Internship Report on “Investment (Credit) Risk Management and Performance Analysis during COVID-19 of Shajalal Islami Bank Limited”

UNITED INTERNATIONAL UNIVERSITY

Course Title: Internship

Course Code: INT 4399

Submitted To

Nusrat Farzana

Assistant Professor

School of Business and Economics

Submitted By

Nahid Hasan Tushar

ID: 111 162 138

Date: 02 August 2021

Letter of Transmittal

Nusrat Farzana

Assistant Professor

School of Business and Economics

United International University

Subject: Submission of Internship report.

Dear Mam,

It is an incredible delight to hand over my Internship report on "**Investment (credit) Risk Management and Performance Analysis during COVID-19 of Shajalal Islami Bank Limited**" to you. I have executed my internship program from Shahjalal Islami Bank Ltd, Mirpur branch, under your supervision.

I have given my level excellent to provide the report expressive, accurate and comprehensive manner. I have shared my experience, knowledge, and talent which I accrued during my internship duration while preparing the report. I have followed the instructions that were given by my respected faculty and supervisor.

I, therefore pray and hope you will be kind enough to accept my report. Any sort of judgment regarding the report is highly respected. If you need any assistance in clarifying the report, I will be available for any questions respecting this report.

I am thanking you.

Yours obediently,

Nahid Hasan Tushar

ID- 111 162 138

BBA

United International University

Acknowledgment

It was a great opportunity for me to do an internship at Shahjalal Islami Bank, Mirpur Branch from United International University to complete my BBA program. I want to thank many people for assisting in my internship report. But first, I thank the Almighty who gives me the energy to complete this report with the patient.

I would love to thank my faculty and supervisor, Nusrat Farzana, Assistant Professor, School of Business and Economics, United International University. My deepest gratitude and special appreciation to her for her guidance and support while preparing this report. It was a pleasure to working below her.

It was impossible to face the corporate world without help of the people of SJIBL, Mirpur branch. So, my greatest thanks to those people who support and give me direction during my internship period.

Executive Summary

This report has been made based on "**Investment (credit) Risk Management and Performance Analysis during COVID-19 of Shajalal Islami Bank Limited**". It results from a three-month internship program in Shahjalal Islami Bank Limited, Mirpur Branch, as required by the faculty and supervisor Nusrat Farzana, Assistant Professor of BBA Department, United International University. The study's objective is to analyze the investment process of SJIBL, doing performance analysis, classifying problems and recommendations during the COVID-19 situation. I collected the data (both primary and secondary data) for the study.

This report contain eight numbers of chapters. The following chapters have been described appropriately as a descriptive study. The SJIBL's profile is covered with accurate details. So that scholars or viewers can easily know the objective's point well. In fourth chapter, the investment has been defined properly. After the fourth, in chapter five, the bank's investment risk process is specified based on working knowledge in the Investment sector of SJIBL, Mirpur branch. Different types of analysis have been done for SJIBL.

Tables and figures are being included in this report. Any reader can easily revise the study. The analysis part is the important portion for this report. It has been dealt with most meticulousness. The calculation has also been done for research. Findings are being included as per the study and work experience. Recommendations are also accurately defined for SJIBL. After the conclusion part, the reference is being formed.

Contents

CHAPTER 1

INTRODUCTION

1 Introduction of the Report

1.1 Introduction

The critical objective of a country is the reflection of economic growth of a country in this world. Banking sectors are taking part in associate in nursing integral role in economic process in a very country. The industry is vital to the cost-effective progress through its aptness in aggregation and fascinating securities from savers. Secondly, its role in providing loans to encourage investment and production. Thirdly, its ability is to represent an economic extension to most of the economic zones resembling agriculture, corporation and trade sectors. Finally, the banking sector is dedicated to introducing capital regulations for investments projects. In the country, private banks have the upper hand. They dominate the economic sector in the country. There are currently 57 banks in Bangladesh: 40 local private banks, 9 foreign and 8 state owned banks. SJIBL is one of the most capable bank in the private sector today. SJIBL opened its commercial services on May 10, 2001 under the Banking Companies Act 1991 in accordance with Islamic Sharia doctrine. During these years, SJIBL has diversified its analysis of the services by initiating new areas in diverse tactical critical areas around the country contributing different kinds of products of service, both for services of investments and services of deposits. Banking back by Islamic Sharia is not only riba (interest)-free in its sense, this also features trading in commodities that generate real profits and increase the GDP of the economy. During the COVID-19 situation, SJIBL presented Smart Phone based application electronic wallet "SJIBL-Net" to meet the increasing need of customers It transmits all bank and intra-bank transactions and bank transfers through EFT and RTGS. The other facilities are also conveyed like payment of utility bill, payment of credit card. To check the request from the smart phone application. They had the financial durability and swiftness to device their alternative strategies and make the swift variations essential to retain health and safety provisions of their people at the same time maintaining their operations in a uninterrupted state. Even though the difficulties, they showed that their personality—resilience, reliability, and flexibility—is the significant factors to remaining ahead of customer expectations.

1.2 Origin of the report

The report was made after a hard work of three months of internship at SJIBL, Mirpur branch in Dhaka. After completing 129 credits of BBA, an internship/project overview is required. As I chose internship for completing my last 3 credits of BBA program, so I entered in Shahjalal Islami Bank Ltd. to complete my internship program. During these 3 months, I collected the information and skills recommended by the human resources department of SJIBL. The report is the final consequence of my three months practice in SJIBL.

1.3 Objectives of the report

1.3.1 Primary Objective

The key determination of this revision is to collect knowledge about various professional skills by evaluating the Performance Analysis of Investment of the organization and complete the report based on those acquired knowledge.

1.3.2 Specific Objective

- To understand Shahjalal Islami Bank Limited's investment structure practices.
- To evaluate and underline SJIBL's process of analyzing investment enactment.
- To recognize the tools and methods of SJIBL.
- To understand the present situation of SJIBL.
- To provide the overall summary of SJIBL.

1.4 Scope of the report

The report is undoubtedly drafted on the basis of actual practices which was collected during the internship. In order for the report as a whole to be comprehensive, it is necessary to study the entire process step by step.

SJIBL is a major commercial bank in Bangladesh. It was established on May 10, 2001 in compliance with the principles of Sharia law under the Banking Companies Act of 1991 and its operational efficiency is very high. So because of that the entire report is organized on the basis of Islamic mode.

In this I tried to explain and investment related issues during COVID-19.All of these fall into the category of management of investment theory. I bring to close with a acute review of the analysis of performance of investment, the guidelines of the Banking Corporation Act of 1991, and an argument of the key outcomes and references.

1.5 Limitations of the Report

I was challenged with a few constraints during the time of making the report and my internship period. I've given my extent best to create the article as comprehensive as I could. The major limitation of my study are given below:

- **Lack of information**: The main constraint of the revision is that the amount of facts required for the study was insufficient due to confidentiality reasons.
- **Lack of time**: Due to lack of time, many aspects couldn't be deliberated properly.
- **Lack of opportunity**: Due to limitation of opportunity the internal data couldn't be accessed.
- **Lack of verbal session**: Since the employees/officers were busy doing their work so it was quite tough to get their time for my work.
- **Different from other banks**: They work differently from other commercial banks because they follow the principles of Sharia law.

CHAPTER 2

METHODOLOGY

2 Methodology of the report

The essential data for the report were gathered from both primary sources and secondary sources; however, most of the info was composed from secondary sources.

2.1 Data Collection Process

1. Assembling appropriate data
2. Accumulate all the necessary observation based on my skill that I acquired during my internship
3. Recognizing and assessing the data.
4. Doing correction process where necessary
5. Adding essential charts, tables, and graphs
6. Finalizing the report

2.2 Types of Data

2.2.1 Primary Data

- Work experience from the applied in the branch
- Interviews with officers and managers
- Self-Observation
- Enquiry of appropriate papers.

2.2.2 Secondary Data

- SJIBL Website
- Annual Reports of SJIBL
- Investment policy manual
- News, articles, journals and Brochures related to the banking sector

2.3 Area of the Study

This section covers the scope, especially investments, and other areas like General banking (GB) and foreign trade of Shahjalal Islami Bank Ltd at Mirpur Branch.

2.4 Duration

This is a three-month internship from 03/05/2019 to 06/06/2019, which combines practical work and training in the fields of investment, the GB and foreign trade.

2.5 Sample Size

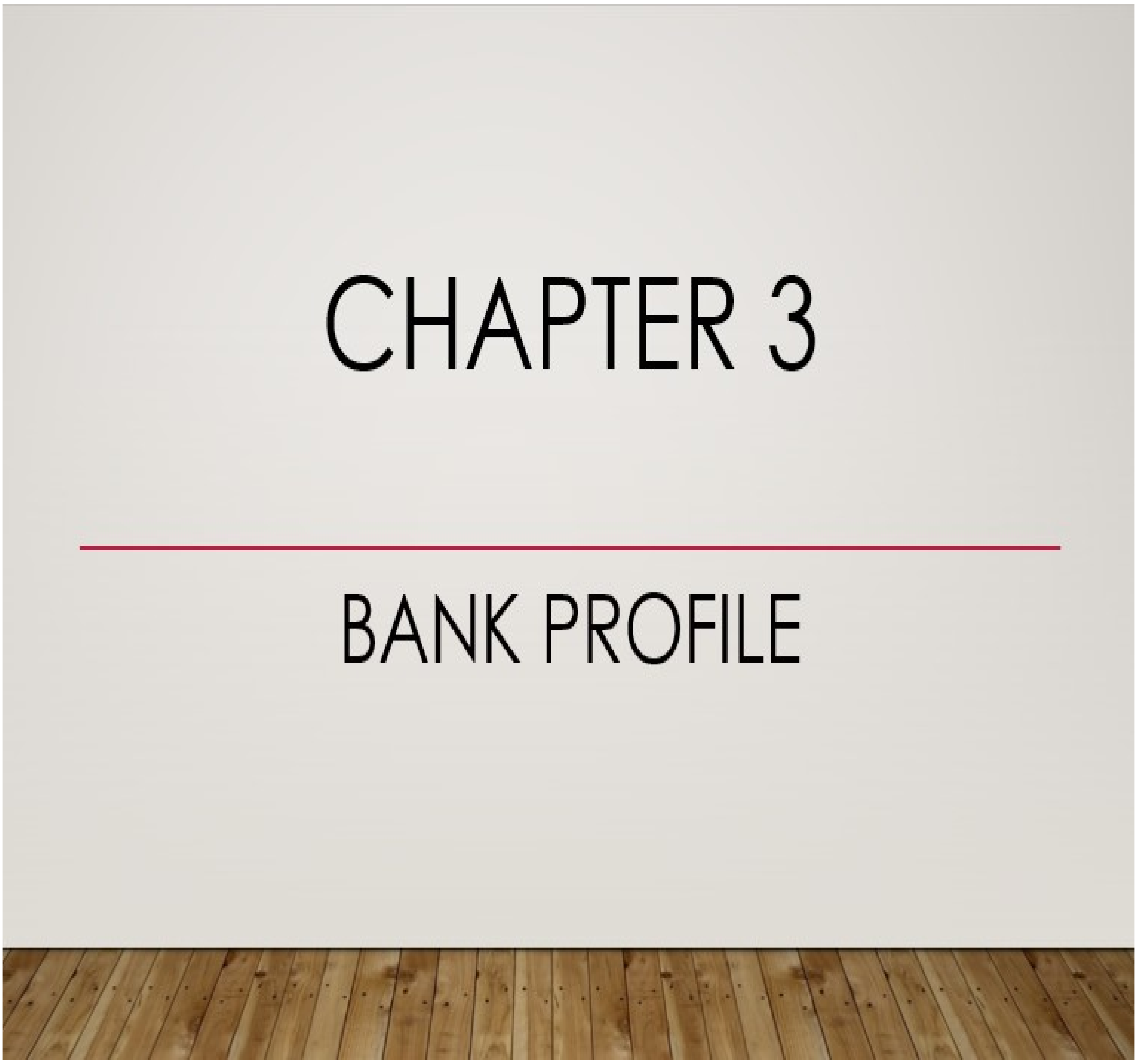
The collected samples were collected from 2019 and 2020 annual reports of SJIBL.

2.6 Sampling technique or procedure

Software

a. MS Word
b. MS Excel

These software were used during preparing the report



Shahjalal Islami Bank
LIMITED

3 Bank Profile

3.1 Overview of Islamic Banking Practice in Bangladesh

Islamic banking is a banking or financial activity organized in accordance with Islamic law or Islamic law, and it will perform its actual functions with the development of Islamic economy. In Bangladesh today, Islamic banks are quickly gaining the upper hand. It is represented by foreign investors from Saudi Arabia and Kuwait. Islamic Bank Bangladesh Limited (IBBL) is the first Islamic bank in Bangladesh, established in 1983. Bangladesh has eight Islamic banks based on Sharia law, including IBBL. (wikipedia, 2021) Some are stated below:

- Islami Bank Bangladesh Ltd
- Shahjalal Islami Bank Ltd.
- Al-Arafah Islami Bank Ltd.
- EXIM Bank Ltd.
- First Security Islami Bank Ltd.
- ICB Islamic Bank.
- Social Islami Bank Ltd.
- Union Bank Ltd.
- Standard Bank Limited
- Global Islamic Bank Ltd (former NRB Global Bank)

3.2 Profile of Shahjalal Islami Bank Limited (SJIBL)

SJIBL is a private commercial bank based on Sharia law. It was incorporated on May 10, 2001 in accordance with the Islamic principles of the Banking Corporation Act of 1991. Over the years, SJIBL's functions and services have differentiated, including opening new branches in major locations across the country to provide different types of services, such as investment and deposits. The method of Islamic organization functions. Create real income through smart business products and increase the GDP of Bangladesh's economy. SJIBL has a strong and supportive management team with outstanding skills and expertise. The management team follows the leadership of the experienced banker Mohammad Shahidul Islam. Board of Directors have a high degree of education in the national economy (**Shahjalal Islami Bank Limited (SJIBL), 2021**).

SJIBL has become a strong competitor to all other commercial banks. SJIBL provides a variety of projects with the highest return on investment. Since this is a company based on Sariah law, they call this loan an investment. They are trying to bring something new to their banking functions. SJIBL has received great help in the process of investment and foreign trade, and plays a central role in the expansion of the country's industry. Its distinctive innovations are highly praised by customers (Shahjalal Islami Bank Limited (SJIBL), 2021).At present SJIBL has 132 Branches across the country.

3.2.1 Vision

The most famous sharia bank and investment brand in Bangladesh provides ecological significance to all those involved in moral and ethical development of individual. **(Shajalal Islami Bank Limited, 2020**)

3.2.2 Mission

- Excellent service and uncompromising customer service
- Set high standards for honesty
- Comprehensive and pioneering banking
- Ecological significance for all shareholders
- Continuously develop professional talents, improve systems, solve problems, and achieve brilliance.
- System computerization and digitization use the most advanced technology, completely safe to ensure firm and precise service to customer
- Growth of human resources based on decency and principles

3.2.3 Strategies

- Strive for maximum customer contentment and get their trust
- Operate and supervise the bank in the most effective way
- Identify customer desires and oversee their insights to meet these needs or desires
- Review and upgrade guidelines, processes, and rehearses to improve the ability to provide better customers services
- Instruct and development all workforces and offer them with appropriate goods to logically meet customer needs
- Improve business performance by cooperating business plans, guidelines and actions
- Create a comfortable operational atmosphere
- Diversify investment portfolio in the trade and general markets

3.2.4 Motto

Committed to Cordial Service (Shahjalal Islami Bank Limited (SJIBL), 2021).

3.2.5 Organization Structure

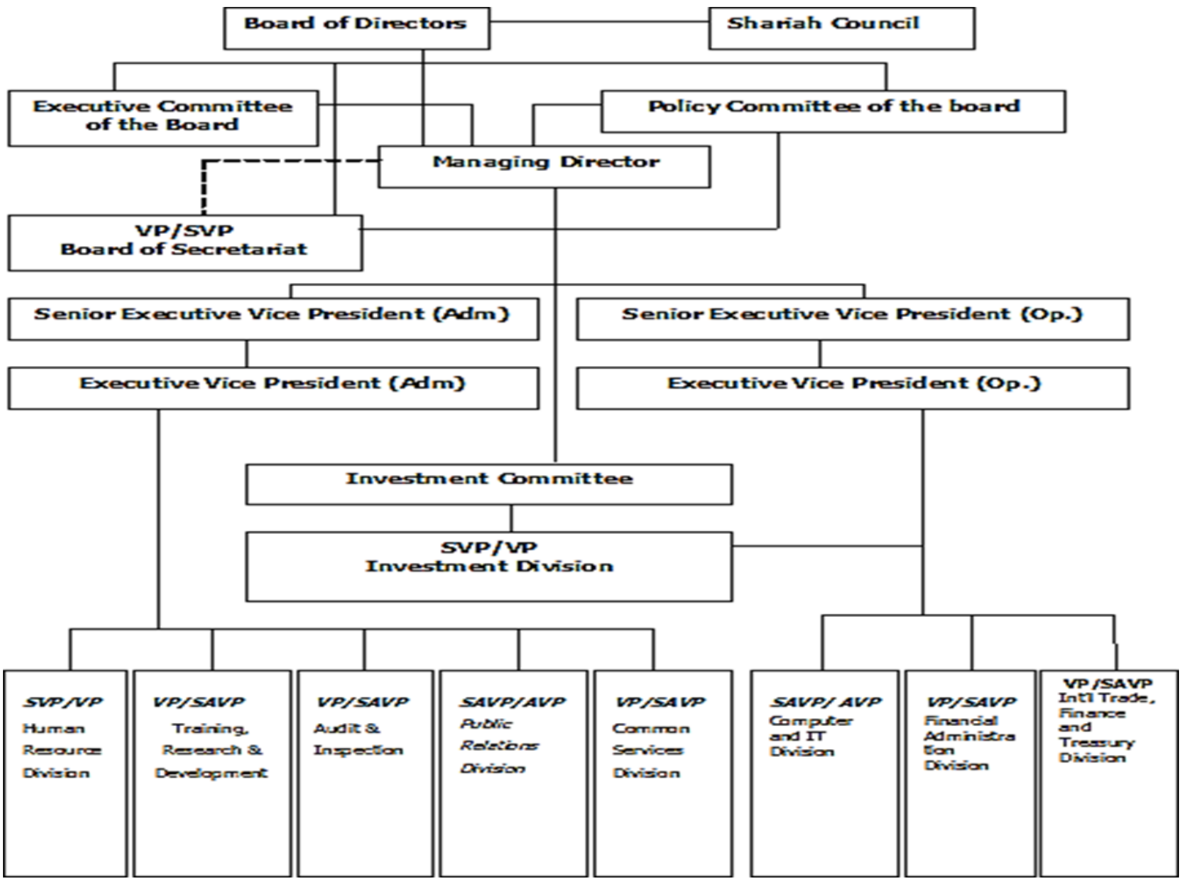


Figure 1: Organization Structure

3.2.8 Services & products

- **Services of Account**
  - Mudaraba saving Deposit (MSD).
  - Al Wadiah current Deposit (ACD).
  - Mudaraba Short Notice Deposit (MSND).
  - Mudaraba Term Deposit (MTD).

- **Schemes of deposits**
  - Mudaraba Double Money (MDM)
  - Mudaraba Monthly Income (MMI)
  - Mudaraba Cash Waqf Deposit (MCWD)
  - SJIBL School Banking (SSB)
  - Mudaraba Monthly Deposit (MMD)
  - Mudaraba Millionaire (MM)
  - Mudaraba Money Spinning (MSM)
  - Mudaraba Haji Deposit (MHD)
- **Cards**
  - VISA Souvenir Card (Gift Card- Local)
  - VISA Prepaid Card (Global)
  - VISA Prepaid Card (provincial)
  - VISA Debit Card
- **Schemes of Investment (Retail)**
  - Small Business Investment (SBI)
  - Medium & Small Enterprise Investment (MSEM)
  - Car Investment (CI)
  - Household Durable (HD)
  - Housing Investment (HI)
  - Household Durable (HD)
  - Scheme of Investment for Education(IS-E)
  - Scheme of Investment for conversion of GNC (IS- GNC)
  - Scheme of Investment for Doctors (IS-D)
  - Scheme of Investment for Marriage(IS-M)
  - Scheme of Investment for Executives (IS-E)
- **Investment Schemes (Corporate)**
  - Murabaha.
  - Bai-Muazzal.
  - Hire Purchase under Shirkatul-Meelk.
  - Ijara.
  - Bai-Salam.
  - Quard-e-Hasana.
  - Investment against LC.
  - Investment against deposit/Scheme.

- **Investment Products of SME**
  - Prottasha for Woman Entrepreneurs
  - Prottasha for Small Enterprise
  - Rural Investment Program
- **Computer Services**
  - Online Services.
  - Automated Accounting.
  - Integrated System.
  - ATM.
  - Push-pull SMS Service.
  - Signature Verification
  - POS service
  - Any Bank Branches.

3.2.9 SWOT Analysis of SJIBL

SWOT analysis is a collection of your corporation's strengths, weaknesses, opportunities and threats. The main purpose of SWOT analysis is to help companies fully understand all the factors that affect business decisions (**Investopedia, 2021**). So after analyzing SJIBL some analysis are:

3.2.9.1 Strengths

1. SJIBL regularly convenes all kinds of board meetings, EC and RMC, and maximum affiliates attend to supervise appropriately the bank's governance.

2. SJIBL does not need to comply with any laws and regulations, which helps to improve corporate governance.

3. In addition to the substantial refinancing paid to RMG's investment clients in 2020 as part of the COVID-19 package, SJIBL's largest investment is in the RMG field.

4. SJIBL is well thought-out to be among the leading banks in Sariah and the prevailing banking industry.

5. SJIBL has successful import and export business every year, and SJIBL has several loyal customers in foreign trade.

3.2.9.2 Weaknesses

1. Due to the fierce market competition and narrowing of the price difference, the cost is relatively high than income.

2. Compared with corporate investment portfolios, SJIB's marketing portfolio is fragile and requires additional scrutiny.

3. More than seventy percent of SJIBL's funds are undiluted in the region of Dhaka and major inner-city parts, jeopardizing balanced growth and bringing additional risks to the bank.

4. However, corporate financing dominates SJIBL's investment portfolio. Some corporate customers are accepting major investments from SJIBL.

5. Due to excess bank liquidity, retail financing is often competitive. Therefore, in many cases, SJIBL cannot achieve sufficient margin/return on investment.

3.2.9.3 Opportunities

1. Due to social distancing, the global demand for the digitization of COVID 19 is faster than ever.

2. People from corner to corner of the whole country are displaying growing importance in banking of Islamic.

3. With the increase in disposable income and Bangladesh's withdrawal from the smallest amount technologically advanced countries, individuals are further willing to buy goods and services. This is why the company is expanding.

4. The government is implementing some large-scale projects, such as the Padma Bridge, subway, deep-water port and major highways, which have caused a huge mobilization of resources in the country.

5. Despite the impact of COVID, Bangladesh has received huge remittances from overseas. In addition, the country now has record foreign exchange reserves.

3.2.9.4 Threats

1. The suffering of export destinations such as the U.K. and the U.S. may prolong the suffering of Bangladesh's export market.

2. In the post-COVID phase, returns will definitely become a problem because of the large amount of unused funds traded under the regulatory suspension. You may notice the deterioration of asset quality.

3. Ironically, due to COVID 19, digital platforms have become popular and provide hackers with additional scamming opportunities all the more often. Companies by means of lower securities can easily deceived by these scammers.

4. Like traditional banking methods, methods of Islamic banking doesn't give permission to invest in all types of appliances. Here, the products numbers are that comply with Sariah's Law is still very small.

5. Due to the uncertainty of COVID, large investors are hesitant to choose large companies, so the investment volume of banks is declining.

CHAPTER 4

ANALYSIS OF INVESTMENT RISK

4 Analysis of Investment

4.1 Definition of Investment

The word "Investment" is the current allocation of funds or other resources, expecting future benefits. For example, a person may buy stocks, expecting that the future returns of the stocks will justify the time spent on their funds and the risks of investment (**BODIE, KANE, & MARCUS, 2016**). When a person buys a goods as a future return, his/her purpose is not to dissipate it, rather to use it to create wealth in the future. Investment always refers to paying assets (time, money or effort) today, hoping to get a higher return than the initial investment in the future (**Investopedia, 2021**).

Investment law aims to generate returns and increase assessment eventually. The investment which can be state as any instrument which is used to realize imminent returns, including but not limited to what we know the acquisition of real estate, bonds or stocks. Real estate which can be utilize in producing possessions can be regarded as an "Investment". We can say in other words any act engaged in obtaining future income can also be regarded as an "Investment". For example, continuing education is usually chosen for expanding acquaintance and mend expertise (It can be hoped of generating more income in the end) (**Investopedia, 2021**).

When considering investments, the numbers of core classifications are three -each classification is broken down into several options, which can be customized according to one's fiscal strategy. Investment of equity includes derivatives, index funds, stocks, options, venture capital, etc. investments of low-risk includes certificates of deposit (CD) and bonds. And. Bonds, savings accounts are debts that one's purchase that one expect to be pay off. Because of low-risk consideration, their profits tend to be inferior. Examples of investments in cash equivalents or cash are the interest-bearing money market funds or savings accounts **(m1finance, 2020)**.

4.2 Objective of Investment

Investment goals are a form of customer information that is used by registered investment advisors (RIA), robo-advisors, and other asset managers to determine the best investment portfolio structure for customers. Customers can also achieve their investment goals. People who manage their own portfolios **(CHEN, 2020**).

For example, if a low-income elderly widow wants to invest in her savings, her main concern is security and returns, while a fresh attorney with a well earnings and comparatively small monetary burden is additional concerned about further progress through his/her investment.

Some major objectives of Investments are:

1. Safety of Capital

Although there is no completely safe and risk-free investment, if safety is your main goal, you will look for the lowest risk investment. But the safest investments tend to have the lowest returns, even failing to sustain with inflation. Investments which are safe include bank-guaranteed securities, retail instruments, and government-issued securities.

2. Current Revenue

If current revenue is your goal, then you are likely to be interested in stocks that generate high and stable dividends. You can also participate in some high-quality real estate mutual funds (REIT) and high-rated bonds. All these products will generate continuous revenue. Convention of many people who pursue a continuous income strategy use their revenue to make a living after retirement. Others use the amount of capital to create an income stream that never touches capital, but instead provides cash for certain recurring needs (such as college).

3. Speculation

Speculators are not real investors, but traders who like to get in and out of stocks like bad shoes. Speculators or traders are interested in making quick profits and use advanced trading techniques, such as stock short selling, over-the-counter trading, options and other professional equipment. They don't like the companies they trade, and they may know little about these companies except that the stocks are volatile and ready to make quick profits. Take action without considering related companies. Many people try to speculate in the stock market with the wrong goal of getting rich. This is not how it works. If you want to try your luck, make sure you use what you can afford to lose. Addiction is easy, so make sure you understand the real possibility of losing your investment. The secondary goals are tax minimization and competitiveness or liquidity.

4. Growth

Usually, when you have a sense of growth, you don't care much about safety and don't rely entirely on mutual fund returns. These types of growth tool investments are further expected to experience fluctuations in value and may involve a higher risk of loss. For example, investing in the stocks of listed companies is generally connected with progress and is commonly measured as an investment of high-risk.

5. Tax Minimization

As part of their investment strategy, investors can make certain investments to minimize taxation. For example, a highly paid executive may wish to find a tax-friendly investment to help reduce their overall tax burden. Contributing to other tax-protected retirement plans may be an effective strategy to reduce taxes.

4.3 Core Principles of Investment

In order to attain the aim of maximizing assets and protecting interests of account holders and shareholders by improving asset quality, the Bank will adhere to the following investment principles to guide them investment decision-making behavior, but not limited to these principles:

1. The investment quality is further significant than taking advantage of unique prospects.

2. The evaluation of the consumer's personality, courtesy and inclination to pay formulates the concept of investment.

3. If the bank is not versed in business, the bank has right not to invest.

4. Only solvent clients can get funds.

5. The investment purpose must include the reason for interest.

6. Optimized risks and rewards.

7. Investment decisions can only be made when all relevant facts are available.

8. Assess the organization's management quality in expanding investment.

9. Investment is usually funded by customer deposits, rather than demand deposits from other banks or short-term temporary funds.

10. The period of the business is inevitable. So it is recommended that one should carefully evaluate the risks that may arise from changes in future economic conditions.

11. This guarantee does not replace a refund.

12. The bank needs to control where your money goes.

4.4 Modes of Investment

Shahjalal Islami Bank Limited (SJIBL) affords degrees of monetary offerings. Some are like Finance from Working Capital, Syndication Finance, Retail Finance, Trade Finance, Project Finance etc. So these monetary offerings which are being furnished with Shariah acquiescence funding merchandise intended to fulfill consumer necessities.

The subsequent investment modes that the bank offers:

1. **Bai Mechanism**: Bai refers to the acquisitions and sale of goods on credit, in advance or in cash, in order to obtain agreed profits that may or may not be disclosed to customers. Most of the investments of Islamic banks are allocated through this mechanism of high investment in products (**Shajalal Islami Bank, 2020)**. The main purpose is to promote working capital financing, namely:

- ✶ **Bai-Murabaha**: Bai-Murabaha comes from the Arabic words Bai and Ribhum. Bai means buying and selling products, and Ribhum means settled revenue. Therefore, Bai-Murabaha refers to the trade of goods at a settled revenue. Bai-Murabaha can be well-defined as an agreement among a buyer and a seller who buys and sells definite possessions according to Sharia law or Sharia law, and the two parties reach an agreement on a certain profit.
    - **Murabaha LC (sight/deferred):** This is an indirect bank loan. Here, the bank provides service fees to buyers of imported goods based on the invoice value. The service charge here refers to the entrustment of the letter of credit. LC may open a position with 100% cash. The ratio is also different.
    - **Murabaha Post Import TR:** According to Bai's regulations, this post-import financing is expanded through the division of transport documents under the letter of credit. The bank purchases imported goods from the seller, and then sells them to the importer of these goods, charging an additional fee plus the agreed profit, and refunding it in a lump sum or installment on the same day or the next day. The total amount of goods sold has been paid. Buyers usually own these items. Pledge guarantees are always taken over to ensure finances.
    - **Murabaha Post Import Pledge:** This part is similar to Murabaha Post Import TR. The only difference here is security. The collateral is received to obtain funds in TR Murabaha after the import, but it may or may not be obtained here. The assets are controlled by the bank.

- **Bai-Muazzal**: Bai-Muazzal is a term borrowed from the Arabic words Baiun and Ajalun. The word Ajalun means limited or limited. Therefore, Bai-Muazzal refers to the sale of goods that are paid for in a certain day or period in the future. Sale on credit (**Shajalal Islami Bank, 2020**).
  - **Bai-Muazzal Commercial TR**: The bank and the customer reach an agreement, and the bank will deliver the goods to the customer in accordance with the agreement. In this case, the customer will pay for the goods in the future. The payment can be one-time or partial. In this way, the bank cannot disclose the cost and profit. In this investment mode, "trust" is the most important. The bank transfers the assets to the trust management department. Legal participation is a question of trust.
  - **Bai-Muazzal (Real-Estate):** Like Bai-Muazzal Commercial TR, the working principle is the same as that of Bai-Muazzal Commercial TR. There is only one different goal. The goal here is to build or purchase buildings, apartments, etc.
  - **Bai-Muazzal (WES bill):** This method is used to settle ABP liabilities at maturity. This is the case when customers are unable to fulfill their obligations. The corresponding export proceeds are not refundable.
  - **Bai-Muazzal (Term):** In this part of the system, the customer is given a simple term. According to a certain payment plan, customers can choose to pay. The goal here is a bit different. For example, in order to meet the requirements of BG and so on.

SL No.	Investment Term Types	Investment Modes
1.	Trade	**1. Istisna (PSF)** **2. LC (letter of credit)** **3. Murabaha** **4. Bai Muazza** **5. Bill Purchase** **6. Bai-Salam** **7. Any other valid mode.**
2.	Industry (term finance: Factory Building, Machinery & other)	**1. Lease** **2. Musharaka** **3. HPSM**

		4. Bai Muazzal **5. Any other valid mode.**
3.	Working Capital Financing	**1. Quard** **2. Bai Muazzal** **3. Bai-Salam** **4. Murabaha** **5. Any other applicable mode.**
4.	Construction (other than industry: Staff-House Building, Real Estate)	**1. Lease** **2. HPSM** **3. Bai Muazzal** **5. Any other applicable mode.**
5.	Water works and sanitary service	**1. Lease** **2. HPSM** **3. Any other valid mode.**
6.	Transport and Communication	**1. HPSM** **2. Lease** **3. Any other valid mode**
7.	Forestry, Fishing and Agriculture	**1. HPSM** **2. Bai Muazzal** **3. Lease** **4. Bai Salam** **5. Any other valid mode**
8.	Storage	**1. Murabaha** **2. Lease**

		3. HPSM **4. Any other valid mode**
9.	**Miscellaneous**	**1. Any other valid mode**

Table: Types of Term investment

- **Bai-Salam**: This is a kind of contract, when the buyer purchases a product with a future delivery date and an agreed amount, advance payment in this way of investment. In this investment model, some prerequisites must be met, such as price, quantity, date, and delivery method. Buyer and seller. This is called export financing. This method is applicable to both buyers and sellers.
    - **The seller:** The seller has received the advance payment, and future shipments are the reason for the advance payment. The seller has benefited from the advance payment, such as personal, business, and household expenses.
    - **The Buyer:** Buyers can get the goods when they need it. This helps reduce storage costs. Bai Salam is cheaper than cash sales. Buyers can protect you from price fluctuations. The buyer gained.

2. Hire purchase under Shirkatul-Meelk (HPSM): Shirkatul Meelk Contract Procurement is a professional contract approved by Sharia law. shirkat means union here. Shirkatul Meelk means co-ownership. When two or more people buy a product, they represent or jointly own capital and share profits/losses. On the basis of contracts and relationships, this is called HPSM. HPSM is divided into three phases.

- Sale/transfer of ownership to the other partner hirer
- Purchase under joint ownership
- Hire

3. **Ijara**: Ijara is a trading contract that can create a known profit for a specific asset. Under this investment system, the ownership of assets will not be transferred. Ijara is an installment lease. That's how Ijara is done.

- After the lease period ends, the rented property will be transferred to the lessee.

* In contract, the amount and time need to be agreed in advance, but it doesn't have to be consistent.
* Period must be definite.
* Conditions of the leased item/s must be specified.
* Lessor have to have the legal ownership of the asset before leasing it.
* Prices can’t be pre-determined for the asset sale at the end of the lease.
* The Ijara will be dismissed straightaway for the reason of late payment of the rental.
* The leased asset can’t surpass the period of the lease.
* For any harm to the lease item/s, the lessor may entitlement compensation.
* At the expiration of the lease date, a new agreement can be prepared.

4. Quard-e-Hasana: This is a form of bank's interest-free loan service. Here, 'Quard' means interest-free loan "Hasana" beautiful. That is, quard-e-hasana means beautiful loan without belief interest. The debtor demanded that the principal be paid within a reasonable time.

CHAPTER 5

INVESTMENT(CREDIT)RISK ANALYSIS

5 Investment (credit) Risk Analysis

5.1 Investment (Credit) Risk

The word "Investment (credit) risk" can be well-defined as the risk that the bank's customers/counterparties who are unable to fulfill their monetary requirements. The control of specific investment risks is based on the risks of various business areas. Management of investment risk guarantees that proper guidelines are in place, and sanctions, observing measures and related disciplines are implemented at the business division level. The risks of investment of individual business units are recorded and regularly monitored. Management of investment risk needs to be effective to formulate of a proper culture of investment risk. The BOD appraisals and agrees the appetite of the bank's investment risk and policies every now and then, straight or in excess of the committee of risk management of the BOD every year. The participating employees follow a pragmatic plan and regularly monitor and track investment risks (**Shajalal Islami Bank Limited, 2020**).

5.2 Investment (credit) Risk of SJIBL

Investment risk stems from the fact that bank borrowers may not be able to fulfill their requirements in the same manner as settled rapports, which will have an undesirable impact on the bank's cost-effectiveness and resources. Measurement of the investment risk of the whole bank is a complex valuation concerning numerous qualitative and quantitative aspects. SJIBL also deal with these factors. We will discuss some important in this report.

5.2.1 Concentration of Investment

When a bank's investment portfolio is concentrated in multiple people, organizations or sections, there is a risk of investment concentration. Investment risk rises due to investment concentration, such as portfolio concentration, geography, industry, group, financing etc. To evade absorption, the investment diversification principle is respected in accordance with the Risk Appetite Statement (RAS) and Investment Risk Management (IRM) guidelines (**Shajalal Islami Bank Limited, 2020**).

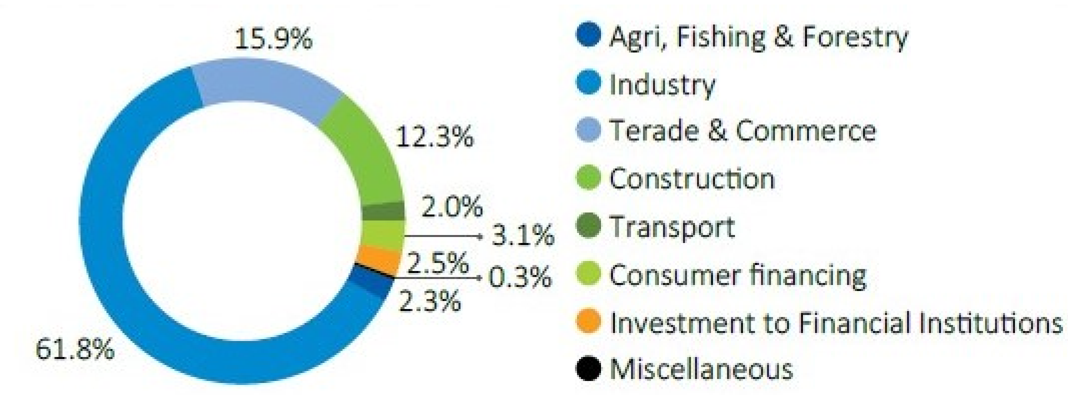


Figure: Portfolio Concentration 2020

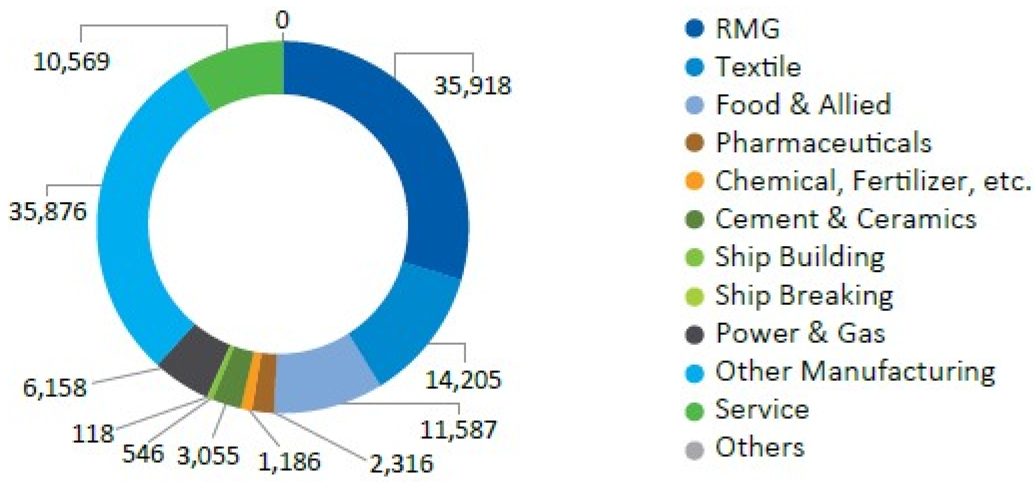


Figure: Industry Concentration 2020

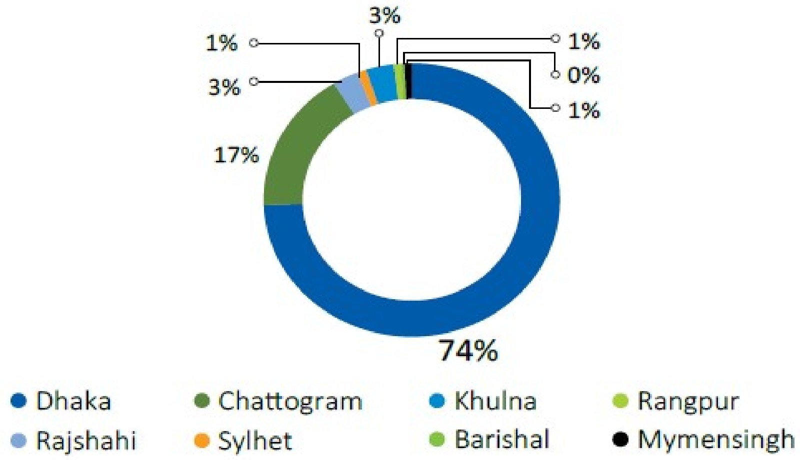


Figure: Area Concentration 2020

5.2.2 Quality of Asset

Asset quality is very important. How the bank manages assets to maintain high asset quality determines the accomplishment of the organization. One of the most important considerations for evaluating the efficiency of a bank is its asset quality. An investment that is profitable for the bank and shows the bank's ability to withstand specific risks. As of the expiration of December 2020, standard systems including SMA SJIBL accounted for 95.43% of the whole asset. In terms of investment, the NPI is only 4.57%, indicating that the bank has superior assets in its investment portfolio.

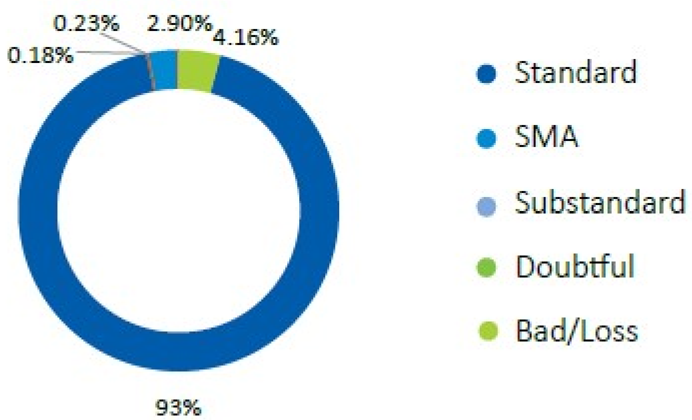


Figure: Investment Classification 2020

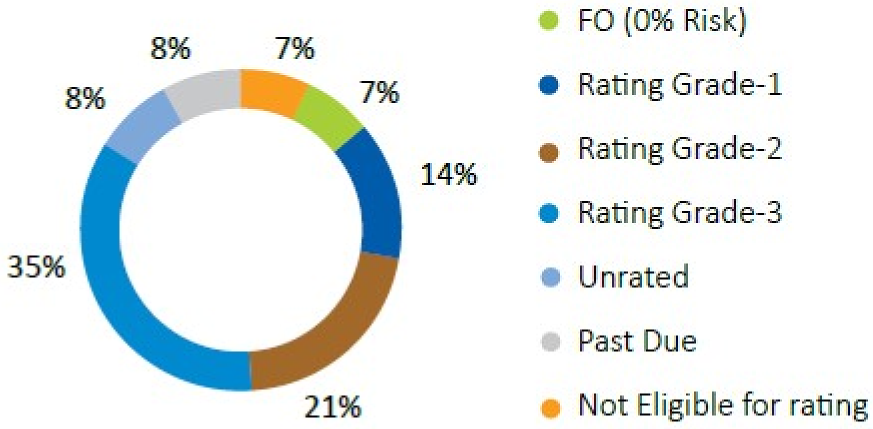


Figure: Quality of Asset per ECAIs

5.2.3 Investment Clients' Credit Rating

SJIBL always emphasizes the credibility of customers. A good borrower rating involves identifying quality borrowers who will mend the eminence of their assets and entail less capital. Customer reputation is considered the most important asset management tool. The risk is in line with the guiding principles of the Bank of Bangladesh Basel III risk-based standardized capital adequacy ratio (RBCA) approach. The bank pays extra consideration to its subdivisions to raise the number of qualified investment customers and reduce risk-weighted assets (RWA).

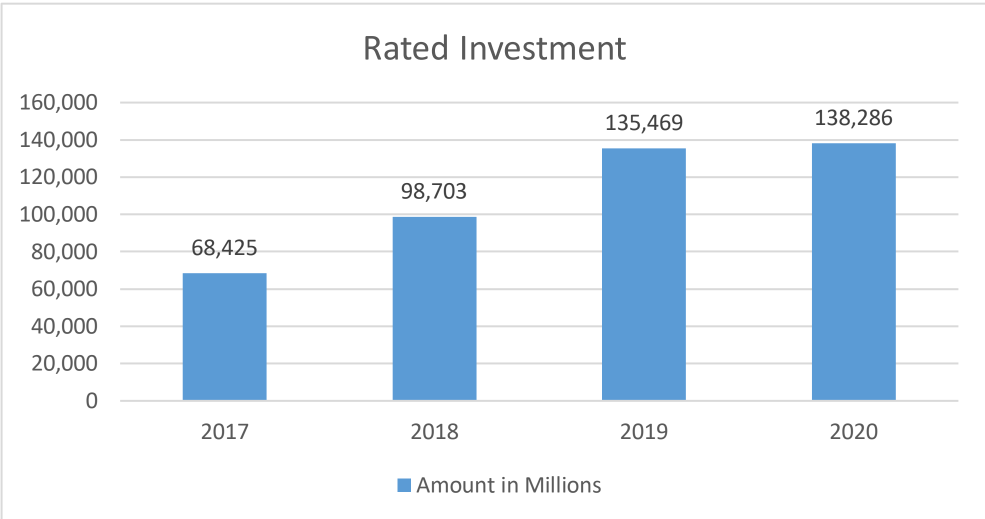


Figure: Rated Investment

5.2.4 NPI (Non-Performing Investment)

Non-Performing investment (NPI) has greatly expanded to include the country's banking industry, hindering overall economic growth and depriving honest borrowers of the ability to raise funds at a reasonable cost. This has caused growth in the default culture and also the necessity of preparing for improper income investment.

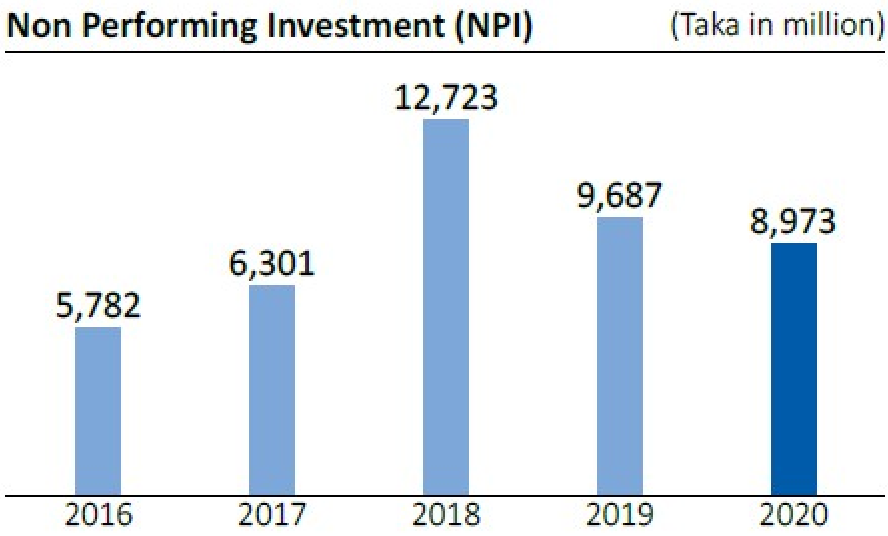


Figure: Non-Performing Investment (NPI)

SJIBL was able to reduce NPI by BDT.714 million from BDT.9687 million in 2019 to BDT. 8973 million in 2020. NPI in 2020 and 2019 are 4.57% and 4.91% respectively. Bank management carefully reduces NPI, indicating the obligation of the bank to its stakeholders; it also has a record of maintaining non-performing investment reserves (**Shajalal Islami Bank Limited, 2019**). In 2020 at the end of year the NPI was 100.19%, which was 100% in 2019.

5.2.5 NPI Concentration

The bank offers short-term and long-term investments to numerous customers who want to make profits based on payment plans. For many reasons, the bank was unable to refund part of the funds from many customers in a timely manner. In the banking industry. Banks always try to diversify their investment portfolios into different subdivisions to elude deliberation risks and elude high-risk subdivisions to lessen the investment risks.

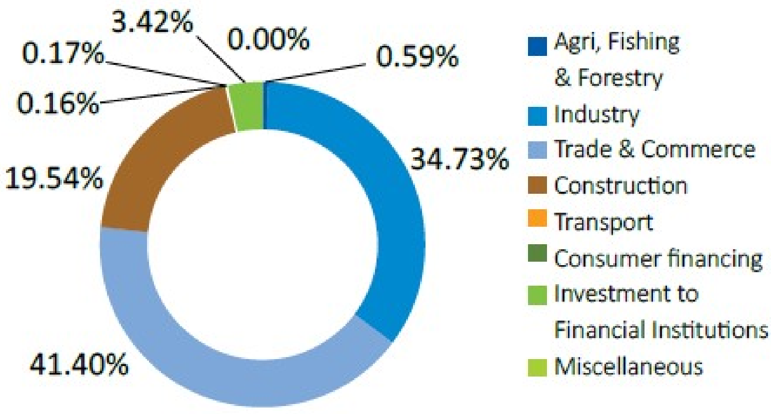


Figure: Portfolio of NPI 2020

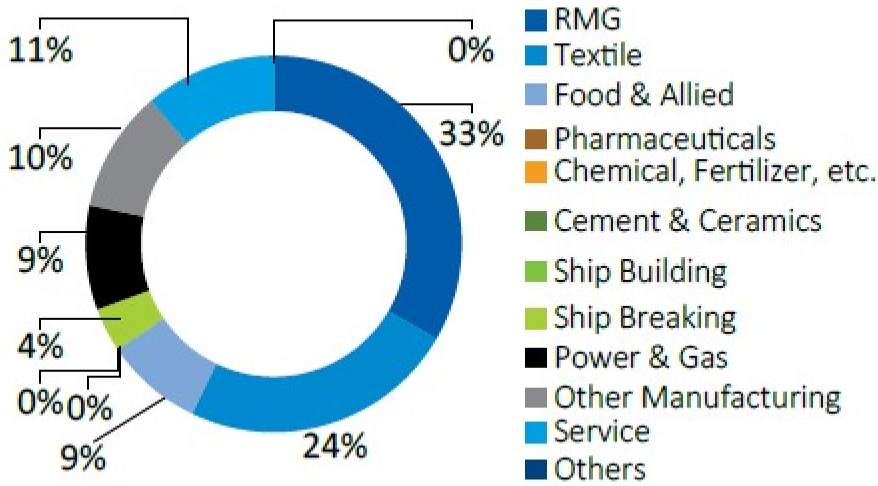


Figure: NPI of Industry 2020

SJIBL also follows diversification rules and restrictions, which are reduced for risk sectors. At the end of 2020, trade and commerce, industry and construction accounted for 41%, 35% and 20% of the NPI investment portfolio respectively. On the other hand, most of the garment, textile and service industries have non-profit organizations.

5.2.6 Recovery of Cash in contradiction of NPI

The bank's dedicated asset management team has contributed to the exquisite picture below, highlighting the overall return on investment. Proper tracking and observing over regular consumer visitation is the key to effective and resourceful system of recovery.

Particulars	2020 (amount in millions)	2019 (amount in millions)
Cash Recovery	1,335	1,538
Regularization	2,341	4,773
Total Recovery & regularization	3,676	6,311
Cash Recovery to NPI	14.9%	15.9%
Total Recovery & regularization to NPI	**41.0%**	**65.2%**

Table: Total Recovery & regularization to NPI

Despite the COVID-19 pandemic and economic downturn due to the nationwide blockade, SJIBL reclaimed a certain amount in cash. In 2020, non-performing investment regulars were BDT. 1.335 billion And BDT. 3.676 billion, accounting for 41% of the total NPIs.

5.2.8 Guarantee in contradiction of Investment

When the operation is fortified by acceptable monetary collateral (debt, gold, qualified guarantees, cash, stocks and transferable guarantees) and meets the entitlement principles, it can minimalize principal necessities and banks can reduce risk by accepting the role of account guarantees in calculating capital requirements.

Particulars	2020 (amount in millions)	2019 (amount in millions)
Total Investment	196,513	**197,286**
Collateral (FSV)	121,008	**125,270**
Collateral Coverage Ratio	**62%**	**63%**

SJIBL emphases on guaranteed investment to ensure its investment worth: as of the expiration of December 2020, the collateral coverage ratio was 62%, compared with 63% in 2019.

5.3 Investment (Credit) Risk management Approach

SJIBL takes a holistic approach onto Investment Risk Management (IRM), taking into account that the bank performs the following IRM functions:

- After the preliminary review and recommendations, ensure that the company's bank/branch/public relations staff promptly process the investment recommendations received from the applicant.
- Review the detailed investment visa proposal, and determine the client's investment risk based on CIB reports, risk assessments and business observations, to accept/reject and/or forward based on entrusted decisions.
- After a successful selection process, the specific investment requirements to be agreed are determined founded on the value of the application.
- Ensure that all investment properties have been properly approved by qualified/reputed clients and recorded in a timely manner.
- Ensure that the structure and design of the approved investment property meet the needs of the client/applicant and its ability to repay.
- Before approving investment tools for clients, ensure that investment policy guidelines and bank strategies are followed.

- Ensure the correct identification and measurement of investment opportunities allowed for the same or related customers to determine whether the customer/group risk meets the requirements of the Bangladesh Bank's guidelines for large mutual funds.
- Ensure the realization of annual investment plans and goals, and improve asset worth.
- In accordance with the bank's guidelines, ensure adequate diversification of the investment portfolio.
- They guarantee supportiveness to achieve the highest level of corporate governance.

5.4 Investment (Credit) Risk management Process

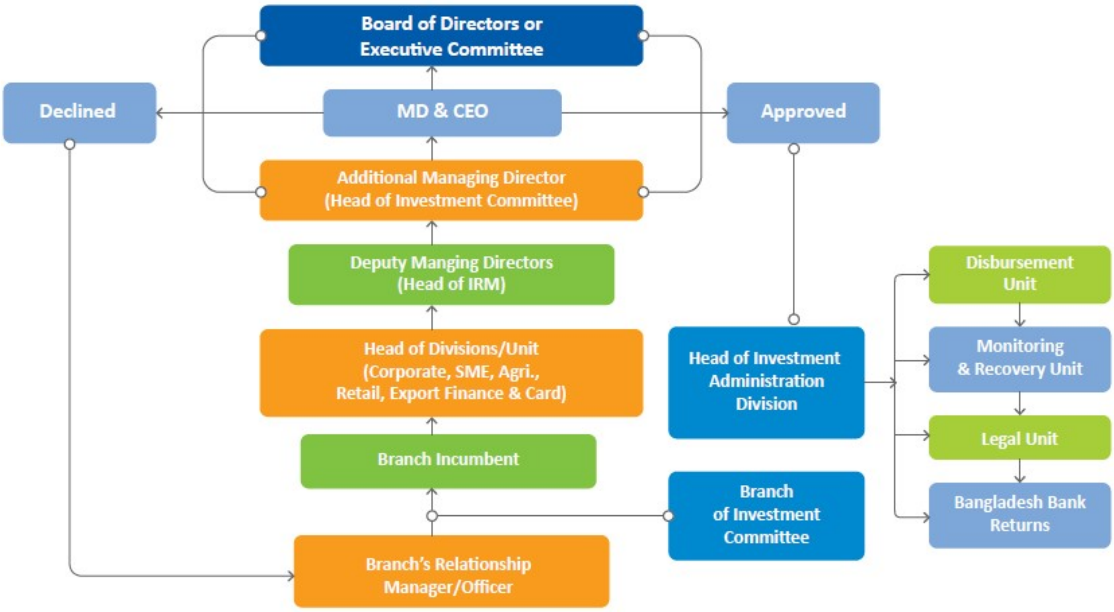


Figure: Investment (Credit) Risk management Process

5.5 Investment (Credit) Risk management during COVID-19

In response to the COVID19 epidemic, they have made necessary adjustments to investment practices in specific industries, and improved the quality of governance and the frequency of supervision of investment clients. Broadly speaking, the restrictions of the pandemic and changing customer behavior put pressure on the business conditions and profitability of some of their customers. Adapting to the new reality of customers during 2020, they have taken proactive measures to ensure that they provide them customers with adequate service infrastructure, while taking necessary precautions to ensure a safe environment for employees. This allows them to overcome difficulties for the period of the pandemic. The government of Bangladesh and the central bank of Bangladesh have provided stability and continuity through their incentive and support programs so that they can launch a series of support measures to help their customers respond to the pandemic for their employees. Manage customer relationships effortlessly during the contagion. The bank managed to maintain superior assets and withstood unparalleled challenges confronted by the financial division and the wider budget due to the contagion. Thanks to their strict controls to manage investment risks, a superior differentiated investment portfolio, and the active dealings they took during the course of the year, they were capable of keeping the NPI at a low level.

CHAPTER 6

PERFORMANCE ANALYSIS

6 Performance Analysis

6.1 Portfolio of Investment

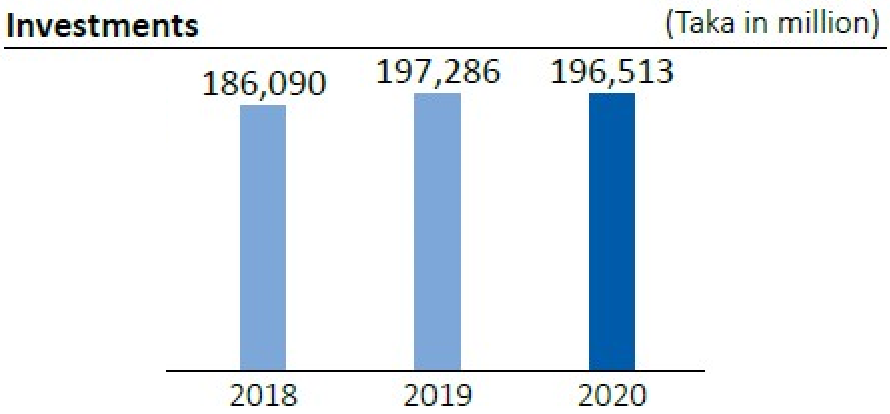


Figure: Portfolio of Investment Trend

As of 31 December 2020, the bank's total investment was Tk. 196,512.65 compared with 31 December 2019 Tk. 197,285.68 million which led to reduction of Tk. 773.03 million. Due to the COVID 19 occurrence and low investment willingness, SJIBL was more cautious in allocating investment, resulting in a negative growth in overall investment. In order to treat this situation fairly, the government announced various stimulus plans implemented through commercial banks.

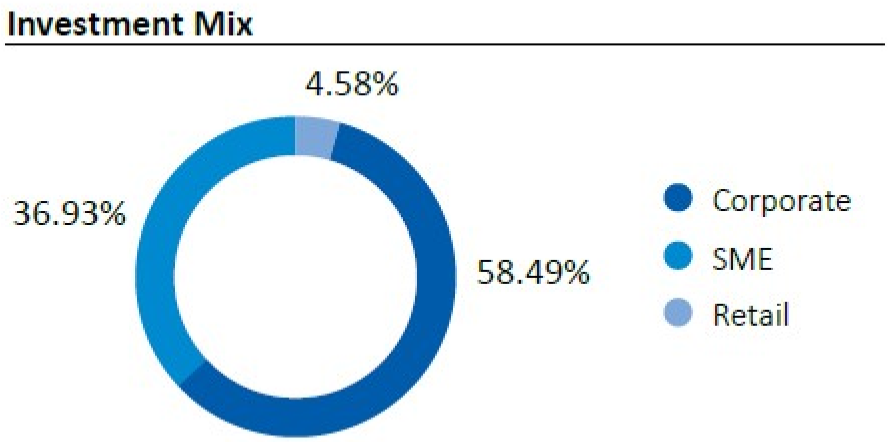


Figure: Mix of Investment

As a feature of the bank's broadening technique, the bank is fostering a decent arrangement of corporate, retail, and little and medium-sized organizations. SJIBL focuses on retail and small and medium-sized business areas, because these regions are not just turning out to be increasingly more significant for monetary development, yet additionally the opposition in corporate banking is turning out to be progressively though.

6.2 NPI (Non-performing Investments)

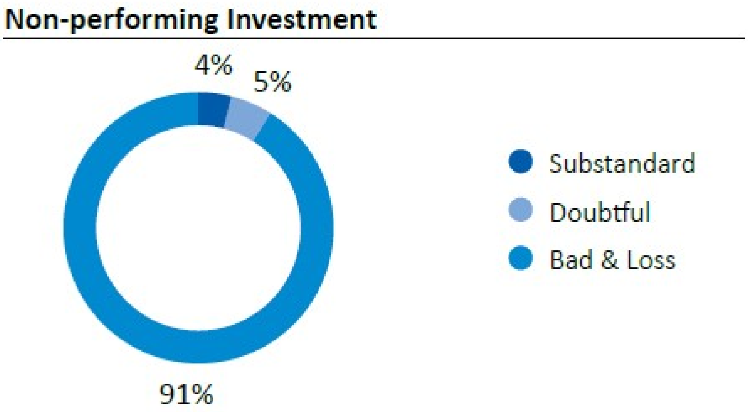


Figure: NPI (Non-performing Investments)

As of December 31, 2020, the non-performing investment of Bangladesh's banking industry was 7.77%, while SJIBL's non- performing investment in the same period was 4.57%, which is far inferior to the country's level. SJIBL's NPI reduced from Tk. 9,687.32 million as on 31 December 2019 to Tk.8, 973.48 million as on 31 December 2020. The Bank reinforced credit castigation and optimized the restructuring procedure to bring NPIs to an suitable level. Because of bank taken several edges to control the number of NPI, it decreased from 4.91% to 4.57%. The bank has issued a notice to extend the investment suspension period to December 2020, otherwise the investment returns will be better and the NPI index will also be enhanced. However, the bank is taking progressive measures to implement, streamline and further reduce non-performing investment.

6.3 Profit on Investments

Particulers	2020(Taka)	2019(Taka)
Profit on Mudarabah	1,109,903,419	1,660,265,911
Profit on Bi- Muajjal	9,104,442,339	10,299,879,634
Profit on hire Purchase	3,455,609,394	4,415,878,748
Profit on Ijara	222,743,348	259,688,076
Profit on Bi-Salam	262,155,491	258,303,279
Profit on Inland Document Bill Purchase	368,430,483	523,076,006
Profit on Foreign Document Bill Purchase	15,072,467	22,667,162
Profit on Investment against Scheme Deposit	62,344	22,175
Profit on Investment against Mudaraba Savings Deposit	17,496	16,349
Profit on Investment against EDF	230,756,959	323,169,155
Profit on Mudaraba	761,976,531	627,033,099
Profit Received From Resheduled Investment- Rent Mode	192,947,399	255,053,690
Profit on Murabaha Import Bill (UPAS)	98,193,920	105,590,987
Profit Received From HPSM	1,746,074	2,192,323
Income from Islamic Credit Card	19,317,704	5,671,888

Profit on Investment against Mudaraba Term Deposit	19,317,704	5,671,888
Profit on Investment against Other Securities	-	74,455
	-	5,000
	15,843,375,369	**18,758,587,936**

Table: Profit of investments modes

Because of the COVID-19 we clearly observing that it had a great impact on the profit of investments modes. We observe that there is a decrease in profit of 2020 by 2,915,212,567 from profit of investments modes of 2019. Although it seems a great loss compared to other sector that had a huge caused by COVID-19, the bank didn't have that much loss because of the government help.

6.4 Division wise Investments

Particulars	2020 (Taka in Million)	2019 (Taka in Million)
Dhaka	146,146.59	147,654.33
Chattogram	33,081.72	33,188.16
Sylhet	1,983.39	2,042.36
Rajshahi	5,526.21	5,252.30
Khulna	5,980.81	5,551.59
Barishal	835.57	685.25
Rangpur	1,370.44	1,380.52
Mymensingh	1,587.92	1,531.17
Total (Division-wise)	**196,512.65**	**197,285.68**

Table: Division Wise Investments

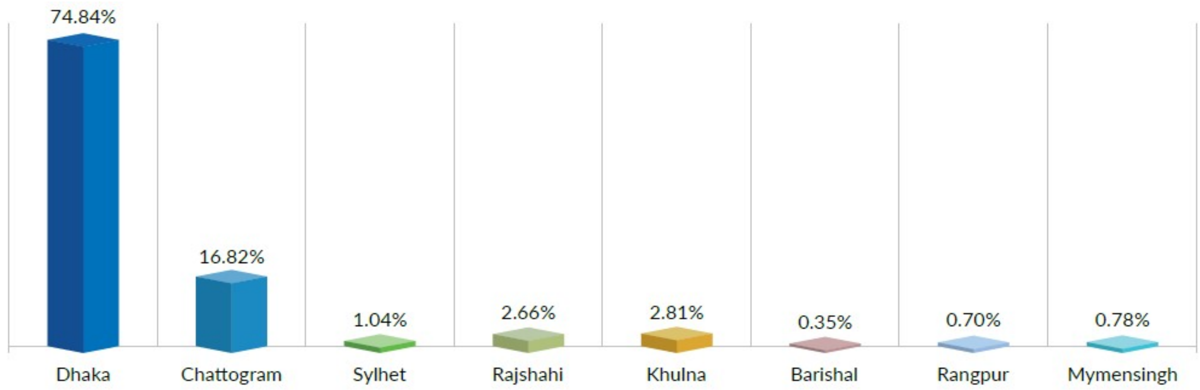


Figure: Division wise Investment in Percentage (2019)

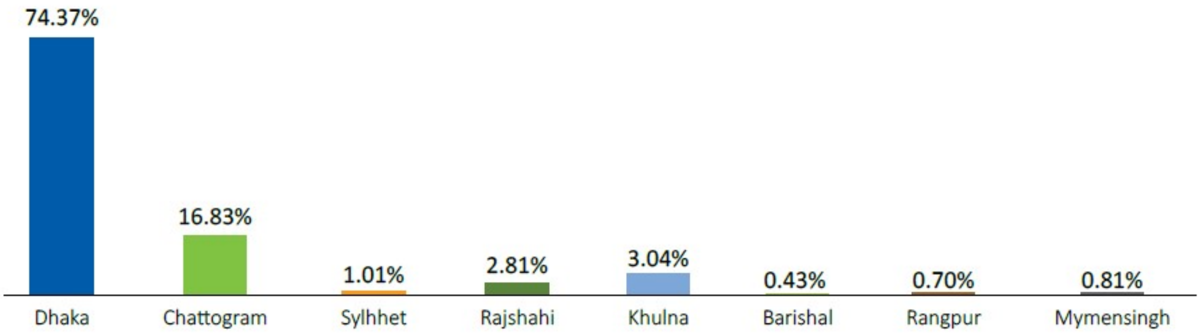


Figure: Division wise Investment in Percentage (2020)

We observed that although the COVID-19 hits division wise investments didn't have that much backlash moreover it have shown a significant growth in this. All the division showing a promising growth although it is much less than 2019 in both numbers and percentage. In 2019 Dhaka had shown much growth which was 147,654.33 and a percentage of 74.84% but in 2020 we observe that it had decrease to 146,146.59 and a percentage of 74.37%. Which clearly shows the impact of COVID-19 on the bank. Although this much was impacted the bank shows a promising growth again.

6.5 Industry-wise Investments

Particulars	2020 (Taka in Million)	2019 (Taka in Million)
Agriculture & Fishing	4,428.10	1,807.50
Cotton & Textile	14,204.89	15,250.29
Garments	35,917.80	30,794.74
Cement	2,909.12	3,068.25
Pharmaceuticals & Chemicals	3,502.37	3,501.19
Real Estate	6,823.34	7,169.49
Transport	3,852.96	4,402.53
Information Technology	1,049.99	1,372.21
Non-Banking Financial Institutions	1,547.54	1,747.71
Steel & Engineering	10,718.89	10,930.92
Food Processing & Beverage	11,586.73	14,270.81
Power & Energy	6,157.62	4,577.19
Paper & Paper Products	2,220.72	2,278.58
Plastic & Plastic Products	5,605.90	5,715.50
Electronics	5,629.38	5,205.88
Services Industries	6,660.89	6,472.95
Trading	31,252.43	33,629.88
Constructions	20,620.94	20,677.88
Share business	2,256.51	2,104.92
Staff Investment	1,881.19	1,594.25
Others	17,685.34	20,713.01
Total	**178,827.31**	**176,572.67**

Table: Industry-wise Investments

The Industry-wise Investments also shown a significant increase in fact of the COVID-19. In 2020 the total industry wise investments was 178,827.31 and in 2019 was 176,572.67. This showed that industry wise investment had shown a great growth by 2254.64 more than 2019 from 2020. So we can conclude that industry wise the bank had a huge success.

CHAPTER 7

FINDINGS AND RECOMMENDATIONS

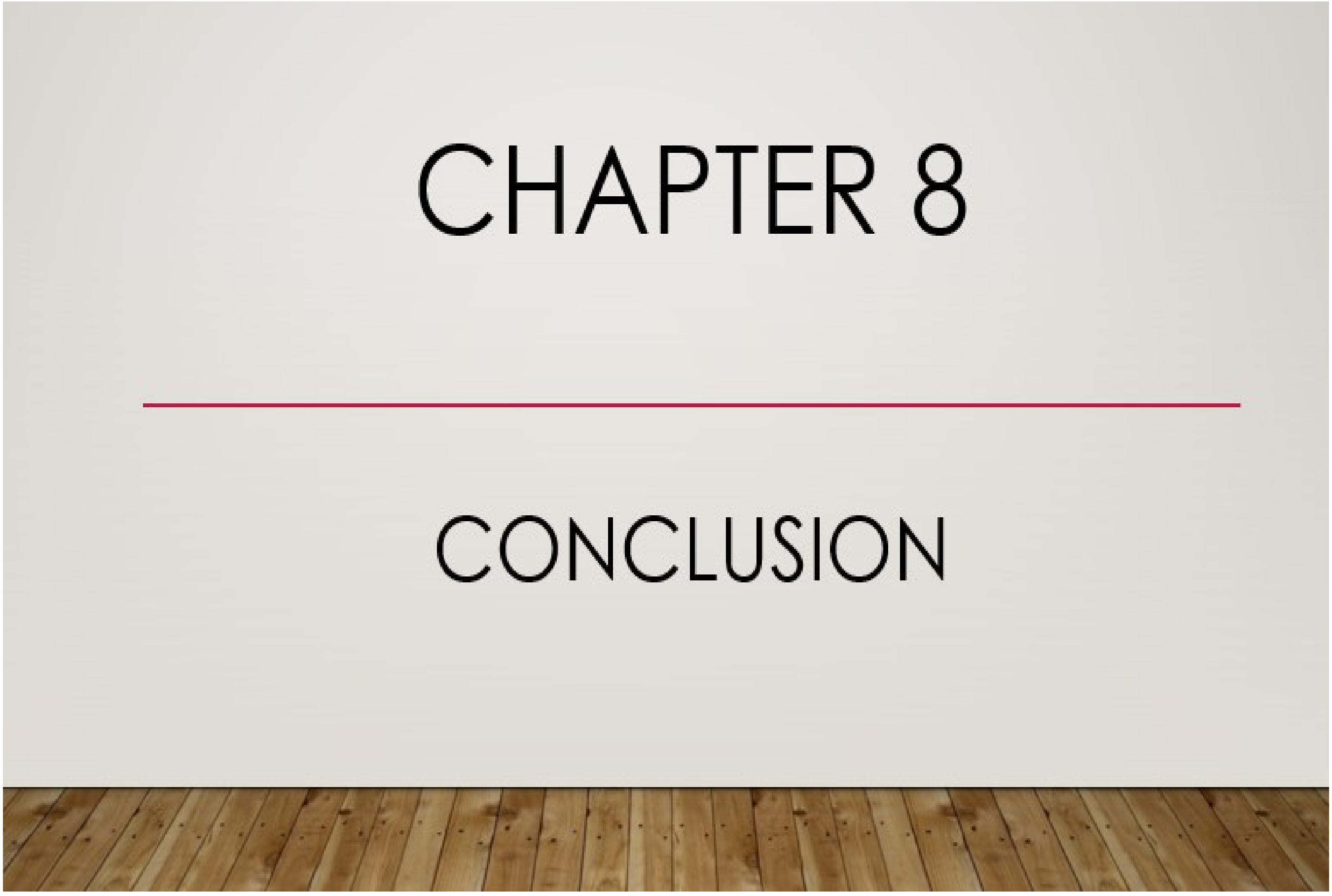
7 Findings & recommendations

7.1 Findings

- Shahjalal Islami Bank Limited does not provide a wide range of services.
- In certain industries, such as real estate companies, SJIBL's investment is less than other industries due to higher investment risks.
- Since all branches rely heavily on the head office, it takes a long time to make a decision.
- SJIBL invests in different industries, but does not like to invest in certain industries.
- SJIBL's investment services are provided to employees in multiple departments.
- Banking services are not provided in rural areas because there are very few rural areas. National branches.
- There are too few ATMs for customers. Services to customers in the Mirpur branch decreased.
- In the investment field, it takes longer to approve proposals. Service is low but first class.
- The small customer base ensures that special attention is paid to each customer.
- The internal environment is very familiar.
- It is completely focused on high-quality investment products. The growth rate of private investment is low. The number of foreign branches is relatively small.

7.2 Recommendations

- SJIBL should introduce more new deposit systems.
- SJIBL must promote the new routes and projects well.
- Every industry must apply new technologies.
- Provide more customer service.
- Customers in the Mirpur branch provide fewer services. Give any suggestions for help which is few but try to give first-class service.
- The small customer base ensures that special attention is paid to each customer.
- The internal environment should be very familiar.
- They should completely focused on a series of high-quality investment products.
- They should increase marketing activities.
- Try to place on ATM Booth all over places.
- Private growth rate of investment should be increase.
- The numbers of foreign branches should be increase.


CHAPTER 8
CONCLUSION

8 Conclusion

Banking is a part of our lives. As long as we spend money, he will be with us. The bank ensures the maximum security of our cash deposits. The role of the banking industry in the economy is unparalleled. For the banking industry. Our GDP is in a favorable position. Different types of systems, projects and services make the banking industry stronger than any other financial institution.

Shahjalal Islami Bank Limited is one of the largest banks in the banking industry. Its performance is very good in the market. As a bank based on Sharia law, they use interest-free transactions. You succeeded in their position. They started their journey in 2001 and have now reached their peak. From the research, it can be said that their performance is on the rise. They are very concerned about the trend and bring positive growth to the Bangladeshi economy. The relationship between SJIBL and its customers is very good, which gives SJIBL a lot of strength.

As an intern, I work under pressure. Although I work at GB and Invesments most of the time, they are very helpful to my learning goals. They provide me with good suggestions on how to achieve the internship goals. And the skills that enable me to compete in the business world. I am honored to be a member of SJIBL.

References

BODIE, Z., KANE, A., & MARCUS, A. J. (2016). *Investments.* New York: McGraw-Hill Education.

CHEN, J. (2020, May 17). *Investment Objective*. Retrieved May 18, 2021, from investopedia.com: https://www.investopedia.com/terms/i/investmentobjective.asp

Investopedia. (2021, February 25). *Investment*. Retrieved May 18, 2021, from investopedia.com: https://www.investopedia.com/terms/i/investment.asp

Investopedia. (2021, March 30). *Strength, Weakness, Opportunity, and Threat (SWOT) Analysis*. Retrieved May 18, 2021, from Investopedia.com: https://www.investopedia.com/terms/s/swot.asp

m1finance. (2020, January 16). *Investment definition*. Retrieved May 18, 2021, from m1finance.com: https://www.m1finance.com/articles-2/what-is-an-investment/

Shahjalal Islami Bank Limited (SJIBL). (2021, May 18). *About SJIBL*. Retrieved from www.sjiblbd.com: https://www.sjiblbd.com/about.php

Shajalal Islami Bank. (2020, Januray 21). *Islamic Mode of Investment*. Retrieved May 18, 2021, from sjiblbd.com: https://sjiblbd.com/investment.php

Shajalal Islami Bank Limited. (2019). *Annual Report 2019.* Dhaka: Shajalal Islami Bank Limited. Retrieved May 18, 2021

Shajalal Islami Bank Limited. (2020). *Annual Report 2020.* Dhaka: Shajalal Islami Bank Limited (SJIBL). Retrieved May 18, 2021

Shajalal Islami Bank Limited. (2020). *Annual Report 2020.* Dhaka: Shajalal Islami Bank Limited. Retrieved May 18, 2021

wikipedia. (2021, May 18). *List of banks in Bangladesh*. Retrieved from en.wikipedia.org: https://en.wikipedia.org/wiki/List_of_banks_in_Bangladesh