

An internship Report on Investment Modes of Islami Bank Bangladesh limited (IBBL)

Submitted to

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Submitted by

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Date of Submission

September 21, 2019

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Letter of Transmittal

September 18, 2019

Md Shariful Alam

Associate Professor

School of Business& Economics,

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Subject: Submission of the report of IBBL; Investment modes in Islami Bank Bangladesh Limited.

Dear Sir,

With due respect, I'm willing to inform you that it was a matter of great pleasure for me to prepare the report on **"IBBL; Investment modes of Islami Bank Bangladesh Limited"** under the course of Internship. To prepare the report, I've worked IBBL and studied materials in due time and analyzed these and eventually finalize the report.

I have worked hard to prepare this report. So I would highly oblige if the content of the report has been acceptable to you.

Though I have put my best efforts yet the report may likely have some mistakes and omissions that are unintentional. Any shortcomings of this report are expected to have your kind view of my inspiration. So, I hope that the report will be worthy of your consideration.

Sincerely,

Nusrat Islam Shormi
ID: 111 141 068

Executive Summary

This report is prepared as a requirement for the course of internship. This focus on two-month working experiences. In this report, I have tried to provide a clear idea about IBBL. To prepare this report, I have used primary and secondary data.

Islamic bank refers to a financial organization whose position, rules and regulations and the procedures expressly state the commitment which was given by IBBL to the principle of “Islamic Shariah” and the banning of the receipts and payments of interest on any of its activities. In this report, I have highlighted the findings through the chapters. The first chapter is an introductory part of the study; the second part is focused on IBBL’s history and corporate profile of Islami Bank Bangladesh Ltd. The third Chapter describes a summary of the project which is about the working procedure of general banking activities and foreign trade operations activities. In this report, I have tried to show their activities in details. At the end of this report, I have tried to provide my conclusion on the overall working procedure of Islami Bank Bangladesh Ltd.

INTRODUCTION



Islami Bank
Bangladesh Limited

Introduction

Nowadays, only institutional education which means academic education cannot make a student perfect to become ambitious with the outside world. This report is a requirement of the Internship course of the BBA program. Along with the theoretical learning, practical observation is needed to enrich one's perception about the real-life problems and situations and how the theoretical knowledge complies with the practicality is also important to learn. It is tried to gather as much information possible to make a presentable report. It is trying to use all the updated information here. The employees of Islami Bank Bangladesh Limited were very co-operative and cordial which helped to complete the report on time.

Methodology of the report

This report is performing based on the information which is extracted from different types of sources and collected by using some specific methodology. The methods of completing the report have included some steps, which followed one by one. First selected the topic of the report then collected information relating to the topic by primary and secondary sources. As an Internee of IBBL, it was easy to collect the data to prepare this report. After gathering all the information required, come up with an expected result of the report.

Primary Sources of Data

Primary sources of data include the following:

-  Practical work experience,
-  Expert opinion
-  Practical desk work
-  Direct observation

Secondary Sources of Data

We have collected secondary data from the following sources:

-  The annual reports of Islami Bank Bangladesh Limited.
-  Class notes of IBTRA
-  Banking related text books & materials.
-  IBBL's website

Limitations of the study



Limitations of the study

This report is not free from limitations. Moreover, the topic is so much vast; so that for preparing these reports there were some problems which created some troubles. The limitations acquainted with this report are as the following:

1. Time limitation

The internship program was about two months. This is fairly enough if it is only concentrating on the report but the thing is during this time it is necessary to do the daily official activities. That's why there was a time limitation to constraint to finish it within the specified timeframe.

2. Lack of information

As the bank drives nationwide segment base lot of policies are made by the higher authority of the country, and as an intern it was so tough to get all the information. So it was one of the problems for preparing this report.

3 Lack of communication

It is very tough to communicate regularly with the supervisor while preparing this report because of there was too much pressure for the regular tasks at the bank. So that it created a communication gap.

4 Lack of practice of experience

While preparing this report, there were some difficulties to reach the top-level executives.

5 Lack of experience

The internship period was only 2 months. So that it is not possible to get enough experience to know each and everything about the banking procedure of IBBL and their duties and responsibilities.

6 Secrecy of Management

There is huge management secrecy available. That's why it was not possible to get the detail information about the organization and their working procedure.

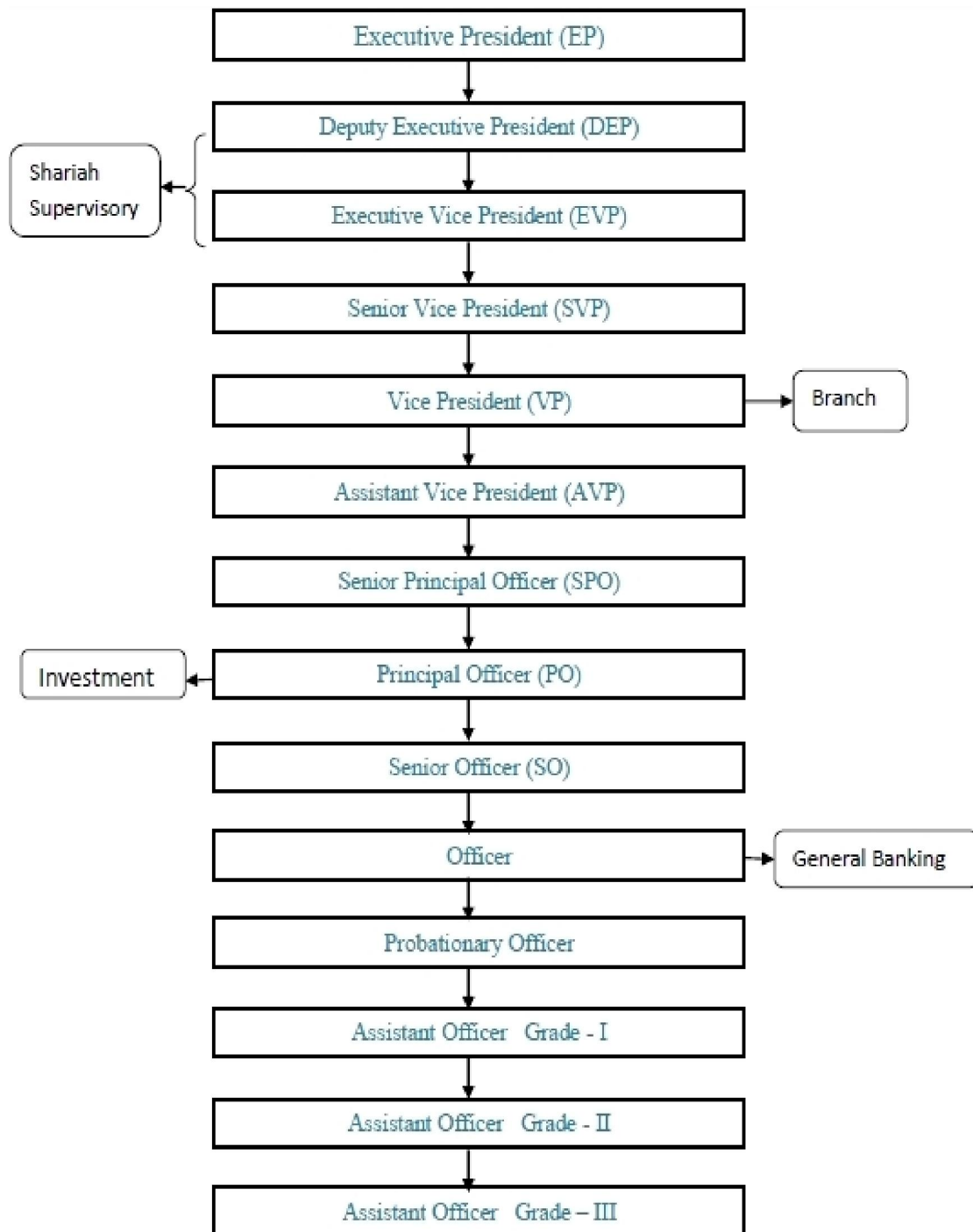
7 Busy working environments

It was a busy working environment available in the branch, and the employees are so busy with their work. So, they could not so much available to give all the information in details.

8 Shortage of time for preparing the report

It is a very short time to prepare this report because there are a lot of things that should be included in the report in details. But in this short period it could not be possible to include those things.

Organizational Structure of IBBL



Mission

To establish Islamic Banking through the introduction of a welfare-oriented banking system and also ensure equity and justice in the field of all economic activities, achieve balanced growth and equitable development in through diversified investment operations particularly in the priority sectors and least developed areas of the country. To encourage socio-economic upliftment and financial services to the loss-income community particularly in the rural areas. .

Vision

Their vision is to always strive to achieve superior financial performance, be considered a leading Islamic Bank by reputation and performance.

- ✚ Their goal is to establish and maintain the modern banking techniques, to ensure soundness and development of the financial system based on Islamic principles and to become the strong and efficient organization with highly motivated professional, working for the benefit of people, based upon accountability, transparency and integrity in order to ensure stability of financial systems. They tried to encourage savings in the form of direct investment.
- ✚ They also tried to encourage investment particularly in projects which are more likely to lead to higher employment.

Strategic Objectives

- ✚ To ensure customers' satisfaction.
- ✚ To ensure welfare-oriented banking.
- ✚ To prioritize the client's welfare.
- ✚ To pay more importance in human resources as well as financial capital.
- ✚ To ensure lucrative career path, attractive facilities and excellent working environment.
- ✚ To be excellent in serving the cause of least developed community and area.
- ✚ To motivate team members to take the ownership of every job.
- ✚ To encourage sound and pro-active future generation.
- ✚ To achieve global standard.

- ✚ To strengthen corporate culture.
- ✚ To ensure Corporate Social Responsibilities (CSR) through all activities.
- ✚ To promote using solar energy and green banking culture and ecological balancing.

Core Values

- ✚ Trust in Almighty Allah
- ✚ Strict observance of Islamic Sharia
- ✚ Highest standard of Honesty, Integrity & Morale
- ✚ Welfare banking
- ✚ Equity and Justice
- ✚ Environmental Consciousness
- ✚ Personalized service
- ✚ Adoption of Changed Technology
- ✚ Proper accountability

Service Hours

Day	Client Service	
	Start	End
Sunday	10am	04pm
Monday	10am	04pm
Tuesday	10am	04pm
Wednesday	10am	04pm
Thursday	10am	04pm
Friday	Closed	
Saturday	Closed	

- For some special occasions, like- Eid. The closing hour can be extended for 1 hour or more.
- Working days : Sunday-Thursday (except government holidays).

Corporate information of IBBL

Name of the company	Islami Bank Bangladesh Limited
Legal status	Public limited company
Date of registration	13 march, 1983
Head office address	Islami Bank Tower, 40, Dilkhusha C/A, Dhaka- 1000, Bangladesh.
Branches	342 (AD branches: 60)
ATM Booth:  Own:  Shared:	611 9000
Shareholders:  Local:  Foreign:	41441 56.24% 43.76%
Service Center (Seba Ghar)	44
Zones	16
Agent Banking	223(31.10.18)
Manpower	14081

Number of Branches of IBBL

IBBL started there journey in 1983, and within two years they opened 13 branches. They grew there business day by day. In 2015, they reached 304 branches all over the country for increasing the client service.

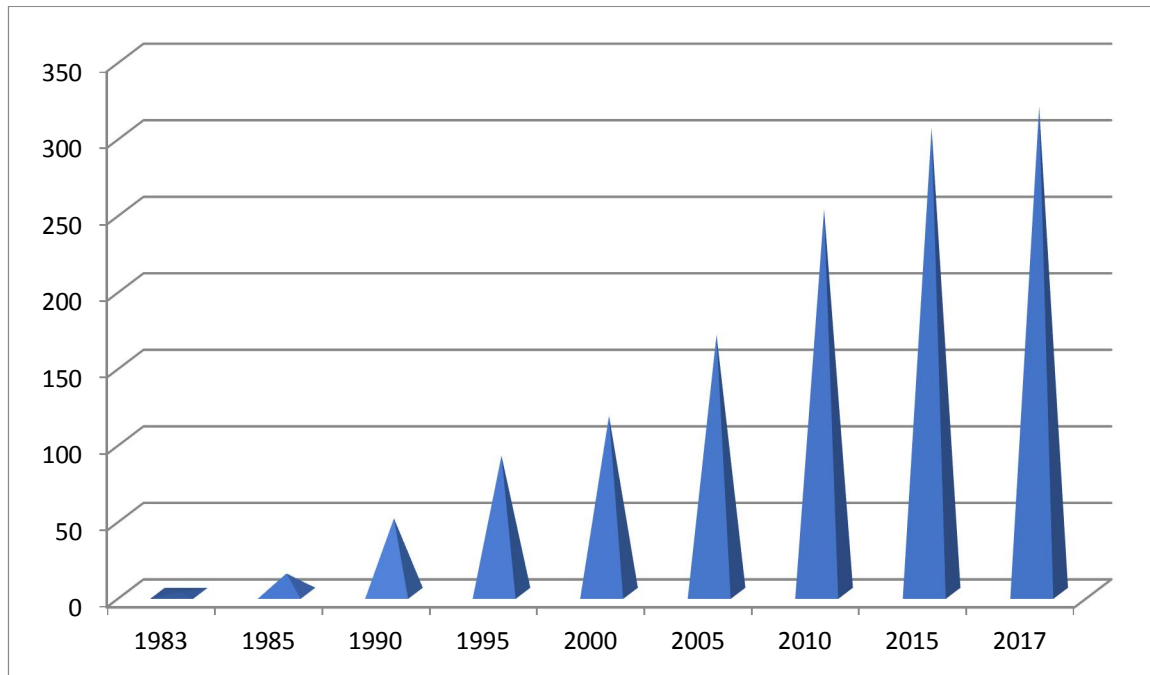


Figure : Number of Branches of IBBL (Source: Annual Reports 2017, IBBL).

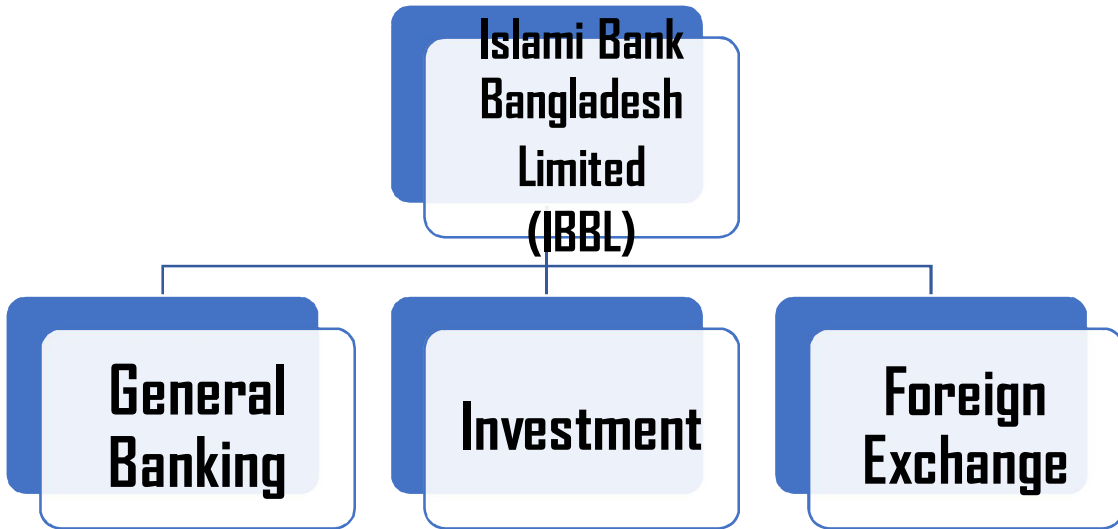
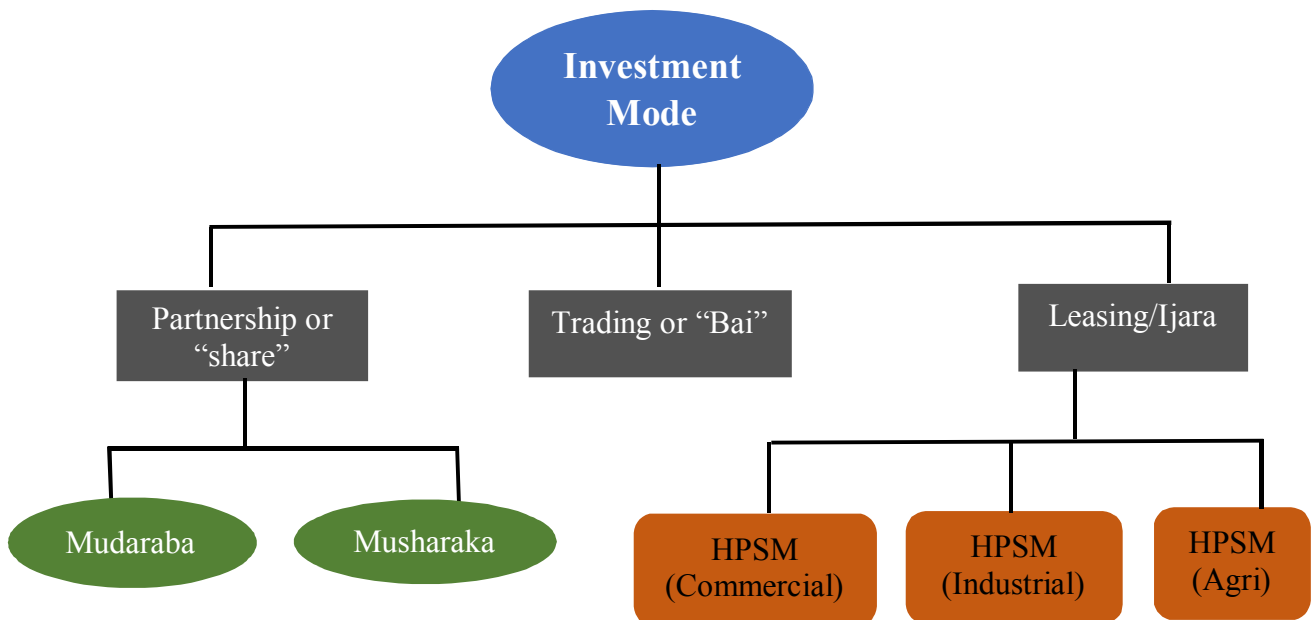


Figure : Present Functions of IBBL

Investment Modes in IBBL



Partnership or Share mechanism

(profit sharing loss bearing mode)

- I. Mudaraba
- II. Musharaka



Mudaraba mode: Mudaraba has been derived from the Arabic word ‘Darban’ that means movement to earn rahmant (munafa). Mudaraba is a form of partnership where one of the contracting points called the ‘shahib-al-maal’ of the ‘rabb-ul-maal’ provides a specified amount of capital and another party called Mudarib who provides labor, skill etc. And here profit distributed as per pre-agreed ratio and loss borne by shahib-al-maal.

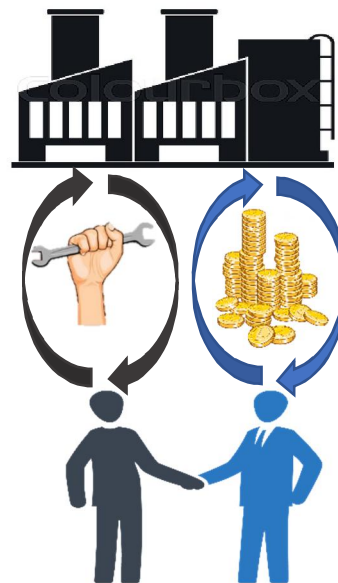
in case of islamic banking, mudaraba is a partnership contract between banks and the client’s, entrepreneurs where banks supply capital and the clients invest their labor. On condition that the profit of the business will be shared between them as per agreed ratio and the actual loss will be born by the bank.



Profit



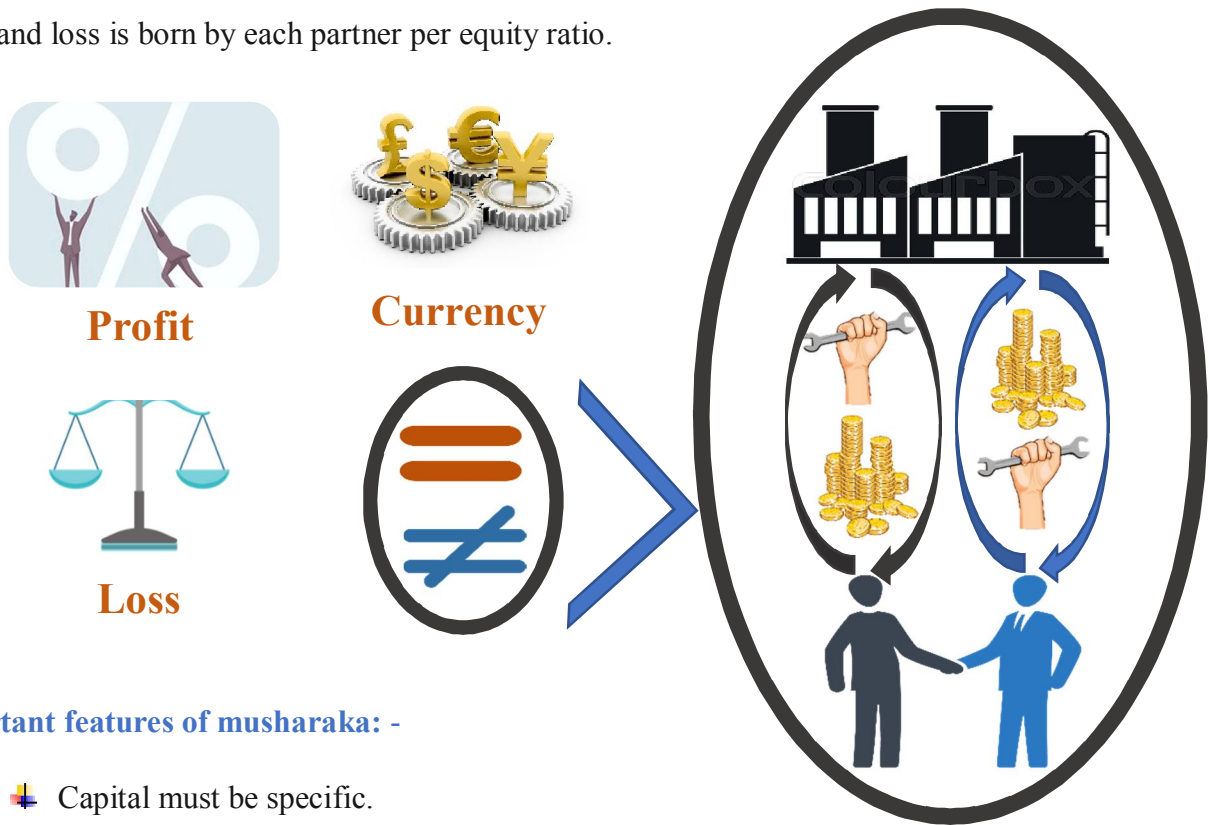
Currency



Important features of mudaraba:

- ✚ Capital must be specific.
- ✚ Capital must be in currency.
- ✚ Shahib-al-maal cannot take part in business directly.
- ✚ Profit must be shared as per agreed ratio.
- ✚ Loss must be borne by the owner of the capital.

Musharaka mode: Musharaka comes from arabic word ‘sharika’ meaning partnership. It’s a partnership agreement here both parties provide capital but not must to equal and participants in management but not required to do so. The profit is distributed among the partners pre-agreed ration and loss is born by each partner per equity ratio.



Important features of musharaka: -

- ✚ Capital must be specific.
- ✚ Equal share is not must.
- ✚ Nature of capital may be money of valuable.
- ✚ Active participation of the partners.
- ✚ Profit is shared as per agreed ratio.
- ✚ Loss must be born as per equity ratio.

Trading of Bai mechanism (sale and purchase)



- | | | | | | | | |
|----|------------------|-----|-----------------|------|---------------|-----|----------------|
| I. | Bai-
murabaha | II. | Bai-
muajjal | III. | Bai-
salam | IV. | Bai-
istsna |
|----|------------------|-----|-----------------|------|---------------|-----|----------------|

Bai-murabaha: bai-murabaha come from arabic words ‘bai’ and ‘ribhun’. Bai means purchase and sale and ‘ribhun’ means an agreed upon profit. So that bai-murabaha means sale on agreed upon profit.

bai-murabaha may be define as a contract between a buyer and a seller under which the seller sells certain specific goods permissible under Islamic shariah and the law of land to the buyer at a cost-plus agreed profit payable is cash or on any fixed future dare in lump sum or by installments.



Important features of bai-murabaha: -

- ✚ To take security in the form of cash.
- ✚ Stock and availability of goods is a basic condition.
- ✚ Bank must bear the risk until delivery of goods to the client.
- ✚ Bank may sell it at a higher price.
- ✚ Price once fixed cannot be changed.

Bai-muajjal mode: bai-muajjal come from arabic words that means sale for which payment is made at a fixed date of within a fixed period. In short it is a sale on credit.

bai-muajjal may be defined as a contract between a buyer and a seller under which the seller sells certain goods permissible under islamic sharia and the law of the country to the buyer at an agreed fixed price payable at a certain fixed future date in lump sum or within a fixed period by fixed installment. The seller may also sell goods purchase by him as per order and specification of the buyer.



Important features of bai-muajjal: -

- ✚ It is permissible to make the promise binding upon the client to purchase from the bank that is, he is either satisfy the promise or to identify the damages caused by breaking the promise without excuse.
- ✚ After purchase of goods bank must bear the risk of goods until delivery to client.
- ✚ Bank may sell the goods at a higher price than the purchase price to earn profit.
- ✚ Price once fixed as per agreement and deferred cannot be further increased.
- ✚ Bank may sell the goods at one agreed price.

Main difference between bai-murabaha and bai-muajjal is,

- ✚ Bai-murabaha sale and purchase must be profit because seller sell to buyer at a **cost-plus agreed profit** payable in cash or on fixed date in lump-sum or by installments.
- ✚ Bai-muajjal sale and purchase in **fixed price** payable on fixed date in lump-sum or by installments. Unlike bai-murabaha may not disclose the cost price and the profit mark-up the client.

Bai-salam mode: bai-salam also is an Arabic word “bai-salam” means “advance sale and purchase”.

bai-salam may be defined as a contract within buyer and a seller under which the seller sells in advance certain goods permissible under islamic sharia and the law of the country to the buyer at an agreed price payable on execution of the said contract and commodities are delivered as per specification, size, quality, quantity at a future time in a particular place.



Important features of bai-salam: -

- ✚ Generally, industrial and agri products sold in advance under bai-salam mode of investment to infuse finance so that production is not hindered due to shortage of cash.
- ✚ It is permissible to obtain collateral security form the seller client to secure the investment form any hazards partial supply of commodities, supply of low-quality commodities etc.
- ✚ It is also permissible to obtain mortgage and or personal guarantee form a third party as security before the signing of the agreement of the time of signing agreement.
- ✚ Bai-salam on a particular product of a particular field or a farm cannot be affected.

Bai-istisna mode: Istisna is a sale contract by which seller on the basis of the order placed by buyer after manufactured of otherwise acquired goods as per specification sells the same to buyer for an agreed upon price and method of settlement whether that be in advance, by installments or differed to the specific time. It is a condition of istisna contract that buyer should provide either the raw material or the labor.

Important features of bai-istisna: -

- ✚ It facilitates the manufacturer sometimes to get the price of the goods in advance, which he may use as capital for producing the goods.
- ✚ It gives the buyer opportunity to pay the price in some future dates or buy installments.
- ✚ It is a contract and no party is allowed to cancel the istisna contract after the price is paid and receive in full or in part or the manufacturer starts the work.

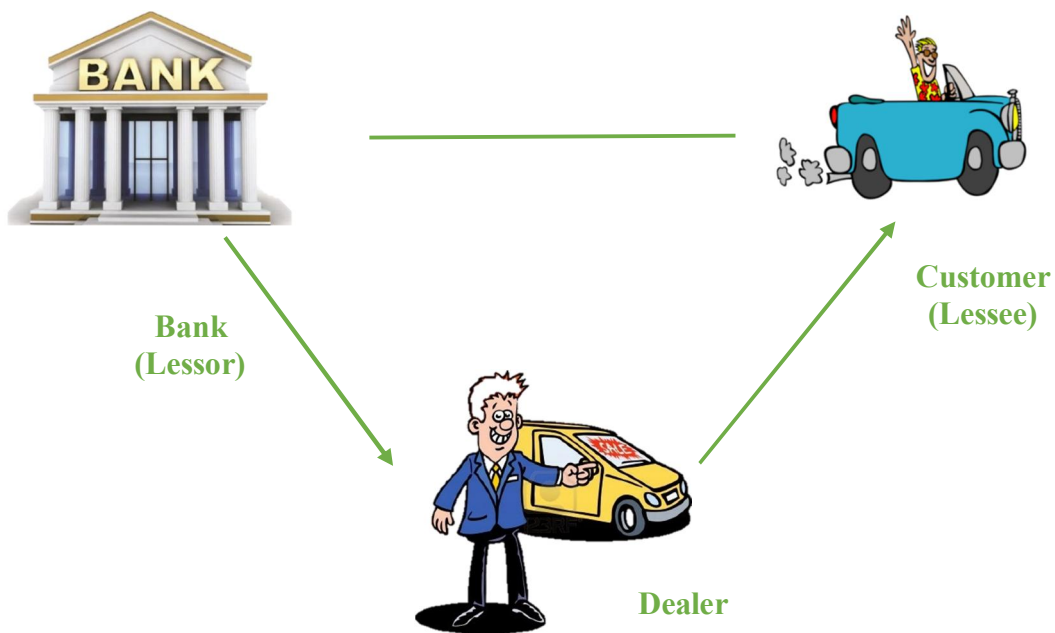
Ijarah

Leasing of property according to a contract.

From of Ijarah contract

In Ijarah contracts lessee pays that amount to the lessor in return over a specific time period. Ijarah contracts can be several forms

Explain: Customer go to the bank for finance then bank contract with customer the bank purchases the required items for leasing then bank receive ownership of the products from the vendor. Bank makes payment of purchase price to the vendor as well as customer give premium as per the agreement. After end of the contract bank transfer the items to the customer.



Rules

- ✚ Agreeing on the cost of the lease and the period of time for when it will last clear terms in the contract
- ✚ Agreeing on purpose the lessee will use the property for which they must stick to the lessor.
- ✚ Agreeing to bear all the liabilities emerging from the ownership.
- ✚ In a case contract the period of lease and the rental to be paid in terms of time, place should be clearly staffed.
- ✚ Everything that is suitable to be considered a price. in a sale can be suitable to be considered as rental in a lease contract.
- ✚ It is a condition that the rental falls due from the date of handling over the asset to lessee and not from the date of contract.
- ✚ It is permissible to advance defer or install the rental in accordance with the agreement.
- ✚ It is permissible to make the lessee bear the cost of ordinary routine maintenance because this cost is normally known and can be considered as part of the rental.
- ✚ It is a condition that the subject service or the contract must actually and legally be attainable.
- ✚ it is not permissible to lease something the handing over of the possession of which is impossible.
- ✚ It is also permissible for a partner to lease his hare to the other partner.

Important feature

- ✚ HPSM(hire purchase under Shirk atul Mulk)contract the lessor does not sell the asset but lessor promise to sell the asset to the lessee only if the lessee pays equity price of the property for specified time period
- ✚ As soon as lessor's ownership of the asset is transferred to the lessee that becomes the asset of the lessee.
- ✚ The hire contract becomes effective from day on which lessor transfers the right of the assets in good order usable condition so that the lessee may make use of the same as per

rule of the agreement.

- ✚ In case of hire HPSM transaction property purchased jointly by hire and hirer with fixed equity under a shirkatul Melk contract amount of equity and share ownership of the property of both parties are mentioned
- ✚ HPSM transaction facilitates lessee to get benefit from assets in exchange of rental also to become full owner of the assets by purchasing it.
- ✚ HPSM facilities may be for medium and large period which may be utilized for the expansion of product and service also housing activities.
- ✚ The bank should not normally enter into a HPSM transaction for items with useful life of less than two years
- ✚ Under this agreement the bank work as a partner also work as lessor and the client work as a partner also work as lessee
- ✚ In HPSM agreement the exact ownership of both lessor and lessee must be recognize

Investment scheme

Household Durable Scheme (HDS)	
Housing Investment Scheme (HIS)	
Transport Investment Scheme (TIS)	
Car Investment Scheme (CIS)	
Small Business Investment Scheme (SBIS)	
Agriculture Implements Investment Scheme (AIIS)	
Rural Development Scheme (RDS)	
Micro Enterprise Investment Scheme (MEIS)	
Micro Industries Investment Scheme (MIIS)	
Women Entrepreneurs Investment Scheme	
Palli Griha Nirman Benioj Prakalpa	
Solar Panel Investment (SPIS)	
Rural Transport Investment Scheme	

General Investment (IBBL)

General Investment (IBBL)	
Year	Taka (million)
2013	403,195
2014	463,475
2015	530,195
2016	618,419
2017	710,729
2018	783,584

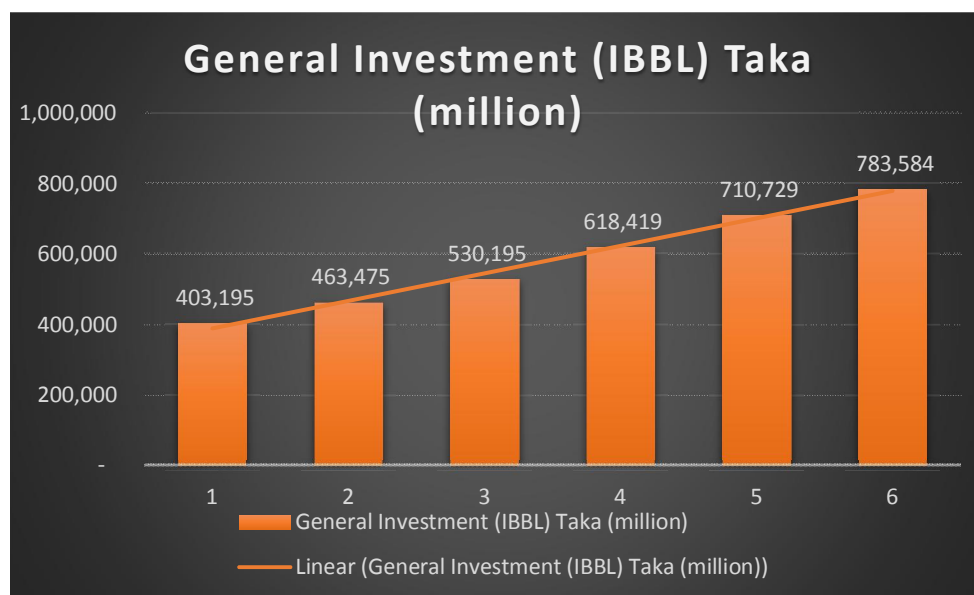


Chart : General Investment (IBBL)

Sector wise investment (IBBL)

Sl no:	Sector	2017		2016	
		Amount	% to total Investment	Amount	% to total Investment
1	Industrial (Excluding SME)	258,867	36.26%	219,377	35.59%
2	Commercial	52,552	7.36%	43,873	7.12%
3	Real Estate	50,626	7.09%	47,972	7.78%
4	Agriculture (including investment in Fertilizer and Agriculture Implements)	16,944	2.37%	15,425	2.50%
5	Transport	8,374	1.17%	7,592	1.23%
6	SME	290,869	40.75%	244,713	39.70%
7	Others	32,497	5.00%	37,467	6.08%
	Total	710,729	100.00%	616,419	100.00%

Table 2: Sector-wise investment (IBBL)

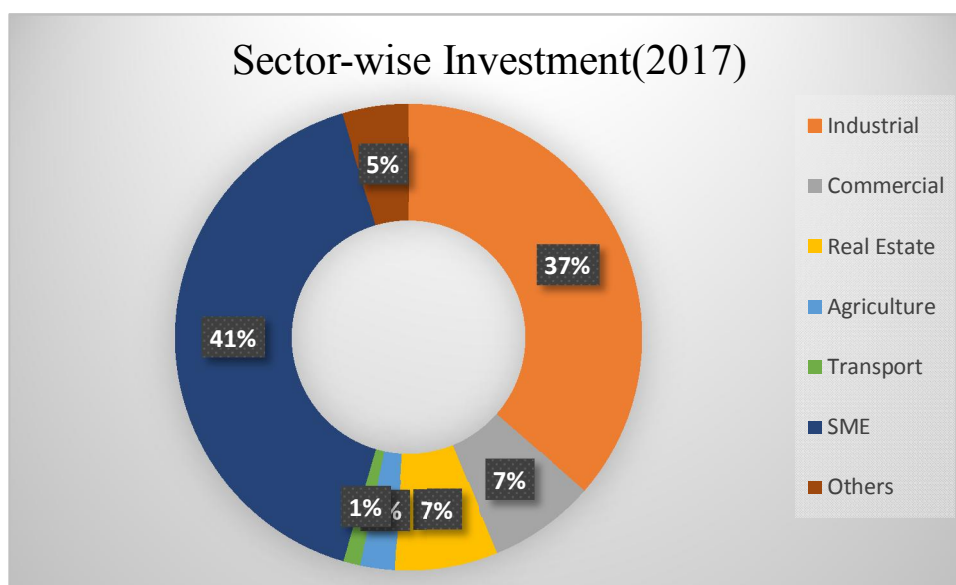


Chart 2: Sector-wise investment 2017 (IBBL)

SWOT Analysis of IBBL

SWOT Analysis is a vital tool for evaluating the organization's Strengths, Weaknesses, Opportunities and Threats. It assists the organization to know how to evaluate its performance and scan the macro environment, which in turn would facilitate the organization to navigate in the turbulent ocean of competition. The SOWT analysis of IBBL is showed here:

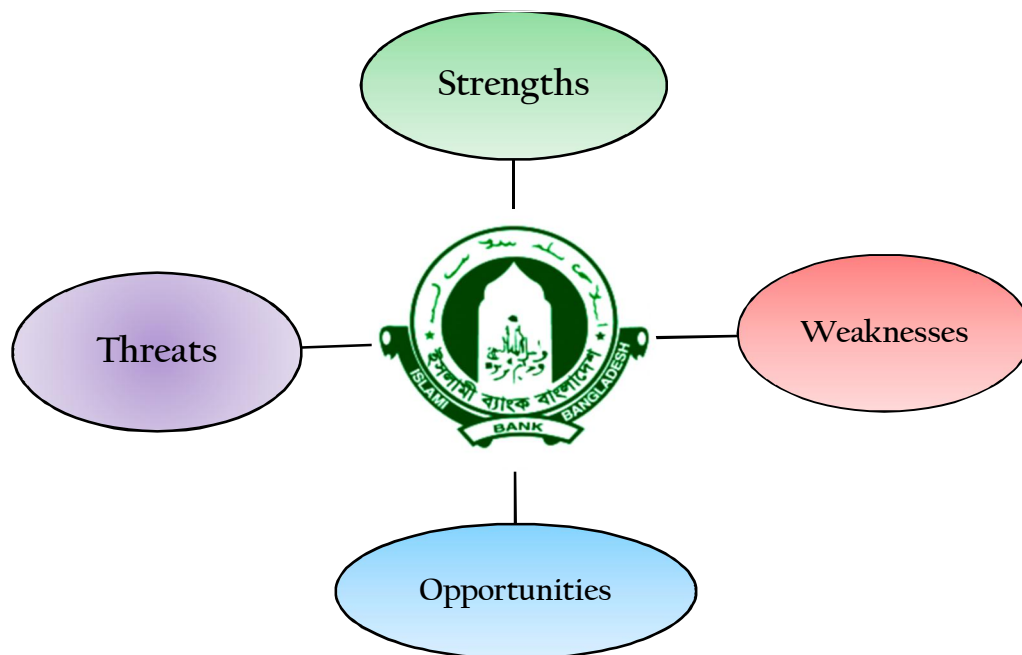


Figure-4.1: SWOT Analysis of IBBL

1. Strengths:

- **Adequate finance:** IBBL has adequate finance. That's why they do not require borrowing money from Bangladesh Bank or any other financial organization.

- **More funds for investment:** For sufficient financial ability they can serve more investment to the clients.
- **Honest and Reliable Employees:** Every employee of Islami Bank Bangladesh Limited is honest and faithful. They are always dedicated themselves to the works for better client service. They do not have any corruption report.

2. Weaknesses:

- **Marketing:** IBBL have lacks in potential advertising.
- **Employee Management:** In some areas Employee positioning is not right at the right time in some areas.

3. Opportunities:

- **Religious Minded People:** Most of the people in Bangladesh are religious minded. So they are ready to accept the concept “Interest free banking system” and going to IBBL with huge interest.
- **Special Image:** IBBL has drawn a special image to the people of Bangladesh as a more reliable bank. People believe that if they deposit their money in IBBL, the money will be more secured than others.

4. Threats:

- **Rules and Regulation:** The rules and regulations of Bangladesh are not so much suitable. So they face various types of problems to operate their activities according to Islami Shariah.
- **More Competitors:** There are a lot of competitors available in banking sector of Bangladesh. So it's a great threat for them. There are not only the conventional banks in the market of Bangladesh but also some other Islamic Banks in the market as the competitors of IBBL. Conventional banks are always trying to say the people that interest and dividend are the same thing with a various advertisement and publicity.

Recommendation

Based on the findings, some recommendations of the study are as follows:

- ✚ Islami Bank Bangladesh Limited should make the investment procedure easy and understandable to attract the potential customer.
- ✚ Islami Bank Bangladesh Limited should invest all economic sectors for more profit. It also helps to create new employment opportunity.
- ✚ The Bank should offer a better training program for their employees to make the employees efficient in the investment sector.
- ✚ An official at branch level should more care full in compliance with desired Shariah regarding investment.
- ✚ IBBL should take Investment decision faster.
- ✚ It is necessary to make some new investment products to come to the stage of the competition. In recent years, some banks have launched a number of innovative investment products to attract their customers. IBBL may follow the way to be a leader in modern banking.
- ✚ If employees become well trained, the possibility of wrong appraisal and evaluation of investment proposal will be minimized.

Conclusion

In Islami banking system, the collection of invested money is easier than conventional banking because Islami bank concerns with the purpose of investment, not with only the invested money. We also think that there is a bright future waiting for Islami banking in Bangladesh and IBBL is in a position to go as a catalyst for this development in the banking sector in Bangladesh. The special features of the banking policy of Islami bank are to invest based on profit-loss sharing system in accordance with the tenets and principles of Islami Shariah. Earning of the profits not the only motives and objectives of the Islami bank banking policy rather the emphasis is given to attaining social good and in creating employment opportunities. In this system of fluctuation comes between the growth of the economy as well as the growth of IBBL. In Islami banking system, it is possible to create a balance between the money supply and the production of goods.

On the other hand, the conventional banking system creates an inflationary problem. In the conventional banking system, investment doesn't ensure employment opportunity besides Islami banking system directly work with the unemployment problem. In the conventional banking system, interest rate always fluctuates and even unrest in the economy. Islami bank always helps economic growth. In Islami banking system, the collection of invested money is easier than conventional banking because Islami bank is concerned with the purpose of investment, not with only the invested money. It is mentionable here that the IBBL is going through the way that indicates it will bring more new and welfare-oriented activities in the banking sectors in the years to come.

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