

INTERNSHIP REPORT
ON
“General Banking Activities of Islami Bank
Bangladesh Limited”

SUPERVISED BY

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Major in Finance

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This internship report is submitted to the faculty of Business Studies, Hajee Mohammad Danesh Science and Technology University, Dinajpur, in partial fulfillment of the requirements for the degree of M.B.A. (Evening)



Faculty of Business Studies

HAJEE MOHAMMAD DANESH SCIENCE AND TECHNOLOGY
UNIVERSITY, DINAJPUR-5200

OCTOBER, 2016

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Faculty of Business Studies

**HAJEE MOHAMMAD DANESH SCIENCE AND TECHNOLOGY
UNIVERSITY, DINAJPUR-5200**

OCTOBER, 2016

*DEDICATED TO
MY
RESPECTABLE
PARENTS
AND
HONOURABLE
TEACHERS*

Letter of Transmittal

24 October, 2016

Md. Main Uddin Ahammed

Lecturer

Department of Finance and Banking

Faculty of Business Studies

HSTU, Dinajpur

Subject: Submission of Internship Report of MBA (Evening) Program.

Dear Sir,

It is my great pleasure to submit the internship report on “**General Banking Activities of Islami Bank Bangladesh Limited**” which is a part of MBA (Evening) Program to you for your consideration.

I made sincere efforts to study related materials, documents, observe operations performed in IBBL and examine relevant records for preparation of the report.

Within the time limit, I have tried my best to compile the pertinent information as comprehensively as possible.

Thanking you,

Md. Dolil Uddin

Student ID- E-140504061

M.B.A. (Evening), 4th Batch

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Student's Declaration—————◆

The discussing report is the terminal formalities of the internship program for the degree of Master of Business Administration (Evening), Faculty of Business Studies at Hajee Mohammad Danesh Science and Technology University, Dinajpur which is compact professional progress rather than specialized. This report has prepared as per academic requirement after successfully completing the 45 days internship Program under the supervision of my honorable supervisor

Md. Main Uddin Ahammed, Lecturer, Department of Fiancé and Banking. It is my pleasure and great privilege to submit my report titled “**General Banking Activities of Islami Bank Bangladesh Limited**”, as the presenter of this report; I have tried my level best to get together as much information as possible to enrich the report. I believe that it was a fascinating experience and it has enriched both my knowledge and experience.

I believe everyone is not beyond of limitation. There might have problems regarding lack and limitation in some aspects and also some minor mistake such as syntax error or typing mistake or lack of information. Please pardon me for that mistake and clarify these of my further information on those matters.

Md. Dolil Uddin

Student ID- E-140504061

M.B.A. (Evening), 4th Batch

Major in Finance

HSTU, Dinajpur

Declaration of Supervisor

It's my Pleasure to Certify that Md. Dolil Uddin, Student ID: E-140504061, MBA (Evening) Major in Finance, 4th Batch has Successfully Completed MBA (Evening), Internship report titled "**General Banking Activities of Islami Bank Bangladesh Limited**" under my Supervision and Guidance. He has not copied from any other Work.

Therefore, He is directed to submit his Report for Evaluation. I wish his Success at every sphere of his Life

Md. Main Uddin Ahammed
Lecturer
Department of Finance and Banking
HSTU, Dinajpur

Declaration of Co-Supervisor

It's my Pleasure to Certify that Md. Dolil Uddin, Student ID: E-140504061, MBA (Evening) Major in Finance, 4th Batch has Successfully Completed MBA (Evening), Internship report titled "**General Banking Activities of Islami Bank Bangladesh Limited**" under my Supervision and Guidance. He has not copied from any other Work.

Therefore, He is directed to submit his Report for Evaluation. I wish his Success at every sphere of his Life

Shahnaz Parvin
Associate Professor
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Acknowledgement

At first I would like to thank my honorable supervisor of internship program, **Md. Main Uddin Ahammed**, Lecturer, Department of Finance and Banking, and co-supervisor **Shahnaz Parvin**, Associate Professor, Department of Finance and Banking, HSTU, Dinajpur for providing me such an opportunity to prepare an Internship Report on “**General Banking Activities of Islami Bank Bangladesh Limited**”. Without his helpful guidance, the completion of this project was unthinkable.

During my preparation of the project work I have come to very supportive touch of different individuals & friends who lend their ideas, time & caring guidance to amplify the report’s contents. I want to convey my heartiest gratitude to them for their valuable responses.

October, 2016

The Author

Excutive Summary

Banking sector is considered as the barometer of national economy. The Islami Bank Bangladesh Limited was established in 1983 with a view to develop economic and social programs of Bangladesh by rein foreign investment, assisting in financing and promoting economic and social welfare of Muslim community IBBL has launched several programs in banking based on Islami Sharia.

The business performance of IBBL with respect to its commitment, cumulative commitment, loan disbursement and implementation of projects lease financing, investors account and recovery and rehabilitation activities have been analyzed. In the report, the financial performance of IBBL is analyzed through discussing total income, total expense, net profit, dividend appropriation of total profit, grand total profit etc.

The findings of this report is that Islam Bank Bangladesh Limited has been growing faster and better the average of the banking sector in terms of deposits, loans and advances and expansion. Islami Bank Bangladesh limited is pioneer of Islami Shariah banking in Bangladesh. The bank's growth rate in terms of deposits, as well as loans and advances are better than the average rates of private banks.

Moreover, its market share in the private banking sector in terms of deposit and loans and advances are increasing day by day. Another important factor is that the earnings of IBBL in relation to equity, loans and advances, and assets are more than the average ratios of private banks, especially when the bank is compared with the 57 banks established before 2002. Islami Bank activities are vast and elaborated but my study is concentrated mainly in the General Banking Activities.

Based on the summary, followings recommendations can be offered:

IBBL needs to improve its most earning assets to increase its earnings. It should take various attractive schemes in this regard.

It has to ensure uniformity in branch performance. For this purpose various training programs and workshops should be launched.

Islami Banks Investment in agriculture and rural sector is low compare of other sectors. It should give emphasis to promote agro-based industry.

IBBL has to start extensive on line banking in order to keep pace with 21 century's challenge.

Full computerization of all activities of IBBL should be introduced.

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CHAPTER ONE

INTRODUCTION

1.1. Introduction:

Actually, this Internship report is submitted as a partial fulfillment of the requirement of Master of Business Administration (Evening). The work presented in this report titled “General Banking Activities of IBBL”, Panchagar Branch. I have learnt some valuable information about over all general banking of IBBL. I believe it will help me in future. I believe this report will be used as a benchmark of future further research activities.

1.2. Scope of Study:

This report mainly emphasizes in general banking activities of IBBL. However , the report also cover brief overview of IBBL, its products, services, operating activities, financial position, Performance analysis and SWOT analysis of IBBL.

1.3. Objective:

- To study the performance of the bank with special emphasis on General Banking
- To analyze the product and services of IBBL
- To find out the problem of IBBL in respect to general banking activities
- To offer recommendation for further development of IBBL

1.4. Methodology of the study:

Data Sources:

The information and data for this report have been collected from both the primary and secondary sources.

- **Primary sources:**

- ✓ Face to face conversation with the respective officers and stuffs of the branch and IBTRA.
- ✓ Face to face conversation with clients visited the branch.
- ✓ Practical work experience in the different desk of the department of the branch covered.
- ✓ Relevant field study as provided by the officer concern.

- **Secondary sources:**

1. Daily diary (containing my activities of practical orientation in IBBL)
2. Various publications on bank,
3. Website of IBBL Ltd.
4. Website of Bangladesh bank,
5. Annual report of the bank,
6. Personal investigation with bankers.
7. Different procedure manual published by IBBL.

1.5. Limitations:

This study for a short period of time is not free from limitations. Actually, this study does not show the total banking practice of private banks since few departments were excluded from observation due to time constraint. The major limitations that study the study faced during the study period are spotlighted below:

- The officials have sometimes been unable to provide information because of their huge routine work.

- Some data could not be collected for confidentiality or secrecy of the management.

CHAPTER TWO

OVERVIEW ON ISLAMI BANK BANGLADESH LIMITED

CHAPTER TWO

OVERVIEW ON ISLAMI BANK BANGLADESH LIMITED

2.1. Background:

Banking sector plays a dynamic role for the development of national economy. It works as intermediary between depositors and borrowers. At present there are 57 banks in Bangladesh. Islami bank is one of the top ranking banks in Bangladesh. The objective of Islamic banking is not only to earn profit but to do good and welfare to the people Islam upholds the concept that money, income and property belong to Allah and wealth is to be used for the good of the society.

Islamic Banks operate on Islamic principles of profit and loss sharing strictly avoiding interest, which is the root of all exploitation and is responsible for large scale inflation and unemployment.

An Islamic Bank is committed to do away with disparity and establish in the economy, trade commerce and industry build socioeconomic infrastructure and create employment opportunities.

2.2. Historical Background:

In the early period of Islam, the financial transactions of that time is not as like as today. As such, the very word 'banking' was not used in that period. But all the transactions in early period of Islam had been completed without resorting to interest. The Muslim world has been in a state of degeneration for a number of centuries. The social breakdown and weakness brought about by this degeneration paved the way for foreign domination, which led to further disintegration and decline.

This decline is reflected in all aspects of Muslim life and has been accompanied by poverty, reflected in all aspects of income and wealth, socio-economic injustice, social disharmony and loss of creativity. Nevertheless, the undeniable fact is that the Muslim masses are intensely attached to Islam all over the Muslim world and sincerely crave for its revival and supremacy. The intelligentsia has been always for interest-fee economy.

But political subjugation defeated them for long to succumb to interest-based economic system. However the struggle for restoration but the early period of the present century

received as good manifestation for the cause of Islamic banking that is the Islamic economic system.

The first attempt to establish an Islamic financial institution took in Pakistan in the 1950s. it was a local Islamic Bank in a rural area of erstwhile Pakistan (Wilson, 1983) it was an experiment initiated by some pious landlords. They deposited fund at no interest on the credit advanced, but they had to pay a small service chare to cover the banks operational expense. The chare was lower than the fate of interest.

Although the experience was encouraging but two main factors were responsible for its failure. First the deposits made were regarded by depositors (landlords) as once and for all deposits. With the increasing number of borrowers the gap between capital available and credit demanded was huge. Second, the bank staff did not have complete autonomy over the bank's operations and depositors showed considerable interest in the way their money was lent out (Wilson, 1983).

The second attempt began in Egypt in 1963. it was established in a rural area of Nile Delta and was called Mitt Ghamr Saving Bank. This attempt may be called the first modern experiment with Islamic Banking without projecting an Islamic image, for fear of being seen as manifestation o Islamic fundamentalism which was anathema to the political regime. The pioneering effort, led by Ahmed EI Najjar, took the form of saving's bank based on profit sharing in the Egyptian town of Mit Ghamr in 1963. This experiment lasted until 1967 (Ready 1981), by that there were nine such banks in the country. These banks which neither charged nor paid interest, invested mostly by engaging in trade and industry, directly or in partnership with others and shared the profits with their deposits (Siddiqi 1988).

Thus they function essentially as saving investment institutions rather than as commercial banks. The experiment suffered by owing to changes the political atmosphere. Nevertheless, the project revived in 1971 under the name of Nasier Social Bank.

The Nasir Social Bank was declared an interest-fee commercial bank, although its charter made no reference to Islam or Shariah (Islamic Law). The bank offered a full range or normal banking services and wide range of investment activities through equity participation (Ashker-1987).

Islamic Banking made its debut in Malaysia in 1983, but not without antecedents. The first Islamic financial institution in Malaysia was the Muslim Pilgrims Savings Corporation set in 1963 to help people save for performing hajj. The reason for the establishment of this institution was the contention of the Malaysian Muslims that money spent on pilgrimage must be clean and untainted with Riba. Since this was not possible by putting money with the ordinary banks. And as such, this desire led to the establishment of a special financial institution.

In 1969, this body evolved into the Pilgrims Management and fund Board or the Tabung Hajj as it is now popularly known. The Tabung Hajj has been acting, as a finance company that invests the savings of would be pilgrims in accordance with Shariah, but its role is rather limited, as it is a non-bank financial institution.

The success of the Tabung Hajj, however, provided the main impetus for establishing Bank Islam Malaysia Berhad (BIMB) which represents a full fledged Islamic commercial bank in Malaysia. The Tabung Hajj also contributes 12.8 percent of BIMB's initial capital of M\$80 million. BIMB has a complement of fourteen branches in several parts of the country.

A significant development in Islamic Banking took place when a license for an Islamic Bank was issued by the Saudi Arabian government to the fifty-year old "AL-Rajhi Banking Investment Corporation" and has since developed active relationships with major manufacturing and trading companies in Europe and several US corporations.

Islamic Development Bank (IDB) was founded in 1975 as a multinational financial institution by the several Muslim countries. The purpose of this bank is to support social and economic development in Muslim nations within an Islamic framework. The subscribers of the capital are the founder governments and as such it was established on government treaty.

More seven Islamic Bank and Financial institutions had been established within three years of establishment of IDB. These were (a) Dubai Islamic Bank (b) Kuwait Finance house, Kuwait (c) Faisal Islamic Bank, Egypt & (f) Islamic Development Co. Sariah.

2.3. Starting of IBBL:

In August 1974, Bangladesh signed the Charter of Islamic Development Bank and committed itself to reorganize its economic and financial system as per Islamic Shariah.

In January 1981, Late president Zia-ur Rahman while addressing the 3rd Islamic Summit Conference held at Makkah and Taif suggested, “The Islamic countries should develop a separate banking system of their own in order to facilitate their trade and commerce”.

This statement of Late President Zia-ur Rahman indirectly favored the attitude of the Government of the People's Republic of Bangladesh toward establishing Islamic Bank and financial institutions in the country.

In November 1980, a delegation of IDB visited Bangladesh and showed keen interest to participate in establishing a joint venture Islamic Bank in the private sector. Two professional bodies' Islamic Research Bureaus (IERB) and Bangladesh Islamic Banker's Association (BIBA) made significant contribution towards introduction of Islamic Banking in the country.

At last, the long-drawn struggle to establish an Islamic Bank in Bangladesh became a reality and Islamic Bank Bangladesh was established in March 1983, in which 19 Bangladeshi National, 4 Bangladeshi institutions and 1 bank, financial institutions and Government bodies of the Middle East and Europe including IDB and two eminent personalities of the Kingdoms of Saudi Arabia joined hands to make the dream into a reality. Later, other three Islamic Banks were established in the country.

2.4. Characteristics of an Islamic Bank:

1. It is a financial institution.
2. It is a business institution.
3. It operates its business activities free from interest.
4. It is run according to rules and regulations formed and amended by Shariah Council.
5. It is profit-loss sharing business organization.
6. It provides loans as Qard Hasana for social welfare.

7. It gives Zakat on its capital according to Islamic Shariah.
8. It leads all of its transaction according to Islamic law.
9. No form of work is done which is non-Islamic etc.
10. Islamic Bank means not business product but running business through money.

2.5. Necessity of Islami Bank:

Islamic banking is not only to earn profit, but also to make welfare to the people. Islam upholds the concept that money, income and property belong to Allah and this wealth is to be used for the good of the society. Islamic banks operate of Islamic principles of profit and loss sharing, strictly avoiding interest, which is the root of all exploitation and is responsible for large-scale inflation and unemployment. Islamic bank is committed to abolish such disparity and establish justice in the economy, trade, commerce and industry build socio-economy infrastructure and create employment opportunities.

2.6. Mission of the Bank:

To established 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 through diversified investment operations particularly in the priority sectors and less development areas of the country. To encourage socio-economic development and financial services to the low income community particularly in the rural areas-

2.7. Vision of the Bank:

The Bank's vision is to always strive to achieve superior financial performance, be considered a leading Islamic Bank reputation and performance.

- ❖ The Bank's goal is to establish and maintain the modern banking techniques, to ensure the soundness and development of the financial system based on Islamic principles and to become the strong and efficient organization with highly motivated professionals, working for the benefit of people, based upon accountability, transparency and integrity in order to ensure the stability of financial systems.

- ❖ The Bank will try to encourage savings in the form of direct investment.
- ❖ The Bank would also try to encourage investment particularly in projects, which are more likely to lead to higher employment.

2.8. Objectives of the Bank:

- Ensuring justice to both suppliers of fund (depositors) and user of fund (investment takers).
- To conduct interest-free banking.
- To establish participatory banking instead of banking on debtor creditor relationship.
- To invest through different modes permitted under Islamic shariah.
- To accept deposits on profit – loss sharing basis.
- To establish a welfare-oriented banking system.
- To extend co-operation to the poor, the helpless and the low-income group for their economic development.
- To play a vital role in human development and employment generation.
- To contribute towards balanced growth and development of the country through investment operations particularly in the less developed areas. To contribute in achieving the ultimate goal of Islamic economic system.

2.9. Structure of the Organization:

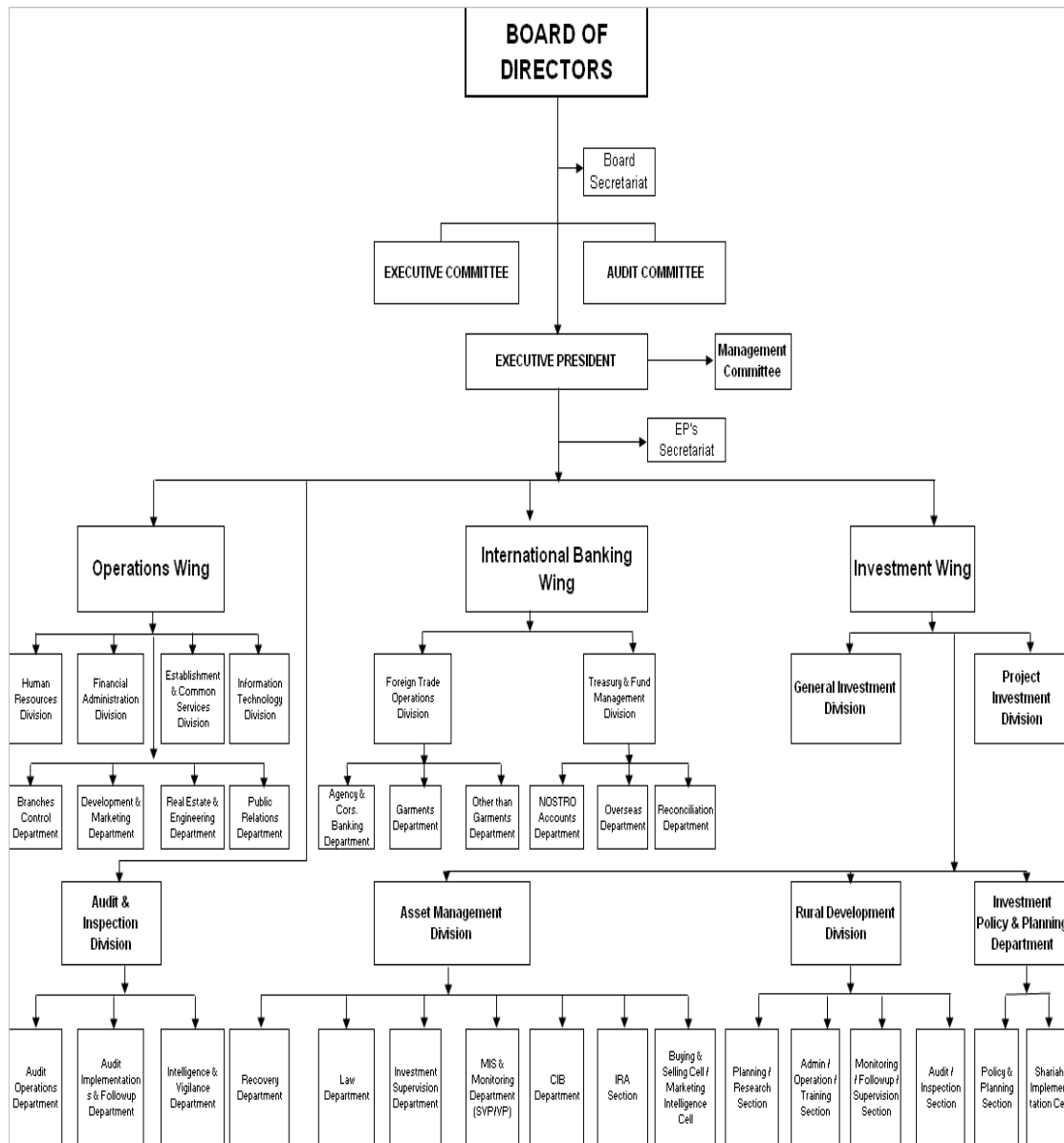


Figure 2.1: Structure of the Organization

Source: www.islamibankbd.com

2.10. Corporate information:

Table 2.1: Financial Information: [As on: 31 December 2015]

	BDT (Tk.)	US Dollar (\$)
Authorized Capital	20,000.00 Million	USD 256.09 Million
paid-up Capital	16,099.90 Million	USD 206.14 Million
Equity	47,845.33 Million	USD 612.62 Million
Reserve Fund	27,879.72 Million	USD 356.97 Million
Deposits	615,359.21 Million	USD 7,879.12 Million
Investment (including Investment in Shares)	629,631.27 Million	USD 8,061.86 Million
Foreign Exchange Business	BDT (Tk.)	US Dollar (\$)
Import	343,668 Million	USD 4,400.36 Million
Export	224,236 Million	USD 2,871.14 Million
Remittance	321,066 Million	USD 4,110.96 Million

Source: www.islamibankbd.com

Table 2.2: Organizational Information

Chairman, Board of Director	Engr. Mustafa Anwar
Managing Director & CEO	Mohammad Abdul Mannan
Company Secretary	Abu Reza Md. Yeahia
CFO	Mohammed Shahid Ullah, ACA, CDCS
Number of Zones	15
Number of Branches	304
Number of AD Branches	52
Number of ATM Booth	410
Number of Shareholders	33,686
Number of Manpower	11,381

Source: www.islamibankbd.com

2.11. Functions of the IBBL:

- ❖ To maintain all types of deposit accounts.
- ❖ To make investment.
- ❖ To conduct foreign exchange business.
- ❖ To extent other banking services.
- ❖ To conduct social welfare activities through Islamic Bank Foundation.

2.12. Setting performance of objectives:

- To extend the benefits of the investment of the investment of the bank under the scheme to different sections of the people.
- To assist in solving the existing housing problem of the country.
- To assist the service holders and professionals with fixed income to arrange for houses of their own.
- To extend investment facilities of the bank to every nook and corner of the country, by size of investment, by sector of investment and on the basis of geographical area.
- To make investment facilities easily available under Islamic Shariah to those people who do not want to avail investment facilities from interest based financial institutions.

2.13. Distinguishing features of IBBL:

The distinguishing features of IBBL are:

- All activities are conducted on interest-free system according to Islamic Shariah principles.
- Investment is made through different modes as per Islamic Shariah.
- Investment – income of the bank is Shared with the Mudaraba depositors according to an agreed upon ratio, ensuring a reasonable fair rate of return on their deposits.

- Aims to introduce a welfare-oriented banking system and also establish equity and justice in the field of all economic operations.
- Extend socio-economic and financial services to individuals of all economic backgrounds with strong commitment in rural uplift.
- Plays a vital role in human resource development and employment generation particularly among the unemployed youths.
- Portfolio of investment and investment policy have been specially tailored achieve balanced growth & equitable development through diversified investment operations particularly in the priority in sectors and in the less developed areas of the national economy.

2.14. Islami Banking in Bangladesh:

Almighty Allah has strictly forbidden investing or earning on the basis of interest (riba), because interest (riba) is out and out prohibited in Islamic rules. So every sorts of transition must be free from riba. But not only in Bangladesh but also over the world all the banks are working based on interest.

As it is haram in Islam the Muslim scholars thought a plan to establish a banking system that is free from interest and will work in the basis of profit-loss shearing. Then depending on this thought, it is decided to establish Islamic banks through the whole world to protect every one from this curse.

2.15. Products and services of IBBL:

- A) **Al- Wadeeah Current Account:** Depositing for the purpose of using.
- B) **Mudaraba savings account:** The term “Mudaraba” means partnership. Client provides money & Bank involves with management. Profit is apportioned as per Pre Agreed ratio. Natural loss is borne by the client.
- C) **Mudaraba term Deposit Account:** 3/6/12/24/36 months.
- D) Mudaraba Special Notice Account.
- E) **Mudaraba Hajj Savings account:** (a special account to facilitate performance of pilgrimage by fixed income group): 1 to 25 years term.

- F) Mudaraba Special Savings (**pension**) account: 5 years & 10 years term.
- G) **Mudaraba Savings Bond Scheme**: 5 years & 8 years term.
- H) Mudaraba Foreign Currency Deposit Account.
- I) Mudaraba Monthly Profit Deposit Account.
- J) Mudaraba muhor (Dowry) Savings Account.
- K) **Mudaraba Waqf Cash Deposit Account**: Deposit taken for the public welfare from the well-off and the rich people of the society.

2.16. Human Resources Development:

Total number of employees of the Bank stood at 11381 as on 2015. The manpower position of last 7 years is given below:

Table 2.3: Human Resources Development

Category	2009	2010	2011	2012	2013	2014	2015
Executive & Officers	2,552	2,692	2,924	3,327	3,876	4,408	8009
Sub-Staff	508	605	828	934	1,030	1239	3372
Total	3,060	3,297	3,752	4,261	4,906	5,647	11381
Total Branch	121	128	141	151	240	280	304

Source: www.islamibankbd.com

Employees of the branches:

Panchagar branch has one branch manager who is also Assistant Vice President of the bank. They have two principal officer and six officers. They have five sub staff also.

2.17. Development of Manpower, Research, Training and Motivation:

The principles and working procedures of Islamic Banks are completely now and different from the conventional banks.

There is an inevitable need for training of the employees of the banks to orient and attune them to the new system of Islamic banking, to cater to this need, Islamic Bank training and Research Academy (IBTRA) was established in 1984, soon after the inception of the Bank.

The activities of IBTRA cover both training and research on various aspects of Islamic banking. The Academy developed a rich library of its own with a treasure of valuable books on different subjects including Islamic economics, banking, comparative philosophies and journals of home and abroad and research articles and documents. Employees of the Bank, learners and researchers have been taking full advantage of the library.

The Academy edited books on “Reading in Islamic Banking” and “Investment Operations”. It also edited and published a brochure in “Investment and Trade Opportunities in Bangladesh.”

Keeping in view the existing and future training requirement on the Bank and also to generally cater such needs of different Islamic banking & financial institutions of the region, the management of Islamic Bank Training and Research Academy has been placed at the disposal of an Academic Council consisting of 3 Directors of the Board, Management Executives of the Bank, Shariah scholar, renowned academicians and representatives of reputed institutions engaged in the training of bank officials of the country. Islamic Bank Training and Research Academy has introduced Diploma in Islamic

2.18. Relationship between Banker and Clients:

Abolition of Interest from transaction: Banker-Customer relationships in Islam are established on a profit/loss income sharing arrangement instead of interest. The Islamic Shariah prescribes how a society is to be organized, what will be the relationships of its members, and how the affairs of the members are to be conducted. Accordingly, the relationship between a banker and a customer was established under the Islamic banking system.

Assurance of Distributive Justice: While any return on capital in the form of interest is completely prohibited in Islam, there is no objection in getting a return on capital if the provider of capital enters into a partnership with a worker or entrepreneur and is prepared to share in the risks as well as the gains between them.

The depositors of the bank may not be guaranteed a predetermined return on their saving, but they would be entitled to a share in the actual profits earned by the bank. Similarly, the bank would not be entitled to claim a predetermined return on the capital provide by it to the borrower but can enter into a profit/loss income sharing arrangement with them.

Rendering Improved Customer Service: Better customer services can ensure better relationship between a banker and customer. Logically, customers can claim some services as debtors, creditors, buyers and some as fellow Muslim brothers and still some more as fellow men in general. Islam is well known as a complete code of life, based essentially on the many verses of the holy Quran and many sayings of the Prophet (peace is upon him). So it is the duty of an Islamic Bank to satisfy the needs of the above parties.

Legal Reformation: To give the legal shape to the banker-customer relationship in Islam, some existing conventional banking laws and related laws need to be changed according to Islamic Shariah. In Pakistan, 13 (thirteen) existing laws have been changed to Islamize its banking system.

Elimination of Banking Fraud: An Islamic bank, behind which the Islamic faith acts, is based on Islamic Shariah, so it enjoys the opportunity to employ the devoted Muslims in the banking profession. It may also increase the religious values among the customers by imparting training to them so that they possess a mind free of fraud. It recognizes that a religious man always keeps himself away from fraud.

2.19. IBBL's World Rating:

As per the Banker's Almanac published by the Reed Business information, Windsor Court, England, IBBL's world rank is 1591 among 4500 banks selected by them. World ranking of IBBL amongst top 3000 International Banks:

Serial No.	Year	World rating
01.	2001	2447
02.	2002	2314
03.	2003	2303
04.	2004	2262
05.	2005	2119
06.	2006	2100
07.	2007	1999
08.	2008	1902
09.	2009	1771
10.	2010	1755
11.	2011	1581
12.	2012	1658
13.	2013	1620
14.	2014	954
15.	2015	943

CHAPTER THREE
REAL WORKING EXPERIENCE

CHAPTER THREE

REAL WORKING EXPERIENCE

3.1. Introduction:

General Banking is the heart of Banking. Here money collection procedure occurs. Other services, like cheque encashment, account transfer; account closing, bills and remittance are provided here. So, general banking section is the life blood in banking service. The activities perform through some procedures, such as Dispatch (inward-outward), Deposit, A/C opening and closing, transfer, Cheque book issue, local remittance (Payment order, DD,TT) collections-transfer delivery, IBC, OBC, Cash, Vault, Packing and handling and evening Banking.

3.2. Functions:

1. Issuance of token, Maintenance of subsidiary day book, writing of day Book, Balancing of ledger.
2. Opening account Mudaraba Savings A/C, Mudaraba term deposit A/C, Al-Wadiah current A/C, Mudaraba Hajj savings A/C, writing of A/c opening registers and issuance of pass book and cheque book.
3. Maintenance of current A/C ledgers, deposit ledger and TDR ledger and operation of computer.
4. Writing of transfer scroll, statement of current A/C and deposit A/C and Hajj deposit A/C pass book.
5. Bills: Outward and Inward Bills (OBC & IBC) and clearing.
6. Remittance: Issuance and payment of DD, TT, PO etc.
7. Writing of clean cash book and posting of general ledger and chequing of computer final sheets with general ledger.
8. Maintenance of charges, suspense and sundry deposit A/C, maintenance of dead stock and stationary articles registers..
9. Schedule telegram and preparation of general ledger A/C statement.

10. Establishment: Preparation of salary, pay sheet, LPC, maintenance leave register, personal files and method of correspondence and payment of income tax.

11. Reconciliation of general A/C.

3.3. Dispatch:

Inward:

Mail, other than those which are registered, marked confidential and addressed personally to some official, may be opened by an authorized member or staff who should enter in the inward mail register and mention serial number of the mail register on the letter/ paper received, affix, "Received" date stamp on it and delivery the same to the concerned officials against acknowledgement.

2. Letters addressed personally to any official shall be opened by the addressee only.
3. Registered mails and mails marked confidential will be opened by an officer or management in small branches. All these letters shall however enter in the inward mail registers.
4. Stop payment instructions and court orders shall be received by authorized officials who will immediately note date and time on it and take necessary steps.

Outward:

1. Outward letters must bear serial number and entry in the register with name and address.
2. Each typist will maintain a typist master file and dispatch Clerk also maintain a separate master file for future record.
3. Local letters may be delivered through peon book. If the area is large and letters are many in number service of post-office may be utilized.
4. Letters dispatched must be entered in the outward mail register and bear proper postal stamps, if sent through post office.
5. Remarks such as "urgent" "By Airmail" "Registered" Registered with A/D, "Confidential" etc. must appear on top of the letter as well as envelop.

6. If the letters are sent by registered post or courier service, postal receipt/ courier receipt must be maintained by the dispatch department in a file. Similarly acknowledgements received back should be maintained in the file.
7. If any telegram is sent by any branch, a copy of the message duly signed by authorized officer must be sent by post to the address as confirmation
8. Similarly when the branch receives any inward telegram, they must compare it with the confirmatory copy when received.
9. Received for telegraphic message issued by telegraph office should be maintained in a file and authorized officer must check them at the time of passing expenses voucher.
10. If any telegram is sent relating to services given to a customer, charges should be recovered from the customer concerned.
11. Manager and other officers of the bank must ensure economic use of telephone. Trunk call and STD conversation must be short. If telephone is used on account of customers, charges must be recorded.
12. Trunk calls and STD calls must be recovered in the trunk call register and verified with the telephone bill when received from T&T office.

3.4. Deposit:

Objectives & Principles:

2. To encourage people to save for self and for the country as a whole.
3. To develop a sustained savings habit among the people.
4. To mobilize deposits through the operation of following accounts;
 - A) **Al- Wadeeah Current Account:** Depositing for the purpose of using.
 - B) **Mudaraba savings account:** The term “Mudaraba” means partnership. Client provides money & Bank involves with management. Profit is apportioned as per Pre Agreed ratio. Natural loss is borne by the client.
 - C) **Mudaraba term Deposit Account:** 3/6/12/24/36 months.

- D) Mudaraba Special Notice Account.
- E) **Mudaraba Hajj Savings account:** (a special account to facilitate performance of pilgrimage by fixed income group): 1 to 25 years term.
- F) Mudaraba Special Savings (**pension**) account: 5 years & 10 years term.
- G) **Mudaraba Savings Bond Scheme:** 5 years & 8 years term.
- H) Mudaraba Foreign Currency Deposit Account.
- I) Mudaraba Monthly Profit Deposit Account.
- J) Mudaraba muhor (Dowry) Savings Account.
- K) **Mudaraba Waqf Cash Deposit Account:** Deposit taken for the public welfare from the well-off and the rich people of the society.

- To operate current account on Al-Wadeeah principle & all other deposit accounts on Mudaraba principle of Islamic rules and regulations.
- The bank distributes minimum 65% of its investment income earned through deployment of Mudaraba deposits among the Mudaraba depositors.

3.5. A/C Opening Eligibility:

- a. Persons over 18 years (except some restricted persons)
- b. Account of club.
- c. Association
- d. Agent
- e. Government
- f. Semi-Government.
- g. Organization.
- h. Liquidators
- i. Minor

j. Married Women

k. Illiterate person

3.6. Account Closing:

First a customer has to submit an application with his/her signature mentioning that he/she wants to close his / her A/C. Then the signature will be verified by the officer. Customer has to certify by different department (Advance, Foreign Exchange Department) of Bank that he / she has no liability to the bank. After that the customer's account is debited and then Bank issues a Pay Order in the name of A/C holder.

3.7. Account Transfer:

Customer has to submit an application mentioning that he /she wants to transfer his/her A/C to his desired Branch and the officer will verify the signature, customer has to be certified by different department of Bank that he/ she has no liability to the bank. Then total particulars of A/C holder will be prepared and sent to the customer's desired branch. Liability of recognizer is secondary and account holder is primary.

3.8. General Practices Regarding Account Opening Register:

After fulfilling all requirements for opening account, necessary entries are given by the account opening officer. There are several registers for several accounts as MSA, AWCA and TDR etc. Date of opening name of the account holder, nature of business, address, initial deposit, introduction and information are recorded in the register. New account number is given from the list of new numbers provided by the computer department.

Cheque Book:

Cheque Book is issued to the new customer after opening account. Two separate Cheque books are given for current and savings accounts. AWCA Cheque book consists 20 and 50 leafs, while MSA Cheque book contains 10 leafs. There is a Cheque issue

Register in this regard, where Cheque book numbers, leaf number, date of issue etc. information are kept properly. All the necessary numbers are sent to the computer department to give entry in the program.

Service Charge:

Taka 10 or 50 = each for twice a year is debited from customers AWCA account for rendering service to him. Taka 50 = each is debited from customers account for providing him solvency certificate.

3.9. Profit:

Profit is the price of the product which is determined by the market forces. Every bank offers a competitive price to attract deposit.

a. Principles of the distribution of profit to the Mudaraba Depositors

The principles of calculation and distribution of profit to Mudaraba Depositors generally followed by different Islami Banks are as under:

1. Mudaraba depositors share income derived from investment activities that is from the use of fund.
2. Mudaraba depositors do not share any income derived from miscellaneous banking services where the use of fund is not involved, such as commission, exchange, service charges and other fees realized by the bank.
3. Profit and losses resulting from the use of funds are separately maintained in the accounts from other income and expenditure relating to other activities and services offered by the Bank.
4. Mudaraba Deposits get priority in the matters of investment over bank's equity and other cost free funds.
5. Mudaraba Depositors do not share any income derived from investing Bank's equity and other cost free funds.
6. The amount of the statutory cash reserve and the liquidity reserve which are required to be maintained with Bangladesh Bank is deducted from the aggregate balance of Mudaraba Deposits to arrive at the net balance of profit sharing deposit.

7. The gross income derives from investments during the account year is, at first allowed to Mudaraba Depositors and cost-free-funds according to their proportion in the total investment.
8. The share of gross investment income of Mudaraba Deposits as worked out in terms of principle shown against serial No 7 above is distributed as under:-
 - (A) Mudaraba depositors' share of 65% of gross investment income might further be raised by the bank's Management at its discretion to rationalize the rates of profit to Mudaraba depositors but it would not be reduced during any accounting year without giving prior declaration.
 - (B) The rest amount of gross investment income is retained by the bank as management fee for managing the investment & for making reserve for bad and doubtful investments.

3.10. Local Remittance:

IBBL sells and purchases PO, DD & TT to its customers only. It does not offer remittance service frequently to those other than its customer.

Pay Order (PO):

Pay order is an instrument, which is used to remit money within a city through banking channel. The instruments are generally safe as most of them are crossed. The issuing branch will make the payment. Pay order must be account pay.

Demand draft (DD):

Demand draft is a popular instrument for remitting money from one corner of country to another. This instrument is basically used for transfer and payment. Difference between pay order and demand draft is in terms of place only. PO is used for remittance money with the city where as DD is used for within the country DD too, constitutes current liability on the part of a bank. At IBBL DD is not sold to people other than its customers.

Advantages of DD:

- ❖ Can avoid risk.
- ❖ Quick disposal/ settlement of money transfer transactions.
- ❖ Can avoid physical cash.

Telegraphic Transfer (TT):

Telegraphic transfer is one of the fastest means of transferring money from one branch to another or from one to another place. The TT issuing bank instructs its counterpart by tested telex message regarding remittance of money. No instrument is given for TT both parties should have account, as money is transferred.

3.11. Collections:

Clearing:

As far safety is concerned customers get crossed Cheque for the transaction. As we know crossed Cheque cannot be encased from the counter rather it has through been collected through banking channel that is clearing. A client of IBBL received a Cheque of another bank, which is located within the clearing range deposit, the Cheque in amount at IBBL new IBBL will not the money until the Cheque is honored.

Transfer Delivery:

Transfer delivery is a cheque collection procedure among internal branches within the clearing house. When a cheque is of a branch office is deposited to another branch office, then collecting branch on that date sends that cheque to their, local office, sends that cheque to that respective ranch and takes necessary action for honoring cheque.

If the cheque is dishonored then authorized branch send the cheque to the local office and local office send that cheque to the collecting branch on the collecting date.

Here clearing house function is not required because transactions occur among the same branch of same bank within the clearing house.

Cheque is of a Same Branch of IBBL:

If the cheque is of a branch office of a bank (within the clearing house of sane city) then the collection branch send the cheque to the authorized branch/drawn on branch and issues an IBCA to the collecting branch.

On the other hand, if the cheque is of another bank (outside of clearing house to another city) then cheque collecting branch will find out whether any branch office of the collecting branch situated near to authorized branch.

If yes, then cheque collecting branch will send the cheque to the branch office near authorized branch, that branch (near authorized branch) officer collect the cheque from drawn on branch and issues an IBCA.

If not, then the collecting branch will send that cheque to the authorized branch, after that authorized branch will send a DD with mentioning the name of their branch office near collecting branch and collecting branch will collect that cheque thereby.

Outward bills for Collection (OBC):

Customers deposit cheque, draft etc for collection attaching with their deposit slip. Instrument within the range of clearing are collected through local clearing house but the other which are outside the clearing range are collected through OBC mechanism. A customer of IBBL principal branch local office Dhaka is depositing a cheque of Sonali Bank Cox's- Bazar. Now as a collecting bank IBBL principal branch will perform the following tasks:-

1. Received seal on deposit slip.
2. IBBL local office principal branch crossing indicating them as collecting bank.
3. Endorsement give payees A/C will be credited on realization.
4. Entry on register from where a controlling number is given.

Collecting bank can collect it either by its branches or by the drawer's bank they will forward the bill then to that articulate branch. OBC number will be given on the forwarding letter.

Inward Bill for Collection (IBC):

In this case bank will work as an agent of the collection branch receives a forwarding letter and the bill. Next steps are:-

Entry in the IBC register, IBC number given.

Endorsement given- "our branch endorsement conformed".

The instrument is sent to clearing for collection.

Miscellaneous creditor A/C-

Credit Transaction:

When a branch request another branch (of the same bank) to pay a certain amount against any instrument (cheque, DD etc) and become liable to that bank, issues a IBCA to that branch and these transactions are recorded in the credit side of IBG A/C serially.

Debit Transaction:

When some cheques or any sort of financial instrument of another branch are deposited in a branch and this branch pays those instruments on behalf of authorized branch, issues an IBDA to that branch and those transactions are recorded in the debit side of IBF A/C.

Responding branch:

When a branch responds against an IBCA or an IBDA that branch is called responding branch.

Cash:

Cash section demonstrates liquidity strength of a bank. It also sensitive as it deals with liquid money. Maximum concentration is given while working on this section. As far as safety is concerned special precaution is also taken. Tense situation prevail if there is any imbalance in the case.

Teller Customers Relationship:

In a bank a person who delivers and receives cash from the cash counter is known as teller. A customer meets most of the time in a bank with a teller on the counter. So teller should hold certain quality, should be friendly, provided prompt service and be accurate in his or her task.

Cash Packing and Handling:

Cash packing and handling needs a lot of care as any mistake may lead to disaster. Packing after banking hour when the counter closed cash is packed according to denomination. Notes are counted several times and packed in bundle stumped and stumped with initial.

Evening Banking:

After the banking hour, the cash counter is closed. But sometimes customers come to draw or deposit money after the service hour. However, their money is received or paid recorded in the next daybook. This is known as evening Banking.

3.12 SWOT Analysis:

SWOT stands for strengths, weaknesses, opportunities and threats. It is a methodology used to aid strategic planning that gained popularity during the 80's. To do a SWOT analysis considers these: Strengths: What are your advantages? What do you do well? Weaknesses: What could be improved? ...Those are given below:

3.12.1 Strength:

- **Honest and Reliable Employees:** All of the employees of Islami Bank are honest and reliable. They are always devoted themselves to the works for better customer service they have no corruption report.
- **Adequate Finance:** Islami Bank Bangladesh Ltd. Have adequate finance. That is why they need not to borrow money from Bangladesh Bank or any other banks.
- **More funds for Investment:** for adequate financial ability they can provide loan to the more investment clients.

3.12.2 Weakness:

- **Lack of Adequate Employees:** Number of employees is fewer than the volume of works which creates problem for prompt service.
- **Lack of up to date equipment's:** IBBL has lack of modern technologies and equipment's like online facilities, fax, cash card and credit card system.

3.12.3 Opportunity:

- **Religious Minded People:** Most of the people of our country are religious minded. So they accept the concept "Interest free banking system" and going to Islami Bank with more interest.

- **Special Image:** IBBL has created special image to the people as a more reliable bank. People believe that if they keep their money in Islami Bank it will be more secured than other banks.

3.12.4 Threat:

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

3.13. Increase in Investment:

Investment operation of a bank is the greatest share of total revenue generated from it, maximum risk is concerned in it and the very existence of a bank mostly depends on prudent management of its Investment port-folio.

As such, for efficient deployment of mobilized resources in profitable, safe and liquid investments, a sound, well- defined, well planned and appropriate investment policy framework is necessary for achieving the goal of the bank.

The special feature of the investment policy of the bank is to invest on the basis of profit-loss sharing system in accordance with the principles of Islami Shariah. Earning of profit is not the only motive and objective of the bank's investment policy rather emphasis is given in attaining social welfare and on creating employment opportunities.

3.14 Foreign Exchange Sector Development:

Meaning: Foreign Exchange means currency and trade exchange say conversion of one to another. This is a part of economic and science. This is a big deal divided into different currencies instrument such as draft, Traveler cheque, bill of exchange business including sell and purchasing of currency notes.

Foreign trade facilities setting up of export oriented industries in the country as well as import substitute industries that help the country to save foreign currency. Foreign trade also allows an import of visible goods that are of demand at the local market. Apart from trade, foreign remittance service also contributes greatly in reducing poverty of the country in general and developing the deposit base of the bank in particular. Both foreign trade and foreign remittance are a good source of earnings for the bank.

Panchagar branch is a new branch. They start in December 2003. Panchagar branch has no Foreign Exchange division. I learn something about foreign exchange from my branch manager.

CHAPTER FOUR
FINDINGS, RECOMMENDATION &
CONCLUSION

CHAPTER FOUR

FINDINGS, RECOMMENDATION & CONCLUSION

4.1. Findings:

- ❖ IBBL is the pioneer of Islami Banking Business in the private Sector in Bangladesh.
- ❖ In general banking department IBBL follow the traditional banking system. The entire general banking procedure is not fully computerized.
- ❖ There is no computer in remittance section. That's why the service is not prompt as the customers desired.
- ❖ IBBL is not using Data Base Networking in Information Technology Department
- ❖ According to the opinion of some client's introducer is one of the problems to open account if a person who isn't new as a client wants to open an account it is a problem for him /her to manage an introducer for a regular account.
- ❖ The officers in the general banking department produce voucher manually and send them to posting officer to post them in the computer .The usually do not get involved themselves in generating voucher by computer.
- ❖ Remittance, both local & foreign is effective manner of customer Service.

4.2. Recommendation:

- ❖ IBBL needs to improve its most earning assets to increase its earnings. It should take various attractive schemes in this regard.
- ❖ It has to ensure uniformity in branch performance. For this purpose various training programs and workshops should be launched.
- ❖ Islami Banks Investment in agriculture and rural sector is low compare of other sectors. It should give emphasis to promote agro-based industry.
- ❖ IBBL has to start extensive on line banking in order to keep pace with 21 century's challenge.
- ❖ All the government approved securities in Bangladesh are interest bearing. Government and Bangladesh Bank need to take care to this situation.
- ❖ IBBL has to focus on modern banking service more.
- ❖ Although it has an honest group of employees, more care to improve human resource should be given.
- ❖ Full computerization of all activities of IBBL should be introduced

4.3. Conclusion:

The Banking sector is a sector at the one side, and it is the lubricant of the entire economy on the other side. The importance of banking sector in Bangladesh is more significant as the informal sectors, such as wholesale and retail trading, transport, construction and other small scale services play important role in this economy. Hence proper utilization of the banking channel is more important in Bangladesh. Islami Banks are those who do not charge interest, rather they do business on profit sharing basis.

The basic difference between Islami Banks and the ordinary banks is that the Islami Banks do business on profit-sharing basis and do not charge any interest, whereas the ordinary banks operate on the basis of interest charging. Islami Bank could also maintain the capital adequacy ratio and provide for loans and advances considered bad and doubtful of recovery up to the level as stipulated by the monetary authority of the country. The average growth rate of deposits and lending of the Bank is very good and even on a few occasions the growth rate is low. The activities of IBBL is so far diversified attempts are gradually being made for increasing the number of self-reliant projects, providing assistance to institutions/ organizations and individuals. As a market leader offering banking services based on the Islamic rule of Shariah, IBBL's profitability trend has been quite impressive.

The Bank's ability to keep its returns on asset well above the industry average reflected its resilience to possible shocks in the banking system. It is one of a few local banks according to CAMEL (capital, asset, management, earnings and liquidity) rating made by the Bangladesh Bank. It holds the highest amount of liquidity among all banks and its ability to keep return on asset is well above the banking sector's average.

The gradual and successful globalization of Islamic banking coupled with growing awareness of the people about its financial and social benefits makes it clear that the next century is going to be the century of Islamic Banking.

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