are huge in number of service of post-office may be utilized and local area is in large-scale.

4. Letters dispatched should be recorded in the outward mail record and held accurate postal stamps, if provide by post office.

5. Note such as ‘Emergent’ ‘Registered with A/D’ ‘By Airmail’ ‘Secret’ ‘Register' etc. should seem on peak of the letter and envelop.

6. If the document are provided by Courier service or by the registered post, postal acquirement/ courier acquirement should be maintained through the dispatch section in a register file. Likewise acknowledgments accept back must be recorded in the file.

7. If telegram is provided through any branch, a transcript of the message properly signed by authorized official should be sent through post to the residence as confirmation.

8. Likewise when the branch accepts any inward telegram, branch must compare it against the confirmatory transcript when received.

9. Acquirement of telegraphic information issued by telegraph office must be recorded in a register file & authorized officer should check it at the moment of passing expense voucher.

10. If any wire is provided regarding to services conferred to a client. Charges must be invigorated from the client concerned.

11. Other officers and manager of the bank should ensure financial use of telephone. STD calls and Trunk call conversation should be short. If it used on account of client, cost must be recovered.

12. STD calls and Trunk calls must be invigorated in the trunk call register and justified with the telephone receipt when achieved from T&T office.

**3.3.4 General features of Deposit Account:**

Deposit collection is one of the major function of any bank. Without collecting fund, it cannot able to generate loan. Basically Bank accepts deposit by various accounts. Those are giving below:

1. Al Wadeeah saving (Current A/C) -‑ Customer A/C is directed under Al‑Wadeeah manner.

2. Mudaraba Scheme – Client known as ‑ Sahib Al Mal

 Bank known as ‑ Mudarib

Under this treatment ‑ profit is distributed under pre agreed ratio & loss (if occur) will be hold by Sahib Al Mal

Under Mudaraba Scheme there are different types of accounts as under ­:

* Mudaraba Savings Account (MSA)
* Mudaraba Savings Bond (MSB)
* Mudaraba Special Scheme ( MSS)
* Mudaraba Short Notice A/C (MSNA)
* Mudaraba Monthly Profit Deposit Scheme (MMPDS)
* Mudaraba Term Deposit Account (MTDR)
* Mudaraba Mahor Savings A/C (MMS)
* Mudaraba Hajj Savings Account (MHSA)

**3.3.4.1 Al‑Wadeeah Current A/C (Awca):**

Al-Wadeeah has been executed the word “Wadayun” which refers to deposit / to retain / Amanot. In banking, here depositors or investors are “Muadde”, bank is “Muaddah-Elaihee” & goods or money are “Muaddah”.

Wadeeah – basically it refers deposit. lawfully,it is an agreement between Muadde/depositor & Muaddah-Elaihee/bank. Here depositors keep his goods/money for the purpose of safety issues to the bank. Though wadeeah a person entitles someone else to defend and keep his property.

Amanat refers to retain / to deposit property (goods or money) to any dependable instution or person for the purpose of secure preservation of the same, holding its ownership and returnable to the proprietor on need as it was in actual shape.

The deposit of Al-Wadeeah cannot be used without earlier permission of depositor. In Al-Wadeeah there need to have earlier permission from the proprietor of the goods to invest the goods / money in their organization with other capital.

Al-Wadeeah Current A/Cs are unproductive in general, as banks likeable investment capital is concerned adequate capital has to be placed in fluid from, as present deposits are demands liabilities. So huge volume of his capital becomes on performing for that reason banks do not provide any of Al-Wadeeah Current A/C - CD account bearer. Companies and Businessmen are the client of this product.

In Islami Bank, bank accepts properties from the owners with the agreement to return the properties on need. With client permission, the Muaddah-Elaihee ( Bank) can invest / use the properties without giving any profit for this deposit but bank have the right to impose charges from the depositors of safe holding of the properties ( goods or money) or for services if performed

**3.3.4.2 Characteristics of Al-Wadeeah Current A/C:**

* AWCA is fully controlled by the Al-Wadeeah principle under Islamic rules & regulation.
* In AWCA- profit is not allowed & bearing no loss, no risk.
* It makes client jeopardy free from the risk of handling money themselves.
* Several times of Deposit and Withdrawal can be possible within banking hours
* All the charges, like- yearly or half yearly will be appointed as per bank circulars time to time
* Required a primary deposit of taka 1000/- & performing minimum balance.

**3.3.4.3 Mudaraba Saving A/C (MSA):**

The word “MUDARABA” has been generated from the word “Darbun / Darb” which refers “Travel”. Generally, it refers movement to gain Rahmat (profit) of Allah (al-quran- 73:20). So mudaraba refers visit for Undertaking Business.

Mudaraba is likely to the partnership business. Where one party gives goods or capital and other party gives labour and skill. The provider of goods or capital is known as “Rabb-ul-Mal” or “Shahib-al- Mal” (proprietor of the capital) and the provider of labour and skill is known as “Mudarib” (promoter / manager)

According to the definition of AAOIFI (Accounting & Auditing Organization for Islamic Financial Institution) – Mudaraba is an agreement of partnership where one side gives “Rabb-ul-Mal” (capital or goods) & the Mudarid gives the skill and lavour.

So, Mudaraba can be identify as an agreement of partnership whereby the owner of the capital gives his assets to the Mudarib for investing capital in a mercantile enterprise by implementing his or her endeavor and labour.

Both the participants divide the profit as per earlier agreement. The losses, if any, being drawn by the Shahib-ul-Mal except if it is break the trust,like- misconduct, violation of agreement agreed upon through the mudarib. If there have any losses occurred as a result of reasons exposed above, on that situation the Mudarib will be liable for these losses.

According to Bangladesh Bank (BB) research Ninety percent (90%) of SB deposit are works as time liability & Ten percent (10%) of it as demand liability. In Islami Bank Ltd there is a limitation about drawing capital from SB account, but any time bearer may draw capital of any amount with earlier intension. Individuals and General house holder are the customers of this account.

**3.3.4.4 Features of Mudaraba Saving A/C:**

* MSA account is regulated on the basis of Mudaraba principle of Islamic Shariah.
* The Mudarib (provider of skill & lavour) is in nature of an executor and a viceregent of the business.
* The Bank (Shab-ul-Mal) will manage exact development of the capital. And the depositor has got no comment in the arrangement of business.
* The total profit generating from such deposits will be shared between the depositors and the bank as per pre agreed ratio. Current ratio is 65:35 ( depositor : bank)
* Generally society, club, individuals, mosque committee, institutions open this kind of A/C.
* All the charges- yearly or half yearly will be accomplished on the basis of the banks circular.
* Profit or loss will be computed on the basis of monthly product
* MSA will be opened by a minimum primary deposit of taka five hundred (500/-). Which is also known as minimum figure for distributing profit / loss.
* Normally a person can’t allow to open several account by the same name.
* In MSA, any amount can be submitted at any time during office hours but amount can be drawn except seven days prior notice.
* In MSA, account holder are allowed to draw maximum four times in a month till twenty five present (25%) of his / her existing balance or taka fifty thousands (50000/-) whichever is lower or on the basis of principles framed by bank time to time.

**3.3.4.6 Mudaraba Term Deposit (Mtdr):**

* Mudaraba Term Deposit (MTDR) is one of the popular product of Islami Bank to its client.
* Basically MTDR includes two types of term deposits, like- MTD (Mid Term Deposit) & TD (Term Deposit).
* MTD are those account whose maturity period is not more than one year and TD are those account whose maturity period is more than one year- it can be 03 or 05 or 07 years. Profit calculation of TDR is one of the complicated task.
* Basically profit is counting at each maturity date and arrangement is made on that.

* The MTDR account is regulated on the basis of Mudaraba principle of Islamic

Shariah.

* A fixed amount of money need to be deposited. There have no restriction on deposit amount.
* Normally a person can’t allow to open several MTDR accounts by the same name.
* Generally club, society, individuals, institutions, mosque committee open this kind of A/C.
* Profit rate can be varies due to the market situations. Though there have a earlier profit rate but at the maturity date it can be higher or lower.

**3.3.4.7 Mudaraba Special Notice Accont (MSNA):**

* Mudaraba Special Notice A/C (MSNA) regulated as per Mudaraba principle of Islamic Shariah.
* Through the permission of Branch Company, individuals, business concerned, persons, society can run MSNA A/C.
* MSNA A/C can be opened by the initial deposit of taka twenty five thousands (25000/-) and this amount of money need to maintenance as a minimum balance.
* There will be no profit at any rate if the minimum amount gets lower than TK.25000/- during the concern half year.
* Generally Big corporate house, financial institution, Banks and Governmentally organization are the clients of this account.
* All the charges, yearly or half yearly will be consider on the basis of banks circular.
* Profit or loss will be accomplished on regular product basis on balance.
* Profit will be considered at provisional rate at June and December subject to the coordination of the similar with the final rate to be announced by the bank.
* Generally profit is 5.5% but it may be increased to 6% or more rely on the cash Checkbook is issued clients but numerous practice of checkbook is discouraged.

**3.3.5 Account Opening Eligibility:**

a) Peoples over eighteen years (exclude some restricted peoples)

b) Minor (less than 18 years)

c) Club

d) Institution /Association

e) Agent

f) Government

g) Semi Government

h) Company / Organization

i) Liquidators

j) Women/Married Women

k) Unlettered Persons

l) Pordanshil Women

m) Students

**3.3.6 Account Closing:**

If account holder are not interested to run its account at Islami bank he or she can easily close it – if he or she did not broke any principle of the Bank. Firstly a client has to provide an application with his or her signature refers that he or she wants to stagnant his or her A/C. Later on the signature will be justified by the officers. Client has to attesting by several department (like-Foreign Exchange department, Advance) of Branch that he or she has no indebtedness to the Branch. Then the Client's account is debited & Branch provides a Pay Order in the name of account holder.

## 3.3.7 Account Transfer:

Client has to put forward an application revealing that he or she wishes to transfer his or her account to his or her intended Branch then the officer will justify the signature. And Client has to be verified by several department of Branch that he or she has no indebtedness to the branch. Later on, total particulars of account holder will complete and provide to the Client's intended branch. Account holder is primary & Debt of Recognizer is secondary.

**Basic exercise at Regarding Accounts, in A/C Opening Register:**

After performing all the basic requirements for opening A/C, essential entries are provided in the A/C opening register. Here, different registers for different accounts like as- AWCA, MSA and TDR etc. Basic entries of “Register form” are given below:

* Date of opening account number & Branch name.
* Name & address of account holder.
* Nature of the business/ job/ institution.
* Address of business/ institutions
* Initial deposit amount
* NID card’s serial number of A/C holder
* Identify the Nominee & the relationship with A/C holder ( father, mother, brother, sister, husband, wife)
* NID card / Birth date certificate of Nominee.
* Need to fill-up Transaction Profile.
* Signature of A/C holder/ holders.
* New A/C number is provided through the list of new numbers given by the computer department.

**3.3.8 Check Book:**

Check Book is one of the core medium to withdraw & submit money. After opening account at IBBL, clients are allowed to use check book. Basically Check book is provided to the new client after opening account. Generally two individual check books are issued for saving and current A/Cs. Al-Wadeeah Current Accounts Check book remains twenty five (25) and fifty (50) leafs but Mudaraba Current Account Checkbook has ten (10) leafs. There have a check book issue register in these purpose- where date of issue, leaf number and Check book number etc. news are hold. All of the emergency numbers are provide to the computer department to send entry in the program.

**3.3.9 Incidental Charges:**

**Charge of service:**

Taka ten (10/-) or fifty (50/-) is charged for, each for twice in a year is debited from client Al-Wadeeah Current Account for providing service to him/ her. Tk.50 is charged for each is debited from client account for sending him/her solvency certificate.

**Profit:**

Basically Profit is nothing but the price of product that is ascertained by the market forces. And each bank grants a competitive price to influence deposit.

**3.3.10.1 Rules of allocation of Profit to Mudaraba A/C holder:**

Basic rules of distributing and calculating of profit to the Mudaraba A/C holders by different banks are given below:

* Mudaraba A/C holders get incomes that are executed from investment activities like- through the use of deposit.
* Mudaraba A/C holders do not get any income generated through unsorted banking services, where there is fund is not involved like as alternation, commission, charges of service, exchange and other charges generated through the Bank.
* Profit & losses generating through the use of deposit are specially complied in the specific accounts from others income and expenses regarding to other services & activities granted by the Bank.
* Mudaraba A/C holders get superiority in the issues of investing on Bank's equity & other expenditure free funds.
* Mudaraba A/C holders do not get any benefits/income that is executed from investing Bank's ownership & others expenditure free fund.
* The level of the liquidity reserve and statutory cash reserve that are necessary to be complied with Bangladesh Bank (BB), is reduced from the entire balance of Mudaraba account number to reach at the net balance of profit sharing deposit.
* The gross incomes that are executed from investments during the financial year is - firstly distributed to Mudaraba A/Cs & expenditure-free-funds on the basis of their ratio in the entire investment.
* The distribution of the income of gross investment of Mudaraba A/Cs as worked out on the basis of rules exposed against S. N. 7 above is distributed as under:
1. The Bank’s official’s at their approach to understand the profit Rates to Mudaraba account holders might also increase Mudaraba account’s percentage of sixty five (65%) of gross investment income but it would not be deducted during any financial period without sending earlier declaration.
2. The residual level of income of gross investment is maintained by the Bank as maintenance charge for governing the investment and for tracing reserve for evil and faithless investments.
* Currently IBBL (Islami Bank Bangladesh Limited) implements the following weightages to Mudaraba A/Cs holders:

**3.3.10.2 Weightages of Deposit**

|  |  |  |
| --- | --- | --- |
| **Serial** | **Particulars of Deposits** | **Weightages** |
| A | MHSA - Mudaraba Hajj Savings Account : 11 years to 12 years | 1.35 |
| B | MHSA - Mudaraba Hajj Savings Account : Till 10 years | 1.30 |
| C | MSSA - Mudaraba Special Savings (Pension) Account : 10 years | 1.30 |
| D | MSSA - Mudaraba Special Savings (Pension) Account : 5 years | 1.10 |
| E | MMSA - Mudaraba Muhur Savings Account : 10 years | 1.30 |
| F | MMSA - Mudaraba Muhur Savings Account : 5 years | 1.10 |
| G | MSB - Mudaraba Savings Bond : 8 years | 1.25 |
| H | MSB - Mudaraba Savings Bond : 5 years | 1.10 |
| I | MMPDS - Mudaraba Monthly Profit Deposit Account | 1.20 |
| J | MTDR - Mudaraba Term Deposit Account : 36 months (3 years) | 1.00 |
| K | MTDA - Mudaraba Term Deposit Account : 24 months (2 years) | 0.98 |
| L | MTDA - Mudaraba Term Deposit Account : 12 months (2 years) | 0.96 |
| M | MTDA - Mudaraba Term Deposit Account : 6 months (0.5 years) | 0.92 |
| N | MTDA - Mudaraba Term Deposit Account : 3 months | 0.88 |
| O | MSA - Mudaraba Savings Account | 0.75 |
| P | MFCDA - Mudaraba Foreign Currency Deposit Account | 0.75 |
| Q | MSNA - Mudaraba Special Notice Account | 0.55 |

**Table: 3.2**

**Weight ages of Deposit**

1. Various rates of weightages have been imposed to Mudaraba A/C holders on account of the following issues:
2. Time Period of Deposits

The higher the time period of deposit, the higher the risk they held with connection to fluctuation of the profit rates and decay of the worth of deposit for the reasons of inflation. And the Term Deposit accounts have to further give up profit due to premature encashment.

1. Facilities of Bank

Generally the Term Deposit account holders do not consumed any banking benefits/facility like as – conducting A/Cs by Cheque, transmit the Term Deposit A/C from one branch to another branch, accumulation of Cheque & others instrument, performing standing orders by their individual accounts & so on & so forth. Later on, the PLS Savings A/Cs have independence to enjoy these above benefits/services by their own accounts. And the PLS Short Notice A/Cs holder consume greater benefits in relation to tracing deposits in & removal from their individual accounts.

C) The model of “Rates of Return” on different cost bearing deposits of the conventional Banks in our currency Market have further momentous bearing on distribution of weightage at various rates.

D) In focusing of the upwards issues, entire weightage has been imposed to the Mudaraba Deposit A/Cs for 36 months & comparatively less Weightages have been imposed to Mudaraba Deposit A/Cs for lower periods, Mudaraba Short Notice Deposits & Mudaraba Savings.

## 3.3.11 LOCAL REMITTANCE:

## Islami Bank Bangladesh Ltd. Purchases & sell out DD, TT & PO to their clients only. It does not grant frequent remittance service to those other than its clients.

## 3.3.11.1 Pay Order (PO):

## Pay Order is an element that is accustomed to send money with in a town by banking channel. And pay order are basically safe, because of most of them are crossed. Providing of a pay order (PO):

## A client can buy a pay order in various ways:

## By the Cash Account Dr

## By the Customer Account Dr

## By transmit head office or other sections customers A/C Dr

## Bills Payable Account ……...........................................................Cr

## Income Account commission on Remittance ..............................Cr

3.3.11.2 Demand Draft (DD):

* Demand Draft (DD) is one of the famous instruments for sending money from one parts of country to another part.

* Generally Demand Draft (DD) is used for transmit money and payment of cash.

* The basic difference between Demand Draft & pay order is in terms of transfer Pay Order is used for sending money within the town but Demand Draft is works for sending money within the country boarder, constructs current liability (C/L) on the part of a bank.
* At Islami Bank Bangladesh Limited It is not allowed to sell Demand Draft to the general people other than its client.

**3.3.11.3 Telegraphic Transfer (TT):**

## Telegraph transfer (TT) is one of the popular & rapid means of sending cash/money from one specific branch to another branch or from one to another.

##  The telegraphic transfer (TT) sending bank orders to its opponent part through telex message including sending money.

## No document is delivered for telegraphic transfer & both the parties must have accounts because of money is shifted.

**3.12 Collections:**

**3.12.1 Clearing:**

* Due to the safety issues, clients need to receive “Crossed Check” for performing transactions.
* It is known to all that “Crossed Check” cannot be encashed by the cash counter but it has been accumulated by the banking channel, like- clearing.
* A customer of Islami Bank Bangladesh Ltd obtained a check from another bank that is placed within the clearing range, the checks in account at Islami Bank Bangladesh Ltd. New check will not be converted cash until the check is valued.

**3.12.2 Transfer Delivery:**

* Basically Transfer delivery refers the process of Check collection from the internal branchesunder the Clearing House.
* When “Check” of a Branch is entrusted to other Branch, then collecting branch on that specific date gives that Check to their, Local Office, sends that Check to that respective branch and takes necessary action for honoring Check.
* If the particular Check is dishonored, later on the approved branch transmits the Check to the local office then Local Office transmits the Check to the receiving branch on the particular collecting date.
* In Here, Clearing house actions are not required since transactions was happened into the branches of similar Bank under the Clearing House.

**3.13.3 Check is of a same branch of IBBL:**

If there have Check of a Branch Office of Islami Bank Bangladesh Ltd that is placed in the same city of Clearing House after that the gathering branch transmit the Check to the approved branch & provides an IBCA (Interest Bearing Checking Account) to the receiving branch.

And if there have Check from another Bank that is located at another city of outside of Clearing House after that the Check receiving branch will search out which branch office of the collecting branch placed near to Approved branch.

If it is yes, then Check receiving branch will transmit the particular Check to the branch office nearby Approved branch, that branch (nearby Approved branch) office gather the Check from drawn on branch & provides an IBCA (Interest Bearing Checking Account).

If it is not, after that the receiving branch will transmit that Check to the Approved branch, then Approved branch will provide a Demand Draft (DD) with proposing the name of its branch office nearby receiving branch & receiving branch will gather that Check thereby.

**3.12.4 Outward Bills for Collection (OBC):**

* Clients deposit check draft etc. for collection attaching with their deposit sleep.

* Instrument into the territory of clearing house arc gathered by the local clearing house while as the other which are apart from the clearing range are gathered by OBC mechanism.
* A client of Islami Bank Bangladesh Ltd head office local office Dhaka is depositing a check of Sonali bank Cox's‑Bazar.
* New as a collecting bank Islami Bank Bangladesh Ltd head office will conduct the following tasks**:**
1. Accepted seal on deposit letter.
2. Islami Bank Bangladesh Ltd. local office head branch crossing showing them as a collecting bank.
3. Endorsement send creditor A/C will be deposited on realization.
4. Record on register book from where controlling num. is conferred.

“Receiving bank” can gather it either by its own branches or by the sender's bank they will forth the bill then to that gnarled branch. OBC number will be provided on the forwarding letter.

**3.12.5 IBC - Inward Bills for Collection:**

In this issue bank will consider as a deputations of the gathering bank branch accepts a bill & forwarding letter. Then the Collecting bank conduct the following steps, that’s:

1. Record in the Inward Bills for Collection register book, then an IBC number is given.

2. Endorsement send ‑ "Branch endorsement ensured".

3. This device is given to the clearing house for the purpose of collection.

4. Diversified creditor A/C.

Following steps will be occurred in the purpose of two issues.

## 3.12.6 Bills gathered by the Branch:

If bill onwards to a bank’s branch they will gather it by Inward Bills for Collection system. Receiving branch will accept & I.B.C.A (Internal Bank Credit Advice) from that individual agent branch on the basis of the arrangement from the view of collecting branch will be.

**HO A/C regarded branch Dr**

**Client A/C Cr**

**Income Account commission; postage** Cr

In this regard commission is charged through the gathering branch, not by the agent branch.

## 3.12.7 Bills gathered by Drawer's Bank:

Accounting act for the gathering branch will be

1. Clearing Dr
2. Client A/C Cr

**3.12.8 IBC - Inward Bills for Collection:**

In this regard bank will perform like as a middleman for the collection bank. The branch accepts a forwarding letter & the bill. Then the collecting branch conducts the following steps:

1. Record in the Inward Bills for Collection (I.B.C) register, then send an I.B.C number.

2. Endorsement sends - "Branch endorsement ensured"

3. The device is given to clearing for gathering Dr

4. Various Clients A/C OBCCr

**3.12.9 IBG A/C - Inter Branch General A/C:**

Basically it is Branch transaction disposal A/C by Central Accounts Department (CAD). Generally there have two types of IBG statement, like as:

**1. Generating Branch:**

Basically, from where “Inter Branch Credit Advice-(IBCA)” / “Inter Branch Debit Advice-(IBDA)” is provided to another branch that particular branch is known as “Originating Branch”.

**# Internal Credit Transaction:**

When branch is fallen a bad situation or there have lack of money, it is common that branch requests to other branch (of the similar bank) to send a particular amount of money against any document (Cheque, Demand Draft etc.) and gets liable to that particular bank and send a IBCA to that specific branch. And these transactions are serially registered in the Cr side of IBGA.

**# Internal Debit Transaction:**

When any kind of financial document/instrument or check of another branch are credited in a branch & this branch gives those instruments (check, documents) on behalf of approved branch, sends an IBDA to specific branch then these events are registered in the Dr side of IBGA.

**2. Responding Branch:**

When a branch replies against an IBDA or an IBCA that specific branch is known as “Responding Branch”.

**# Debit Transactions:**

* In the time of replying transactions, a client wishes to draw any kind of financial documents (check, instruments) of a branch to other convenient places.
* Then approved branch of those financial documents (check, instruments) sends an IBCA (internal bank credit advice) to that "Drawn On" branch.

* In here "Drawn On" branch of Replying Branch submits in favor of Originating Branch & register all the transactions in the Dr. Side of the IBGA.

 # **Credit Transaction:**

* Checks are accumulated for the purpose of payment in a branch which branch provides those financial instrument / cheques to Clearing House (CH) for the purpose of clearing.
* Later on clearing those financial instruments / check, collecting branch creates payment in opposition to those financial documents/instruments.
* Before paying financial instruments, Originating Branch provides an IBDA to the Responding Branch / appointed Branch.

## But if these financial instruments (check) are disvalued then specific parties are not given and Responding Branch or Appointed Branch again provides an IBDA to the specific Originating Branch.

##

## And these returned financial documents/instruments are filed in the Cr. side of the IBGA.

## # Cash:

* Cash department exhibits demonstrates liquidity power of a bank. It is also a sensitive factor because it deals with fluid money.
* So it is mandatory to give higher concentrate on cash department basically while working on this department.

* As there have remained safety issues, specific precaution is needed to prepare, otherwise odd situation cannot be avoided.

**# Vault:**

* For the purpose of safety issues every branch maintains vault system.

* All the cash instruments/documents (Check, Demand Draft, PO) & other worthy instruments/documents are remained in the vault.
* The arch/vault is insured till Tk. four (04) cores with a native insurance company.
* When the cash stock crossed its actual limit of Tk.4 core then the residual cash is shifted to Bangladesh Bank (BB).
* When there have shortage of cash stock during the office period then cash is shifted to drawn from the Bangladesh Bank.
* Basically There have 03 keys for the vault, that are handed over to 03 most seniors officers.
* For the purpose of transactions a predicted amount of money is brought out from the vault for a single a day.
* It is not allowed for a single day to bring more than Tk.4 core at once from the vault.

**3.3.12.10 Teller Client Relationship:**

* In the bank, a teller is an employee who receives & delivers money through the cash counter.
* Most of the time, a well relationship between bank and clients is depend on the teller behavior.

* Generally a client spends his or her maximum time in the bank with the taller on the cash counter.
* So it is mandatory that teller must have certain quality like as - be friendly, polite, gentle and accountable. They should send proper service & be precise in his/her tasks.

**3.3.12.11 Cash Handling & Packing:**

* Cash handling & packing is one of the core functions of the counter.
* There need to give a lot of emphasis on it as mistakes can conduct any kind of disaster.
* After the banking hour at the time of closing of cash counter – cash is packed on the basis of denomination.
* Notes are calculated various times then packed the Notes in bundle & stumped with begging.

**3.3.13 Evening Banking:**

* It known to all after finishing the office hour the cash counter gets closed for the next day.
* But sometimes in the case of emergency, clients go to the bank after the office hour to “deposit money or draw money” from the bank.
* However the taller received or paid their money on the basis of requirement. But it is recorded in the following day book.

* That is known as evening banking.

**3.3.4 A comparison between Islamic Banking and Conventional Banking**

Islamic Banking is a banking system that conducts its activities on the basis of “Islamic Shariah”. It introduced a banking system that is totally free from “Interest/RIBA”. Their targets to generating maximize profit by following Shariah restrictions. On the other hand Conventional Banking is a banking system that conducts its activities on the basis of the “Man-made Act”. Here, interest is one of the core sources of income. They do not follow the principles of Islamic Shariah. Basically there have lots of differences between Islamic Banking & Conventional Banking. These are given below:

**3.3.4.1 DEFINATION**

|  |  |  |
| --- | --- | --- |
| **Islami Banking** | **Difference** | **Conventional Banking** |
| Islami Banking is a banking system that conducts its activities on the basis of “Islamic Shariah”. | Definition | Conventional Banking is a banking system that conducts its activities on the basis of the “Man-made Act”. |

**3.3.4.2 Rate of Interest/RIBA**

|  |  |  |
| --- | --- | --- |
| Islamic Banking | Difference | Conventional Banking |
| Interest / RIBA are strictly prohibited.  | Interest/RIBA | Interest is one of the core sources of income. |
| There have no existence of compounded rate of interest | Compounded interest | It also allowed compounded rate of interest |
| Interest is totally prohibited | Rate of Interest | Rate of interest is fixed |

**3.3.4.3 Zakat**

|  |  |  |
| --- | --- | --- |
| **Islamic Banking** | **Difference** | **Conventional Banking** |
| Here, Zakat is mandatory on the basis of Islamic Shariah | Zakat | It is not allowed in conventional banking |
| 2.5% Zakat is mandatory on required assets  | Rate of Zakat | There have no existence of Zakat |

**3.3.4.4 Cash Reserved Ratio & Statutory Liquidity Ratio**

|  |  |  |
| --- | --- | --- |
| **Islamic Banking** | **Difference** | **Conventional Banking** |
| For the Islamic Banking Cash Reserved Ratio is 6% | CRR | For Conventional Banking Cash Reserved Ratio is 6%  |
| For Islamic Banking Statutory Liquidity Ratio is 5.5%  | SLR | For Conventional Banking Statutory Liquidity Ratio is 13% |

**3.3.4.5 Bank & client relationship**

|  |  |  |
| --- | --- | --- |
| **Islamic Banking** | **Difference** | **Conventional Banking** |
| Here, relationship between Bank & client is – Investors, Partners, Traders | Relationship | Here, relationship between Bank & client is – Debtors & Creditors. |
| In Islamic Banking the relationship between Bank & client is – Profit sharing & Loss bearing. | Relation to Profit & Loss sharing | In Conventional Banking the relationship between Bank & client is – Profit sharing. |

## 3.3.4.6 Profit vs. Interest

|  |  |  |
| --- | --- | --- |
| **Islamic Banking** | **Difference** | **Conventional Banking** |
| Depositor of Islamic Banking gets profit. | Profit / Interest | Depositor of Conventional Banking gets interest. |
| Though there have pre-agreed profit but it can be higher or lower than pre-agreed ratio. | Rate of profit/ Interest | Rate of interest is fixed. And it is certain. |
| If there have no profit, bank bears the loss. | Loss sharing | Bank does not bear the loss. |

**3.3.4.7 Shoriah Board**

|  |  |  |
| --- | --- | --- |
| **Islamic Banking** | **Difference** | **Conventional Banking** |
| In Islamic Banking there have a “Shoriah Board” | Shoriah Board | There have no existence of “Shoriah Board” in conventional Banking |
| Members of Shoriah Board are responsible to conduct the bank on the basis of Islamic Shariah | Responsibility of members | Board of director represent the Share holders |

**3.3.4.8 Loan Disbursement**

|  |  |  |
| --- | --- | --- |
| **Islamic Banking** | **Difference** | **Conventional Banking** |
| It does not provide loan as Cash rather Goods or Commodity. | Cash vs. Goods | It provides cash as loan. |
| Islami bank is responsible for purchasing goods at better sources while giving loan. | Responsibility of Bank | Conventional Bank does not play such kind of role. |
| Islamic Banking does not execute loan to all the segments of a country – Drug, Tobacco, Bar.  | Area of loan disbursement | It can execute loan to all the segment of a country if it is profitable. |

**3.3.4.9 Deposit collection**

**3.3.4.9.1 Al-Wadeeah vs. Current A/C**

|  |  |  |
| --- | --- | --- |
| **Islamic Banking** | **Difference** | **Conventional Banking** |
| In Islamic banking current a/c is known as Al-Wadeeah Current A/C  | Definition | In conventional banking it is known as Current A/C |
| For Wadeeah, depositor does not get any profit. | Benefits of A/C | Depositors get some interest |
| It is only for safety purpose | Purpose of A/C | It is only for business purpose |
| Organizations can open this A/C | Eligibility for A/C | Individuals also can open A/C |

**3.3.4.9.2 Mudaraba A/C vs. Saving A/C**

|  |  |  |
| --- | --- | --- |
| **Islamic Banking** | **Difference** | **Conventional Banking** |
| Institutions, company, individuals can open this A/C | Eligibility for A/C | Only individuals can open this A/C |
| There have no fixed rate of profit for Mudaraba depositors | Rate of interest | Depositors get a fixed rate of interest |
| If loss, depositor needs to bear the portion of loss. | Loss sharing | Depositors never bear the loss. |

**3.3.4.10 Mudaraba Term Deposit Receipt vs. Fixed Deposit**

|  |  |  |
| --- | --- | --- |
| **Islamic Banking** | **Difference** | **Conventional Banking** |
| Deposited for a term & withdrawn can be possible for one time that is known as MTDR | Definition | Deposited for a term & withdrawn can be possible for one time that is known as Fixed deposit |
| Any amount can be deposited | Deposit amount | Individuals have at least tk.50000/- |

**3.3.4.11 Mudaraba Super Saving Scheme vs. Double Scheme**

|  |  |  |
| --- | --- | --- |
| **Islamic Banking** | **Difference** | **Conventional Banking** |
| In Islamic banking, bank does not ensure to give double deposit at date of maturity to its client  | Definition | Conventional banks give conformity to give double deposit to its client |

**CHAPTER 04:**

**FINDINGS & ANALYSIS**

From practical observation at Islami Bank Bangladesh Ltd at Shyamoli Branch, following information are relevant for Islamic Banking.

* Islamic Banking is one of the best solution for developing of our Banking industry and economic growth of our country. But most of the people of our country do not have proper knowledge about Islamic Banking.
* As there have ninety percent people are Muslim so people have soft corner about Islamic banking rather than conventional banking.
* Basically people who are interested in business purpose they open conventional bank A/C
* People of our country have misconception about Islamic Banking i.e. Islamic Banking consume interest indirectly.
* Implementation of Islamic Banking is somewhat difficult as there have no Islamic money market & central bank does not follow Islamic shariah. And there also insufficient application of Islamic banking in the whole country.
* In recent years Islamic Banks are doing better than Conventional Banks. Last year (2018) Islami Bank Bangladesh Ltd generated highest profit in the banking sector.
* Mobile banking of Islamic banks are not stronger than conventional banks.
* There are insufficient promotional activities for Islamic banking in the remote areas.
* As Islamic banks need to follow Islamic Shariah, they can’t engaged with all the department/sectors of the country rather than conventional banks i.e. Tobacco, Drug, Bar.
* Some of the conventional Banks are interested to fully or partially shift to the Islamic banking.

**CHAPTER FIVE:**

**RECOMMENDATIONS AND CONCLUSION**

**5.1 Recommendation:**

Islami Bank Bangladesh Ltd. is one of the oldest, reputed & successful bank in the banking history of Bangladesh. In last few years it is the top profitable bank in Bangladesh. And also received highest remittance from abroad. But from my personal view IBBL should also focus on some specific areas so that it can performed better than previous years.

* IBBL should focus on their promotional activities so that it can easily reach to the remote areas of the country.
* IBBL should develop their “Mobile Banking” activities as client has not enough time to go to bank every day.
* There have only 342 branches of IBBL which are not enough to cover the whole country. In this case IBBL should introduced more branches so that it can cover maximum market share.
* IBBL should developed its ATM booth numbers so that it can support all of its client.
* IBBL should offers new products on the basis of demand of potential customers.
* IBBL needs to give more concentrate on implementing principles of Islamic Shoriah.
* There needs to recruit more skilled full employees so that they can able use technologies & provide better services to gain customer satisfaction.
* IBBL should specifically focus on A/C opening dept. & cash counter. As it is one of the core department of bank so there need to give smart, faster, active, friendly, polite employees to provide faster service to its clients.
* If possible, IBBL should minimize A/C opening procedures.
* IBBL should developed modern and innovative services to its clients.
* IBBL should developed a modern research and training academy on the basis of potential banking environment.

**5.2 Conclusion**

Bangladesh is a developing country and continuously doing better rather than the other countries of South-East Asia. And there have a huge & potential banking industry in Bangladesh. Fifty seven banks are conducting their operational activities in Bangladesh. Generally bank is compared to the heart of the economy. This is actually true for developing countries like as – Bangladesh. Since the liberation war, banking sector has remained the wheel of economy moving forward. That is why, any kind of disruption in this department will lead to impact in the country economy.

Now a days most of banks are facing difficulties due to the political harassment in banking procedures, lack of good governances, money laundering, unskilled employees and malpractices by some officers, non-performing loan. But Islami Banks are doing better than conventional banks & becoming more popular day by day. There have eight full-fledged Islami banks and seventeen banks which have Islamic windows/ branches.

In the last few years Islami Bank Bangladesh Ltd. accepts the highest profit in the banking sector of the country and received highest remittance from abroad. Observing these successive stories, some of the conventional banks are interested in Islamic banking & wishes to partially or fully shift to Islamic banking. Though there have potential markets for Islamic banking but there have some challenges for Islamic banking i.e. there have no Islamic money market, scarcity in financial derivatives, inadequate legal & institutional framework, and misconception about Islamic banking, insufficient skilled employees, and lack of proper education on Islamic banking.

Though there have some difficulties of banking industry but I strongly believed that, by offering new banking products (on the basis of client demands) banks will be healthier. And by ensuring modern banking polices Conventional banks & Islamic banks will contribute to economy of the country.

**CHAPTER 06**

**APPENDIX**

**6.1 References**

1. Following websites were used during 01-03-19 to 10-05-19

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2. Radhaswami, M. and S.V. Vasudevean (2008), text Book of Banking, 3rd Edition, New Delhi: S. Chadnd & Company Limited

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**6.2 Interview Questions**

* What the core differences between Islamic Banking & Conventional Banking?
* Do you think that IBBL fully implements Islamic Shariah to conducting its operational activities?
* What are the problems for conducting Islamic Banking in Bangladesh?
* What are the basic limitations of Conventional Banking?
* How to open MSA account?
* What are the basic requirements for opening Account?
* How to open an Al-Wadeeah A/C?
* What are basic differences between Mudaraba Saving A/C & Saving A/C?
* How to open MTRD A/C?
* What types of Products are offering to its client?
* How account is being dormant?
* What is the local remittance?
* How to perform a Pay Order?
* What is Outward & Inward register?
* How to run a Credit or Debit card?