

**An Internship Report
On
Performance Analysis of Investment of
Shahjalal Islami Bank Limited**



Internship Report Topic

“Performance Analysis of Investment of Shahjalal Islami Bank Limited”

Submitted to:

Mr. Saif Hossain
Assistant Professor
BRAC Business School
BRAC University

Submitted by:

Md. Nazmus Sakib
ID: 16164010
BRAC Business School
BRAC University

Date of Submission

30 April, 2019

Letter of Transmittal

30 April , 2019
Mr. Saif Hossain
Assistant Professor
BRAC Business School
BRAC University

Subject: Submission of the Internship report on “Performance Analysis of Investment of Shahjalal Islami Bank Limited”

Sir,

I hereby submit my internship report titled “Performance Analysis of Investment of Shahjalal Islami Bank Limited ”. In this report, I have tried to analyze some critical analysis about the strength as well some shortcomings through my findings. I sincerely hope that this report will meet your expectations. I would like to add here that my internship on Shahjalal Islami Bank was indeed a great learning experience for me.

Thank you for your kind cooperation and support.

Sincerely,

Md. Nazmus Sakib
ID- 16164010

Acknowledgement

First of all, I would like to thank Mr. Saif Hossain my supervisor, for providing me within valuable guidance in preparation of this internship report. Without his help and support, I could never have finished this report.

I am very much thankful to Shahjalal Islami Bank Limited, Jurain Branch for providing me with much needed information and other required assistance in order to prepare this report.

I also wish to thank and give the due respect to my family and friends for their cordial support and help they offered throughout the process of preparing the whole report. Especially I want thank those person who were our batch mates. They gave their valuable time and suggestion. I want to give thank to all these persons

Executive Summary

This internship report based on the Performance Analysis of Investment of Shahjalal Islami bank limited. This report is divided by 4 chapters. The main objective of this report is to present an overview of performance analysis of investment of Shahjalal Islami Bank Limited. Primary sources of data are discussion with the officers & staffs and work experience in different desk. The secondary data have been collected from the annual report, different books, & website pages.

In the second Chapter discussed about the overviews of shahjalal islmi Bank. Shahajalal Islami Bank has been started its journey with principle of Shariah on 10th may 2001. Now with 113 branches all over the Bangladesh it is doing its activities very efficiently. Its main focus on Al- Wadiah Current Deposit & Mudarabah Fixed Deposit. It has also different types of scheme. The performance of the bank showing that the in the short span of time of the bank had been successful to position itself as a progressive and dynamic financial institution in the country. The strength of this company are First class service management & Initially being a specialized bank it caters to the needs of an entire target market etc. As well as the weakness are Heavily depend on head office for decision making some foreign branches.

Third chapter of this report showed that the performance analysis of investment of Shahjalal Islami Bank Limited. With some guidelines & procedures the investment activities are going on. There are different types of investment products like Bi- Muazzal, Bi- Murabahah, Bi- salam etc. In different sectors this products are used. Investment activities are going on different divisions & sectors. The highest divisional activities going on Dhaka division with 117,798 Million tk. The analysis of investment showed that the income on investment has been increased randomly from 2013 to 2017. In 2013 it was 3.97 % but in 2017 it is 6.47%. In foreign investment the profit is also high. In 2016 it was 9.57% but in 2017 it become 22.12%.

At the ending of this report which is fourth chapter, there have some findings like This Bank do not provide high range of service offerings. In some of the sector like Real Estate Company, SJIBL invests less than other sectors as it has a high risk on investment. There has recommended some findings like SJIBL needs to work to increase the investment rate & sectors. & SJIBL needs to work to increase the investment rate & sectors & Needs the approval to take any decision instantly. All the divisions have to get the proper service on investment. The number of ATM booths should increased so that customers can get the proper services of ATM both. Service offerings should be increased.

Table of Content

Chapter 1

S.L	Particulars
1.1	Origin of the report
1.2	Objective of the report
1.3	Methodology of the report
1.4	Scope of the report
1.5	Limitations of the report

Chapter 2

S.L	Particulars
2.1	Overview of Shahjalal Islami Bank Limited
2.2	Vision of Shahjalal Islami Bank
2.3	Mission of SJIBL
2.4	Objectives of SJIBL
2.5	Core Values
2.6	Principal Activities
2.7	Strategic plan for future growth
2.8	Nature of Business
2.9	Shariah Supervisory Council of the Bank
2.10	SWOT Analysis of Shahjalal Islami Bank Limited

Chapter 3

S.L	Particulars
3.1	Definition of Investment
3.2	Objective of Investment
3.3	Purpose of Investment
3.4	Expectation to the policy
3.5	Core Principles of investment
3.6	Products of Investment
3.7	Investment Policy Guidelines of SJIBL
3.8	Investment Approval Process
3.9	Proposal Accept By the Management
3.10	Appeal Process
3.11	Time Frame to decline/approve Investment Application
3.12	Investment (Credit) Risk
3.13	Investment (Credit) Risk Management
3.14	Modes of Investment
3.15	Profit on Investment modes
3.16	Division wise Investment
3.17	Sector wise investment
3.18	Geographical Location wise investment
3.19	Inside Bangladesh
3.20	Operating Result
3.21	Foreign Exchange Business

Chapter 4

S.L	Particulars
4.1	Findings:
4.2	Recommendations:
4.3	Conclusion

List of Tables

S.L	Particulars
1	2.1 Overview of corporate Information
2	3.1 Investment Products of SJIBL
3	3.2 Industrial Sectors
4	3.3 Segregation of Duties & Responsibilities
5	3.4 Time to approve/decline an Investment
6	3.5 Modes of Investment Profit
7	3.6 Profit on Investment 2016-2017
8	3.7 Division wise Investment
9	3.8 Sector wise Investment
10	3.9 Geographical Location wise Investment
11	3.10 5 Investment inside Bangladesh
12	3.11 Investment Income
13	3.12 Non Investment Income
14	3.13 5 years comparative Analysis on investment
15	3.14 Particulars of foreign exchange Business
16	3.15 Investment in Securities

List of Figures

S.l	Particulars
1	3.1 Investment (Credit) Risk Profile
2	3.2 Investment Portfolio 2017
3	3.3Trend of Investment
4	3.4 Investment Income Ratio
5	3.5 Non-investment Ratio 2016-2017
6	3.6 5 years Investment Ratio
7	3.7 Investment on Foreign exchange

Chapter 1

Introduction

1 Origin of the Report:

It is said that without theory, practice is blind and without practice theory is meaningless. An internship is designed to bridge the gap between the theoretical knowledge and real application. The prime reason of this report is to learn about Performance Analysis of Investment of a Bank. This report has been prepared based on one selected listed Bank in Bangladesh, named Shahjalal Islami Bank Limited. The report has been prepared based on the information of this bank which has been gathered during the internship period. The report titled **“Performance Analysis of Investment of Shahjalal Islami Bank Limited”**. No knowledge is fully complete unless it is fully supported by events on ground. Whatever may be the quality of theoretical knowledge, it is not complete without practical implication on ground. This realization is more pronounced in the study of Business Administration where experience on ground plays a dominant role. Internship program is essential for all MBA students because it helps him/her acquit with real life situation. Bank is a one of the important financial institutions, so I have selected Shahjalal Islami Bank Limited, which is one of the leading private

banks in Bangladesh. For this reason I have prepared my internship report on Performance Analysis of Investment of Shahjalal Islami Bank Limited. Throughout the last few years Bangladesh has been experiencing a rapid and significant change in the banking sector. Not only in our country, all over the world the dimension of banking has been changing rapidly due to the technological innovation, globalization and deregulation. Shahjalal Islami Bank Limited is a state owned scheduled bank in Bangladesh. It has a vital contribution towards lending and investment in economy because Shahjalal Islami Bank Limited. has been participating in all sectors (from industrial sector to microfinance).

1.2 Objectives of the Report

The main objective of the report is to identify and evaluate the Performance Analysis of Investment of Shahjalal Islami Bank Limited, which includes the following specific objectives:

- To know the practices of Investment structure of the Shahjalal Islami Bank Limited.
- To assess and highlight the procedure followed by the Branch in terms of Performance Analysis of Investment.

1.3 Methodology of the Report

The report is descriptive in nature. To fulfill the objectives of this report the total methodology has divided into two major parts. They are:

a)Data Collection Procedure: To conduct the completion of this report data were collected from both primary & secondary sources.

i. Primary Source:

Personal observation

Desk work in different section, of the bank.

Conversation with bank's employees.

ii.Secondary Source:

Annual report of Shahjalal Islami Bank Limited

Variety of books, articles & journal related to banking.

Information from the internet.

b)Data Processing & Analysis:

The collected information have then processed & complied with the aid of MS Word & other computer software. Necessary tables have been prepared on the basis of collected data. Detail explanations and analysis have also been incorporated in the report.

1.4 Scope of the Report

Shahjalal Islami Bank Limited is the prominent commercial bank in Bangladesh which is established accordance with principle of Islamic Shariah on the 10th May 2001 under the Bank Companies Act, 1991 It has 113 branches all over the Bangladesh and doing its activities very efficiently. The performance of the bank showing that the short span of time of the bank had been successful to position itself as a progressive and dynamic financial institution in the country. I was assigned to learn practical knowledge from Shahjalal Islami Bank Limited. Here I tried to learn about how to manage investment mechanism . All things comes under the theory of investment management and finally I would conclude with the critical evaluation of Performance Analysis of Investment the guidelines of bank companies act 1991 and a discussion on major findings and recommendations.

1.5 Limitations of the Report

To prepare a report on the topic like this in a short duration is not easy task. In preparing this report some problems and limitations have encountered which are as follows:

The main constraint of the study was insufficiency of information, which was required for the study. But the employees do not provide due to security and other corporate obligations. Lack of opportunity to access to internal data. Due to time limitation, many of the aspects could not be discussed in the present report. Since the bank personnel were very busy, they could not give enough time. Based on secondary data in most cases for preparing this report. As the data, in most cases, are not in organized way, the bank failed to provide all information. Legal action related information was not available.

Chapter 2

Overview

2.1 Overview of Shahjalal Islami Bank Limited

Shahjalal Islami Bank Limited (SJIBL) commenced its commercial operation in accordance with principle of Islamic Shariah on the 10th May 2001 under the Bank Companies Act, 1991. During these years SJIBL has diversified its service coverage by opening new branches at different strategically important locations across the country offering various service products both investment & deposit. Islamic Banking, in essence, is not only INTEREST-FREE banking business, it carries deal wise business product thereby generating real income and thus boosting GDP of the economy. Board of Directors enjoys high credential in the business arena of the country, Management Team is strong and supportive equipped with excellent professional knowledge under leadership of a veteran Banker Mr. Muhammed Shahidul Islam.

Now ‘staying competitive’ is the key to survival in today’s banking world where quality rules and standard services sneak in shedding physical boundaries. Now, the recent global recession and its impacts have shown yet another challenge and the bitter side of the urbanization but despite intriguing growth and business expansion, the company’s aims and objectives remain the same to serve people with maximum satisfaction and keep on working for the greater welfare of the people and the country. For this Shahjalal Islami Bank Limited (SJIBL) working relentlessly to assist businesses to thrive in their respective sectors

2.2 Vision of Shahjalal Islami Bank Limited

To be the unique modern Islamic Bank in Bangladesh and to make significant contribution to the national economy and enhance customers’ trust & wealth, quality investment, employees’ value and rapid growth in shareholders’ equity.

2.3 Mission of SJIBL

- To provide quality services to customers.

- To set high standards of integrity.
- To make quality investment.
- To ensure sustainable growth in business
- To ensure maximization of Shareholders' wealth.
- To extend our customers innovative services acquiring state-of-the-art technology blended with Islamic principles.
- To ensure human resource development to meet the challenges of the time.

2.4 Objectives of SJIBL

- 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 uplift.
- To pay 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 area.

2.5 Core Values

Shahjalal Islami Bank Limited. holds the following values and will be guided by them as they do their jobs.

- To conduct interest free banking.
- Creating an honest, open and enabling environment.
- Have a strong customer focus and relationships based on integrity, superior service and mutual benefit.
- Strive for profit & sound growth.
- Work as a team to serve the best interest of their owners.
- Relentless in pursuit of business innovation and improvement.
- Value and respect people and make decisions based on merit.

- Base recognition and reward on performance.
- Responsible, trustworthy and law-abiding in all that they do.

2.6 Principal Activities

The principal activities of the Bank is to provide all kinds of commercial banking products and services to the customers including deposits taking, cash withdrawal, extending investments to corporate organization, retail and small & medium enterprises, trade financing, project finance, working capital finance, lease and hire purchase financing, issuance of Debit Card. Its vision is to be the best private commercial bank in Bangladesh in terms of efficiency, capital adequacy, asset quality, sound management and profitability.

2.7 Strategic plan for future growth

The Banking industry experienced intensification of competitive pressure as the national and international banks operating in Bangladesh strongly pursued the banking and financing needs of the Corporate, Retail, SME sector customers through diversification of products and services and extending automated banking service with ATM, Debit card facilities and Internet Banking. Besides, rates of profit became very competitive for deposit and lending; Customers are demanding higher rate of return against their deposits, on the other hand asking the banks to reduce their lending rates.

Considering the overall scenario, SJIBL continues to focus on its delivery channel, technology, Human Resource and its brands along with branch network, Business promotion, Corporate Social Responsibility and product diversification.

Strategies are means to achieve goals. Aligned with the vision and mission statements of SJIBL, 14 strategies have been identified to address the development and changes we need. It is envisaged that this strategic plan will cascade effectively the vision-mission into concrete action on priority basis and transform SJIBL into a dynamic, effective, and forward looking modern Islamic bank in Bangladesh.

2.8 Nature of Business

The Bank is carrying out commercial, corporate, investment and retail banking related services to its customers through its branches following the provisions of the bank Company Act 1991 as follows:

- Corporate Finance.
- Green Banking.
- Correspondence Banking.
- Documentary Credits.
- Foreign Exchange.
- Guarantees.
- Syndicated Finance.
- Other Related Business.

2.9 Shariah Supervisory Council of the Bank

As per Article 30 of the Articles of Association of the Bank, Shariah Council for the Bank has been constituted. The Shariah council of the Bank consists of prominent Ulema, Bankers and Economists to advice and guide on the implementation of Islamic Shariah in business activities. The Council enjoys a special status in the structure of the Bank and playing a vital role to make the bank as Shariah compliant. In the year 2011, the total number of meetings of the Shariah Council of the Bank was 03 (three).

2.10 SWOT Analysis of Shahjalal Islami Bank Limited.

SWOT analysis refers to analysis of strengths, weaknesses, opportunities and threats of an organization. For all of these, SWOT analysis is considered as an important tool for making changes in the strategic management of an organization.

2.10.1 Strengths of Shahjalal Islami Bank Limited.

- Top Management consisting efficient management group.
- Company Reputation with positive image in the banking industry.
- Many Branches to satisfy customer needs.
- Various Products and Services for clients.

2.10.2 Weaknesses of Shahjalal Islami Bank Limited.

- Heavily depended on head office for decision making.
- Absence of upgraded website.
- Low remuneration package.
- Low promotional campaign.
- Not fully computerized.

2.10.3 Opportunities of Shahjalal Islami Bank Limited.

- Product line proliferation for introducing more branches
- Introducing special corporate scheme
- Developing new products and services.

2.12.4 Threats of Shahjalal Islami Bank Limited.

The default risks of all terms of loan have to be minimizing in order to sustain in the financial market. Because default risk leads the organization towards to bankrupt. The low compensation package of the employees from mid-level to lower level position threatens the employee motivation.

On the other hand the following risk is a sort of threats for their investment .

- Market risk
- Equity risk.
- Currency risk
- Liquidity risk
- Concentration risk
- Credit risk
- Reinvestment risk
- Inflation risk
- Horizon risk
- Longevity risk
- Foreign investment risk

Chapter 3

Performance Analysis of Investment

3.1 Definition of Investment:

Investment is a term with closely related in business management, finance, economics and different theories. Investment means savings through delayed consumption. According to economics, Investment is referred as the utilization of resources in order to increase income or production output in the future. According to economists, Investment refers to any physical or tangible asset, for example, a building or machinery or equipment. In the other hand, finance professionals define investment as money utilized for buying financial assets, for example, stocks, bonds, etc. People get involved in this type of investment in the expectation that it will generate cash flows in the future.

According to finance, Investment refers to the buying of a financial product or any valued item with anticipation that position returns will be received in the future. According to economics theories, investment is defined as per unit production of goods, which have not been consumed, however, will be used for the purpose of future production. According to business management theories, investment refers to tangible assets like machinery and equipments, and, building and intangible assets like goodwill. According to personal finance theories, an investment is the implementation of money for buying shares or mutual funds or purchasing an asset with the involvement of the factor of capital risk. According to real estate theories, investment I referred to money utilized for buying property for the purpose of ownership or leasing.

3.2 Objectives of investment:

The main objectives of the guidelines are as under:

- Encourage investment for productive sector that means generating income and there by create employment opportunities.
- Diversify investing activities by avoiding undesirable sectoral concentration and ensuring balanced geographical dispersal.
- To provide directional guidelines to all concerned to pursue the policy of sound investment, improve risk management culture and establish minimum standard for good governance and ultimately minimize the investment risks.
- To strictly comply with laws and norms related to the investment operation.

- To introduce and adopt uniform practice in working.
- To make investment based on correct & accurate information
- To maintain balanced investment portfolio keeping strict watch on global and national economic situation that might adversely affect the bank.
- To analyze all aspects related to investment and ascertain viability of investment.
- To maintain adequate liquidity, make judicious investment planning and attain sustainable growth and profitability.
- To make investment documentation exhaustively.
- To ensure proper supervision, monitoring & follow up of asset portfolio.
- To strengthen asset quality ensure safe return of money invested, minimizing of investment loss and protect bank's interest.

3.3 Purpose of investment:

The purpose of this document is to provide directional guidelines for accelerating the investment function of the bank that will improve the risk management culture, establish minimum standards for segregation of duties and responsibilities, and assist in the ongoing improvement of the bank's overall operation.

This Investment Policy Guidelines contains the core principles for identifying, measuring, approving and managing investment risk in the Bank. These policies are established by the Board of Directors (BoD), and are designed to meet the organizational requirements that exist today, and to provide flexibility for the future.

The policy guidelines have been established to shape and define the acceptable risk profile of the Shahjalal Islami Bank Ltd (SJIBL) and to provide guidance in responding to business opportunities as they arise.

3.4 Expectations to the policy:

Any exceptions to this policy must be approved by the Board of Directors. It is the responsibility of the CRO to maintain a file of exceptions approved by the Board of

Directors. It is the responsibility of the Head of Internal Control and Compliance Division to review these exceptions.

3.5 Core principles of investment:

To achieve our goal through wealth maximization and protect the interest of the depositors as well as shareholders by improving asset quality, Bank will abide by but will not be confined to the following investment principles, which should guide our behavior in our investment decisions:

- 1) Quality of investment is more important than exploiting new opportunities.
- 2) Assessment of the customer's character, integrity and willingness to repay will form basis of investment.
- 3) If the bank does not understand the business, it shall not investment to that business.
- 4) Customers having capacity and ability to repay shall only be financed.
- 5) The purpose of the investment should contain the basis of its repayment.
- 6) Risk and reward to be optimized.
- 7) Investment decision should not be made until receipt of all the relevant facts.
- 8) Assessing management quality of the organization when extending investment.
- 9) Investment will normally be financed from customers' deposits and not out of short-term temporary funds or demand deposit from other banks.
- 10) The economic cycle is inevitable. It is wise to be conscious in evaluating risks likely to arise when economic conditions change in the future. "Bad investments are usually made in good times".
- 11) Collateral security should not be a substitute for repayment.
- 12) Bank should monitor where the bank's money is going.
- 13) Prevention of extending investment facilities to the CIB black listed persons/entities

3.6 Investment Products/ Types of Investment:

Shahjalal Islami Bank Limited (SJIBL) provides ranges of financial services viz. Working Capital Finance, Trade Finance, Work Order Finance, Project Finance, Syndication Finance, Retail Finance etc. These financial services are being provided with Shariah compliance investment products designed to meet customer requirements.

3.6.1: The bank offers the following investment Product

Musharaka	Equity Finance
Quard	
Names	Purpose
Bai-Muajjal Commercial TR	Finance Inventory
Bai-Murabaha	
Names	Purpose
Bai-Salam	Pre-shipment Financing for export
Murabaha Sight LC	<ul style="list-style-type: none">• To import of goods for own consumption• To import of goods for commercial use
Murabaha Deferred LC/UPAS/ABP	<ul style="list-style-type: none">• To import of capital machinery• To import of goods
BBLC /ABP	Import of raw materials and accessories for subsequent export
PAD (Payment against document)	Financing for payment of document under LC
Bi-Murabaha import TR	Financing Import
HPSM	Financing fixed asset
Lease/Ijara	Financing fixed asset
IDBP	To purchase /discount against Local ULC
FDBP	To purchase /discount /negotiate export doc. Against sight /usance export LC

Bai – Muajjal General	To meet personal requirement
Bank Guarantee PG /APG /PG	Contractual Obligations
Retail Products are covered in Retail Finance policy guidelines.	
• PPG bases SME investment facilities are covered in SME PPGs	
Bank may use any other applicable investment mode	

Table 3.1: Investment Products of SJIBL

Source: SJIBL Website

3.7 Investment Policy Guidelines of SJIBL:

SJIBL has developed Investment Policy Guidelines including Investment Guidelines that clearly outline the senior management's view of business development priorities and the terms and conditions that should be adhered to in order for investments to be approved. The investment guidelines must be approved by the Board of Directors of the bank.

3.7.1 General Guidelines:

The Bank's criteria for investment eligibility, which are to be strictly adhered to, are the following general guidelines:

- a) The Bank finances for lawful purpose in lawful manner.
- b) If the investment client is a proprietorship concerns, partnership concerns, limited companies - private and public, government organizations, financial institutions, joint ventures, NGOs and such other organizations, it must be:
 - Organized, formed or incorporated under the laws of Bangladesh and have necessary permissions for conducting business in Bangladesh.
 - In case of limited company, authorized to do banking supported by its MOA and Board resolution.
- c) The Bank extends investment facilities only to productive and legitimate business activities, which are socially desirable, nationally important, and financially viable and will avoid investment as far as possible for unproductive purposes and speculative ventures.
- d) While extending investment facilities the Bank will abide by its Know Your Customer (KYC) policy, anti money-laundering regulations, and will conduct its investment activities within the prescribed regulatory parameters of Bangladesh Bank and Bank

Company Act. All statutory requirements outlined in BOI Guidelines, Industrial policy, Export Policy, Import Policy, Transfer of Property Act, etc. to be strictly followed.

e) The intending investment client must have legitimate source of earnings, clear purpose of utilizing investments, specific sources of repayment and capacity to enter in to investment agreement.

f) The Bank discourages low net-worth or highly leveraged investment clients.

3.7.2 Proffered Client Based:

Sl. No:	Name of the sector	Growth Indication
1	Agriculture	Grow
2	Cotton & textile	Grow
3	RMG	Grow
4	Cement	Grow
5	Brick & field	Grow
6	Jute & jute goods	Grow
7	Chemicals & fertilizer	Grow
8	Pharmaceuticals	Grow
9	Real Estate	Maintain
10	SME	Grow
11	Work Order Finance	Grow
12	Transport	Grow
13	Health & other service industries	Grow
14	Steel & Engineering	Grow
15	Computer & IT	Grow

16	Energy, Power & Gas	Grow
17	Paper & Paper Products	Grow
18	Trading	Grow
19	NBFI	Maintain
20	NGO	Maintain
21	Consumer Financing	Grow
22	CNG Station	Grow
23	Wood and Wood Product	Grow
24	Import Finance	Grow
25	Investment against FO	Grow
26	Electronic	Grow
27	Ceramics	Grow
28	Light Engineering	Grow
29	Ship Building	Maintain
30	Port Building & Bridges	Grow
31	Service Sector	Grow
32	Tourism Business	Grow
33	Finance for Women Entrepreneur	Grow
34	Construction	Grow
35	Agro based Industry	Grow
36	Plastic & Plastic	Grow
37	Leather & Footwear	Grow
38	Ship Breaking Maintain	Maintain
39	Food Processing , Beverage & Frozen Food(Food and allied industries)--	Grow

40	Other manufacturing or extractive industries	Grow
----	--	------

Table 3.2 Investment sectors
Source: SJIBL Website

For extending investment facilities Shahjalal Islami Bank Limited considers reputed corporate, MSMEs, institutional, reliable individuals, firms, companies, retailers, NGOs, etc. having good track records and stable financial standing. Under all circumstances client selection will undergo rigorous risk management process.

3.7.3 Segregation of Duties & Responsibilities:

The main purpose of segregating of duties is to ensure accountability & responsibility at Head Office & Branch level for credible investment portfolio management, to impose control over Relationship Manager/Branch Manager to disbursement and subsequent investment monitoring for retaining sustainable business development of the Bank. Moreover, the investment functions of the bank are segregated as follows:

I. Relationship Management/Marketing

II. Investment Approval

III. Investment Administration Recovery

SJIBL has segregation of investment functions of Risk Taking and Risk Approving /Managing. Business Solicitation / Relationship Management and Investment Risk Management are separated to ensure that a check and balance system is always in place, so that the quality of investment never is compromised to achieve business targets of the Bank.

The management roles in investment and subsequent supervision and follow up with segregation of duties are given below:

Division	Activities
Business Development and Marketing	Business Solicitation / Relationship Management for comprehensive maintenance of the relationship from investment booking to repayment. Achieving business targets of the Bank – deposit, advances, and profit.
Investment Risk Management	
Approval Departments	
Corporate 1	Approval of all Corporate Investment and Time to time review of the investment.
Corporate 2	Approval of all Corporate Investment and Time to time review of the investment.
SME & agri	Approval of all SME & Agri Investment and Time to time review of those investment
Retail	Approval of all Retail Investment and Time to time review of those investment
Investment Administration	
Limit Loading Unit	Setting up Limit, Disbursement Authorization against DP and other approved conditions
Monitoring, Recovery & Special Asset Management	Monitoring Past Due Accounts, Limit Expiry, Compliance of Covenant and Conditions. <ul style="list-style-type: none"> • Managing Early Alerts /NPL Investment s/ Rescheduling /Restructuring • Workout Recovery Plan / Recovery Strategy/ Investment Write-off • Negotiating with NPL clients for settlement outside court
Law & Legal Unit	<ul style="list-style-type: none"> • Monitoring Court Cases of the Bank. • Legal opinion and vetting.

	<ul style="list-style-type: none"> • Documentation Check.
CIB Unit & Bangladesh Bank Returns	<ul style="list-style-type: none"> • Preparation of all types of investment related statements for onward submission to Bangladesh Bank. • CIB Report Generation

Table 3.3: Segregation of Duties & Responsibilities.
Source: SJIBL Annual Report 2017

3.8 Investment Approval Process:

Investment approval process starts with prescribed completed ‘Investment Proposal’ along with necessary documents from the Branch and ends with issuance of a written Sanction Advice. Shahjalal Islami Bank conducts its banking operations under branch banking system. Investment proposals are generally originated by the Relationship Managers of the branch. The overall investment approval process follows some specific procedures:

- a) The approval process must reinforce the segregation of Relationship Management (RM) from the Approving Authority. The Relationship Managers at branch level shall prepare the Investment Proposal as per the Annexure - A. The Investment proposal is prepared after undertaking a thorough investment risk check and conducting analysis of investment and assessment of risk associated thereto in the light of Investment Policy Guidelines of the Bank. The Investment Proposal so prepared will be placed to the Branch Investment Committee (BIC)) for necessary recommendation.
- b) If the relationship officials at branch level realize the necessity of getting prior clearance of Head Office in respect of taking up of a proposal, the RM/Branch Manager after visiting the clients, their showroom/godown/business establishments/factory etc. will prepare a Call Report and send the same to Head of Corporate – 1 or 2 or Head of SME & Agri Banking for initial review and guidance to the branch for subsequent 31

actions. After getting the positive nod on the Call Report from Head Office, the RM will prepare the Investment Proposal as per the prescribed format of the Bank.

c) At the time of preparing an Investment Proposal accuracy of all information to be ensured. The Relationship Managers & Investment Officers at branch level shall adhere to investment principles, investment policy guidelines and conduct due diligence on Investment clients, principals and guarantors. They will also adhere to the SJIBL's established Know Your Customer (KYC), Anti Money Laundering guidelines, and Bangladesh Bank's regulations.

d) Policy compliance will be clearly stated in the investment proposal. Declaration of policy compliance should be integral part of the investment proposal format. If there is any deviation of policy compliance, it has to be mentioned with reasons and justifications.

e) The Investment Proposal along with necessary documents, duly endorsed and the recommendation of the Branch Investment Committee (BIC) to be sent to Corporate/MSME & Agri/ Retail under Business Development & Marketing Division, Head Office for their review and recommendation.

f) Proposal with due recommendation of Corporate/MSME & agri /Retail under Business Development & Marketing Division to be sent to Investment Risk Management Division, Head Office - for investment approval.

3.9 Proposal Accept By the Management:

a) If the proposed Investment facility is under the business discretionary power of the Management, Office note is placed accordingly with proper recommendation of the respective division.

b) Upon approval, Sanction Advice is issued to respective branch.

3.9.1 Sanction Advice

Upon obtaining Investment approval, Sanction Advice issued to concern branch with required terms and conditions. The Sanction Advice to be jointly signed by two authorized officials.

3.9.2 (a) Terms and Conditions :

Considering the nature of facility, security offered by the client and Investment guidelines of the Bank, Sanction Advice issued to the branch against the proposed facility as approved by the Bank. The Branch Manager communicates the terms and conditions of the sanction Advice in a separate sanction advice and such terms and conditions must be accepted duly signed by the investment client in the duplicate copy of sanction advice for availing the facility.

3.9.2(b) Distribution :

The main copy of Sanction Advice against the approved facility is to be forwarded to the concern branch. Besides, separate copy of the same is to be provided to Investment Administration.

3.10 Appeal Process:

The Branch Manager will enjoy the right to appeal any disagreement in case a proposal is declined by the appropriate authority. However, such disagreement and appeal should be backed by sufficient facts and figures to nullify / override the disagreements.

The delegated authority, if thinks judicious may present a declined proposal to the next higher authority for approval/decline through re-assessment. In case a proposal is declined by the appropriate authority for the 2nd time, no further appeal will be entertained.

3.11 Time Frame to decline/approve Investment Application:

Nature wise Time Frame to approve/decline an Investment Application and for intimation to the client:

S.L	Types of Investment		Modes of Investment		Approval Authority
				MD(Lead Time)	EC(Lead Time)
a	Trade Finance	1.Bai-Muajjal 2.Bai Islam 3.Bill Purchase	Bai – Murabaha Murabaha LC Any other	3-5 days	7-10 days

			applicable mode		
b	Continuous Investment	1.Bai-Muajjal 2.Bai Islam	Murabaha LC Bai – Murabaha	3-5 days	7-10 days
c	Project Finance	HPSM Bai- Islam Musharaka	Any other applicable mode	3-5 days	7-10 days
d	Transport& Communication	HPSM	Lease/ijara	3-5 days	7-10 days
e	Agriculture & Fishing	HPSM Bai- Islam Musharaka	Lease/ijara Bai-Muajjal Any other applicable mode	3-5 days	7-10 days
f	Constructions	HPSM	Bai-Muajjal	10-15 days	15-20 days

Table 3.4: Time to approve/decline an Investment
Source: SJIBL Website

3.12 Investment (Credit) Risk:

Investment (Credit) risk is the risk of financial loss arising from the breach of commitment by an investment clients or obligor. It arises not only from the balance sheet items but also off-balance items such as Letter of Guarantees, Acceptances and Endorsement, Bills for collection and Letter of Credit etc. As per Bangladesh Bank Guidelines, any Investment if not repaid within the fixed expiry date will be treated as Past Due/Overdue, and this will include Special Mentioned Account (SMA), Sub

Standard (SS), Doubtful (DF) and Bad/Loss (BL). Investment risk is one of the major risks.



3.1 Figure: Investment (Credit) Risk Profile

3.13 Investment (Credit) Risk Management:

The goal of investment risk management is to maximize a bank's risk adjusted rate of return by maintaining investment risk exposure within acceptable limits. The effective management of investment risk is a critical component of a comprehensive approach to risk management and essential to the long-term success of any banking organization. That is why a risk based asset review framework has also been put in place wherein the frequency of asset review would be higher for high exposure cases and/or poor credit rating. Sound practices that the Bank is trying to ensure are:

1. Establishing an appropriate investment risk environment;
2. Operating under a sound investment granting process;
3. Maintaining an appropriate investment administration;
4. Measurement and monitoring process;
5. Ensuring adequate controls over investment risk.

3.14 Modes of Investment:

Mode wise investment portfolio as on December 31, 2017 is given below:

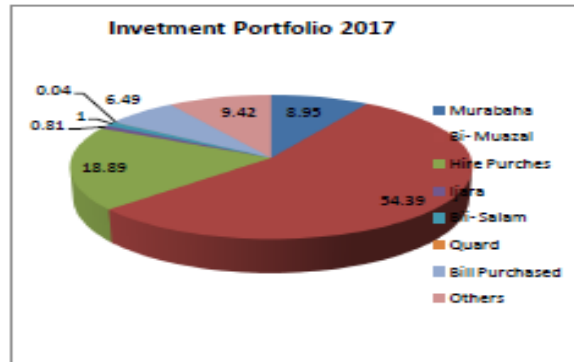
Sl. No	Modes of Investments	Taka in million	Percentage of Total Investment
1	Murabaha	14,197.54	8.95%
2	Bi-Muazzal	86,302.58	54.39%
3	Hire Purchase ShirkatulMeelk (HPSM	29,972.94	18.89%
4	Ijara	1,288.40	0.81%
5	Bi-Salam	1,581.61	1.00%
6	Quard	70.85	0.04%
7	Bill purchased & discounted	10,303.97	6.49%
8	Others	14,950.29	9.42%
Total		158,668.16	100.00%

Table: 3.5 Modes of Investment
Source: SJIBL Annual Report 2017

Total investment of the Bank stood at Tk. 158,668 million as on December 31, 2017 as against Tk. 122,998 million as on December 31, 2016 registering an increase of Tk. 35,670 million, i.e. 29.00% growth. The Bank was very conscious& careful in deployment of investing fund.

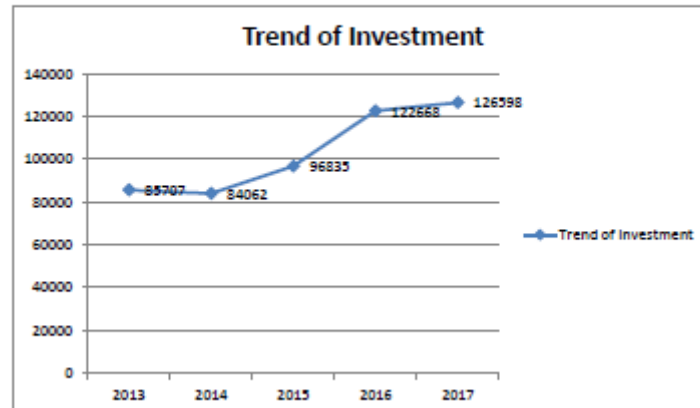
The Bank always entertains quality investment proposals having sound creditworthiness and good track record of customers. The Bank has also introduced some Investment Schemes to provide financial assistance to comparatively less advantaged group of people.

3.14.1 Investment Portfolio:



3.2 Figure: Investment Portfolio 2017
Source: Annual Report 2017

3.14.2 Trend of Investment:



3.3 Figure: Trend of Investment
Source: Annual Report 2017

3.15 Profit on Investment modes:

Particulers	2017(Taka)	2016 (Taka)
Profit on Mudarabah	982,426,414	795,328,943
Profit on Bi-Muajjal	7,608,932,964	6,303,798,823
Profit on hire Purchase	2,437,497,668	2,012,552,354
Profit on Ijara	71,303,018	55,656,061
Profit on Bi-Salam	118,409,507	112,684,647
Profit on Inland Document Bill Purchase	304,768,699	355,669,452
Profit on Foreign Document Bill Purchase	7,782,813	281,692,115
Profit on Investment against Scheme Deposit	15,830	32,000
Profit on Investment Deposit Scheme against Mudaraba Term Deposit	13,766	205,635
Profit on Investment against Mudarabah Savings Deposit	6,884	37,704
Profit on Investment against Mudaraba Deposit Scheme	9,136	6,336
Profit on Investment against EDF	18,793,630	27,576,226
Profit on Mudarab	439,337,410	96,429,692
Profit on Istisna	3,775	-
Profit Received	280,917,317	300,488,425

From Resheduled Investment - Rent Mod		
Profit on Murabaha Import Bill (UPAS	55,275,002	31,447,852
12,325,493,831		10,373,606,265
Less: Rebate for Good Borrower		713,047
12,325,493,831		10,372,893,219

3.15 Profit on Investment modes:
3.6 Table: Profit on Investment 2016-2017
Source: SJIBL Annual Report 2017

3.16 Division wise Investment:

	Horizontal Analysis				Vertical Analysis			
Divisions	Taka in Millions		Variance		Taka in Millions		Composition	
	2017	2016	2017/2016	2016/2015	2017	2016	2017	2016
Dhaka	117,798	93,241	26.34%	32.01	117,798	93,241	74.24%	75.81%
Chittagong	26,889	20,012	34.36%	3.59%	26,889	20,012	16.95%	16.27%
Sylhet	2002	1455	37.62%	22.81%	2,002	1,455	1.26%	1.18%
Rajshahi	4739	2,753	72.12%	50.34%	4,739	2,753	2.99%	2.24%
Rangpur	1,251	1,119	11.78 %	53.39%	1,251	1,119	0.79%	0.91%
Khulna	5,417	4,063	33.34%	36.42%	5,417	4,063	3.41%	3.30%
Barishal	572	356	60.73%	120.83	572	356	0.36%	0.29%
Total	158,668	122,998	29.00%	27.02%	158,668	122,998	100.00 %	100.00 %

3.7 Table: Division wise Investment

Source: SJIBL Annual Report 2017

3.17 Sector wise investment:

	Taka in Millions		Variance		Taka in Millions		Variance	
	2017	2016	2017-2016	2016-2015	2017	2016	2017-2016	2016-2015
Agriculture & Fishing	5,234	5,982	-12%	59%	5,234	5,982	3%	5%
Cotton & Textile	13,742	9,620	43%	19%	13,742	9,620	9%	8%
Cement	1,293	1,289	0%	-37%	1,293	1,289	1%	1%
Pharmaceuticals & Chemicals	2,170	2,345	7%	-1%	2,170	2,345	1%	2%
Real Estate	8,075	8,326	-3%	-12%	8,075	8,326	5%	7%

Transport	2,581	640	-2%	19%	2,581	2,640	2%	2%
Information Technology	400	341	17%	144%	400	341	0%	0%
Non Banking Financial Institutions	2404	2554	-6%	25%	2404	2554	2%	2%
Steel % Engineering	9085	5,783	57%	40%	9,085	5,783	6%	5%
Food Processing & Beverage	11230	9320	20%	13%	11230	9320	7%	8%
Power & Energy	4350	3029	44%	9%	4350	3029	3%	2%
Paper & Paper products	1,928	1,532	26%	70%	3,690	2,935	1%	1%
Plastic & plastic products	3,690	2,935	26%	70%	3690	2935	2%	2%
Electronics	4,023	2,797	44%	84%	4,023	2,797	3%	2%
Service industries	5,415	3,425	58%	33%	5,415	3,425	3%	3%
Trading	26,669	20,317	31%	17%	26,669	20,317	17%	17%
Import Financing	7,061	3,812	85%	8%	7,061	3,812	4%	3%
Consumer Financing	421	182	131%	102%	421	182	0%	0%
Share business	1042	1449	-28%	-45%	1042	1449	1%	1%
Staff Investment	1,460	1,295	13%	54%	1,460	1,295	1%	1%
Others	27,267	19,552	39%	133%	27,267	19,552	17%	16%
	158,68	122,998	29%	27%	158,668	122,998	100%	100%

3.8 Table: Sector wise Investment
Source: SJIBL Annual Report 2017

3.18 Geographical Location wise investment:

Area	31 December 2017		31 December 2016	
	Amount	Composition	Amount	Composition
I. Inside Bangladesh				
a. In Rural areas	10,462,731,660	6.59%	7,391,491,073	6.01%
b. In Urban Areas	148,205,425,716	93.41%	115,606,889,271	93.99%
Sub –Total	158,668,157,376	100%	122,998,380,344	100%
II. Outside Bangladesh	-	-	-	-
Total	158,668,157,376	100%	122,998,380,344	100%

3.9 Table: Geographical Location wise Investment
Source: SJIBL Annual Report 2017

3.19 Inside Bangladesh:

Division	31 December 2017		31 December 2016	
	Amount	Composition	Amount	Composition
Dhaka	117,797,816,096	74.24%	93,240,838,454	75.81%
Chittagong	26,888,848,733	16.95%	20,012,231,565	16.27%
Sylhet	2,002,443,636	1.26%	1,454,734,295	1.18%
Rajshahi	4,738,580,804	2.99%	2,753,438,031	2.24%
Rangpur	1,250,781,893	0.79%	1,118,640,665	0.91%
Khulna	5,417,489,836	3.41%	4,062,593,748	3.30%
Barishal	572,196,377	0.36%	355,903,585	0.29%
Total	158,668,157,376	100%	122,998,380,344	100%

3.10 Table: Investment inside Bangladesh
Source: SJIBL: Annual Report 2017

3.20 Operating Result:

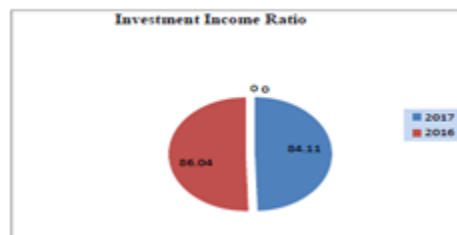
There has two types of income earned. One is Investment income & non investment income. The profit ratio has been given below:

3.20.1 Investment Income:

Year	Amount in Million	Ratio
31 Dec 2017	12,860	84.11%
	11,154.36	86.04%

3.11 Table: Investment Income
Source: SJIBL Website

Graphical Presentation:



3.4 Figure: Investment Income Ratio
Source: SJIBL Website

Interpretation:

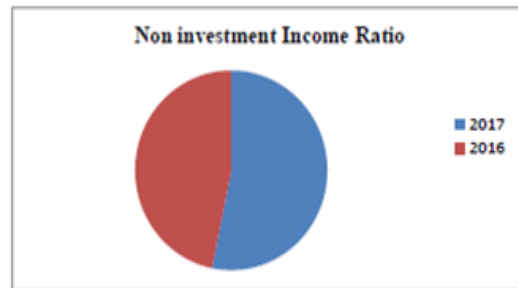
Total Investment Income of the Bank stood at Tk. 12,860.04 million as on 31st December 2017 as against Tk. 11,154.36 million compare to that of the previous year. The amount of Investment Income represents 84.11% of the income of the year 2017 as against 86.04% of the total income of the year 2016. So the ratio of income from 2016 to 2017 has been increased.

3.20.2 Non-Investment Income

Year	Amount in Million	Ratio
31 December 2017	2,428.73	15.89%
31 December 2016	1,810.31	13.96%

3.12 Table: Non-Investment Income 2016-2017

Graphical Presentation:



3.5 Figure: Non-investment Ratio 2016-2017

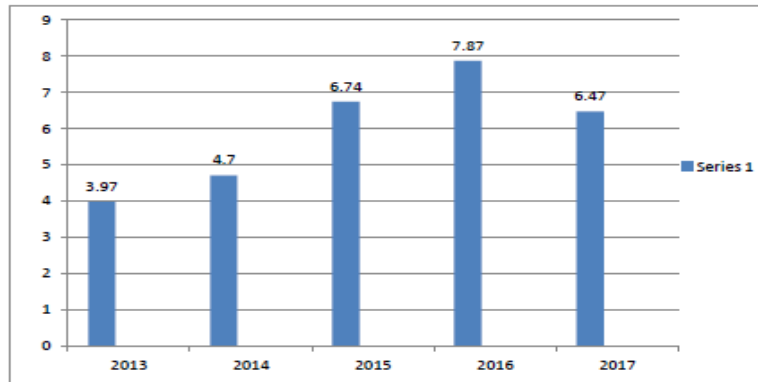
Interpretation:

Total Non-Investment Income of the Bank as at 31st December 2017 stood at Tk. 2,428.73 million against Tk.1, 810.31 million of the preceding year, which was 15.89% and 13.96% of the total income of the respective years. So the net income of investment on non investment ratio has been increased.

S.L	Items	2017	2016	2015	2014	2013
1	Volume of Non Performing Investment	6,301	6,301	5,782	6612	5513
2	Amount of provision kept Classified investment	1,415	1,431	1,850	2,379	1,512
3	Amount of provision kept unclassified investment	1166	896	781	670	784
4	Amount of Provision kept against Off Balance Sheets Exposure	892	633	435	404	454
5	Classified Investment as % of total Investment	3.97	4.70	6.47	7.87	6.47

3.13 Table: 5 years comparative Analysis on investment
Source: SJIBL Annual Report 2017

Graphical Presentation:



3.6 Figure: 5 years Investment Ratio
Source SJIBL Annual Report 2017

3.21 Foreign Exchange Business:

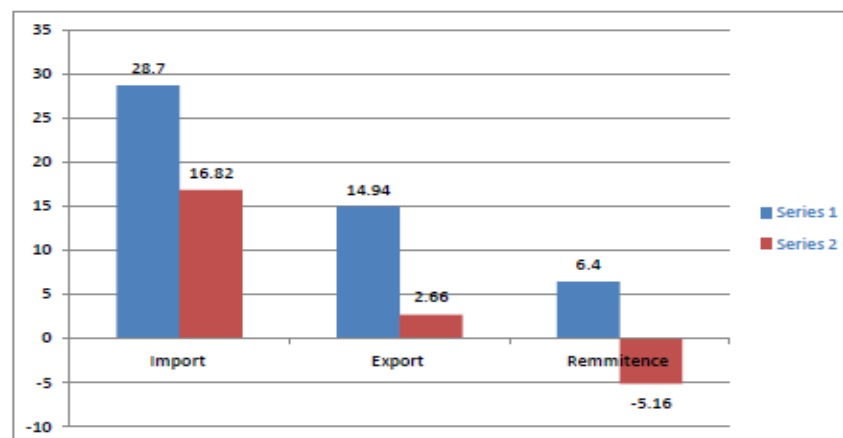
Total Foreign Exchange Business handled during the year 2017 was Tk. 230,257 million as against Tk. 188,549 million of 2016 registering an increase of Tk. 41,708 million, i.e. 22.12% growth. The particulars of Foreign Exchange Business are given below:-

Particulars	Amount in take		Growth		Composition	
	2017	2016	2017	2016	2017	2016
Import	129,244	100,419	28.70%	16.82%	56.13%	53.26%
Export	97,437	84,769	14.94%	2.66%	42.32%	44.96%
Foreign remittance	3,576	3,361	6.40%	-5.16%	1.55%	1.78%
Total	230,257	188,549	22.12%	9.57%	100.00%	100.00%

3.14 Table: Particulars of Foreign Exchange Business

Source: SJIBL Annual Report 2017

Graphical Presentation:



3.7 Figure: Investment on Foreign exchange

3.23 Investment in Securities

31 December 2017

Sl. No.	Name of the Company	31.12.2017 Cost Value	31.12.2017 Market Value
1	BX PHRMA	9,206,849.80	9,383,104.80
2	DESCO	56,700,119.90	54,480,000.00
3	ENVOY TEX	49,502,891.38	40,194,556.80
4	FAR EAST LIF	55,898,738.65	48,605,700.00
5	ISLAMI INS.	4,452,876.12	8,857,420.00
6	ORION PHRAMA	54,309,616.24	51,495,526.10
7	PADMA LIFE	41,230,608.46	50,200,000.00
8	POWER GRID	19,249,782.30	18,270,000.00
9	PRIME LIFE	43,350,416.59	31,704,750.00
10	R.A.K CEREMIC	37,532,282.97	34,861,800.00
11	SHASHADNIM	185,084,354.38	321,123,820.00
12	S.A PORTL	44,240,391.61	34,300,000.00
13	TAKAFULINS	12,963,468.37	16,578,552.00
14	DACCADYE	112,370,345.99	40,383,750.00
15	TITAS GAS	186,836,701.93	139,230,000.00
16	NAHEE ACP	62,245.95	502,569.80
17	OIMEX	64,800.00	464,745.60
	Grand Total	<u>913,056,491</u>	<u>900,636,295</u>

3.15 Investment in Securities

Source: Shahajalal Securities Ltd.

Annual Report 2017

Chapter 4

Findings/ Recommendations/ Bibliography

4.1 Findings:

1. Shahjalal Islami Bank Limited does not provide high range of service offerings.
2. In some of the sector like Real Estate Company, SJIBL invests less than other sectors as it has a high risk on investment.
3. As all the branches are heavily depend on head office that's why it takes much time to take any decision.
4. SJIBL invests in various sectors but in some sectors it doesn't prefer to invest.
5. The people of few divisions get the investment service from SJIBL.
6. Rural areas are out of bank service as there are a few branches in rural area.
7. Very few ATM booth Services for the customers.
8. Fewer services provided for Jurain Branch's customers.
9. Investment sector takes more time for any propose approval.
10. Less but First Class services are provided.
11. Low customers based ensure dedicated attention to each customer.
12. Internal Environment is very familiar.
13. Fully focusing on the high range of investment products.
14. Private growth rate of investment is low.
15. Numbers of foreign branches are low

4.2 Recommendations:

Islamic banking in Bangladesh is getting popular day by day and customers want diversified product and services from the bank. In order to be successful in the banking industry SJIBL should follow the trends. Based on my findings here are some recommendations that are given below:

1. SJIBL needs to offer high range of service offerings so that the clients can get proper services.
2. In different sectors SJIBL needs to invest more so that clients can get the service from SJIBL.
3. SJIBL should reduce more dependency on Head Office.
4. Others investment sectors like real estate needs to invest more to get high benefit.
5. SJIBL needs to increase the number of offerings so that clients can get proper services.
6. SJIBL needs to increase services in rural areas so that people of rural areas can enjoy the transaction services.
7. SJIBL also needs to increase the number of ATM booths in many areas so that people can get the fastest service.
8. The service sectors of Jurain Branch need to be Improve.
9. Investment sectors need to take less time to take any decision & approval process.
10. Private growth rate of investment should be high.
11. The numbers of foreign branches need to be increased for a better performance in banking sector.

4.3 Conclusion:

Banking industry in Bangladesh is highly competitive; everybody wants to increase their market share by providing various services to the customers. As a result banks need to develop an effective business strategy as well as policy in order to make their position higher in the industry. SJIBL is no different of that. The management of SJIBL always tries to maintain a steady growth by delivering their banking services across the country. This report also analyzes the effectiveness of investment policy of SJIBL and found that SJIBL investment policy is effective in many sector. The bank has investment in all over Bangladesh. Classified investment of the bank increases over the year. Shahajal Islami Bank Limited is successfully working on the investment sector. Shahjalal Islami Bank Limited is now being called a modern bank that undertakes all its operations at an international standard. Over the years, Shahjalal Islami Bank Limited has built itself as one of the pillars of Bangladesh's financial sector and is playing a crucial role in extending the role of the private sector of the economy. Its first class service sector making the customers satisfied. Investment section is highly recommended & working in a good way to increase the investment sectors.

Bibliography:

Books:

- ☐ ☐ Beasley, S. & Brigham, E.F (2014). *Managerial Finance (13th Edition)*, New York, USA. Thompson Publications.
- ☐ ☐ Frank K. Reilly & Keith, C. Brown (2015-2016). *Investment Analysis Portfolio Management (10th Edition)*, South Western Cengage.
- ☐ ☐ Kabir at el, (2004). *Text Book on Islamic Banking*, Dhaka. Islamic Economics Research Bureau.
- ☐ ☐ Leapode, A. Bernstein (1993). *Financial Statement Analysis theory, Application & Interpretation, (5th Edition)*, USA. Irwin.

Journals:

- ☐ Daily Kaler Kantha
- ☐ Bangladesh Protidin

Report:

- ☐ Shahjalal Islami Bank Limited (SJIBL), Annual Reports (2015-2016)
- ☐ Shahjalal Islami Bank Limited (SJIBL), Annual Reports (2016-2017)
- ☐ Islami Bank Bangladesh Limited (IBBL), Annual Reports (2015-2016)
- ☐

Websites:

- ☐ <http://www.sjiblbankltd.com>
- ☐ <http://www.bangladesh-bank.org>
- ☐ <http://www.islamibankbd.com>
- ☐ <http://www.sjiblbld.com>

☐ <http://www.investment.sjibl.com>

☐ <http://www.Shahjalalislamibank.com>