



Internship report

On

Investment operation

Of

First Security Islami Bank



Inspiring Excellence

Internship report

On

Investment operation

Of

First Security Islami Bank

Submitted to

Zaheed Husein Mohammad Al-Din

Senior Lecturer

BRAC Business School

Prepared By

Md. Shofiqul Islam

ID: 13204032

BRAC Business School

Submission Date:02.01.2017

Letter of Transmittal

2nd January, 2016

Zaheed Husein Mohammad Al-Din

Senior Lecturer

BRAC Business School

BRAC University

66 Mohakahli, Dhaka.

Subject: Submission of Internship Report on investment operation of FSIBL.

Dear Sir,

Enclosed is my report entitled the Investment Operation of FSIBL. This report includes the overview of FSIBL and especially the investment operation of this bank. It was written based on my experience that I have gathered by working as intern for three months. Upon faculty review, the original copy of the report is submitting to you. I appreciate the time that you have devoted to me.

Sincerely

MD. Shofiqul Islam

ID: 13204032

BRAC Business School

BRAC University

Acknowledgment

I would like to thank to almighty Allah for the completion of my report and I would also like to express my profound gratitude to BRAC Business School for including internship program as a four credit course which have given me a chance to work in a organization and have the employment experience.

My sincere gratitude to the HR of FSIBL for allowing me to complete my internship program in their organization. I am thankful to Mr. Mizanur Rahaman-SVP, Ahasan Habib-supervisor, Jalal Uddin-Investment Head and all the other employees to give me enough time from their busy schedule of work and helping me to do my work properly.

Lastly, I would like to thank Zaheed Husein Mohammad Al-Din (Advisor) and Internship Coordinator of BRAC Business School for their valuable instructions and guidance during the Internship program.

Executive Summary:

The internship program is an associate course which helps students to have practical knowledge and experience when he/she goes for a work after the end of graduation. My internship program was assigned at First Security Islami Bank Limited (FSIBL), Mohammadpur branch, under the supervision of MD. Zaheed Husein Mohammad Al-Din, Senior Lecturer at BRAC Business School, BRAC University.

My internship report was on the investment operation of First Security Islami Bank Limited (FSIBL). So finding the different aspect of the investment I have gone through all the available dates that I found in my reach and put it in my report.

First Security Islami Bank Limited (FSIBL) is a solid, developing and modern bank with a view of Islamic rules and regulation. Their main objectivity is to give the best and makes the customers happy and loyal to the bank. They also work to develop the society and increase the employment rate of the country. The general image of them is “Symbol of the Society”.

From my 3 months experience and all the information it can be easily said that First Security Islami Bank Limited (FSIBL), have different ideas in giving loans to the customers. They give away loan not only for the profit but also for the social development. They do not take interest instant of they become partners for any project they are giving loan and share both the loss and profit. The Bai-mode is the most used mathord by them for giving loans. Bai means purchase and sell. The bank helps the customers to buy the product with the amount they asked for and give them a certain date to repay the amount. It means sales on credit. So basically they are giving loans under the Islamic rules and regulation.

Table of contents:

Contents	Page Number
<u>Chapter-1</u>	
1.1 Introduction.....	01
1.2 Historical Profile Of FSIBL.....	01
1.2.1 Mission.....	02
1.2.2 Vision.....	02
1.2.3 Corporate Culture.....	03
1.2.4 Objective of FSIBL.....	03
1.2.5 Organization Hierarchy.....	04
1.2.6 Deposit Mobilization.....	05
1.3 Source of Funds.....	05
1.3.1 Primary Source.....	06
1.3.2 Secondary Source.....	06
<u>Chapter-2</u>	
2.1 Origin of The Study.....	09
2.2 Objectivity Of the Study.....	09
2.3 Methodology.....	10
2.4 Scope of the Study.....	10
2.5 Limitation Of the Study.....	11
<u>Chapter-3</u>	
3.1 The Investment Operation of FSIBL.....	13
3.2 Objective & Theoretical Aspect Of Investment Operation.....	13
3.3 Investment Mechanism of FSIBL.....	14
3.3.1 Profit & Sharing Mode.....	14
3.3.2 Bai Mode (Buying & Selling).....	15
3.3.3 Rent Sharing Mode.....	16
3.4 Investment Scenario	17
3.5 Loan & Advance In FSIBL.....	18
3.5.1 Loans.....	18
3.5.2 Overdrafts.....	19
3.5.3 Cash Credits.....	20
3.5.4 Other Loans.....	21
3.6 How investment operate in FSIBL.....	22

Chapter-4

4.1 Internship at FSIBL.....	25
4.2 SOWT Analysis of FSIBL.....	25
4.3 Observation & Recommendation.....	28
4.4 Conclusion.....	29
4.5 Reference.....	30

CHAPTER-1

1.1 Introduction

At present, the banking sector is uprising and playing a vital role in our economy. In introduction chapter, we need to define 'Bank' before going to make differences between Islamic banking systems with conventional banking system. So, in the nut shell it can be defined as a financial institution which collect deposits from the surplus unit and make investment to deficit unit. In this process banks income is the difference between the lending and deposited rate. This nature of income may have two types, **>Interest income:** it is the earning of conventional bank following the system of interest income is prefixed and not allowed to give or take in accordance with the Islamic system. Mention that it is the source of exploitation. **>profit:** it is the earning of "Islamic Bank" following the Islamic system. Profit generated from buying and selling process which has been made halal in Islam. According to the Islamic Shari'ah interest is strictly prohibited. Since Islamic bank is conducted based on profit and loss sharing approach rather than interest basis, it is has more acceptability to the Muslim mankind. But basic principle of Islamic banking being PLS (profit loss sharing system) - based Shari'ah (Islamic principles) financing and thereby having been exposed to interest rate risk. Because most of the investment of Islamic bank are on Bai-mode. In this mode, bank sell specified goods to the Client on cost plus agreed upon profit within the fixed period, the Islamic bank cannot impose or realize additional amount as income of the bank. But, the conventional banks can continue to charge interest or even they can change & realize penal interest as income of the bank. Therefore conventional banking system which is based prefixed interest rate is exposed to less interest rate risk. So how Islamic banking systems can provide loans & advances profitably and survive with their huge interest rate risk in the capitalist economy. That's why my topic of the report is to identify the basic differences between the Islamic and conventional banking system.

1.2 Historical Profile of FSIBL:

The First Security is a national Banking sector which was incorporated on the 29th August, 1999 as a Banking company under the companies Act 1994 to carry on the banking Business. It obtained permission from Bangladesh Bank in 22nd September to commence its Business. It has started its operation as a commercial bank on 25th October, 1999 with a branch at Dilkusha. At

present the bank have more than 130 branches all over Bangladesh. It renders all types of commercial banking service to the customers within the stipulations laid down the Banking Company Act 1991 and rules and regulation are being compromised by the Bangladesh Bank time to time. Diversification of products and service and innovation of products suited to the needs of the customers in keeping with relevant rules and laws have made it different from other commercial banks of the country. In 2009, 1st January they change their system and converted into Islamic banking. They also change the name and the new name was “First security Islami Bank LTD”.

Corporate Banking and personal Banking are the special strength of FSIBL. It maintains a strong relationship with all the banks of the country and all the customers of the bank. The first security Islami bank LTD is a solid, forward looking and modern local bank with a view to ensure sound performance. The effort that the first security Islami bank LTD is trying to portray the bank as a brand image as very strong and successful. The general image is that it is the “Symbol of Security”.

In 1999 the authorized capital of bank was BDT 1800 billion and paid capital BDT 200 million. By the end of 2010 the paid up capital was BDT 1000,000,000. The consent of IPO was 4th June 2011. The bank entered Initial Public Offering (IPO) on July 20th, 2011.

1.2.1 Mission of the Bank:

To be a provider of high quality product and service to its potential markets. With a view to achieving commercial objective of the bank, their sincere and all efforts stay put unabated. Respected Client is attracted to them for their transparency, accountability, social commitments and high quality of clientele services.

1.2.2 Vision of the Bank

The vision of the first security Islami bank is to be the most efficient bank in term of the customer service, probability and technology application.

1.2.3 Corporate Culture

FSIBL is one of the most disciplined banks with a distinctive corporate culture. In this bank, it believes in shared meaning, shared understanding and shared sense making. The people of the bank can see and understand events, activities, objects and situation in a distinctive way. The people of the bank see themselves as a tight knit team/family that believes in working together for growth. The corporate culture they belong has not been imposed. It has rather been achieved through their corporate culture.

1.2.4 Objectives of FSIBL

The primary objective of establishing Islamic banks all over the world is to promote, foster and develop the application of Islamic principles in a business sector. Its objectives are different from conventional banking are follows:

- ✓ Conducting interest-free banking.
- ✓ Establishing participatory banking instead of banking on debt.
- ✓ Creditor Relationship
- ✓ Investing through different modes permitted under Islamic Sharīh.
- ✓ Accepting deposits on profit-loss sharing basis.
- ✓ Establishing welfare oriented banking system.
- ✓ Extending co-operation to the poor, the helpless and the low-income.
- ✓ Group for their economic enlistment.
- ✓ Playing a pivotal role in human development and employment generation.

1.2.5 Organizational Hierarchy:

Chairman
Co- Chairman
Director
Managing Director (MD)
Deputy Managing Director (DMD)
Senior Executive Vice President (SEVP)
Senior Vice President (SVP)
Vice President (VP)
Senior Assistant Vice President (SAVP)
Fast Assistant Vice President (FAVP)
Senior Principle Officer (SPO)
Principle Officer (PO)
Senior Officer (SO)
Officer
Probationary Officer
Assistant Officer
Trainee Officer
Computer Operator and Sub-staff

1.2.6 Deposits Mobilization in FSIBL (Islamic Bank)

Like interest-based conventional banks, the main function of Islamic banks is to mobilize saving and provide financial support to the entrepreneurs. Yet there are reference in techniques applied in the process of saving mobilization and financing investment by the two banking system. Depositors receive interest in a predetermined rate for their deposits with an interest-based banking. Similarly, the investors are given a predetermined rate of interest to the bank. The technique thus involve each Hal every partner in the transaction process with the element of interest. Islamic bank, on the other hand, neither pays nor skives interest from any of its transaction thereby saving everybody from the curse “if interest.

1. Al Waddeeah Account

2. Mudarabah Account:

2.1 Mudaradah Savings account
2.2 Mudaradah Savings Bond
2.3 Mudaradah special Scheme
2.4 Mudaradah Term Deposit Receipt
2.5 Mudaradah monthly profit distribution Scheme
2.6 Mudaradah Short notice Account

1.3 Source of Funds

The financial resource of the Islamic banks consists of original capital resources comprising paid-up capital and reserves and funds rose through borrowing from the central bank and other banks according to the Islamic Shari’ah, and issue of Islamic financial instrument. The major part of their operational fund is, however, derived from the different categories of deposits accepted on Islamic principles of AL-Wadiah and Mudaraba. For the sake of ease of understanding we call these two sources as ‘Primary’ and ‘secondary’. These are discussed as under.

1.3.1 Primary Source

Paid up Capital

- 75% of the capital of the bank was contribution by foreign individual & organization.
- 10% of the paid up capital the bank was contribution by local sponsors.
- 10% of the paid up capital of the Bank was contributed by the public shareholder.
- 42% of the shares are owned by local shareholders.
- 58% by the foreign Shareholders.

Islamic banks are public limited companies incorporated under the companies Act, which are listed on the stock exchange. Individual, institutions, local and foreign, have subscribed there. For example, the first Islamic bank of Bangladesh-islami Bank paid up capital of FSIBL:

- ❖ Sponsor 43.44%
- ❖ Financial Institutions 15.05%
- ❖ Foreign Investors 1.127%
- ❖ Non-resident Bangladeshi 0.05%
- ❖ General Public 40.19%

1.3.2 Secondary Sources

Mobilization of Deposit

The secondary source of capital for both Banking systems is mobilization of deposit which have already described.

Secondary reserves provide protective liquidity for forecastle cash as well as for more remote contingencies. Secondary reserve of traditional bank consists of short term open market securities. Islamic bank can also hold Islamic bonds and securities Mudaraba and Musharaka or other securities approved by Islamic Shariah. In contrast to primary reserves, secondary reserve can earn an explicit return, thus enhancing the profitability of the institution. The average

maturity of securities included in secondary may vary. In addition to having near term maturates, the securities in this category must have a low default risk and market value with limited exposure to interest rate movements. Being highly marketable and reversible, secondary reserve provides the commercial bank with its principal source of liquidity.

CHAPTER-2

2.1 Origin of the study

The internship report is a basis requirement to fulfill BBA program of BRAC University. The proposed topic is “Investment operation of FSIBL”. This topic has been assigned by Mr. Md. Abdul Halim and supervised by Md. Ahasan Habib.

The intern was placed in “First Security Islami Bank Limited” for three months internship to have a practical grasp over the organization activities. The topic of the report is proposed to be “Investment operations of FSIBL”.

2.2 objectivity of the study

The objectivity of the study is to fulfill the requirement of the BBA program as well as the aim thirst of the study is to test whether they consider bank’s activity, especially the loans & advances, are unequal to the conventional banking system. Other objectivities are:

A) Broad objective:

To analyze the investment operation of first security Islami bank limited, Mohammandpur Branch.

B) Specific objective:

- To know about the pervious and present banking system of FSIBL
- To analysis the customer credit facilities of the bank.
- To analysis the strengths and weakness of FSIBL against the competitors.
- To be acquainted with how the bank preform its operations.
- To present the observation and suggestion’s to the bank.
- To analyze classified investment.
- To gain practical experience on different function of different department of the bank.
- To measure the effectiveness of the bank in the utilization of available resources.

2.3 Methodology

The methodology of the report includes direct observation, oral communication with the employees of all departments, survey's, study reports and other research techniques and could be include both present and historical dates. Therefor it includes both primary and secondary dates.

Primary date was,

- ❖ Face to face communication
- ❖ Oral interview of employees
- ❖ Observing the rules and operations of the bank
- ❖ In-depth study of selected cases.

Secondary data was,

- ❖ Internet
- ❖ Website id FSIBL
- ❖ Internal report
- ❖ Some articles

2.4 Scope of the study

This report is the outcome of my practical knowledge during the period of the three months internship at FSIBL. The study covered in banking areas are:

- ❖ General banking Department (Account opening, Account, Remittance)
- ❖ Investment Department (Loans and advance of investment)
- ❖ Foreign Exchange Department (Import, Export, Remittance)

2.5 limitations of the study:

- There is a difficult matter to collect sufficient data from the bank. Many expected data I have failed to collect. So, lack of sufficient data is one of the big problems during my paper writing.
- All employees are so busy that they cannot help me properly about the whole banking system. So there is no constructive suggestion of bank employees that I have achieved and comprised in the report.
- Lack of available publication data's.
- Most of the essential data are confidential for the bank. So there is lack of primary data.
- Employee's assistance to get data as well as to get many answers was poor. So there is limitation in the regard that has obstructed me to make this report perfect.

CHAPTER-3

3.1 The Investment Operation OF FSIBL

Islamic Banks emphasis on legitimate (Halal) business. Islamic bank does not invest in loans and fixed interest securities. It can invest in ordinary share only while interest based bank can invest in loans and different kinds of securities. FSIBL establishes and participates in project with its client as a partner and bears the risk along with the client on a proportionate basis. Finally, the concept of FSIBL is to establish on egalitarian society based on principals of social justice and equity. We have gathered the fact that investment management is the theme of FSIBL. The banks take deposits and invest the same based on the profit-loss sharing. Bank goes for the investment mainly which are long term and profitable in nature. FSIBL also give high concentration on the investment that will generate more employment. As investment one of the most priority areas for the FSIBL, so it needs to cautious in investment decisions. To ensure proper investment FSIBL always go with in-depth study before making an investment. So in the next phase we are going to demonstrate the way FSIBL manage investment.

3.2 Objective and Theoretical Aspect of Investment Operation

The Objective and theoretical aspect of investment operation of FSIBL are to inept fending strictly in accordance with the principles of Islamic Shari'ah and those are:

- To do away with disparity and establish justice in trade, commerce and Industry.
- To diversity its investment portfolio by size of investment portfolio by sectors, by economic purpose, by securities and by geographical area including industrial, commercial & agriculture.
- To ensure mutual benefits both of the bank and the investment client by professional appraisal of investment proposals, judicious sanction of investment, close and constant supervision and monitoring thereof.
- To make investment keeping the socio economic requirement of the country in view.
- To increase the number of potential investors by making participatory and productive investment.
- Employment generation with a view to accurate sustainable socio-economic growth and up liftmen of the society.

- To shun even highly profitable investment in the fields forbidden under Islamic Shari'ah and are harmful for society.
- The bank extends investment under the principle of Bai-Murabaha, Bai-Muazzal, and Hire Purchase under Shirkatul melk and Maskaraka. The bank is making sincere efforts to go for the finance various development scheme of poverty alleviation, income and investment under Mudaraba principle in near future.
- To invest in form of good and commodities rather than give out cash money to the investment clients.
- To contribute to social upliftment, and sustained economic growth of the country.
- Investment to trade, commerce, industry, foreign trade, small scale industry, transportation, service sector.

3.3 Investment Mechanism of FSIBL

The special feature of the investment of the Islamic bank is to invest based on profit-loss shearing system in accordance with the tenets and principles of Islamic Shari'ah. Earning of the profit is not the only motives and objective of the Islamic Banks investment policy rather emphasis is given in attaining social good and in creating employment opportunities.

FSIBL investment Mechanism mode is divided in three parts and those are described below:

3.3.1. Profit & Loss Sharing Mode:

Profit and loss sharing mode mainly related to FSIBL investment department. It is a major part of the bank. The marked up profit may be fixed in lump sum or in Percentage of the cost price of the goods. This mode is categorized into two different systems and those are:

A) Mudrarba: It is a form of partnership where one party provides the funds while the other provides the expertise and management. The first party is called Sahib-Al-Maal and the latter is referred to as the Mudarib. Any profit accrued are shared between on a pre-agreed basis, while capital loss is exclusively borne by the partner providing the capital.

Important Feature:

- Bank supplies capital as Sahib-Al-Mall and the client invest if the business with his experience.
- Administration and Management is maintained by the client.
- Profit is divided as per management.
- Banks bears the actual loss alone.
- Client can take another investment for the specific business without the permission of the bank.

B) Musharaka: an Islamic financial techniques that adopts “equity Sharing” as means of financing projects. Thus, it embraces different types of profit and loss sharing partnership. The partners share both capital and management of the project so that profits will be distributed among them as per rations, where loss is shared according to rations of the equity participation.

Important Feature:

- The investment client will normally run and manage the business.
- The bank shall take part in the policy and decision making as well as overseeing the operations of the business of the client.
- As the investment client shall manage the enterprise, the bank may pay more share of the profit to him than that of his proportionate capital contribution.
- Loss, if any, shall be shared on the basis of capital ratio.

3.3.2. Bai Mode (Buying and selling)

Bai mode mainly related to buying and selling. The terms “Bai” have been derived from Arabic words and the word mean purchase and sale. Bai means sale foe which payment is made at a future fixed date or within a fixed period. In short, it is a sale on credit. This mode has three different criteria and those are discussed below:

A) Bai-Murabaha: The word Bai means purchase and sales and the word Murabaha means an agreed upon profit. Bai-Murabaha may be defined as a contract between a buyer and seller under

which a seller sells a product to the buyer at a cost plus agreed profit payable in cash or on any fixed future date I lump-sum or by installments. The seller may also sell goods purchased by him as per order and specification of the buyer.

B) Bai-Muajjai: Bai-Muajjai may be defined as a contract between a buyer and seller which under the seller sells a certain specific goods, to the buyer at an agreed fixed prices payable at certain fixed future date in lump-sum or within a fixed period or fixed installments. The seller may also sell the goods purchased bt him as per order and specifications of the buyer.

C) Bai-salam: Under this mode Bank will execute purchase contract with the client and make payment gains purchase of the product, which is under of production. Bai-salam contract will be executed after making any investment showing price, quality, quantity, time, place, and node of delivery. The profit is to be negotiated. In this mode the payment as the price of the goods is made at the time of agreement and the delivery of the goods is deferred.

3.3.3 Rent Sharing Mode

The term Rent Sharing Mode has been derived from the Arabic words Ajr and ujrut which means consideration, return, wages or rent. This is really the exchange value or consideration, return, wages, rent of the service of an asset. Rant sharing mode has two categories and those are given below:

A) Hire Purchase/Ijarah: The term Ijarah derived from Arabic words Air and Ujrut which means consideration, return, wages or rent. This is really exchange value or consideration, return, wages, rent of service of an Asset. Ijarah has been defined as a contract between two parties, the hiree and Hirer where the hirer enjoys or reaps a specific service service on benefit under specific consideration or rent from the asset owned by the Hirer. It is an hire agreement under which a certain asset is hired out by the hiree to the Hirer against fixed rent or rentals for a specific periods.

B) Hire Purchase under Sirkatul Meelk: under this mode bank may supply implements/ equipment/ goods on rental basis. The owner of the implements/ equipment/ goods will be with the bank and client jointly and the portion of the client will remain to the bank as mortgage until the closure of the investment account, ut the client will be authorized to process the equipment

for certain period. The client, after completion of the installments, will be owned of the implements/ equipment/ goods.

Meaning and definition

Hire purchase under Shirkatul Melk is Special type of contract which has been developed through praetice. Actually, it is a synthesis of three contracts:

- Shirkat
- Ijarah
- Sale

Shirkatul Melk: Shirkat means partnership. Shirkatul Melk means share in ownership. When two or more persons supply equity, purchase an asset, own the same jointly and share the benefit as per agreement and bear the loss in proportion to their respective equity, the contract is called Shirkatul Melk.

Ijarah: Ijarah derived from Arabic words Air and Ujrat which means consideration, return, wages or rent. This is really exchange value or consideration, return, wages, rent of service of an Asset.

3.4 Investment Scenario (Sector Investment) of FSIBL:

The special feature of the investment policy or the FASBL is to invest on the basis of profit-loss sharing system in accordance with the tenets and principles of Islamic Shari'sh. Earning profit is not the only motive and objective of the Bank's Investment Policy rather emphasis is given in attaining social good and creating employment opportunists.

They have a diversified investment portfolio of size, sector, geographical area, economic purpose and securities to bring in phases all sectors of economic and all type of economic group of the society with in the bank's investment operations.

FSIBL's loans and advance portfolio grew by 52.34% in 2015 and reached at BDT 28616.42 million. SMA to total loans and advance ration of FSIBL was about 0.20% in 2015. FSIBL's

loan portfolio in 2015 was dominated by whole trade financing (34.45%) followed by import financing (20.67%).

3.5 Loan and Advance in FSIBL

The making of loan and advances has always been a prominent and profitable function of conventional banks. Conventional banks deal with the money from the depositors repayable on demand. Advance in FSIBL are made in different form as loans, overdrafts and cash credits.

3.5.1 Loans:

When an advance is made in a lump-sum repayable either then in fixed monthly installments or lumps and no subsequent debit is ordinary allowed except by way of interest, incidental charge etc., it's called a loan. Loans are normally allowed to those parties who have fixed sources of income or desire to pay it in lump sum.

Term loan:

Term loan is determined on basis of periods. These loans are provided in different sectors economic.

1. Short term Loans (From 1 to 3 years)
2. Midterm Loans (From 3 to 5 years)
3. Long term Loans (Above 5 years)

Type of term Loans:

A) Consumer Finance Loan:

CFS is offered to the fixed income group to finance purchase of consumer's durable to raise their standard of living. Loan is given for purchase TV, refrigerator, Air-conditioner, Washing machine, movie camera, Computer accessories, Furniture, Kitchen items, Telephones, Vehicles. Loan is given to Government, Semi-government & autonomous bodies, Banks insurance and finance institutions, professionals like doctor , CA, lawyers, Teachers etc., officers of reputed private organizations & MNC having corporate structure, firms and corporate bodies.

B) Hire Purchased Scheme:

The feature of hire purchase that usually the deposits has been paid and the rest of the purchase are spread over a period of six month, 2 years or sometimes even longer, the article being regarded as the property of the bank pavement has been made. Hire purchase normally allowed to those persons who have either fixed source of income or desire to pay it in Lump-sum.

Terms and Conditions:

- 1) The purchase item will be covered by the first party comprehensive insurance plan throughout the period and premiere for the policy of each year will be borne by the client.
- 2) Detail feasibility report containing marketing, financial, technical, socio-economic aspect showing detailed break-up of the project cost and other usual financial analysis duty supported by its assumption.

3.5.2 Overdraft:

The overdraft is a kind of advance always allowed on current account operated upon by cheques. The customers is sanctioned a certain limit upon which, he can overdraw his current account with a stipulated period. Here withdrawals or deposits can be made any number of times at the convenience of the borrower, provided the total amount overdrawn does not, at any time, exceed the agreed upon limit. Interest is calculated and charged only on the actual debit balance on daily product basis. Thus the borrower in this case can save interest by reducing the debit balance.

Types of Overdraft:

1) O.D. against Pledge goods:

It may be extended to the borrowers against pledge of raw materials or finished goods as security. It is given according to the rules margin restriction fixed by the Bangladesh Bank and

FSIBL. The customer has to sign a duly stamped letter where the party surrendered the possession of the good to the custody of the bank.

2) O.D. against Hypothecation of goods:

Credit facility is provided to the borrower by signing a letter of hypothecation creating a charge against the raw material or finished goods. It is kept to the bank as a primary security against the advance. Here both the ownership and physical possession is kept to the bank. Bank has all the right over the goods hypothecated.

Temporary Overdraft:

Sometimes in current accounts overdraft is allowed to honor an important cheque without any prior arrangement thereof such facility by the bank to a first class party for a short period is called temporary Overdraft. In an overdraft account the balance may fluctuate day by day. It may increase by drawing of cheques by the customer and may decrease by payment into the account. It is essential that a letter of continuity must be obtained in the case of overdraft account.

3.5.3 Cash Credit:

Cash credit is the favorite mode of borrowing by traders, industrialists and agriculturist etc. for meeting their working capital requirements. This type of facility is always against pledge of goods, produce and merchandise. Cash credit is something allowed against the hypothecation of goods. In a manufacturing company, whose stock of raw materials and manufacturing goods constantly fluctuate, it's difficult for bank to control such change; so hypothecation facilities are allowed to them. The same is true for all the small trades and industrialists who cannot offer their stock for pledge but can only hypothecate their stocks in their shops etc. in this case the ownership and possession of the goods remain with the borrower although by virtue of the hypothecation agreement, the bank possession of the goods if the borrower defaults.

Cash credit in its sense is against pledge of goods. It is a separate account by its self and, is maintaining a separate ledger. In addition, goods ledger, go down ledger, go down key ledger, go down index card, etc. are also maintained. Deliveries of goods are made on the strength of

delivery order issued by the banks and, goods are received through goods invoice deposited by the borrower. It is operated upon like an overdraft account.

3.5.4 Other loans:

1. Secured overdraft (SOD) general:

Advance allowed to individual/firms against financial obligations i.e. lien insurance policy/shares etc. fall under this head. This may or may not be a continuous credit.

2. Secured overdraft (SOD) FO:

Loan is given against FDR, Shanchaypatar, Share, Debenture, MSS, MBSS, DBSS etc., are fixed securities.

3. Secured overdraft (SOD) others:

Advance allowed against assignment of the work order for execution of contractual work fall under this head. It is not a continuous credit.

4. CC. (Pledge):

Financial accommodation to the industries/firms for trading, as well as wholesaler to the industries a working capital against pledge of goods as a primary security all under this head of advance. This type of facility is more freely granted by the banks than any other advance.

5. CC (Hypo)

Advance is allowed against hypothecation of goods. It is called cash credit. All are the same but in case of CC (Hypo) the ownership & possession of goods remain with the borrower.

6. Bank Guarantee:

Through a bank guarantee importers make payments to the exporters. If the importer fails to make payment to the exporter then the bank remains liable for the payment. In this case bank has to pay the exporter. For this type of guarantee, client has to give interest quarterly.

7. Bid Bond:

This type of guarantee is required in case of tender placing. Generally margin for bid bond is 10%

8. Performance Guarantee:

When a party got the tender, then the party required guarantee from the bank to run their normal trading.

9. Advance payment Guarantee (APG):

When a party is paid a certain amount to finish a tender work then the banks gives an APG that an assurance that the bank will be liable in case of any miss-happening.

10. Shipping Guarantee

When the goods arrived before the papers then the bank gives shipping guarantee. After arriving the papers the guarantee is returned.

11. Custom Guarantee

It arises when code number of the goods is not matched with the code number of the customs then it is needed. Here 100% margin or collateral is needed.

3.6 How Investment Operate In FSIBL

The Islamic bank deploys their funds as per different mode of investment financing approves by Islamic Shari'ah. Most of the investment is on Bai-Mode. In this mode bank sell specified goods

to the clients on cost plus agreed upon profit or at a negotiable price payable after a certain fixed periods. If the client fails to pay the price within the fixed time the Islamic bank cannot impose additional amount as income of the bank. But conventional banks can continue to charge interest even they can charge penal interest as income of the bank.

The other ideal modes of Islamic Banks are Musharaka & Mudaraba. In Musharaka, Islamic banks share the profit/loss of the business with the client. In Mudaraba mode Islamic bank shares the profit with the client. If any loss accrues all the loss is born to the bank. On the other hand, the earning of the conventional are prefixed and certain which continue till final payment. As business partners the asset quality of Islamic bank is different and better. So the classification & provisioning rules should be separate for Islamic banks.

The special feature of the investment policy of Islamic bank is to invest based on profit and loss sharing system in accordance with the tenets and principles of Islamic Shari'ah. Earning of the profit is not only motives and objective of Islamic investment policy rather emphasis is given in attaining social goods and creating employment opportunities.

In this view we can conclude that investment models of Islamic banking system have distinguished features over the conventional banking system. In conventional banking loan is garneted on the basis of interest, which id fixed. On Islami Banking system the investment is going on with the profit-loss sharing system. Islami Banking system directly works with unemployment problems.

CHAPTER-4

4.1 Internship at FSIBL

I have got a chance to work at FSIBL as an intern for a 3 month period. I was doing my internship in Mohammadpur Branch. In these three months I have assigned with different kinds of work. I had worked in both General banking and Credit Department. But as I had interest in the credit department my main focus was learning how Islamic investment system works. My working experience is described below:

- ❖ At first I was given a proper idea about account opening form. How many kinds of forms are there in FSIBL I also learned at the first time.
- ❖ I also learned which documents are needed for opening an account.
- ❖ I learned how to close an account.
- ❖ I also collected cheque books and ATM cards which are sent from the head office and also distributed to right customers.
- ❖ I also provide bank statements to the customers whenever they ask for it.
- ❖ I went to visit the investment programs of FSIBL with the supervisor.
- ❖ I also collected necessary papers from the customers and checked it for initial checking.
- ❖ I had contact different customers whose payment of loan was pending.
- ❖ I also had input the data of different category of loans.

4.2 SOWT Analysis of FSIBL

1) STRENGTHS:

Bank Reputation:

They have a good reputation in the banking sector in Bangladesh. In 15 years they have placed a good position in the htiw rotces gniknab Hugh stiforp ni htwtrog and deposits.

Islamic Banking Concept:

In Bangladesh most of the people are Muslims and they try to follow Islamic rules and regulation. As FSIBL also follow the Islamic rules so people will always turn in their side.

Effective Management:

Their top management is very much effective and efficient. The top level management have tons of experience, accrued skills and become experts by working in different bank of the country.

Facilities and Equipment's:

They have all the modern equipment's and highly developed physical facilities to give better service to the customers. They also have online banking operation. They use counting machine and fake money finder in all the branches.

Modern Branches:

All the branches are decorated with quality furniture's, generators, AC and an advanced security system to protect the customers in any kind of situations. By this it helps a lot to attract customers to the bank.

Strong Mid-level & lower Level:

They have good and combined mid and lower level employee segment. The mid and lower level employees give the best to make a good reputation and profit for the banks. They go through training and it helps them to be a good employee and a service provider.

2) Weaknesses:

Low reward Package:

Though the employee's work with everything they have but their reward is low at a certain level. Their salary structure is also not that attractive for employees with high qualifications and it becomes hard for them to retain quality full employees with the bank.

Time Wastage:

They take High time to approve a loan and it hampers their investment department.

Lack of Online Service:

All the branches do not have online service. In this modern age this biggest drawback for FSIBL.

Less advertising and promotions:

Their advertising and promotions activity is moreover good but in the SME sector they are far behind from all other banks. In Bangladesh the demand for SME loan is growing but they are not doing enough to promote their SME loan to the general customers.

3) Opportunities:

- I. They can increase their promotional activity for new product and SME loans
- II. More managerial and experienced know-how.
- III. Better online network system
- IV. Introducing new banking facilities.
- V. Bring diversification in everything and change the conventional ways.
- VI. Make new reward options for mid and low level employees.
- VII. One to one customer's interface.

4) Threats:

- I. The banking sector is High in Bangladesh so there will be High competition.
- II. Now-a-days every bank is well developed and giving better service to the customers.
- III. Government is also trying to reduce the interest rate.
- IV. The customers demand is changing day by day.

After analyzing the SWOT of FSIBL I had found some results. I can saw for my analysis that FSIBL have more strengths then weakness. They should take proper and effective steps to do

better than the competitors. They should also take in account the available opportunities to improve their banking system. So if they focus on their opportunities and strength then they can surely go ahead in the banking sector.

4.3 Observations & Recommendation:

According to my observation I want to give some recommendation which can help them to increase their position in the market. Those are given below:

- ❖ The bank uses a system which name is “Altima’s”. it is used by the whole organization but it is very slow and sometimes it break down. So they have to make it more developed and user friendly.
- ❖ In the bank the required number on employees are not enough so they have to increase it a bit.
- ❖ Some of the employees are not good in communicating with the customer so it should be changed.
- ❖ The internet speed is not up to the mark. The speed of the line should be increased.
- ❖ The employees should make the customer happy by giving the proper service.
- ❖ The manager should be more involved with the customers and employees to make a good environment in the bank.
- ❖ The intern’s jobs should be increased or else they will not learn everything.
- ❖ The interest rate should be less.
- ❖ They have to change their marketing strategy.
- ❖ They should introduce complain management for finding the customers views and demand from the bank.

4.5 Conclusion

FSIBL has grown in a Hugh margin over the 15 years from its establishment in 1999. In this report I tried to show all activates of FSIBL in different sectors. For development in the future they can have glance in this report and find good ways to achieve their goal in competitive environment. It was difficult for me to find the drawbacks of any branch in 3 months but I have tried my best to give something for my observation.

I have tried to give a whole view of FSIBL throughout the report and gave some recommendation to improve their current conditions. I took face to face interview with the manager and customers of FSIBL to have good idea of the bank. The bank have to take necessary steps to innovate and develop their banking system to be more comparative in the market because if they do not they will lack behind from the market.

So in the end I want to say that this is the best experience of my life to work in an organization with a good supervisor. I have learnt a lot of thing from this involvement with a reputed bank of our country. This experience will help ma a lot in the future when I will be a fixed employee in an organization.

Reference:

Contact

1. Jalal Uddin, SPO & Investment In-charge, FSIBL
2. MD. Ahasan Habib, Office, FSIBL

WEBSITES

- <http://www.fsibld.com/>
- <http://www.fsibld.com/wp-content/uploads/2016/03/Yearly-Financial-Statement-2015.compressed.pdf>
- [http://dspace.bracu.ac.bd/jspui/bitstream/10361/4224/1/Internship%20Report%20\(%2010204069\).pdf](http://dspace.bracu.ac.bd/jspui/bitstream/10361/4224/1/Internship%20Report%20(%2010204069).pdf)
- <http://islamicbanking.info/islamic-banking-in-bangladesh/>
- <https://www.bb.org.bd/aboutus/regulationguideline/islamicbanking/islamicguide.php>

