

An Internship Report
On
Investment Mechanism of Islami Bank
Bangladesh Limited





Internship Report

On

Investment Mechanism of Islami Bank Bangladesh Limited

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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.

I also express my gratitude to my academic supervisor **Prof. Dr. Salma Karim**, without her kind support, this study would have been impossible. She helped me every step of starting and completing my report properly.

Finally, I am thankful to every one of my instructors and friends who have been continually helping me consistently.

I would like to express my thanks to the representatives of Islami Bank Bangladesh Limited different department, their participation have made simple to do my entry level position program effectively and effectively. I should state that the workplace was phenomenal and the conduct of the representatives was adaptable and positive.

Letter of Transmittal

20th November 2020

To

Prof. Dr. Salma Karim

Professor

School of Business & Economics

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Subject: Submission of Internship Report on “Investment Mechanism in Islami Bank Bangladesh Ltd”

Dear Ma'am,

It is a broad delight for me to present such sort of Internship report, related of my functional perception in the Islami Bank Bangladesh Ltd. I might want to extol you for giving me the chance of picking this theme to submit as my report of internship. This report covers some noteworthy part of the Islami Bank Bangladesh Ltd with whole data in a spellbinding way. The report remembers for the greater part of the subtleties including destinations of IBBL. This program will look at between hypothetical information and handy experience. The report is finished under supervision and bearing of a supervisor. It is proposed that it will coordinate with the prerequisite and prospect.

Sincerely yours

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This report entitles “**Investment Mechanism in Islami Bank Bangladesh Ltd**”, has been considered for internship formalities. It is one of the major tasks to submit an internship report to finish BBA program. It includes the results of research work. I declare that the whole of this report is the result of my personal effort. I additionally attest that this report is not part of other understanding.

Student’s Signature: Zahid.....

Executive Summary

Islami Bank Bangladesh Limited (IBBL) is one of the reputed banks in Bangladesh. It began its excursion in 1983. In 2018 it produced the highest profit margin in banking sector. And it also attained the highest remittance from outside of our country. This report will provide a precise idea of Islami Bank Bangladesh Limited's General Activities and Performance. This report basically underlines IBBL's operational activities and the difference between Islami Bank and Conventional Bank. Banking sector is developing different events each day. To expand better services step by step, they are accompanying distinctive creative thoughts and items. Islami Bank Bangladesh Limited has confidence in the vision of together, towards, tomorrow. To accomplish the craving objectives the bank is indicating the greatness at all phases with an atmosphere of constant improvement. The report mentioned about the introduction, origin, scope, objective data collection, limitation & methodology of the study. Historical background, organizational objective & performance of Islami Bank Bangladesh Limited are also discussed later. Finding and Analysis is including Investment mechanism and this report also showed different kinds of analysis and findings about Islami Bank Bangladesh Limited.

Basically it is a banking system that wants to generate a profit oriented banking system. For this reason IBBL has implemented a number of profits generating project for the huge number of rural & urban people. Islami Bank Bangladesh Limited has been well reputed financial organization by their expected profit margin from their trade based business. Modes of Investment can be divided into three classifications, for example, Bai Mechanism, Sharing Mechanism and Ijarah Mechanism.

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1. Introduction

Islami Bank is developed based on the idea of interest free banking. Allah has prohibited interest-based earning or saving. According to Sunnah and Quran this means interest (Riba) is not permitted. Thus every form of transaction should be interest-free (Riba). But most cases all of the world's banks conduct their works on interest-based. Because riba is not allowed in Islam, the Muslim scholars considered the goal of establishing a banking system that is completely free from Riba and will perform their jobs based on operating gain-loss situation. And essentially Islamic banks do their jobs on the basis of interest free Islamic Shariah (Riba).

Motivated by IBBL's success, five other Islamic banks have been established in Bangladesh, namely Faisal Bank, Exim Bank, Al-Baraka Bank, Social Investment Bank, and Al-Arafat Islami Bank. And there have been Islamic branches founded by Prime Bank.

In Bangladesh a large number of the individuals are Muslims. They follow the standards of Islam. The establishment of IBBL on 13 March 1983 is the true reflection of the people of this country, which began their journey from 3 March 1983. The Bank is Southeast Asia's first Islamic bank. Islami Bank has been pursuing Islamic Banking practice in Bangladesh and has been a successful contributor for the last 34 years. Islami Bank has run its banking business alongside other conventional banks in Bangladesh, according to Islami Shariah. It has generated many deposits, investments and foreign exchange since its establishment to facilitate Islamic banking practices in Bangladesh. Bai, Share and Ijara Mechanism are three types of investment mechanism. These modes are improving Bangladesh's economy remarkably and helping entrepreneurs run their business smoothly.

Now a day's IBBL is one of the most successful banks in the banking area. Recently its profit is higher than others private and non private banks. Their objective was in Muslim nations they will set up a sharia based bank. In 1982 Islamic Development Bank (IDB) had come in our nation and signed joint endeavor structure. It was the main bank which started his action with interest free banking. As Bangladesh is an Islamic nation and here 90% individuals are Muslims that is the reason individuals of our Bangladesh accepted this bank gladdening. Initial fund of IBBL were 56 million capitals, this was given by different outside Islamic banks and nearby industrialists. Presently IBBL has 352 branches and capital is 20000 million and settled up capital is 16099.91

million and it has 33,686 investor exist in our nation. It is registered in Dhaka Stock Exchange and Chittagong Stock Exchange. Their principles guidelines are mind blowing.

Objectives

The main objective of the report is to practically justify the theoretical knowledge of Modes of Investment and Mechanism of Islami Bank Bangladesh Limited (IBBL). In this report there are a specific objective difference investment mode between Islami Bank and Commercial Bank. To prepare a Report on Modes of Investment and Mechanism of IBBL. Different Modes of Investment & Mechanism of Islami Bank has been explored for this purpose.

- To state and explain the investment mechanism of Islami Bank Bangladesh Limited (IBBL)
- To grasp theoretical and practical knowledge about investment modes, rules and principles of IBBL.
- To mention different modes of application and performance.
- To have a clear idea about IBBL and other conventional bank.
- To analyze different investment modes and mechanism.

Rationale of the Study:

Bank is generally regarded as the center of a country's economy. Banks play an important role in serving the country's demands in several segments, such as: export & import, capital generation, large amounts of output, trade & trade and industrialization, etc.

IBBL has already issued as one of the worlds most profitable and reputable banks for foreign exchange policy and foreign trade trend based on the "Islamic Shariah" rules. Basically Islamic banking is a modern, interest-free banking system where interest is completely prohibited. I try to explain their success and their challenges and opportunities in the field of general banking and the disparity between Islamic banking and traditional banking.

Scope of the Study:

This study's scope is confined to Islami Bank Bangladesh Ltd investment mechanism.

Right now Islami Bank Bangladesh Ltd. has effectively 352 branches all through the entire country. Among those there have 59 parts of Authorized Dealer (AD) to lead outside exchange and remote trade exercises. There are 57 banks working in Bangladesh incorporates 54 business banks and 03 specific banks.

Limitations of the Study:

Time constraint is one of the major restrictions. As I worked in the Kanchpur branch of Islami Bank Bangladesh Ltd, so it was very troublesome for me to collect relevant data and necessary information. Eventually, another challenge has been due to the lack of earlier experience in this department. In addition to these problems, there are also many others, described below:

- Section of the Foreign Exchange Department (Import and Export) is the top secret zone so it is difficult to collect any relevant documents or data.
- Adequate written material is unavailable as required to complete an extensive study.
- Many cases are not exposed to the up-to-date information.
- Unfinished and obscure papers, too, constitute a constraint.
- Proper data collection became difficult due to the business of key branch persons (managers, senior officers).

2.0 Literature Review

- ❖ The perception of Islamic Shariah, so as to be supported islamically the financial structure needs toward sustains a strategic difference from interest. As a result, money related intermediation in Islamic banking between the bank and the client happens as a partner rather than an indebted person lender. The monetary practices of present traditional banks depend on a leaser debtor relationship among investors and bank from

one viewpoint and between the borrower and the bank on the other. The other part of the hypothetical premise of Islamic banking is that the interest free bank is not risk free. This standard is material to two fundamental elements of generation, for example work and capital. As indicated by this principle, as no installment is permitted to work, except if it is applied to work, no compensation for capital should be allowed, unless it is presented to business risk. From these two principles of the hypothetical premise of Islamic banking, it might be said that Islamic budgetary connections are of a participatory sort (Ahmad, 1993).

- ❖ The object undertakes a case study on an interest free Financial Institution in Bangladesh known as Islami Bank Bangladesh Limited. The purpose of the study was to see how Islamic banking actions different from a conventional bank and also to see how Islamic banks may contribute to render financial services towards little and rural sector. Although conventional banks are expose financial services in Bangladesh for a long period still, the innovation of interest-free banking systems, proved its worth in the country's money market, since IBBL started rendering banking services without any interest in the nation's financial market in recent years. The article primarily consists of two sections. In the first section, an opening of Islamic banking systems and different financing modes used by Islamic banks, are discussed. The second section includes a short history of IBBL along with an experiential based detailed account of its financial activities in the country since the beginning of this financial institution in the financial system of Bangladesh (Mohammed Nurul Alam, 2000).

- ❖ Islami Bank Bangladesh Limited is the pioneer of Islamic banking in Bangladesh. Islami Bank Bangladesh Limited is performing an important role in the development of the country. The Bank is operational in the export sector from the very opening resulting in maximize export earnings and creating employment opportunities in Bangladesh. The Bank has already emerged as the top export-import bank in Bangladesh. Islami Bank Bangladesh Limited satisfies most of the efficiency conditions if they can activate as a sole system in an economy. Conventional banking, on the other hand, does not gratify

any of the effectiveness conditions analyzed in the current study. However, while Islamic banks start procedure within the conventional banking structure, their competence goes on declining in a number of scopes (Mohammed Mahbubur Rahaman & Md. Rafiqul Islam Rafiq, 2016).

- ❖ Islami Bank Bangladesh Limited has introduced "Rural Development Scheme" in 1995 to provide to the investment requirements of the agriculture and rural sector of the country to create chance for employment and raise income of the rural people. RDS must plan their number of activities for future; then all parties involving in managing RDS should be assigned and held responsible for the job assigned at the beginning of the year. In this research paper examines the performance of RDS should be subject to Balanced Score Card System. RDS with it's differentiate features can catch new market share in the country if it comes out with additional generous procedure like choice of people not on religions basis (K. M. Anwarul Islam, 2016).

3.0 Methodology of the Study

Sources of information

Information has been gathered from both the primary and secondary sources. By and large Primary sources covers reviews, meet with customer or individual officials in the association. Secondary source of information incorporates sites, diaries, magazine, yearly report, leaflets, and records and organizers.

A. Primary sources:

- Official archives
- Face to face meet with customer and officials
- Surveys
- Practical professional training
- Informal meeting with Exporters
- Counseling with some particular people.

B. Secondary Sources:

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

4.0 An Overview of Islami Bank Bangladesh Limited

An Overview of Islami Bank Bangladesh Limited (IBBL):

Islamic Bank Bangladesh Limited (IBBL) is one of the largest private & commercial banks in the country. It has 352 branches, & runs its ethically Sharia-based operations.

IBBL has always worked to satisfy the client, for this perspective IBBL has always engaged more skilled, more efficient employees. IBBL is developing Islamic Sharia and interest-free bank. A organizational structure is bias-free; in these banks, only qualified individuals get jobs. They have such a good management system. A junior rank and Clark position is the same as a salary increase. IBBL takes a strategic approach to retain its number one spot, as they are always bias-free; their main goal is customer satisfaction, which is why they increase their branches every day, and also ATM booth as if customers easily fulfill their demand.

Historical Background of IBBL:

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 set up their own separate banking system to support their trade and commerce."

This President's statement suggested the Government of the People's Republic of Bangladesh's appropriate behavior towards the country's emerging financial institutions and Islamic banks. Bangladesh Bank (BB), the country's central bank, sent a delegate to research the work of various Islamic banks abroad at the very begging of November 1982.

Toward the beginning of November 1980, Bangladesh bank, the nation's Central Bank, sent an agent to examine the working of a few Islamic Banks abroad.

A delegation from Islamic Development Bank visited Bangladesh at the middle of November 1982 and expressed a keen interest in developing a private segment joint venture with Islamic

Bank. A lot of work had already been done, they reviewed, and here Islamic banking was a ready process for immediate implementation.

They decided to give the economist and top bankers proper training on Islamic banking to fill the leadership void for Bangladesh's future Islamic banking. They have held conferences, seminars, and symposia on Islamic banking and finances across the country to put public thought into motion in support of Islamic banking.

At the end, the long pulled fight is real to establishing an Islamic Bank in Bangladesh. In March 1983, Islami Bank Bangladesh Ltd. was founded. 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.

Mission and Vision of IBBL:

□ Mission of IBBL:

Initiating Islamic banking by introducing a welfare-oriented banking policy and ensuring fairness and equality in all economic activities, achieving equitable development and balancing growth through diversified investment, especially in the country's priority segments and less filed development. To empower the low income community to provide financial and socio-economic services, particularly in the rural areas.

□ Vision of IBBL:

Islami Bank Bangladesh Limited vision is to continuously survive to attain the highest monetary performance, through success and reputation being considered a leading Islamic bank.

- Developing and sustaining modern banking techniques, ensuring the sustainability and soundness of the Islamic rules-based financial system and becoming an efficient and powerful

organization of highly motivated professionals working for consumer convenience, based on openness, honesty and accountability to ensure the stability of the Economic System.

5.0 Finding and Analysis

The following are the findings extracted on the basis of objectives, previous analysis and practical experience of internship program:

- ❖ Islamic banking is one of the best solutions for our banking industry's development and our country's economic growth. But most of our country's people lack adequate knowledge of Islamic Banking. IBBL's investment has improved over the years in various sectors but the growth rate is low compared to that. Only the number of Muslim clients does not increase the bank's other non-Muslim customers. IBBL's investment is maximum in the industrial sector and marginal in the transport sector. They also invest in other industries such as industrial, real-estate, farming etc. IBBL investments more under Bai's total investment mechanism and earned more revenue from this sector in 2014. Share revenue increases over the year. IBBL invest low amounts in the share mechanism, though. Clients prefer Bai Murabaha in Bai system between the two alternatives. IBBL investment is a very complicated process. IBBL is not spending fairly in all industries. It invests in some fields which are tight. Employees lack knowledge in the investment field to complete the key investment objective. Many investment transactions are very slow there are not attractive investments items are. There is a risk that the investment plan will be misjudged and evaluated. Investments are made in various ways, as per Islami Shariah. It aims at implementing the welfare-oriented banking system and at ensuring equality and

justice in all economic operations. Extend socio-economic and financial services with strong commitment to rural upliftment to individuals of all economic backgrounds.

❖ Here describe between commercial bank & Islamic bank and following the objective.

Between commercial bank & Islamic bank there is a massive difference. Islamic bank follow Islamic rules and regulation but commercial banks follow man made rules. Islamic bank has a different investment portfolio, such as Bai mode Share mode, Ijara mode. Islamic bank they invest their capital in various mechanisms such as sometimes they share their capital, they might be an investment full portion of capital and they divide or share their profit or loss in contract basis.

Main point which is mentioned previously which is called interest. This point is the main differentiate from commercial to Islamic bank. Islamic rules strictly prohibited to take an interest. That's why Islamic bank conduct their business by following Islamic law, which is known as profit instead of Riba. In Islamic rules there is no surety for profit; investors invest their money by taking a risk. They calculate their profit by all types of expenditure from total revenue. From these system they want to established assure fair distribution in economic and social life in the country, as well all over world its expand their business according to Islamic Law.

On the other hand commercial bank follow such kind investment where bond, Stock market, cash in equivalent, Ds tips, Venture Capital fund, hedge fund all are including factor investment according to commercial bank. All investment policy is related with interest which is also called Riba. Interest amount means rise on the main amount in loan exploit. In their policy they don't invest their capital and labor. Bank gives surety to their client about percentage rate which is completely fixed; this point is considered as a contradictory part between Islamic bank and commercial bank. Inflation is increases or creates for preset price of commodity and services.

We all know that increasing inflation is the reason for many harmful activities. For example if inflation is high trader raise their price also, again banks also charged additional interest, as a result terminal merchandise will lay down. This is the main reason for unemployment.

It's not also increasing unemployment it is also increases the currency stock in the market. In commercial bank clients are not needed to worry about the capital decay because there is no possibility of reducing of principal or interest amount. Its main disadvantages are currencies or asset is transfer from underprivileged to wealthy people. It means that rich man is richer than before.

❖ Here describe investment mechanism of Islami Bank Bangladesh Ltd and following the objective.

Modes are used for investment:

BAI-MODES

- Bai-Murabaha
- Bai-Istijrar
- Bai-Muajjal
- Bai Salam
- Istisnaa
- Bai-As-Sarf

SHARE-MODES

- Mudaraba
- Musharaka

IJARA-MODES

Hire Purchase under Shirkatul Melk

Bai Murabaha

Bai-Murabaha may be described as a contract between a purchaser and a seller under which the seller sells certain specific goods (permitted under Islamic Shariah and Land Law), to the purchaser at a cost plus negotiated profit payable in cash or at any fixed future date in lump sum or in installments. The marked-up benefit may be set in lump sum or in percentage of the products ' cost price.

In Breif

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

Features

- It is admissible for the Client to offer a request to buy by the Bank specific merchandise choosing its particular and investing in purchase the equivalent from the Bank on Murabaha, for example cost in addition to settled upon benefit.
- It is allowable to take money/insurance security to ensure the usage of the guarantee or to repay the harms.
- The Bank must convey the predefined Goods to the Client on determined date and at indicated spot of conveyance according to Contract.
- The Bank will sell the merchandise at a more significant expense (Cost + Profit) to gain benefit. The expense of merchandise sold and benefit increase therewith will independently and unmistakably be referenced in the Bai-Murabaha Agreement.
- The cost once fixed according to understanding and conceded can't be additionally expanded.

- It is reasonable for the Bank to approve any outsider to purchase and get the merchandise for Bank's sake. The approval must be in a different agreement.

Bai-Istijrar

"Bai-Istijrar" is called such a purchase and sale where an individual continues to take delivery of the necessary commodities partly from time to time from the supplier and there is no offer (Ijaab) & acceptance (Qobul) and negotiation between them every time the goods are made and delivered.

Features

- The Bank goes into understanding independently with the providers and the customers to buy and sell the merchandise/products at foreordained/concurred cost based on Istijrar.
- The stockpile and conveyance will be made in stages within the predefined timeframe.
- It is reasonable to take money/insurance security from the customer to ensure the usage of the guarantee/understanding or to reimburse the harms.
- The Bank will sell the products at a more significant expense (Cost + Profit) to win benefit. The expense of products sold and benefit settled upon therewith will independently and unmistakably be referenced in the Bai-Istijrar Agreement.
- The cost once fixed according to understanding and conceded can't be expanded further.
- It is reasonable for the Bank to approve any outsider to purchase and get the merchandise for Bank's benefit. The authorization must be under isolated agreement .

Area of Application

- If there should be an occurrence of obtaining the products in various arrangements from a few supplier(s), the Bank may practice Istijrar with the provider.
- If there should arise an occurrence of selling the merchandise under Bai-Murabaha by buying through Letter of Authority against the vendor, the Bank may practice Istijrar with the provider.
- In the event that acquired merchandise is conveyed in portions and installment is made after fruition of provisions, the Bank may practice Istijrar with the provider.
- If there should arise an occurrence of selling the merchandise in various arrangements to a specific customer, the Bank may practice Istijrar with the customer.
- In the event of selling the merchandise/items under Bai-Murabaha by obtaining through Letter of Authority against the business to a specific customer, the Bank may practice Istijrar with the customer.
- If there should be an occurrence of profiting interest in single installment of the cost subsequent to finishing the provisions against acquiring products in various portions by a specific customer the Bank may practice Istijrar with the customer.

Bai-muajjal

Bai-Muajjal may be described as a contract between the buyer and the seller under which the seller sells certain specific goods permitted under Islamic Shari'ah and land law) to the buyer at an agreed fixed price payable on a fixed future date in lump sum or by fixed installments within a fixed period. The seller may also sell the products he purchases according to the Bu's order and specification.

In this Bank, Bai-Muajjal is treated as an agreement between the Bank and the Client under which the Bank sells the merchandise, acquired according to request and particular of the Client, to the customer at a concurred value payable at any fixed future date in single amount or inside a fixed period by fixed portions.

Feature

- It is permissible for the Client to offer a request to buy by the Bank specific merchandise choosing its particular and investing in purchase the equivalent from the Bank on Bai-Muajjal for example conceded installment deal at fixed cost.
- It is reasonable to take money/insurance security to assurance the usage of the guarantee or to reimburse the harms.
- After acquisition of merchandise the Bank must bear the danger of products until those are really conveyed to the Client.
- The Bank must convey the predetermined Goods to the Client on indicated date and at determined spot of conveyance according to Contract.
- The Bank may sell the products at a more significant expense than the price tag to procure benefit.
- The cost once fixed according to understanding and conceded cannot be additionally expanded.

Bai-Salam

Bai-Salam might be characterized as an agreement between a Buyer and a Seller under which the Seller sells ahead of time the specific product (reasonable under Islamic Shari'ah and the tradition that must be adhered to the Buyer at a concurred value payable on execution of the said agreement and the product is conveyed according to detail, size, quality, amount at a future time in a specific spot.

Here the value is paid in real money, yet the conveyance of the merchandise is deferred.

Feature

- Industrial and Agricultural items are bought/sold ahead of time under Bai-Salam method of Investment to mix money with the goal that creation isn't impeded because of lack of store/money.
- It is reasonable to get guarantee security from the vender customer to verify the speculation from any risks viz. non-supply/halfway stock of product, supply of low quality Product and so forth.
- It is additionally admissible to acquire Mortgage or potentially Personal Guarantee from an outsider as security before the consenting to of the Arrangement or at the hour of consenting to the Arrangement.
- Bai-Salam on a specific product or on a result of a specific field or homestead can't be influenced.
- The vender (maker/maker) customer might be made specialist of the Bank to sell the merchandise conveyed to the Bank by him gave a different office understanding is executed between the Bank and the Client (Agent).

Istisna'a

Istisna'a is an agreement between a producer/dealer and a purchaser under which the maker/vender sells explicit product in the wake of having fabricated, reasonable under Islamic Shariah and Law of the Country in the wake of having made at a concurred value payable ahead of time or by portions inside a fixed period or on/inside a fixed future date based on the request set by the purchaser.

Feature

- It encourages the producer in some cases to get the cost of the products ahead of time, which he may use as capital for delivering the merchandise

- It gives the purchaser chance to follow through on the cost in some future dates or by portions
- It is a coupling contract and no gathering is permitted to drop the Istisna'a contract after the value is covered and got or to a limited extent or the producer begins the work
- Istisna'a is exceptionally drilled in Manufacturing and Industrial parts. Be that as it may, it very well may be drilled in agrarian and developments parts too

Bai-as-Sarf

Bai-as-Sarf is an agreement of trade of cash for cash. This agreement is firmly managed under Shari'ah on the grounds that it tends to be effectively controlled to create an enthusiasm bearing credit, which is precluded in Islam.

In pre-Islamic occasions gold was traded for gold, silver for silver and gold for silver or the other way around. In Islamic law such trade is viewed as closeout of cost for cost and each value is thought of the other. It additionally implies closeout of money related an incentive for fiscal worth for example cash trade.

In regard of Bank, Bai-as-Sarf is an agreement/understanding between the Bank and the Client under which the Bank buy the outside money against the Foreign narrative bill ahead of time from the Client at indicated/concurred conversion standard.

Objectives of Bai-As-Sarf

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

Area and of Bai-As-Sarf

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

Feature

- This is a post-shipment money instrument under Bai mode.
- Bai-as-Sarf means 'sale of cost for cost' and each value is thought of the other. It additionally implies closeout of money related an incentive for financial worth for example money trade.
- Typically trade of one money into another currency is managed under Bai-as-Sarf mode.
- The related outside money will be gotten by the bank as the customer sold out the equivalent to the bank at settled upon conversion scale
- Since no law in such manner is predominant in Bangladesh to oversee such Bai-As-Sarf understanding, the connection between the Client and the Bank will be treated as merchant and purchaser

Mudaraba

Mudaraba is an organization in benefit whereby one gathering gives capital and the other party gives expertise and work. The supplier of capital is designated "Shahib al-maal", while the supplier of ability and work is classified "Mudarib".

Along these lines, Mudaraba might be characterized as an agreement of organization where the Shahib al-maal gives funding to the Mudarib to putting it in a business undertaking by applying his work and try. Both the gatherings share the benefit according to settled upon proportion and the misfortunes, assuming any, being borne by the supplier of assets for example Shahib al-maal with the exception of on the off chance that it is because of break of trust for example unfortunate behavior, carelessness or infringement of the conditions settled upon by the Mudarib. On the off chance that there is any misfortune acquired because of the reasons referenced over, the Mudarib gets subject for that.

Musharaka

The word Musharaka has been gotten from the Arabic word 'Shirkat' or 'Sharikat' (Shirk). In Arabic, Shirkat or Sharikat or Shirk implies organization or sharing. Hence the strict importance of 'Musharaka' is sharing however the undertone of this term is constrained than the term Shirkat. The term Musharaka has been presented as of late in Islamic Banking writing to mean a specific sort of Shirkat.

In Islamic Fiqh writing, Shirkat, in its crude sense, connotes the combination of at least two homes, in such a way, that one of them isn't discernable from the other. The term Shirkat, in any case, is reached out to contracts, in spite of the fact that there be no real combination of bequests, in light of the fact that an agreement is the reason for such combination. In the language of the law it means the association of at least two people in a single concern. It is the association between at least two people or organizations.

Musharaka might be characterized as an agreement of organization between at least two people or bodies in which every one of the accomplices contribute capital, take an interest in the administration, share the benefit in relation to their capital or according to pre-concurred proportion and bear the misfortune, assuming any, with respect to their capital/value proportion.

Hire Purchase under Shirkatul Meelk

Under this mode Bank may supply actualizes/hardware/merchandise on rental premise. The responsibility for actualizes/gear/products will be with the Bank and the customer together and the part of the customer will stay to the Bank as home loan until the conclusion of the speculation account, however the customer will be approved to have the hardware for certain period. The customer, after consummation of the portions, will be the proprietor of the actualizes/hardware/products.

Hire Purchase under Shirkatul Melk is a Special category of agreement which has been created through training. As a matter of fact, it is an amalgamation of three agreements:

- Shirkat
- Ijarah
- Sale

These might be characterized as follows:

Shirkatul Melk

Shirkat implies organization. Shirkatul Melk implies share in proprietorship. At the point when at least two people supply value, buy an advantage, possess the equivalent mutually, and share the advantage according to understanding and bear the misfortune with respect to their particular value, the agreement is called Shirkatul Melk contract.

Ijarh

The term Ijarah has been gotten from the Arabic works (Air) and (Ujrat) which implies thought, return, wages or lease. This is actually the trade worth or thought, return, compensation, lease of administration of a benefit. Ijarah has been characterized as an agreement between two

gatherings, the Hire and Hirer where the Hirer appreciates or receives a particular assistance or reward against a predefined thought or lease from the advantage claimed by the Hire. It is a contract understanding under which a specific resource is enlisted out by the Hire to a Hirer against fixed lease or rentals for a predefined period.

Related Terminologies or Elements of Ijara

- As per most of Fuqaha, there are three general and six nitty gritty components of Ijarah.
 1. The wording: This incorporates offer and acknowledgment.
 2. Contracting parties: This incorporates a Hire, the proprietor of the property, and a Hirer, the gathering that advantages from the utilization of the property.
 3. Topic of the agreement: This incorporates the lease and the advantage.
- The Hire (Muajjir)- The individual or association enlists/leases the property of administration is known as the Hire (muajjir).
- The Hirer (Mustajir)- The individual or association contracts/takes the contract of the property or administration against the thought lease/compensation/compensation is known as the Hirer (mustajir).
- The benefit / asset (Maajur) - The advantage which is leased is known as the advantage (maajur).
- The Rent (Aj'r or Ujrat) - The thought either in financial terms or in sorts fixing amount of products/cash to be paid against the advantage of the benefit or administration of the advantage is known as the lease or ujrat or aj'r.

Sale

This is a deal contract between a purchaser and a vender under which the responsibility for products or resource is moved by dealer to the purchaser in opposition to settled ahead cost paid/to be paid by the purchaser.

In this way, in Hire Purchase under Shirkatul Melk approach mutually the Bank and the Client supply value in equivalent or inconsistent extent for acquisition of an advantage like land, building, apparatus, transport and so forth. Buy the advantage with that value cash, claim the equivalent together, share the advantage according to understanding and bear the misfortune in relation to their separate value. The offer, part or bit of the advantage possessed by the Bank is employed out to the Client accomplice for a fixed lease for every unit of time for a fixed period. In conclusion the Bank sells and moves the responsibility for share to the Client against installment of cost fixed for that part either step by step part by part or in single amount inside the contract time frame or after the expiry of the contract understanding.

Stages of Hire Purchase Under Shirkatul Melk

Therefore Hire Purchase under Shirkatul Melk Agreement has got three phases:

- Purchase under joint ownership.
- Hire
- Sale or transfer of ownership to the other partner Hirer.

Important features

If there should be an occurrence of Contract Buy under Shirkatul Melk exchange the benefit/property included is together acquired by the Contract (Bank) and the Hirer (Customer) with indicated value support under a Shirkatul Melk Agreement in which the measure of value and offer in responsibility for resource of each accomplice (Contract Bank and Hirer Customer) are unmistakably referenced. Under this understanding, the Contract and the Hirer become co-proprietor of the advantage under exchange in relation to their separate value interest.

In Contract Buy under Shirkatul Melk Understanding, the careful responsibility for the Contract (Bank) and Hirer (Customer) must be perceived. In any case, if the accomplices concur and wish that the advantage obtained might be enrolled for the sake of any of them or for the sake of any outsider, obviously referencing the equivalent in the Contract Buy Shirkatul Melk Understanding. Nonetheless, in IBBL, no outsider enlistment will be permitted.

As the responsibility for segment of the advantage lies with the Contract (Bank) and lease is paid by the Hirer (Customer) against the particular advantage, the lease isn't considered as cost or part of cost of the benefit.

In the Contract Buy under Shirkatul Melk Understanding the Contract (Bank) doesn't sell or the Hirer (Customer) doesn't buy the benefit yet the Contract (Bank) guarantee to offer the advantage for the Hirer (Customer) part by part just, if the Hirer (Customer) follows through on the cost/value/concurred cost as fixed for the benefit according to stipulations inside settled upon period on which the Hirer additionally gives endeavors.

6.0 Recommendation:

Islami Bank Bangladesh Ltd. is one of the most effective banks in the banking history of Bangladesh. In most recent couple of years it is the top reputed bank in Bangladesh. IBBL will open a new branch in rural areas in order to sustain and increase the investment trend. That will also increase the IBBL investment. IBBL has invested more in the cycle of Bai. IBBL's investment under Share mode & HPSM will increase.

- To attract potential buyers, the investment process should be simple and under stable.
- Investing more profitably in most industries, and helping to create new employment opportunities.
- Officials at the branch level should be more cautious in achieving target goal through Islami Shariah.
- They should take action to make decisions faster because it will help customers
- Creation of some new investment products is essential to keep up with the age of competition.
- Several banks have recently launched a series of creative investment products to attract their customers. IBBL should consider how to innovate new schemes that will add value to their organization.
- If the workers turn out to be well qualified then the risk of wrong decision and investment plan assessment can be reduced.

7.0 Conclusion

The banking and financial activities are changing rapidly day by day for all financial institutions in the world. IBBL is also attempting to cover up the evolving potential by introducing new ways and new products for dominant and successful customers. New Investment items like mCash, Khidmah Card etc are among Islami Bank Ltd's initiatives. IBBL diversifies its portfolio of assets with a view to providing well-being-based banking services. I also believe that a bright future awaits Islamic banking in Bangladesh and IBBL is in a position to act as a catalyst for this development in Bangladesh's banking sector. The special features of Islamic Bank's banking policy are to invest on the basis of profit-loss-sharing system in accordance with Islamic Shariah's principles and principles of profit earning not only the motives and goals of Islamic banking policy but focus on achieving social goods and creating job opportunities. With regard to Islami bank and its activities, we conclude that IBBL's investment models are superior to traditional bank loans in the conventional banking system on the basis of fixed interest. Through Islamic banking system investment with profit-loss-sharing system is going out. In this system on fluctuation comes between growth of economy as well as growth of IBBL.

In the Islamic banking system, balance can be generated between money supply and commodity production. Conventional banking system on the other hand creates inflationary problem. In traditional banking system, investment does not explicitly operate with unemployment problem in addition to Islamic banking system. Investment decreases at the time of rising interest rates, and as unemployment also increases at the same time. Interest rates often fluctuate in traditional banking systems, and even instability in the economy. On top of that, Islamic banking system is always helping to develop economy. In Islamic banking system, raising invested money is simpler than traditional banking system because bank is concerned with the intent of non-loan investment, and investment requires clients working for their own development, which also lets bank gain their own investment.

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