

An Internee Report on General Banking of



**PRIME BANK LTD**

Under Islamic Mode

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**SUBMITTED TO**

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## Table of Contents

1.0 OBJECTIVE OF THE REPORT	7
1.1 BACKGROUND OF THE REPORT	7
1.2 METHODOLOGY	8
1.3 LIMITATION	8
2.0 HISTORY OF INCORPORATION OF THE ORGANIZATION	9
2.1 COMMENCEMENT OF OPERATION	10
2.2 OBJECTIVE of The Bank	11
2.3 VISION OF THE BANK	11
2.4 MISSION OF THE BANK:	12
3.0 What is Islamic Banking System?	12
3.1 Profile of Prime Bank Limited, Islamic Banking Branch:	13
3.2 Objectives of Launching Islamic Banking operation in Prime Bank	14
4.0 The general banking of PBL (IBB, Dilkusha):	14
4.1 Different modes of deposit schemes of IBB, PBL:	15
5.0 Duties and Responsibilities	26
6.0 The Comparison of Islamic and Conventional Banking	28
6.1 DEPOSIT PERFORMANCE:	30
6.2 The Investment policy of Islamic Banking:	32
7.0 Problems of Islamic Banking activities in the conventional banks	33
8.0 Recommendations:	36
9.0 Conclusion:	37

August 16, 2007

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Sub: Submission of Internee Report

Dear Sir,

I am glad to submit you the intern report covering the topic "General Banking of Prime Bank Ltd. under Islamic mode". During the preparation of my report I really enjoyed and learned a lot about general banking operations. I am very much grateful to my Internship supervisor who guides me in such a way to make this report easy and understandable. I also want to thank my on site supervisor who helps me to get information and give suggestions about the process.

I really appreciate their co-operation cordially.

Yours truly,

Imran Farook



## PREFACE

Modern banks play an important part in promoting economic development of a country. Banks provide necessary funds for executing various programmes underway in the process of economic development. They collect savings of large masses of people scattered through out the country, which in the absence of banks would have remained idle and unproductive. These scattered amounts are collected, pooled together and made available to commerce and industry for meeting the requirements.

Today's modern banks are not only provide traditional banking, rather banks are expanding the menu of financial services, banks are making the untouchable service touchable for their customers. The changing and expanding role of banking has made the banking business more complex and competitive. For survival and growth of this business demands creativity, specialization and knowledge and adoption of new technology. But technology, creativity, specialization all these cannot support a bank to survive unless the services are marketed in the right track. For this banks need experts who will be able to run the business even in against the wind.

Prime Bank Ltd. is one of the fastest growing banks in our country. It has performed very well since its commencement of business and the Bank is already at the top slot in terms of quality service to the customer's and the value addition to the shareholders.

Prime Bank Ltd. has already made significant progress within a very short period of its existence. The bank has been graded as a top class bank in the country through internationally accepted CAMEL rating. The bank has already occupied an enviable position among its competitors after achieving success in all areas of business operation.

Prime Bank Ltd. offers all kinds of Commercial Corporate and Personal Banking services covering all segments of society within the framework of Banking Company Act and rules and regulations laid down by our central bank. Diversification of products and services include Corporate Banking, Retail Banking and Consumer Banking right from industry to agriculture, and real estate to software.

The bank has consistently turned over good returns on Assets and Capital. During the year 2006, the bank has posted an operating profit of Tk. 2131 million and its capital funds stood at Tk 4409.21 million. Out of this, Tk. 1750 million consists of paid up capital by shareholders and Tk. 2659.21 million represents reserves and retained earnings. The bank's current capital adequacy ratio of 9.95% is in the market. In spite of complex business environment and default culture, quantum of classified loan in the bank is very insignificant and stood at less than 0.82%.

Prime is catering both conventional interest based banking and banking under Islamic Shariah Principles. The Islamic banking operations are completely separated from the conventional banking.

## **1.0 OBJECTIVE OF THE REPORT**

To know about the overall Islamic banking system & its services that are providing by prime bank limited related to Islamic banking branch.

- To know about the Islamic mode of deposit products and features.
- To know about the Islamic mode of investment products, features and activities.
- To know about the activities of the trade finance.
- To find out the internal and external lacking in the daily operation that would help to Prime Bank Limited for more progress

## **1.1 BACKGROUND OF THE REPORT**

BBA degree is different from other degrees in the extent that it requires to achieve practical experience with relation to the theory. For this reason BBA students require to undergo internship program where they match practical knowledge with that of theoretical knowledge which they acquired throughout the degree. The degree doesn't complete unless a written report submitted to the faculty, basing on what have the students learned through the internship program.

Being a student of B.B.A. (major in Finance), I had the opportunity to work at Prime Bank Limited, Islamic Banking Branch, Dilkusha from May 16, 2007 to August 15, 2007. This report is prepared based on by observation during the tenor I was with them.



## **1.2 METHODOLOGY**

Exploratory research method is used in writing this report. This type of research is meaningful in any situation in which the researcher does not have enough understanding to proceed with the research project. This research is characterized by flexibility and versatility with respect, to the methods, because formal research method, because formal research protocol and procedures are not employed. It is rarely involves structured questionnaire, large sample and probability sampling plans. Rather researchers are alert to new ideas and insights as they proceed. Once a new idea or insight is discovered, they may shift their exploration in that direction. Observation method is used to complete this qualitative research.

## **1.3 LIMITATION**

Major limitation of this report is time constraint. Availability of the reference book is another limitation. IBB, Dilkusha is very busy branch. In this branch employees get very little time to teach theoretical knowledge to the trainee. Besides being a student of Finance Major, I had may hurdles to come-over a new discipline – the whole operation of a banking branch and which is also Islamic shariah based.



## **2.0 HISTORY OF INCORPORATION OF THE ORGANIZATION**

Prime Bank Limited is a fast growing private sector Bank and the Bank is already at the top slot in terms of quality service to the customer's and the value addition to the shareholders. Prime Bank Ltd. was incorporated under the Companies Act, 1994 on February 12, 1995 and on this day, filed a duly verified declaration in the prescribed form that the condition of section 150(1)(a) to (d) of the said Act, have been complied with, is entitled to commence business as a public limited company.

Prime Bank Ltd. being a banking company has been registered under the Companies Act 1913 with its registered office at 5, Rajuk Avenue, Motijheel commercial area, Dhaka 1000. Later it was shifted to Adamjee Court Annex building, 119-120, Motijheel Commercial Area, Dhaka-1000.

The bank operates as a scheduled bank under banking license issued by Bangladesh Bank, the central bank of the country on April 17, 1995 through opening of its Motijheel branch at Adamjee Court Annex Building, Motijheel commercial area, Dhaka-1000.

Prime Bank Ltd. has already made significant progress within a very short period of its existence. The bank has been graded as a top class bank in the country through internationally accepted CAMEL rating. The bank has already occupied an enviable position among its competitors after achieving success in all areas of business operation.

Prime Bank Ltd. offers all kinds of Commercial Corporate and Personal Banking services covering all segments of society within the framework of Banking Company Act and rules and regulations laid down by our central bank. Diversification of products and services include Corporate Banking, Retail Banking and Consumer Banking right from industry to agriculture, and real state to software.

The bank has consistently turned over good returns on Assets and Capital. During the year 2006, the bank has posted an operating profit of Tk. 2131 million and its capital funds stood at Tk 4409.21 million. Out of this, Tk. 1750 million consists of paid up capital by shareholders and Tk. 2659.21 million represents reserves and retained earnings. The bank's current capital adequacy ratio of 9.95% is in the market. In spite of complex business environment and default culture, quantum of classified loan in the bank is very insignificant and stood at less than 0.82%.

## **2.1 COMMENCEMENT OF OPERATION**

Prime Bank Ltd. was established on 17th April 1995 with an authorized capital of Tk.1000 million and paid up capital of Tk.100 million (raised to Tk.200 million in 1997) by a group of highly successful entrepreneurs from various fields of economic activities such as shipping, oil, finance, garments, textiles and insurance etc. It is a full licensed scheduled Commercial bank set up in the private sector in pursuance of the policy of the Government to liberalize banking and financial services.

The Founder Chairman of the bank, Dr. R A Ghani is a doctorate in science. He was a member of the board of directors of Bangladesh Bank (Central Bank) and a former minister of the state Government of Bangladesh. The former governor of Bangladesh Bank Mr. Lutfar Rahman Sarkar was the first managing director of the bank. Highly professional people having wide experience in domestic and international banking are managing the bank. The present managing director Mr. M. Shahjahan Bhuiyan has long experience in domestic and international banking. The bank has made significant progress within a very short time due to its very competent board of directors, dynamic management and introduction of various customers' friendly deposit and loan products.

During the year under review, the network of branches increased to 51 with branches at Madhabdi to focus on rural development and deepen our stake in agricultural sector and licenses for few more branches are in hand which will be opened soon. The bank is providing commercial and investment banking services to all types of customers ranging from small enterprises to big business loans. Besides, investment in trade and commerce, the bank actively participates in socio-economic development of the priority



sectors like agriculture, industry, housing and self-employment. Prime Bank Ltd. is pioneer in providing consumer loans as well as financing the industries and transport sectors through attractive leasing and hire purchase scheme.

Prime is catering both conventional interest based banking and banking under Islamic Shariah Principles. The Islamic banking operations are completely separated from the conventional banking.

## **2.2 OBJECTIVE OF THE BANK**

Prime Bank Limited is designed to provide commercial investment bank services to all type of customers ranging from small entrepreneurs to big business firms. In this regard, it gives emphasize on the priority sector of the economy like industry, housing and self employment. Besides, the bank aims to provide different customer friendly deposit and loan products to fulfill the banking needs of the individual customers.

## **2.3 VISION OF THE BANK**

To be the best Private Commercial Bank in Bangladesh in terms of efficiency, capital adequacy, asset quality, sound management and profitability having strong liquidity.

## **2.4 MISSION OF THE BANK:**

Two missions mentioned in the Annual Report 2007 are:

- To build Prime bank Ltd into an efficient, market driven, customer focused institution with good corporate governance structure.
- Continuous improvement in business policies and procedures through integration of technology at all level.

### **3.0 What is Islamic Banking System?**

Islamic Banking System is such a banking system which is carried under Islami Shariah. Islami Shariah is based on the rules and regulations created by Allah. That means the Shariah constitutes based on what Allah has said in Al-Quran and what has said by Muhammad (SM). For the muslims it is very necessary to abide by the rules and regulations of Allah. For this reason the Islamic Banking system is introduced.

The phenomenon of Islamic branches of interest based banks has become a topical issue within the banking circle. Islamic Banking of the country is gaining momentum day by day without any direct support from the government and any international monetary agency. Some conventional banking is also converting into Islamic banking very sharply. In Bangladesh, the Islamic banking was introduced in 1983 with Islami Bank Bangladesh Ltd. playing the pioneer role. Since then, five more Islamic banks have so far been established in the country. Excepting six shariah based banks, seven more conventional banks started Islamic banking through separate outlets side by side with their regular branches. Prime Bank Ltd is one of these seven banks.

### **3.1 Profile of Prime Bank Limited, Islamic Banking Branch:**

Prime Bank Limited has started its operation as a Conventional Bank in April 1995. But pretty soon afterwards, within few months, the Bank has taken up the Challenge to start Islamic Banking Operations. The Challenge is not so much as in operating Islamic Banking but in maintaining both the forms in Parallel. From its inception as an Islamic Bank the bank has proven itself to be worthy of its slogan of 'Bank with a Difference', through successful operation of Islamic Banking.

Prime Bank has started its Islamic Banking operation through its first Branch being inaugurated at 19, Dilkusha C/A, Dhaka on 18 December 1995. Since then it has so far has established four more branches at different locations in the Country. Because of its popularity and management's commitment toward social well being gradual expansion of Prime Bank's Islamic Banking operations is assured.



There are some salient features of Islamic Banking that is practiced in Prime Bank Limited:

All activities are conducted according to Islamic Shariah.

- Interest free monetary operations.
- Building partnership relation between the Bank and its customers
- Following Islamic principles in its investment portfolio.
- While investing special consideration to social needs is given.
- Through small and long term deposit schemes providing hope to the poor income group of the society.
- Client service centric banking, through which making the clients feel special.
- Conduct welfare activates etc.

### **3.2 Objectives of Launching Islamic Banking operation in Prime Bank Ltd:**

- To cater to the needs of customers who want to have services in Islamic Modes
- To give importance to the sentiment of people, majority of who are Muslims and are akin to the Islamic financial system
- To introduce the partnership concept of business operations
- To arrange for ensuring justice in distribution system – use of funds
- To introduce wealth maximization concept through profit/loss sharing system in business and investment
- To help distressed people develop their financial standing through Islamic Banking operation mechanism
- To provide products and services free from interest suited to the needs of customers and establish justice in the society

#### **4.0 The general banking of PBL (IBB, Dilkusha):**

The GB of PBL includes the following activities

- The opening of varieties Islamic deposit scheme.
- The cash management activities.
- The clearing process.
- The issuance of Pay Order, Demand Draft, TT.
- The collection process of local and outward bills for collection.
- The issuance of cheque book.
- Inter branch credit advice and debit advices are also maintained in GB.
- The dispatch activities.
- The preparation of daily statement.

#### **4.1 Different modes of deposit schemes of IBB, PBL:**

Prime Bank under its Islamic Banking operations collects deposit mainly in two modes. These are:

**Al-Wadiah:** In this mode of deposit depositors are not given any profit. Bank can use the deposit in its business but committed to pay back to the customers on demand.

**Mudaraba:** It is partnership between two parties, the capital provider, the depositor in this case and the provider of skill and labor, here the bank. In Islamic terms the depositors are the "Shahib-Al-Maal" and the Bank is "Mudarib". In this kind of partnership the profit of investment is divided as per agreed upon ratio and the loss is borne by the provider of capital, the depositor in this case. According to Banking laws depositors money should always be protected and be deliverable on demand. Thus, Mudaraba mode of deposit, for profit and loss, capital is not considered rather it is subject to the projected profit rate.

Under these two modes of deposits there are some deposit schemes. They are given below:

- Al-Wadiah Current Account
- Mudaraba Savings Account
- Mudaraba Short Term Deposit (MSTD)
- Mudaraba Term Deposit (MTDR)
- Mudaraba Education Savings Scheme (MESS)
- Mudaraba Haji Savings Scheme
- Mudaraba Contributory Savings Scheme (MCSS)
- Mudaraba Monthly Benefit Deposit Scheme (MMBDS)
- House Building Mudaraba Deposit Scheme
- Prime Millionaire Mudaraba Deposit Scheme

Different types of deposit schemes of PBL

### **Al-Wadiah Current Account**

Some Important features of Al-Wadiah Current Account are:

- This is a non profit and loss bearing product.
- Frequent and random transactions do not have any impact on profit calculation as it is a non-profit bearing product.
- Depending on the amount of deposit there is a yearly excise duty to be charged on this type of account.
- There is also a specific amount of service charge, chargeable on half-yearly basis.



### **Mudaraba Savings Account**

Mudaraba is an investment contract where one party provides the capital for investment and the other party using skill and experience does the investment. Here the investor/mudarib has no direct participation in the business. On the other hand the owner of the capital does not participate in the activities of the business and acts only as the supplier of cash/capital. In case of deposit Mudaraba, the depositor, acts as the capital supplier of the investment and the Bank acts as the investor/mudarib.

Some Important features of Mudaraba Savings Account

- This is a profit and loss bearing product.
- Pattern of Depositor's debit transactions have an impact on profit calculation. The effects are as following:
- Credit transactions up to 5<sup>th</sup> day of a month are counted towards profit calculation for that month.
- Profit is calculated on the lowest balance of a month starting from the 6<sup>th</sup> day to end of month.
- If any withdrawal amounts to 1/4th of the total balance then no profit will be given for that month.
- If there are more than two withdrawal in a week than no profit is given for that month.
- Profit is calculated on monthly basis and credited on half yearly basis using the provisional rate of profit.
- After year end the accounts are adjusted with actual rate of profit. If the actual profit rate is greater than that of provisional then the extra profit is credited to the accounts or to sundry account if any account has closed during the year. In case the actual rate is lower than the provisional rate the loss amount is debited from the client's account or notice can be send to the client to rebate the loss amount if the account is closed during the year.
- After profit is being credited to accounts income tax is deducted / debited from the accounts. The rate of income tax is 10%.



- Depending on the amount of deposit there is a yearly excise duty to be charged on this type of account.
- There is also a specific amount of service charge, chargeable on half-yearly basis.

### **Mudaraba Short Term Deposit**

Mudaraba Short Term Deposit (MSTD) is a profit bearing Mudaraba deposit intended for those customers who are involved in business or whose transactions are frequent but does follow a pattern, enabling them to operate a kind of Current Account which incurs profit. Like in other Mudaraba deposit products, the depositor acts as the capital supplier of the investment and the Bank acts as the investor/mudarib. Here, profit is calculated on daily basis and accrued on half yearly interval.

Some Important features of Mudaraba Short Term Deposit are:

- This is a profit and loss bearing product.
- Profit is calculated on daily basis and credited on half yearly basis using the provisional rate of profit.
- After year end the accounts are adjusted with actual rate of profit. If the actual profit rate is greater than that of provisional then the extra profit is credited to the accounts or to sundry account if any account has closed during the year. In case where the actual rate is lower than the provisional rate the loss amount is debited from the client's account or notice can be send to the client to rebate the loss amount if the account is closed during the year.
- After profit is being credited to accounts income tax is deducted / debited from the accounts. The rate of income tax is 10%.
- Depending on the amount of deposit there is a yearly excise duty to be charged on this type of account.
- There is also a specific amount of service charge, chargeable on half-yearly basis.
- As it is a cheque bearing product, all the rules associated with Negotiable Instrument Act applies.

### **Mudaraba Term Deposit**

Mudaraba Term Deposit Receipt (MTDR) is a profit bearing account intended for those customers who can deposit money for fixed period of time. These deposits are repayable subject to a period of notice and hence known as time deposits or time liabilities meaning thereby that these are withdrawable subject to a period of notice and not on demand.

Some Important features of Mudaraba Term Deposit are:

- This is a profit and loss bearing product.
- Profit is calculated on daily basis and credited on term end using the provisional rate of profit.
- After year end the accounts are adjusted with actual rate of profit. If the actual profit rate is greater than that of provisional then the extra profit is credited to the accounts or to sundry account if any account has closed during the year. In case where the actual rate is lower than the provisional rate the loss amount is debited from the client's account or notice can be send to the client to rebate the loss amount if the account is closed during the year.
- After profit is being credited to accounts income tax is deducted / debited from the accounts. The rate of income tax is 10%.
- Depending on the amount of deposit there is a yearly excise duty to be charged on this type of account.
- There is also a specific amount of service charge, chargeable on half-yearly basis.
- Loan can be taken against MTDR. The Bank may sanction about 80% of the MTDR amount.



### **Mudaraba Education Savings Scheme**

We are receiving demands from the Islamic minded people of our country for an attractive Savings Scheme on the basis of Islamic Shariah so as to encourage them to save in Islamic way for education of their children. With this end in view, Prime Bank Limited has introduced a Savings Scheme entitled "Mudaraba Education Savings Scheme (MESS)" in accordance with the principles of Islamic Shariah i.e., on the basis of profit and loss sharing. The scheme provides a unique opportunity to the parents to make a future provision for the educational expenses of their children when they enter into Schools, Colleges and Universities out of the benefit of a small amount of savings with the Bank at an opportune moment.

The salient features of the Scheme are given below:

- Deposit of Tk. 50,000/- and multiples thereof but maximum limit of Tk. 5,00,000/- at a time will be acceptable under the Scheme.
- A specially designed Receipt shall be issued for the deposit under the Scheme in the same manner as issued in case of Mudaraba Term Deposit Receipt (MTDR).
- The instrument shall be issued for 5 years term.
- On maturity an estimated lump sum amount of Tk. 85,382/- shall be payable or education allowance at an estimated rate of Tk. 1,854/- per month per Tk. 50,000/- shall be payable on the basis of deposit amount for next 5 years starting from the completion of the term as per following table.
- Lump sum amount and monthly allowances may be varied because lump sum amount and monthly allowances will be calculated according to profit sharing / weightage basis. The minimum weight age for profit sharing under this scheme will be 1 (One).
- To avail the monthly allowance, the depositor is required to surrender the savings instrument to the Bank duly discharged with a written instruction to the Bank to pay the allowance to his ward on monthly installment basis as stipulated in the scheme.
- Photograph of the Nominee and Ultimate Beneficiary, if any, duly attested by the depositor, shall be obtained at the time of opening the account.

- Normally no withdrawal will be allowed before maturity. But if any depositor intends to withdraw his deposit before maturity, the following rules will apply:
- No benefit including profit shall be allowed for pre-mature encashment within one year.
- If the accounts / deposits are closed / encashed after one year of its opening, profit shall be allowed on the deposit at prevailing Mudaraba Savings Deposit rate.

### **Mudaraba Hajj Savings Scheme**

Mudaraba Hajj Savings Scheme was created with a noble view to enable Muslims to perform the great pilgrimage of Hajj by making their financing easier and comfortable. A person can open an account under this scheme providing the targeted time for the journey.

Some Important features of Mudaraba Hajj Savings Scheme are:

- Mudaraba Hajj Savings Account can be opened in the name of the individual only.
- Deposits in this account are received on the basis of Mudaraba principle of Islamic Shariah.
- 1 (One) copy of passport size photograph is required.
- Persons eager to perform Hajj within the period of 1 to 5 years may build-up savings by monthly installment equivalent to the amount of Hajj expenses for a particular year as shown in the chart below:
- The account holder must immediately communicate to the Bank of any change of the address.
- Profit shall be disbursed over the deposit on the basis of daily balance by giving weight age, which is more than that of 3 year term deposit.
- If any depositor intends to perform Hajj before the maturity of deposit, then he can do so by depositing the balance amount fixed for the year along with his savings in the Mudaraba Hajj savings account.
- If any depositor, for some reasons, is unable to perform Hajj and wants to withdraw the deposited money, he shall get profit over the deposit at the rate of profit applicable for Mudaraba Savings Account.



- Mudaraba Hajj Savings Account can be transferred from one Branch to another upon application from the depositor on genuine ground.
- Money can not be withdrawn from the Mudaraba Hajj Savings account and as such no chequebook is issued.
- In a year there shall be 12 installments, 60 installments per 5 years.
- Regular installment shall have to be deposited within first 08 (eight) days of the month. Advance deposit of installment is acceptable.
- If any depositor fails to deposit 3 (Three) installments consecutively then his Mudaraba Hajj Savings Account shall be void and such depositor shall get profit at the rate of profit given to Mudaraba Savings Account. But if arrear of one or two installments is deposited along with the next installment, the account shall remain operative. But if such irregular practice is repeated within the same year the account shall be cancelled.
- At the end of the period if it appears that the actual expenditure for Hajj in that particular year is less than the deposited amount including profit, the excess amount shall be refunded to the account holder.
- In case any depositor under Hajj Savings Scheme fails to perform Hajj in the year of maturity and desires to perform Hajj subsequently, he may be allowed the benefit of Mudaraba Hajj Savings Account up to the date of maturity and for the subsequent period till performance of Hajj at Mudaraba Savings Account rate of profit.
- All categories of Prime Bank Limited are eligible to participate in this scheme.
- The Bank, at any time, may modify, revise and cancel, amend and rescind any rule of this account and the depositor shall be bound to abide by them.

### **Mudaraba Contributory Savings Scheme (MCSS)**

This is a Savings Scheme in which a person gets the opportunity to build up savings by contributing monthly installments and receives an attractive fixed amount at the end of a specified term. The Scheme is designed to help the fixed income group to save money and build up sizable funds with which they can go for some income generating venture to improve the quality of their life and/or meet any future financial obligations.

The salient features of the Scheme are given below:

- Minimum size of monthly installment shall be Tk. 500/- and multiplies of Tk. 1000/-. Maximum installment size shall be Tk. 25,000/-
- The Deposit shall be for a period of 5 years.
- Lump sum amount shall be paid after maturity or monthly Pension shall be paid for the next 5 years according to the size of deposit.
- Deposit under this scheme is received on Mudaraba Principles of Islamic Shariah. Minimum 65% of investment income of the deposited fund is distributed among the Mudaraba depositors.
- Profit Weightage on deposit shall not be less than 1 (one).
- At present Income Tax on profit will not be applicable but in future for any change in Govt. rule of taxation, the Bank reserves the right to deduct Income Tax at source.
- The depositor will have the option to choose any installment size at the time of opening of the Account and will not be allowed to change the size of installment afterwards.
- Account in the name of minors can be opened too under the Scheme.
- A person can open more than one account for different size of installments.
- The specified amount on maturity at any slab shall be paid after one month from the date of deposit of the final installment.
- The installment shall be payable by the 8<sup>th</sup> day (in case of holiday the next working day) of every month. Advance payment of any number of installments is acceptable.
- Normally no withdrawal shall be allowed before maturity, if any depositor intends to withdraw his/her savings due to certain unavoidable reasons before 5 years, he/she will not be allowed any benefit if the premature encashment takes place before completion of 1 year. But the depositor shall be allowed profit on the prevailing Mudaraba Savings Deposit A/C rate after completion of 1 year from the date of opening of the account.
- When a depositor fails to pay 3 (Three) consecutive installments at any point of time before 5 years term, the customer will cease to remain within the preview of the scheme and scheme will be treated as a Mudaraba Savings Deposit and



- profit will be paid on the deposited amount at prevailing Mudaraba Savings Deposit A/C rate subject to completion of 1 (One) year of its opening.
- In case of death of a depositor, the account will cease to be operative and the amount deposited so far shall be paid to the nominee, and in absence of nominee, to the legal heirs of the deceased as per rules in force.
  - The Bank at its discretion may allow inter branch transfer of the A/C under the Scheme.
  - The clients are encouraged to give standing instructions to the Bank to deposit the monthly installments, debiting their Mudaraba accounts maintained with the concerned Branch. In that case, no charge will be realized for such service.
  - Normally no statement of account will be served to the depositor, in case of need of any depositor, charges @ Tk. 10/- per year / per statement shall be realized as cost of paper.
  - At the time of opening account under MCSS customer shall refer his/her Mudaraba Savings account number for transferring his/her pension amount or may open Mudaraba Savings A/C at the time of maturity for getting monthly pension amount.

### **Mudaraba Monthly Benefit Deposit Scheme (MMBDS)**

The scheme is designed for:-

The benefit of the persons who intend to meet the monthly budget of their families from the income out of their deposit.

The salient features of the Scheme are given below :

- Deposit of Tk. 25,000/- (Taka twenty five thousand) and multiples thereof, but maximum Tk. 25,00,000/- (Taka twenty-five lac) shall be acceptable under the Scheme.
- The deposit under Mudaraba principle shall be for a period of 5 (Five) years. The principal amount is refundable on maturity.
- Profit shall be paid on monthly basis @Tk.1000/- per Tk. 1,00,000.

- Payment of monthly profit shall start from the subsequent month after a clear minimum gap of 30 days from date of deposit.
- Normally, the deposit will not be encashable before 5 (Five) years. But if any depositor intends to withdraw his deposit before maturity due to certain unavoidable reasons, he would be allowed to do so in the following manner:
- No benefit shall be allowed for pre-mature encashment within one year.
- If the accounts / deposits are closed / encashed after one year of its opening, benefit shall be allowed on the deposit at existing Mudaraba Savings Deposit rate.
- If the amount of monthly profit already paid exceeds the amount payable at normal Mudaraba Savings rate, the difference shall be realized from the principal deposit amount, if and when necessary.
- In case of death of a depositor, the A/C. shall cease to be operative and the amount deposited so far shall be paid to the nominee, as mentioned in the account opening form, and in absence of nominee, to the legal heirs of deceased as per rules in force.
- Separate Application Form specially designed for the purpose shall be obtained duly filled in and signed by the depositor. In addition to this, the depositor must have a separate Mudaraba Savings Bank Account with the branch wherein the benefit on the amount so deposited shall be credited every month.
- A specially designed Receipt shall be issued for the deposit under the Scheme in the same manner as issued in case of MTDR until such receipt is developed and supplied to the branches, they will use the MMBDS receipt lying with them.
- The Receipt will not be transferable.
- In case the instrument is lost the procedure for issuance of a duplicate will be the same as applicable in case of loss of MTDR.
- Payment will be made after deduction of taxes as fixed by the Govt. from time to time.



### **House Building Mudaraba Deposit Scheme**

The salient features of the Scheme are given below:

- The tenor of the House Building Mudaraba Deposit Scheme will be 5/7/10 years.
- Minimum Equity building amount shall be Tk. 10.00 lac.
- Upper age limit will be applicable for HBL facilities only
- \*\* After the Investment Tenor the terminal value of the Scheme (in Taka) may be varied due to difference of weight age owing to difference in income from investment.
- Deposit Under this scheme is received on Mudaraba Principles of Islamic Shariah. Minimum 65% of investment income of the deposited fund is distributed among the Mudaraba depositors.
- Profit Weight age on deposit shall be not less than 1.00.
- Income Tax on interest amount shall be as per Government rule on taxation and the Bank reserves the right to deduct Income Tax.
- The depositor will have the option to choose any installment size at the time of opening of the A/C. and will not be allowed to change the size of installment afterwards.
- Account in the name of minors can be opened too under the Scheme.
- A person can open more than one account but Mudaraba House Building Investment facility shall be on one account only.
- The installment shall be payable by the 8th day (in case of holiday the next working day) of every month. Advance payment of any number of installments is acceptable.
- In case of death of Principal Applicant the A/C. will be allowed to continue by the Co-applicant or legal heirs under the scheme if so approached by them and legally acceptable to the bank.
- Normally no withdrawal shall be allowed before maturity, if any depositor intends to withdraw his/her equity due to certain unavoidable reasons before maturity, following should be applicable :
- On or before completion of one year, No profit could be paid.

- After completion of one year Mudaraba Savings Deposit A/C rate on the deposited amount may be allowed.
- When a depositor fails to deposit any installment, he/she will have to pay excess amount @5% of the overdue amount payable at the time of depositing the next installment or maximum Tk. 500/-.
- HBL facility shall be considered on maturity upon application up to three times equity but not exceeding Tk. 50.00 lac on compliance of Investment formalities.
- The Bank at its discretion may allow inter branch transfer of the A/C under the Scheme.
- The clients are encouraged to give standing instructions to the Bank to deposit the monthly installments, debiting their Mudaraba Savings Deposit A/C maintained with the concerned Branch. In that case, no charge will be realized for such service.
- Normally no statement of the account will be served to the depositor. In case of need of any depositor, charge @Tk.10/- per year / per statement shall be realized as cost of paper.

## **5.0 Duties and responsibilities:**

The following duties and responsibilities that I have performed in working here as an internee is given below:

### **Inward Mail:**

- All the letters received in closed envelopes are opened by the manager and marked to the concerned Department in-charge.
- Before the letters are delivered, they are duly stamped
- Registered letters are entered in the inward mail register in progressive number which is also noted on them and letters delivered against acknowledgement of the recipients in the register.
- Closed envelopes are received on the counters are acknowledged by affixing stamp
- Documents received on the counter are entered in Inward mail register and delivered to the recipients against initials in the register.



**Inward clearing:**

- Collects of all clearing checks send from head office
- Issue of all checks according to bank name, check no, amount and account number in inward clearing register
- Sort out of the check returns and give entries in return book

**Outward clearing:**

- Receive all out ward checks by giving signs and seals
- Posting of all checks to the computer
- Sort out of all checks in bank wise and then different branch wise
- 3 copies are made of all entries and sent to the head office before 5 p.m daily

**In charge in IPO in clearing:**

- Monitoring all the forms collected by cash
- Receive checks against IPO forms
- Signs on the forms and give seals in necessary areas
- Print out the validation on daily outward clearing and check for any miss match
- Give numbers on the forms
- Delivers the acknowledgement to the customers

**Other duties and responsibilities:**

- Open different type of accounts like MTDR, Savings account etc
- Write down the blocks of MTDR payment
- Issue Pay order, Demand draft(DD)
- Issue advices and give entries in IBCA and IBDA issue and
- Respond advices and give entries in Incoming IBCA and IBDA
- Fill up KYC (Know your customer) and prepare for inquiries for those clients whose accounts are not used for at least 6 months.



## **6.0 The Comparison of Islamic and Conventional Banking in determining the profit rate of the Mudaraba deposit scheme:**

Actually the Islamic banking does give profit to its depositors at a predetermined fixed rate. It gives profit after calculating its net earnings at the year end or at six months end. The profit is given based on the weight of the deposit scheme. At first, the total outflow from investment is deducted from the total inflow from investment. Then the reserve fund and general & administrative expenditure are deducted from that income from investment. Then the profit will be distributed to the depositors as per weight from those net earnings of the bank. As we learn in economics about the weighted index, the profit is given to the depositors based on this weighted index. The bank cannot invest all the deposits at the same time for the same maturity. The weight is determined based on the duration of the deposit scheme. This is why the Islamic banking can not give profit to the depositors at any fixed rate. Prime Bank Ltd also follows that weighted index principle of determining the profit rate. PBL has targeted some amount of deposits for the year 2007. Based on this targeted amount and using the weighted index formula the profit rate for year 2007 is determined by the shariah council of PBL. Here, one thing should mention, the bank will not give any profit if any loss occurs. So the determination of profit rate depends on the following factors:

- The targeted amount of deposit for the relevant year.
- The economical condition of the country.
- The investment opportunity.
- The profit & loss of the bank.

But the conventional banks don't follow the same procedure in determining the profit. They have to pay interest at a pre determined fixed interest rate.

The targeted amount of deposit for the year 2007 is

(Tk.In Crore)

Particulars	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
Deposit	380	378	376	375	373	371	369	368	366	364	362	360	360

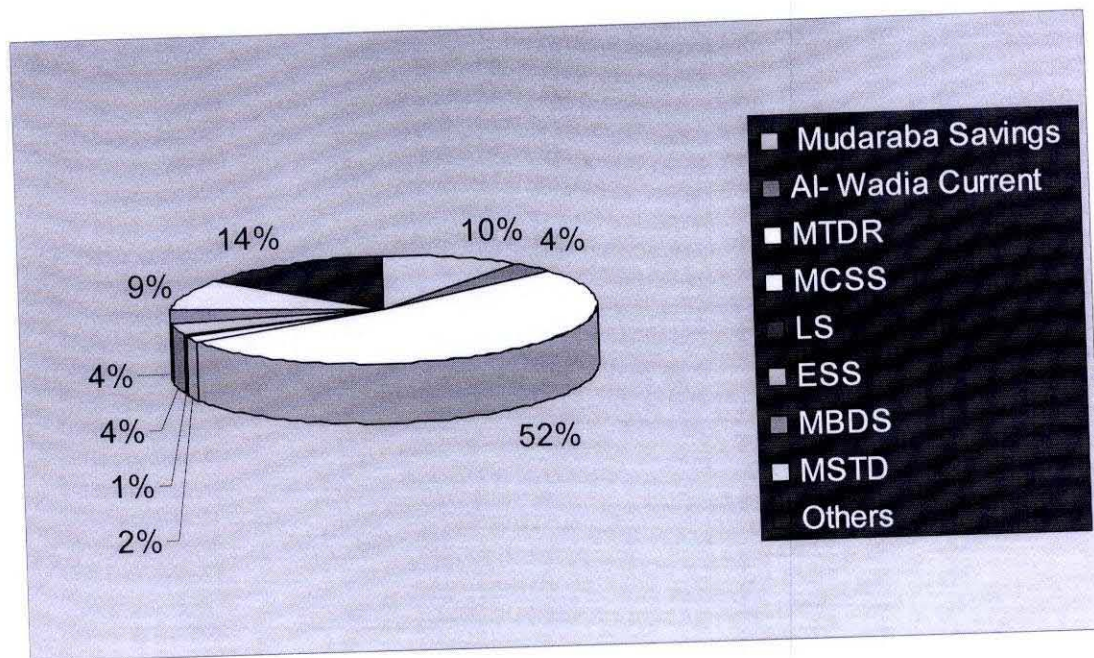
Position of the Branch as on 30-06-2007

Particulars	Budget 2007	Budget up to June, 2007	Actual up to June, 2007	Variance with budget
Deposit (Tk in Lac)	36000.00	37116.00	27459.97	-9656.03

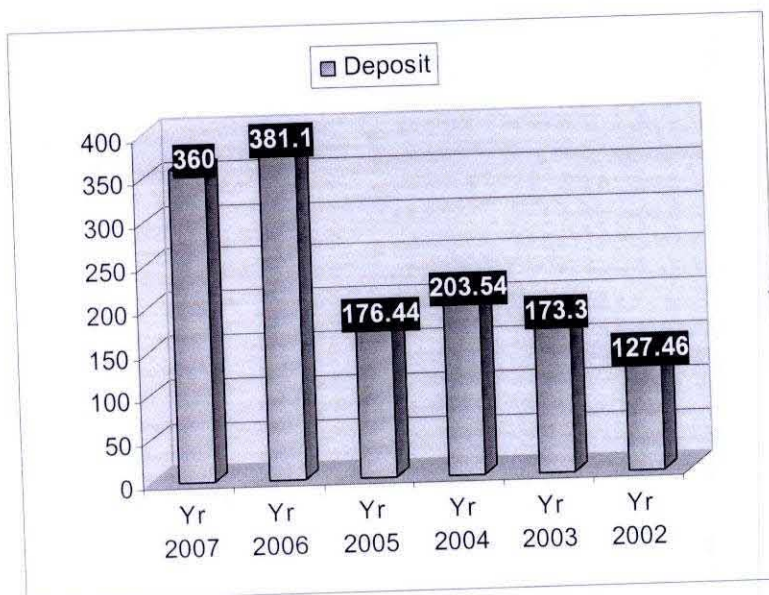
The amount and percentage of different deposit schemes:

Name of Deposit Scheme	Amount ( Tk. In Crore)	% of Total Deposit
Mudaraba Savings	29	10.55%
Al- Wadia Current	10	3.64%
MTDR	145	52.73%
MCSS	4.5	1.64%
LS	1.5	.55%
ESS	10	3.64%
MBDS	11	4%
MSTD	24	8.75%
Others	40	14.5%
Total	275	100%





## 6.1 DEPOSIT PERFORMANCE:



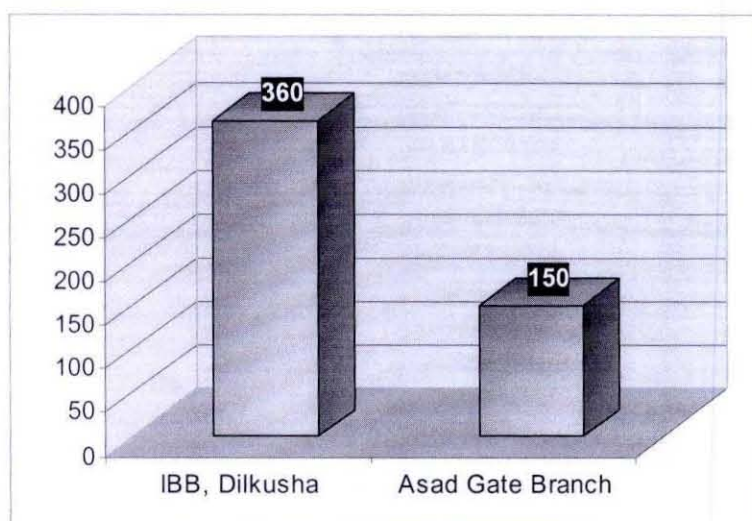
Basically, the main comparison between the Islamic and conventional banking is in determining the profit rate of deposit. Except this there is no point of distinction between



them. The Islamic banks follow the same general banking activities which are followed by the conventional banks. From the above performance analysis, it is clear that the Islamic banks are very much successful in gaining deposits. The Islamic banking branch of PBL is gaining more than any other of its branches. Here, I've presented a comparison between the Asad Gate Branch and IBB.

Targeted Deposit for 2007

Name of Branch	Deposit
IBB, Dilkusha	360.00
Asad Gate Branch	150.00



The above graphical representation shows that the management of PBL gives higher emphasis on the targeted amount of IBB, Dilkusha. Since it's opening, the branch shows its profitability year by year. It is one of the highest profits obtaining branch. Considering the importance of Islamic banking the management of PBL gives its full support to IBB, Dilkusha.

## **6.2 The Investment policy of Islamic Banking:**

The special feature of the investment policy of Islamic Banking is to invest on the basis of profit and loss sharing system in accordance with the tenets and principles of Islamic Shariah. Earning of profit is not the only motive and objective of the Islamic Banking investment policy rather emphasis is given in attaining social welfare and creating employment opportunity.

The objectives and principles of investment of Islamic Banking are:

- To invest fund strictly in accordance with the principles of Islamic Shariah.
- To diversify its investment portfolio by size, by sector, by economic purpose, by securities and by geographical area including industrial, commercial and agricultural involvement.
- To ensure mutual benefit for both the Bank and the investment client.
- To make investment keeping in view of the socio economic requirement of the country.
- To increase the number of potential investors by making participatory and productive investment.
- To finance various development schemes for poverty alleviation, income and employment generation, with view to accelerate sustainable socio-economic growth.
- To invest in the form of goods and commodities rather than give out cash money to the investment clients.



## **7.0 The Problems of Islamic Banking activities in the conventional banks:**

The phenomenon of Islamic branches of interest-based banks has become a topical issue within the banking circle. Islamic Banking of the country is gaining momentum day by day without any direct from the government and any international monetary agency. Some conventional banking is also converting into Islamic Banking very sharply. In Bangladesh, Islamic Banking was introduced in 1983 with Islamic Bank Bangladesh Limited (IBBL) playing the pioneer role. Since then, five more Islamic Banks have so far been established in the Country. These are Al-Baraka bank Ltd. (Now Oriental Bank Ltd.) Al-Arafah Islami Bank Ltd, Social Investment Bank Ltd. Shamil Bank of Bahrain EC and Shahjalal bank Ltd. Excepting 6 Shariah-based banks, seven more conventional banks started Islamic banking through separate outlets side by side with their regular branches. The interest-based conventional banks who started Islamic Banking Branch are Prime Bank Ltd. Dhaka bank Ltd. Exim bank Ltd. Southeast bank Ltd. The Premier Bank Ltd, The City Bank Ltd, Jamuna Bank Ltd. and HSBC.

### **Status and recognition of Shariah Council:**

When a conventional Bank wishes to open Islamic Banking Branch, it has to form a Shariah Council. Banks Directors often hesitate to give due status and recognition to the members of the Shariah Council. They desire to include those people, as the member of the Shariah Council, who has close relationship with them and in most cases, has no prior experience of banking business. There is tradition to arrange few meeting of the Council in a year where only a few things are discussed. Vital issues related to Islamic banking are ignored are not given due importance in these meeting. Some banks have no muraquib (auditor) and in the absence of muraquib, members of the Shariah Council remain in dark about compliance of Islamic Shariah in the Banking transactions.

### **No adequate disclosure in the Balance Sheet:**

Conventional Bank publishes Balance Sheet under separate heading in the Annual Report of the Bank for Islamic Banking Branches, which is very precise there is no adequate disclosure of information to understand and determine the real status of



Islamic Banking Branches and accounting process. They don't follow accounting standard of Accounting and Auditing Organization for Islamic Finance Institute (AAOIFI), which is recognized as world wide standard Accounting System for high level of standard for Islamic Banks.

**No separate computer software:**

Islamic Banking Branches of conventional Banks have not separate computer software, to suit with their needs. They are only guided by usual software of their respective Bank.

**Non-existence of separate Books and forms:**

Some Islamic Banking Branches of conventional Banks use same type of books, documents and forms in their day-to-day operations, which were actually designed for use of conventional Banking purposes.

**Follow common guidelines and circulars:**

Although Islamic Banking needs separate types of instructions and guidelines from policy makers but conventional banks do not issue separate circular and guide line to Islamic Banking Branches.

**Others**

There are some common problems, which are being faced similarly by the full pledged Islamic banks and Islamic banking branches of conventional banks. They are Lack of commitments of entrepreneurs, lack of commitments professionals who can device and design innovative investment modes, shortage of skilled professional to run Islamic banking with professional excellence, Lack of patronizing from government level, Inadequate knowledge in Shariah based banking and economy.

## **8.0 Recommendations:**

### **Customer prefers and feels free to do Banking with Islamic banking branches:**

There has always been growing demand among Muslims for financial product and services that conform to the Islamic Shariah. Islamic Banking is a serious business for Muslims and non-Muslims alike. If Bank recognizes this demand it will be a direct response to their financial needs. Peoples prefer to Bank with Islamic Banks in a Shariah compliant way in Bangladesh. Local banking industry has a high growth rate (average 16%), with the Islamic banking niche growing even faster (28%).

### **Scope of large-scale remittance business:**

Statistics shows that maximum official remittance comes from Middle East countries, which is, till date, under explored. There are lots of Islamic bank which are eager to establish business relation to Islamic bank over the globe. If proper steps are taken, Islamic Banks can explore huge remittance business from Middle East.

### **Scope of getting of readymade customers:**

Conventional banks have some branches in different cities and towns. Some of the existing customers of the Banks may desire of running their Business transaction bases on Islamic principals, they may also get some new customers through reference of present client base.

### **Low overhead expenditure:**

Islamic Banking Branches of conventional Bank prepare Balance Sheet under separate headings. They do not include the expenditure of head Office in their expenditure. As the expenses of the Head office do not charge in the expenditure of the Branches, there is huge scope for Islamic Branches to give good return to its depositors.



## **9.0 Conclusion:**

Prime Bank Ltd. has already made significant progress within a very short period of its existence. The bank has been graded as a top class bank in the country through internationally accepted CAMEL rating. The bank has already occupied an enviable position among its competitors after achieving success in all areas of business operation. Islamic shariah banking is their one of the great success. IBB Dilkusha branch is the second highest profit generating branch among their all the branches. It becomes possible because of their existing members of this branch and also strong monitoring by the various division of the head office. During my internship I found that Prime bank posses a great organizational culture which are motivating and encouraging for any one to be member of that team. During my internship period I did not learn only professional insights, but I learned how to work in pressure, how to have patience in hurdles, how to behave with the seniors and how to help the juniors. It was really great practical exposure me to start my career. Even under the conventional banking framework Islamic banks can operate with certain level of efficiency by applying in a reasonable percentage the PLS-modes - the distinguishing features of Islamic banking. This has been possible in some countries of the Muslim world where the management of Islamic banks was cautious about possible impacts of every policy measure. Particularly, the management of these banks was judicious in selecting sectors or areas as major of their operations. I believe this success of this IBB Dilkusha branch will encourage the management authority to open new branch on shariah basis.



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