



Inspiring Excellence

# INTERNSHIP REPORT

BUS400



Report on  
General Banking & products  
Of  
Islami Bank Bangladesh Limited

By  
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Student ID: 16304103

An internship report submitted to the BBS department in partial fulfilment of the requirements  
for the degree of Bachelor of Business Administration

BRAC Business School  
BRAC University  
January 2021

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## Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

### Student's Full Name & Signature:

**Md Ragib Zahin**

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Student ID: 16304103

### Supervisor's Full Name & Signature:

**Md Shamim Ahmed**

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**Supervisor Full Name**  
Lecturer  
BRAC Business School

## Letter of Transmittal

Md Shamim Ahmed  
Lecturer,  
BRAC Business School  
BRAC University  
66 Mohakhali, Dhaka-1212

Subject: Submission of internship report on general banking & products of IBBL

Dear Sir,

It's an honor to say that by the grace of almighty Allah I was selected in an internship program of Islami Bank Training & Research Academy which is operated by Islami Bank Bangladesh Limited. It was fully online internship & with the provided information given by IBBL; I have attempted my best to finish the report with all essentials.

Therefore, I hope you will assess my report considering the limitations during the pandemics of COVID-19. I believe this report will meet yours desires.

Thank you.

Sincerely yours,

Md Ragib Zahin  
Student ID: 16304103  
BRAC Business School  
BRAC University  
Date: January 10, 2021

## **Acknowledgement**

First of all, all praise to Allah who has provided me this internship opportunity, gave me strength to successfully finish it & write report on it while staying healthy during COVID-19.

I would like to give thanks to my family who for their suggestions & also to my academic supervisor Md Shamim Ahmed who was kind to give me guideline to complete my internship report.

I would like to give special thanks to the course director KM Rahmatullah sir, honorable Sadia Afroz mam & Hosne Ara mam whose cooperation, contribution, suggestion encouraged me in successfully writing this report.

In this report, I will be discussing about the general banking & different investment modes on IBBL. All the data is given by IBBL, some from website & some from lecture slides given by them.

## Executive Summary

This internship report is written for the completion of the BBA program of BRAC University. The two months long internship was full an online internship via ZOOM Class. It was mostly physical office internship before the COVID-19 hit our country. Because of lacking of any physical office tour I didn't get chance to get the practical knowledge of their different working areas. All practical work was conducted via ZOOM which I find difficult to observe.

In this report, it was advised to write in 3 chapters which are overview of internship, overview of the organization & a project on a particular issue.

Overview of the internship mainly focuses on how the internship program held up, my learnings, contributions, job scope etc. then in organization part I briefly discussed about IIBL, their products, invest modes etc. I also included practices of management, marketing, finance & accounting, information system etc. Then I concluded with my recommendation that needs to be improved.

Finally, the project I selected is "how islami banking is different from conventional banking". There I discussed about the interest, profit, how they are different, how functions & principle of IBBL is different than other conventional banks.

## List of Acronyms

IBBL = Islami Bank Bangladesh Limited

IBRTA = Islami Bank Research & Training Academy

PLS = Profit Loss Sharing

IRR = Internal Rate of Return

ATM = Automated Teller Machine

POS = Point of Sale

MIS = Management Information System

NRB = Non-Resident Bangladesh

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## **Chapter 1: Overview of Internship**

### **1.1 Student Information:**

My name is Md Ragib Zahin (ID: 16304103) studying BBA program in BRAC university as a final semester student. My email is md.ragib.zahin@g.bracu.ac.bd. My major is Management Information System (MIS) & minor is E-commerce.

### **1.2 Internship Information:**

#### 1.2.1 Period, Company Name, Department/Division, Address:

I applied & was selected at IBRTA which is a training institute of Islami Bank Bangladesh Limited. The duration of the internship is 2months. There were almost 130 students in this online internship program. We didn't work in any specific department rather as it was all about general functions of Islami banking. The address of the training institute is 13A/2A Babar road, block B, Mohammadpur, Dhaka-1207.

#### 1.2.2 Internship Company Supervisor's Information:

The name of the director general of IBRTA is S.M. Rabiul Hassan, DMD. Our course instructor name was K.M. Rahmatullah, FAVP & FM. Later he shifted the job & Our new instructor was Hosne Ara, VP. Another course instructor who assisted students when needed is Sadia Afroze, JO.

### 1.2.3 Job Scope – Job Description/Duties/Responsibilities:

There were no job responsibilities for this internship & it was non paid. They supposed to take 10 theory class online & then rest of the practical class in office, but due to COVID-19 they did both theory class & practical class online. This internship focused on introduction & functions of Islami banking. Our duty is to know about it & make a group report along with online presentation. Later concluded the internship with an exam.

## **1.3 Internship Outcomes:**

### 1.3.1 Student's contribution to the company:

Due to COVID-19 the whole internship was based on online. So, no one was allowed to come to office for any department work. Neither in online they assigned anyone to any department work. Therefore, we didn't get chance to any contribution at IBRTA.

### 1.3.2 Benefits to the student:

Though doing online internship I still got chance to learn about the basics of Islamic finance system. Though interest is prohibited in Islam almost every bank in our country is based on. Here Islamic bank doesn't deal with interest but they do their banking based on law of Shariah which is profit & loss sharing.

### 1.3.3 Problems/Difficulties:

During the online internship period, I saw issues of the IBRTA authority getting disconnected from internet few times. There was some concept in their banking which is hard to understand even faculties confessed it. Then the practical lessons which was given via ZOOM is not convincing at all. Last but not the least, there was few communication problems where some students failed to get notice regarding upcoming class.

### **Recommendations:**

I wouldn't say the internship they offered is excellent. There are areas they need to improve. My suggestions:

- Re-build online internship program where there will less practically class.
- Provide actual department work to students so that they can be benefitted.
- Remove any complicated lectures as we are not permanent employees.
- Improvement of presentation skills for taking classes more efficiently.

## Chapter 2: Organization: Overview, Operations & Strategic Audit

### Introduction

- **Objective:** The main objective is here to spread the knowledge that is gained by doing an online internship. What's the organization is all about, how it does its daily operations, how its making profit, how its playing role in our society. Also, to let the outside reader know the experience I gathered & what it's like to do an online internship.
- **Methodology:** The method used for collecting the data is both secondary & primary source. For primary data the organization have given their lecture slides for writing the report. As for secondary data it's given in their official website. With both data I tried to present the report in a manner that will help reader get a clear view as well as sources given at the end.
- **Scope:** As this is an online internship where everything is gathered without any office work due to COVID-19, those who did this internship in physical way can share more experience. So, in future those who will do physical office internship will get more experience & networking skills.
- **Limitations:** Due to COVID-19 they didn't offer physical office internship neither it offered any specific department work. So, it's not possible to share any department experience neither any departmental data or work in this report.
- **Significance:** For decades, every student has been doing physical internship. But there was hardly any online internship offered before. So, this online internship report student will find significant as in future most internship may be offered online.

## **2.1 Overview of IBBL:**

Islami Bank Bangladesh Limited (IBBL) is operating its business activities on the basis of Islamic Shariah, following the rules and norms guided in Islam. It has 63.09% foreign shareholders and largest branch network with 367 branches, in the sector of private banking in Bangladesh. IBBL is the first Islami Bank in the South East Asia which was established on 13th March 1983. Tk. 20 million is the Authorized Capital and Tk. 16,099.91 million is the Paid-up Capital of IBBL. It has 33,686 shareholders as on 31st December 2019.

### **Vision & Mission:**

IBBL always attempts to attain good financial performance and wants to be well-thought-out as a leading Shariah Bank by achieving status & success. IBBL wants to establish Islami Banking by introducing a prosperity system. It tends to safeguard justice & equality in the fields of all commercial activities. It also purposes to achieve a balanced growth & make development by differentiated investment processes & most importantly to the least developed areas of Bangladesh.

### **Objectives:**

IBBL's primary objective is to establish Islami Banking worldwide to encourage and progress the appropriate application of Shariah in the commercial area. According to the role of IBBL in the situation of economy is discussed below:

- To provide financial services by following the do's and don'ts guided by Islami Shariah
- To attribute in economic expansion according to the Islamic law
- To ensure proper equal circulation of earnings.

### **Products of IBBL:**

Deposit products:

Islami Bank Bangladesh Limited has mainly 2 types of accounts.

- Al-Wadeah
- Mudaraba

#### **Al-wadeah Accounts**

Al-wadeah Current Account operates on the values of shariah. The Bank obligates to recompense money deposited in the account of customers. Also, the Bank takes authorization from clients for utilize the money. Customers can also function the account as they want to. No profit or loss is occurred in it.

#### **Mudaraba Accounts**

Mudaraba is a partnership in profit whereby one party provides capital and other party provides skill and labor. In this type of account, the Bank is 'Mudarib' & clients are 'Shaheb Al-Mal'. The Bank invests their deposited money with their permission & allocates about 65% of revenue earned through the funds among Mudaraba clients after the closing.

- Mudaraba Savings Account (MSA):

It is opened under the Mudaraba Principal of the Islamic Shariah. These accounts are mostly for non-trading clients who have some possible savings for an insignificant number of purchases taking place. More than one person can open and run the account.

- Mudaraba Term Deposit Account (MTDR):

This is a profit-bearing account that gives returns by depositing money for a set period of time on the basis of the Mudaraba principle. These deposits are repayable & are known as time credits or time accountabilities, meaning that they are repayable after period of time but not on customer need.

- Mudaraba Special Notice Account (MSNA):

This is a profit bearing Mudaraba deposit suitable account if clients are tangled in frequent business dealings which has a shape. It helps to generate profits by operating.

- Mudaraba Hajj Savings Account (MHSA):

This account is from those wants to perform hajj in future. Any Muslim who has intention for to perform Hajj saves in Hajj saving account & length of the period from 1-25 years for saving funds by monthly payments.

- Mudaraba Special Savings Account (MSSA):

This pension funds account is of 5 or 10 years. Per month deposits of Tk. 100.00 to Tk. 1000.00 & up to Tk. 20,000.00. After maturity, the client gets back his deposit with a profit in it.

- Mudaraba Savings Bond (MSB):

If a person aged 18 years & above can go for this obtaining of savings bond in single name or in dual names, Educational organizations, associations & other socio-economic institutions can purchase the bonds in the name of the institutions. Mudaraba savings bond is available Tk.1000 to Tk.10,00,000 quantities.

- Mudaraba Monthly Profit Deposit Account (MMPDA):

This account is opened by depositing a minimum sum of Taka 100,000/- & multiples of cash at a period of just 5 years. The monthly conditional benefit is charged to the Account from the 30 days of opening the Account. The quantity of profit is changed at each year after the announcement of the closing proportion of profit.

- Mudaraba Muhor Savings Account (MMSA):

In Shariah, it is mandatory for a partner to give Muhor to his partner. The Bank gives a flexible opportunity to fulfil the act. Any mindful husband may open account for his wife for scheduled installment of Tk. 500 to Tk. 5,000 in 5 years & 10 years terms.



- Mudaraba Waqf Cash Deposit Account (MWCDA):

Waqf means an Islamic donation for a charitable or religious purpose. This Account may create donation at one time with a least deposit of Tk. 10,000 & it is done by installments in thousand up to several of thousand takas. The profit of this account is used for social & human wellbeing.

- Mudaraba Savings Bond (MSB) Account:

A Bangladeshi who is foreigner aged 18 years & above who is staying in a foreign country & his family member will be qualified to obtaining this savings bond upholding the quantity of Tk.25,000 to Tk.10,00,000 in Bangladesh money for 5 years or 10 years long.

- Mudaraba Foreign Currency Deposit Account (MFCD):

This is opened by putting a minimum of US \$1,000 at stated branches of the bank. Bangladeshi living, employed & producing out of the country in Bangladesh and even foreign companies & functioning in Bangladesh foreign missions & their staffs are entitled to open it. The account manager shall be given profit in compliance with the rules & regulations.

- Students Mudaraba Savings Account (SMSA):

To gather knowledge about banking services & develop savings habit among the schoolchildren, this mudaraba savings account has been introduced. Special privilege is given to the schoolchildren & inspire them to start savings which is helpful for them for

future higher education. Guardian can also open this account for students below 18 years by showing student ID with Tk.100 as opening payment.

- Mudaraba Farmers Savings Account (MFSA):

This savings account is introduced for farmers to encourage them grow a saving habits, bring them under banking observation to increase financial stability to their family & in future. It allows them to make a big savings slowly to improve their financial for rainy days. Only Tk.10 is needed for this account.

### **Investment modes of IBBL:**

Investment is means organizing funds with the purpose & hope that it will earn a positive arrival for the proprietor. IBBL uses profit-loss sharing mechanism for investments by islamic shariah.

There are 3 type of modes of investments:

- BAI-modes
- SHARE-modes
- IJARA-modes

#### **BAI-modes:**

BAI means purchase & sale. It is also called sale-based mechanism. Under this mechanism there are 6 types of sales available:

- Bai-Murabaha:

Bai-Murabaha means sales of good on agreed upon profit. It is a agreement between a buyer & a seller where seller sells certain specific belongings that is permissible under islamic shariah to the buyer at a cost along with profit payable in cash by repayments.

2 Types of Murabaha in view of trade parties-

- Ordinary Bai-Murabaha: In this contract there 2 party's- buyer & vender makes transaction in this contract.
- Bai–Murabaha on order and promise: There are three parties. Buyer as 1st party promises to buy some goods placing order to 2nd party which is bank. The 2nd party obtains the goods from the seller/supplier the 3rd party. Mostly it is for commercial use.

- Bai-Istijrar:

Bai-Istijrar means buying properties in different time in different amounts. In Islamic law 'Istijrar' is a contract where a purchaser buying something under a single agreement in dissimilar installments. But no suggestion & taking or bargain is needed. It is measured as a single contract where all relations & situations are confirmed.

- Bai-Muajjal:

It means sale of goods for fixed & defined period. Bai-Muajjal is well-defined as a agreement between a purchaser & a Vender who sells certain exact properties that is permissible in Shariah to the Buyer at an decided price which is pay in future with fixed payments. The vendor may also sell the goods of the purchaser.

- Bai-Salam:

Bai-Salam means advance sale & purchase. It is a contract between a buyer & a retailer under which the retailer sells in advance the convinced product that permissible in shariah to the buyer at fixed price payable on implementation of the agreement & the product is delivered as requires in future in a certain place.

- Istisnaa:

Istisnaa is to buying explicit product by placing command to a producer or to sale specific product after having the similar industrial against direction of a purchaser.

- Bai-As-Sarf:

When a currency is exchanged for a currency that sale is called 'Sarf'. It basically means sale & purchase of money for money including gold and silver. Both parties must take possession of the counter values before separating, such possession being either actual or

beneficial. The counter values of the same currency must be of equal amount, even if one of them is in paper money and the other is in coin of the same country, like a note of one pound for coin of one pound.

### **SHARE-modes:**

This mode is basically participatory mechanism. Two types of method are available:

- Mudaraba:

This method is profit sharing & loss bearing. It's a contract of where the primary party offers money and other party delivers the skill which is the bank with the determination of earning lawful profit that is distributed among them in share agreed upon.

- Musharaka:

This method is profit & loss sharing. It is contract where bank provides capital which are associated with the funds of the business initiative & others. All the providers of capital are authorized to participate in the supervision but not necessarily required to do so. The profit is distributed among the partners in pre-determined ratio. But the loss is taken by each partner in proportion to his share.

### **IJARA-modes:**

Ijara means to give something on rent.

- Hire purchase under Shirkatul meelk:

The possession of the goods is Bank & the client jointly and the portion of the client will continue to the Bank as mortgage till the shutting of it. But the client is approved to have the gear for specific time. After the accomplishment of the payments, client will be the proprietor of the belongings. It is a mixture of three contracts:

- Shirkat:

It defines as share in proprietorship. When two or more people stock equity, purchase a benefit as per contract & bear the damage in percentage to their individual equity, then is its known as Shirkatul Melk.

- Ijara:

Ijara is an agreement among 2 parties- the Hire & Hirer, where the Hirer appreciates a specific facility against a quantified consideration. It is a rental promise where convinced benefit is hired out by the hire to a Hirer.

- Sale:

It's an agreement among a purchaser & a vendor where asset is relocated against agreed upon amount paid by the purchaser. Finally, bank moves the possession of its share to the customer against fixed compensation that portion progressively in future.

**Investment Schemes:**

IBBL has many investment schemes available. They give funds to the individuals for meeting their private & domestic needs. They have taken up several welfare-oriented investment Systems. All schemes are based on partnership & interest mechanism is not applied in any of the schemes.

Schemes are given below:

- Investment Scheme for Doctors (ISD)
- Car Investment Scheme (CIS)
- Micro Industries Investment Scheme (MIIS)
- Agricultural Implement Investment Scheme (AIIS)
- Real Estate Investment Program (REIP)
- Real Estate Investment (Commercial & Working Capital)
- Agricultural Investment of IBBL
- Transport Investment Scheme (TIS)
- NRB Entrepreneurs Investment Scheme (NEIS)
- Women Entrepreneurs Investment Scheme (WEIS)

### **Management Practices of IBBL:**

IBBL does not invest in loans & secure interest system. It invests in normal share only while other bank participates in credits. Islami Bank contribute to plans with risk along with the customer on a proportional rate. On the other hand, conventional banks investment projects do not allow any hazard for themselves. Finally, the perception of IBBL is to create free society values of community equity. IBBL takes deposits with the loss & profit-sharing mechanism. They normally go for the venture that are long period & lucrative. They also give more priority & attention that will increase employment rates. They ensure mutual advantage both for bank & the investors by expert evaluation of investment proposals, thoughtful approval of venture, close with constant supervision & monitoring. They make sure to increase the number of possible stockholders by making creative speculation for smoother management system in their banking, they introduced internet banking for more faster & secure banking from any place.



### **Marketing Practices of IBBL:**

Marketing strategy is usually known as a tactic implemented by a firm to accomplishment of the organization goal. The variation of any plan relies on much on management involvement of the top administration, phase of the organization, monetary atmosphere & guidelines. As a service-oriented organization, their solely effort to distinguish itself from rivals. As Islamic banking is a substitute to conventional bank, they are advanced in their services and the facilities. Only by modernization in products & services IBBL endure their viable gain compared to other banks that offer prohibited facilities in Islam. IBBL different savings account such as wadeah, mudaraba with different saving account name which is previously discussed. Also, their other treasury product such as Exchange Currency, Investment & exchange in Islamic safeties. They also have services such as ATM, locker service, Debit Card etc.

### **Financial Performance & Accounting Practices:**

The financial research includes the review of the structure of finance, the funding plan for working capital, the potential for cash flow & profitability. In order to calculate the financial practicality, a detailed review of expected financial statements such as Balance Sheet, Profit & Loss A/C gives a helpful indicator. Interest-based banks optimize their earnings, subject to the cost of funds, because, with a reasonable degree of certainty, they are able to know in advance the amount of profit they will gain in the short term. If the profit rate expected by the depositors is not realized in this case, Islamic banks could face greater uncertainty about their profit base. Ideally, it is predicted that Islamic banks will annually measure their rate of return on PLS deposits. The standard practice is that the deposits are weighted to reflect their maturity differences. Banks shall prepare & submit to the central bank a six-monthly overview account of their activities, which shall specify the individual PLS rate to be paid by each bank. In terms of that, individual banks are permitted to deviate slightly from the rate of return proposed.

Two forms of accounting exist, namely the method of cash and the method of accrual. The accrual method of accounting is practiced by traditional banks. The cash accounting means that attention will be extended only to revenue and expense products that contain cash inflows and outflows. Accrual accounting, on the other hand, assumes that all accumulated revenue or expense is paid for properly. Instead of accrual accounting, Islamic jurists are in favor of money accounting. But, in fact, other Islamic banks around the world doesn't do the same method of accountancy. For various reasons, even some particular bank conducts inconsistent method of both cash & accrual accountancy.

### **Management & Information System Practices**

Computer-based infrastructure for the making of financial services is the concept of an electronic banking system. It is important to roughly split electronic banking networks into two categories: back-office & front-office e-banking services. The present position of the electronic banking system is called the 3<sup>rd</sup> Gen e-banking. This era of is back workplace services like online transaction dealing out, internet banking, and interbank operation dealing. The front-office services of this era are electronic fund transfer, online banking, electronic deposit, electronic check representation etc. In order to confirm the effective flow of knowledge between its numerous positions in the nation, Bangladesh Bank has installed computerized MIS very recently. Inside the bank, the MIS is mostly carried out by the Machine Department. Conducting studies on different banking and finance topics, recognizing developments in various areas of banking activities, publishing articles in newspapers, monthly announcements, annual reports, releasing all sorts of knowledge to the bank's top management, supplying the government with the required details to promote the formulation of monetary & capital markets policy- are mostly used by MIS.

### **SWOT Analysis of IBBL:**

SWOT Analysis is a is mostly used method to estimate the Strengths, Weaknesses, Opportunities, & Threats of the organization. It is used to help tactical development of the organization. Analysis of IBBL given below:

#### **Strength:**

After evaluating the present situation, IBBL got:

- Honest & reliable faculties & employees in IBBL. They are always dedicated themselves for constant improvements.
- The IBBL runs gainful business by Islami shariah.
- They do provide more investment to clients as they got good financial performance.
- Proper administrative structure is one of their strength that us developed by locals & experts.

#### **Weakness:**

The weaknesses of IBBL are given below:

- Lack of human resources management which hampers their process for investment.
- They don't take time of value into their reflection.
- The proportion of investment process is lengthy in time for a project.

### **Opportunities:**

The following opportunities of IBBL are possible:

- As islami banking is one of growing organization in Bd, it has great opportunity to catch huge market segment. Many Islami banks are moving to conventional interest banking to catch capital, but IBBL do not follow them as they maintain strictly islami shariah & provide the best service to its clients based on Islam.
- Their strategy making & executing can attain a big quantity of marketplace growth.

### **Threats:**

Threats for IBBL are given below:

- It may be the worst case for IBBL if client preference shifts any time.
- Unusual economy situations are threat for IBBL that can have significant effects on products or services.

### **Summary & Conclusions:**

IBBL is one of the successful banks established in our country which is strictly abide by the law of shariah. Their trust in Almighty Allah, compliance of islamic shariah, honesty, Integrity, welfare banking, Equity & Justice, adoption of technology, transparency & accountability is playing role for the success. IBBL is seeking to set the highest welfare standard in society by upholding the Islamic Shariah rules, which are based on the Quran & Sunnah. Therefore, in consumer words,

they also discourage lavish lifestyle investments & always seeks to make investments strictly for the benefit of consumers who truly need it. It is similarly emphasized in the growth of the rural areas of the country. A special function of the Bank's investment strategy is to invest in compliance with the beliefs & values of islamic shariah on the basis of a loss profit-sharing scheme. Benefit generation is not the sole motivation and goal rather, investment policy emphasis is focused on achieving the social goal and objective of generating job opportunities.

### **Recommendations:**

My recommendations for IBBL are:

- Most of our nation's citizens have a bad perception of the operation of IBBL with regard to indirect interest generation, which means no distinction between traditional banking & IBBL, since individuals do not have adequate knowledge of IBBL's operations and its process through seminars & islamic dialogue it needs to be strengthen.
- In order to obtain a broad geographical reach, IBBL should offer more focus on their marketing activity & take promotional activities.
- A fair number of female workers should be hired by IBBL to work with women entrepreneurs & practitioners in order to consider their desires & thereby generate investment interest.

## Chapter 3: Project: How islami banking is different than conventional banking

### 3.1 Introduction

- Background:

The banking sector is currently on the rise & plays a critical role in our economy. Before going to make distinctions between Islamic banking systems & the traditional banking system, we need to describe 'bank' in the introduction chapter. So, it can be represented as a financial institution in a nut shell that collects deposits from the surplus unit & makes investments in the deficit unit. IBBL deals with profit income & conventional bank deals with interest income. The fundamental theory of IBBL is that PLS based shariah finance has been subjected to interest rate risk. Since much of the Islamic Bank's asset is in Bai-Mode. In this mode, the bank sells stated commodities to its clients at a cost plus a profit negotiated upon allocated after a set time. If the consumer fails to pay the price within a fixed time, they cannot have taken an extra sum as revenue of the bank. Yet Traditional banks can continue to charge interest, even though they can charge & carry out criminal interest as revenue of the bank. The conventional bank, which is based on a prefixed interest rate, is thus subject to less interest rate risk. That's why the project's theme is to identify the basic differences between the Islamic Banking systems with conventional Banking system.

- Objectives:
  - Fulfill the requirement of BBA program as well as study
  - To test whether its activities is unsatisfactory to the conventional banking system.
  - To gather overall knowledge about Islamic banking & Conventional Banking system.
  - To highlight the problems & necessary recommendations to overcome the problems.

- Significance:

Most people think islami banking is same as conventional banking as they think interest & profit is same. by writing this project, I will try my best to clarify the differences so that people can get a clear image of what is interest & what is profit. Also, as a Muslim, they can avoid interest as its prohibited in Islam & encourage them to do all financial activities in daily life by islami banking.

### **3.2 Methodology**

The method used for collecting the data is both secondary & primary source. For primary data, the organization have given their lecture slides & observation from the internship period for writing the project. As for secondary data it's given in their official website. With both data I tried to write the project in a simple way possible.



### 3.3 Findings and Analysis

- **Islamic banking:**

It is also known as non-interest financial, a banking structure based on the ideals of Islamic or shariah law & driven by Islamic economics. Two basic principles of Islamic banking are the division of income & expenses and the restriction of the collection and paying of interest by lenders and borrowers. Islamic law forbids the aggregation of interest or "riba."

- **Principles of Islamic Banking:**

The values of Islamic banking are regulated by the Sharia law, which is based on the Quran and the Hadith, the documented sayings & the acts of the Prophet Muhammad. Where further knowledge or advice is required, Islamic bankers' resort to educated scholars or use independent scholarship & customs reasoning. They also ensure that their proposals do not deviate from the basic values of the Quran.

- **Conventional Banking:**

Conventional banks are classified as commercial banks, & are profit-making entities and are usually not based on moral values. That said, making money is also the primary purpose of an Islamic commercial bank.

- **Basic Principles of Conventional Banking:**

Conventional banks follow those standards which are very necessary for banks to stay competitive in modern days. A bank that deals in capital & money worth a profit is classified as a commercial bank. Commercial banks must keep some of the values that are really necessary for banks to stay competitive in modern days.

### **Understanding Profit & Interest:**

To know Islamic banking, we need to understand the distinction between profit & interest. Where a traditional bank gives a convinced percentage of its interest to its investors, the Islamic bank shares a certain percentage of its income to its investors. Interest is known as riba, which is absolutely discouraged by Islamic language. Riba means an improvement or extension in entry. According to shariah's terms, riba word means any overcompensation without due regard of the time worth of money. In our region, interest is usual at the opening of the year by the traditional bank & is fixed if there is no economic calamity. But benefit, on the other hand, is entirely separate from interest. The bank invests the capital of its depositor as its fund into a corporation & receives profit, then shares a portion of the income to the investors. Benefit is also set at the beginning of the years, but is not guaranteed like interest is. It may change as the bank is earning more & less. It depends on the productivity of the bank. The Islamic Bank in Bangladesh also gives the percentage of its earnings at the opening of the year in compliance with the laws of the Bangladesh Bank. Yet often it changes its percentage because of their productivity gains. This is the true contrast between profit & interest.

### Riba vs Profit

<b>Riba</b>	<b>Profit</b>
1. When money is "charged" it is favorably applied and the effect is determined by riba.	1. When money is used to sell, the unknown outcome is profit.
2. Riba is the premium charged to the lender by the borrower along with the principal sum as a condition of the loan.	2. Profit is, by definition, the difference between the value of output & the expense of production.
3. Riba is prefixed, and so there is no confusion on the part of either the lenders or the borrowers.	3. Profit is post-determined, and thus its amount is not understood until the operation is finished.
4. Riba can't be negative, it can be very minimal or zero at best.	4. Profit can be positive, zero, or even negative.
5. It is Haram from the Islamic Shariah point of view.	5. It is Halal from the Islamic Shariah point of view.

### **Conventional bank vs IBBL:**

Conventional banking is fundamentally relying in debt-creditor relationship among the investors. Interest is perceived to be the price of the loan, representing the opportunity cost of the capital. IBBL, considers a loan is granted or taken free of charge to satisfy some contingency. Another principal with respect to monetary connections in Islam is that there is no gain without taking risk. This theory extends to both employment & wealth. Because no expense for employment, unless it is applied to jobs, there is no compensation for wealth as it is subjected to market danger. The separate features that give Islamic banking its key points of leaving from the conventional system are; it is fundamentally a profit & loss sharing system; investment under this banking system must at the same time serve both the assistance of the lender & the resident.

In the interest of viewers, the distinguishing characteristics of traditional banking & IBBL are seen in the following box diagram:

<b>Conventional bank</b>	<b>IBBL</b>
1. The functions & modes are human-made principles.	1. The duties & modes of concepts of Islamic Shariah.
2. lender is guaranteed of a predetermined interest rate.	2. It encourages risk sharing amongst the source of funding & the recipient of the assets.
3. It may charge extra money (compound interest rate) in the case of defaulters.	3. Islamic banks have no provision to charge the defaulters any extra capital.
4. It is most much the bank's own interest that is influential. It does not make any attempt to ensure equity growth.	4. This brings due priority to the public interest. Its ultimate goal is to ensure equity growth.
5. As the revenue from the advances is set, the production of project assessment & appraisal skills is of little significance.	5. Since it shares benefit & loss, Islamic banks pay more attention to the production of project assessment and appraisal.
6. The position of a traditional bank in relation to its customers is that of creditors & debtors.	6. The status of the Islamic Bank in relation to its customers is that of its partners, investors & traders.
7. The traditional bank needs to guarantee all of its deposits.	7. Strictly speaking, the Islamic Bank cannot guarantee all of its deposits.

### 3.4 Summary and Conclusions

#### Summary:

Today, Islamic banking is appealing more common every day as more people choose to lead their lives in terms of Islamic law. IBBL is doing an outstanding job with respect to the Islamic banking system. But as far as I am concerned, people do not have a good understanding of the distinction between interest & benefit, as banks do not encourage this in their marketing strategies. As Islamic banking is becoming more widespread with the citizens of Muslim countries, many global banks now have an open Islamic banking segment of their bank. Many traditional banks in Bangladesh have already unlocked the Islamic banking segment. It has become a modern business tactic for banks to draw new clients.

#### Conclusion:

IBBL plays an important role in the fiscal growth of the region, while retaining a standard quality of services. It understands the needs of the consumers & hence understands the needs of the country. IBBL's commitment to Bangladesh's economy, along with a high degree of corporate community duty, offers a way to travel faster than other banks in the region. Considering the pro-efficiency atmosphere of Islamic banking & its valuable effects on the economy, administration rule in Muslim countries should favor the transition of the traditional banking organization into Shariah.

### 3.5 Recommendations

My recommendations for IBBL in order to reach more customers & encourage people to come under islamic shariah:

- IBBL should place more focus on their marketing campaigns & take promotional events to reach a wide regional coverage.
- Every commercial bank is making the best use of technical advances. So IBBL have to employ more new technology to keep pace with changing times.
- IBBL should grant investment portfolios to young entrepreneurs in order to achieve the promise of mass banking.

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